



Ref: B06395

PRIME MINISTER

c Sir Robert Armstrong

Poland

## BACKGROUND

The ad hoc meeting of Ministers at 4 pm tomorrow has been requested by the Lord Privy Seal because urgent decisions are likely to be needed in the very short interval between tomorrow's 5-power meeting of officials at the American Embassy here and Wednesday's potentially disastrous meeting of the North Atlantic Council in Brussels. The decisions will be on the line Britain should take at the NAC.

*(attached)*

2. The meeting will have before it a letter which the Lord Privy Seal's Private Secretary is sending to Mr Coles this evening. This merely records the line our representatives will be taking at the 5-power meeting, as follows.

(i) They will be exploring, without commitment and ad referendum to Ministers, whether there is any scope for a deal between Europe and the United States which would safeguard existing European contracts in return for the Europeans taking measures comparable to the Americans' and also taking positive action not to undermine American measures with regard to future contracts; ie the sort of deal you suggested to President Reagan last Friday.

*Japan?*

(ii) They will be exploring a possible fall-back, if no such deal is immediately available; this would point towards the NAC on Wednesday announcing only the easy measures on which there is general European agreement (political and economic action against Poland but only political action against the Soviet Union), and postponing decisions in the controversial areas (European economic action against the Soviet Union, American "second strike" action and the existing contracts/ not undermining complex).



3. The 5-power meeting is due to end at 3.30 pm. Your meeting will then need to decide

(a) whether, if a deal as at (i) above looks possible, it would be acceptable to Britain;

(b) whether, if not, the fall-back at (ii) above would serve to keep the lid on the pot for the time being.

4. Decision (a) will not arise if it is clear that no deal is in prospect, which may well be the case. But if it does arise it will be difficult. The terms of a deal cannot be predicted before tomorrow at earliest. But to be acceptable to the Americans it would almost certainly involve our committing ourselves to non-undermining in terms which would preclude future contracts with the Soviet Union in energy-related or high technology areas; ie the sort of concession which OD rejected last Thursday. The unattractiveness of that would have to be weighed against the dangers of Alliance disunity and an American second strike.

5. Decision (b) should not be controversial, since the suggested fall-back seems the only one available. There is no way of being sure it will work; but its aim is right - to gain time - and it ought not materially to weaken our bargaining hand for the future.

6. In the absence abroad of the Foreign and Commonwealth Secretary and the Secretary of State for Trade their Departments will be represented at your meeting by the Lord Privy Seal and the Minister for Trade. The Chancellor of the Exchequer, the Secretary of State for Industry and the Minister of Agriculture are also invited to attend or be represented. Each is being allowed to bring one official, to ensure that the meeting has up-to-date information and advice on the outcome of the 5-power meeting which will just have ended. Ministers involved only by virtue of one of the Anglo-Soviet co-operation agreements (the Secretaries of State for the Environment, Social Services and Energy) are known to be content with the proposed reduction of activity in those areas and have therefore not been invited.



## HANDLING

7. You will wish to report briefly on your meeting with Mr Haig on Friday; and on your subsequent message to President Reagan.
8. The Lord Privy Seal (or his official) should then be asked to report the outcome of the 5-power meeting.
9. If a deal looks possible, the Lord Privy Seal should speak to it; and the Minister of Trade, followed by the representatives of the Treasury and Department of Industry, should be asked if they can agree. Points to clarify will be.
- (1) Is this the only way of saving John Brown? If so, is it worth doing that even at the cost of potential future business? How much such business might be lost?
- (2) In the absence of a deal, how likely is an American second strike? Will it include steps to force a Polish default? Since OD met, Mr Nott has spoken to Mr Weinberger who was far from reassuring on the first point and sybilline on the second. The Chancellor of the Exchequer may have further evidence.
- (3) Is an early United States gain embargo now likely? The Minister of Agriculture should comment. Would it be a generalised trade ban? Mr Weinberger suggested that the answer to both questions might well be yes. If the Americans go for a general ban, would we be committed to not undermining it? If so, the Minister of Trade should assess the consequences.
10. Whether or not a deal looks possible, the meeting should then consider the suggested fall-back position. Does the Lord Privy Seal think this would hold the position? If so, for how long? Are other Ministers present content with it?



CONCLUSION

11. If a deal looks possible, your colleagues will probably consider that, on balance, following it up would be the lesser evil. But economic Ministers will be at best reluctant; and much will turn on estimates of how headstrong the Americans should otherwise be expected to be.

12. Your summing up should also approve the fall-back, while noting that it may not work. Ministers may need to meet again quickly after the NAC meeting, if dramatic American moves occur or seem imminent.

A handwritten signature in blue ink, appearing to be 'R. L. Wade-Gery'.

1st February 1982

R L WADE-GERY