

cc MODBA

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PRIME
MINISTER

As delivered to
the FCO.

With the compliments of

MIDDLE EAST DEPARTMENT

MS

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A handwritten signature, possibly 'MS', with a long horizontal line underneath it.

FOREIGN AND COMMONWEALTH OFFICE
LONDON, SW1A 2AH

SECRET

EMBASSY OF THE
UNITED STATES OF AMERICA

London, April 8, 1980

AIDE MEMOIRE

The hostages held in the American Embassy compound in Tehran are now in their 156th day of captivity. After more than two months of intensive discussions through the United Nations and other channels with the authorities in Iran, no progress whatsoever has been achieved to resolve the crisis or bring about the early release of the hostages. In spite of assurances from the Iranian authorities that the crisis could be resolved through a series of steps including an early transfer of the hostages to government control, their assurances have not been honored. The Iranian position is that decisions on the hostages can only be made by the elected Parliament. We have no assurances as to when the Parliament might meet or what the decision of the Parliament would be.

The situation has therefore become intolerable and we have now concluded that we have no alternative but to put into effect severe formal and political sanctions against Iran. The effect of these sanctions will be more pronounced if they are reinforced by our allies and other friendly nations. More forceful action will be required if the hostages are not released.

Shortly after the detention of the hostages the United States prohibited the import of Iranian oil and froze Iranian assets. In the hopes of encouraging the release of the hostages, however, we have avoided more intensive measures.

On several occasions we have asked your Government and others to restrain financial and trade relations with Iran. Your Government agreed

- ① to stop new official export credits to Iran. Your Government agreed to give informal advice to banks
- ② to issue no new credits to Iran, to refuse to open
- ③ new time or demand deposits for Iran and to allow
- ④ no substantive increase in existing non-dollar deposits for Iran. The Government agreed to request oil and trading companies to pay for Iranian oil
- ⑤ only in dollars and not to purchase Iranian oil on terms sharply different from that of other OPEC suppliers. Your Government agreed not to ship
- ⑥ military equipment and spare parts to Iran. We requested your Government not to replace the US in
- ⑦ supplying a large quantity of jeeps.

Assistance that we have received from our allies has been greatly appreciated and has been helpful in maintaining pressure on Iran, but we are now convinced that more must be done. The UN Resolution, vetoed by the Soviet Union on January 13 would have prohibited: (A) exports of all goods to

Iran except food, medicine, medical supplies;
(B) shipment of embargoed items on national vessels;
(C) new credit and certain other financial trans-
actions with Iran; (D) shipment of embargoed goods
on Iranian vessels; and (E) new service contracts
in support of industrial projects in Iran.

At a previous stage we had considered invoking
these sanctions formally and we suggested that
others do the same as though the UN Resolution had
not been vetoed. However, the negotiating situation
changed and we withheld imposition, recognizing that
others would also withhold, in order to take advan-
tage of what seemed to be a favorable atmosphere
for transfer of the hostages. That atmosphere has
disappeared, and we have seen a number of other
potentially favorable events also turn to dust.

We are driven to the conclusion that the
Iranian Government is not able to carry out its
commitments.

The President has now decided that the United
States will formally put into effect the entire
range of economic sanctions called for in the
United Nations Resolution, through the International
Emergency Economic Powers Act.

For economic sanctions to produce a stark
realization among the governing circles in Iran
that they must release the hostages, we count upon

the assistance of our allies and other friendly nations. The United States requests that your Government continue to maintain in effect those trade and financial restraints which you have already undertaken. We also request that you intensify these measures insofar as it is legally possible for you to do so and that you do all that you can to hinder commercial and financial relations with Iran. We believe it particularly important to prevent the signing of new economic agreements or contracts with Iran. It continues to be our view that your Government could best assist our efforts by instituting the full range of sanctions voted by 10 members of the UNSC and vetoed by the Soviet Union. We urge you strongly to look once again at instituting these sanctions. If your Government believes that its legal powers are insufficient to take compelling economic measures, we would hope, where possible, that you could seek such power, which in itself would convey our collective resolve to Tehran. We believe that the Iranian authorities will only become more serious about releasing the hostages if they see that the economic consequences for Iran of continued refusal will, in the long run, be calamitous.

On the political side we believe it is crucial that allied Governments reinforce the diplomatic isolation of Iran with specific steps. We urge

that all allies withdraw their Ambassadors from
Tehran immediately to demonstrate their deep concern
over the failure of the Iranian authorities to take
control over the hostages from the militatn students
as they had said they would do. We also strongly
urge that allied Governments give serious considera-
tion to a complete break in relations with Iran in
the weeks ahead, if Iranian authorities continue to
reject efforts to achieve a peaceful solution. While
we understand the desire of our allies to exert a
moderating influence in Tehran and to avoid enhance-
ment of Soviet influence, we strongly believe that
a stark demonstration to the Iranian leadership of
the alternatives they face will have a more persuasive
moderating influence than will a posture of normal
diplomatic interchange.