

✓ Master

JR

cc MAFF
D/I
CS, HMT
min 9T
C



10 DOWNING STREET

From the Private Secretary

3 February 1982

POLAND

The Prime Minister held a meeting on 2 February at 1600 hours to consider possible British measures against Poland and against the Soviet Union in the light of the situation in Poland and current discussions between members of the Western Alliance. The Minister of Agriculture, the Lord Privy Seal, the Secretary of State for Industry, the Chief Secretary and the Minister for Trade were present, together with Sir Robert Armstrong and other officials. They had before them your letter to me of 1 February indicating the line which British representatives were to take at the five-power meeting in London earlier on 2 February.

(2) The meeting was informed of the outcome of the five-power meeting, which had been arranged following the Prime Minister's meeting with Mr. Haig on 29 January and subsequent message to President Reagan. It had been accepted that the North Atlantic Council meeting on 3 February should be steered towards reaching and announcing agreement in areas where little difficulty was expected, while more difficult issues were held over for further consideration. The United States representatives had adopted a more moderate approach than had seemed likely before the Prime Minister's contacts with Mr. Haig and President Reagan. But they had made clear that moderation in Washington would be easier to sustain if there was a reasonably wide measure of agreement on 3 February. In the light of this it had been indicated that Britain might be willing to announce the political and economic measures against Poland listed in the first part of the note enclosed with your letter and the political measures against the Soviet Union listed in the second part of that note. As regards the five economic measures against the Soviet Union in the same list, the position was as follows -

(i) On export credit, action by the European Community would be required. There was a good chance that this would prove possible, but opinion within the French Government was still divided and no announcement would be possible on 3 February.

(ii) On imports of Soviet manufactures, EC action would similarly be required. Britain had suggested raising tariffs in certain cases but this had not been agreed.

/Further

JR

Further consideration would now be given to the alternative possibility of tightening some of the quotas restrictions which still existed. But it was not clear whether this would be generally acceptable.

(iii) and (iv) On Soviet factory ships and the Anglo-Soviet Maritime Agreement, Britain had indicated a readiness to take action if her partners' intentions were broadly comparable. The Germans and Italians had certain steps in mind, but the French position was less clear.

(v) On non-undermining, it seemed possible that agreement might be attainable on the basis that the Americans would not frustrate existing European contracts in return for the Europeans undertaking not to take up future contracts with the Soviet Union which there were reasonable grounds to suppose would in normal circumstances have been awarded to United States companies. The British representatives had made clear that as things stood they had no authority to accept such an arrangement. But it had been agreed that the five Governments would now consider the possibility and resume discussion later in the month; that meanwhile the issue would not be substantively discussed in the NAC and no announcement would be made on 3 February; and that it would be important to ensure that neither the Japanese nor other major non-NATO industrial states picked up any contracts which the Europeans undertook to forgo.

(3) Ministers agreed that on 3 February the British representatives at the NAC meeting might authorise the announcement of the proposed political and economic measures against Poland and of the proposed political measures against the Soviet Union. As regards item A(iv) in your list of measures against Poland, they agreed that it would be wrong to specify a contribution of £5,000, which might seem too small, and that the Government should instead indicate a general willingness to cover all reasonable costs of co-ordinating the humanitarian efforts of the voluntary and church agencies. As regards item B(iii) in the same list, they agreed that, if possible, it should be made clear how much money was to be allocated by the EC to the provision of humanitarian aid. Turning to economic measures against the Soviet Union, Ministers took note of the position on points (i) and (ii) above. On point (iii), they agreed that on 3 February public attention could be drawn to the fact that the Government had introduced licensing control over the fish factory ships. But no actual restrictions should be imposed for the time being, since these might involve British fishermen in financial loss. The possibility of such restrictions could be reviewed in the summer. On point (iv), Ministers agreed that the NATO spokesman on 3 February could be authorised to say publicly that certain Maritime Agreements with the Soviet Union were to be terminated, but without identifying Britain as one of the countries involved in this. On

/ point (v),

point (v), they agreed that a deal on the basis canvassed would be acceptable to Britain if it was to others. In taking the necessary powers to prevent British firms undertaking contracts in the circumstances specified, the Government would have to retain considerable discretion over the definition of these circumstances. This might give rise to argument over borderline cases, but there should be no danger of challenge in the courts. It would be very important to ensure that the Japanese were not able to pick up contracts forgone by British firms.

4. Ministers agreed that Parliament should be informed of the public position taken by Britain at the NAC on 3 February, but that this should if possible be done by Written Answer in order to avoid damaging cross-examination.

5. Ministers noted with satisfaction that the United States Government were now reported to have abandoned the idea of precipitating a default by Poland on her debts; that the importance of existing European contracts was now better appreciated in Washington; that there were signs of a growing awareness on the part of the Americans that measures taken by their allies should not impose a burden out of scale with what their own measures involved; and that in general they appeared to be reasonably pleased with their European partners' approach at the five-power meeting.

I am sending copies of this letter to the Private Secretaries of other Ministers present and to Sir Robert Armstrong.

A. J. COLES

S.W.J. Fuller, Esq.,
Lord Privy Seal's Office.