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10 DOWNING STREET

THE PRIME MINISTER

Subject on: Iran:  
Situation: Pt 3.

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T6A/80

10 January 1980

Dear Mr. President,

Thank you for your letter of 8 January. I much value your comments on the role that we here have been able to play so far in seeking the release of the hostages.

We faced a difficult decision when BP and Shell sought guidance about the purchase of Iranian oil. Ambassador Brewster was informed on 21 December of our readiness, as part of effective and concerted OECD and IEA arrangements, to advise British oil companies to continue to reject Iranian attempts to sell oil at prices sharply different from those asked by other OPEC countries. There was no definition then of what "sharply different" meant. We learnt only later of your hopes that the price could be held to \$28.50 .

We would have liked to have asked BP and Shell to hold off until the proposed meeting on 3 January. But it was uncertain whether the meeting would take place and the companies feared that delay would endanger conclusion of contracts even on the terms then offered. We concluded that a price of \$30 was not "sharply different" from the price of other OPEC producers. We took into account the fact that a number of companies had been reported as

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already accepting contracts with Iran at \$30 or above and that many companies, including US companies, were buying significant quantities of Libyan oil at prices in excess of \$34 per barrel.

We are supporting to the utmost the attempt to get your Resolution on Mandatory Sanctions through the Security Council. This is part of our general determination to support in whatever way we can your efforts to secure the release of the hostages. But it is possible that we shall fail to secure the passage of the Resolution. If this happens, I think it will be important for our people to discuss together the next steps in the light of the circumstances then prevailing.

On the one hand there is the point, of which you are already aware, that in the absence of a UN Resolution there will be substantial difficulties for Britain (as for many of our Western partners) in seeking to apply on a voluntary basis the sanctions spelled out in the Resolution. On the other hand, there is the radical change in the general situation created by the Soviet invasion of Afghanistan. I would hope that the Soviet action will in due course lead the Iranian authorities and people to a more accurate realisation of where their true interests lie.

The State Department tell us that Dick Cooper plans to fly to Europe at the weekend to discuss the economic aspects of the Iranian situation. It would be very helpful if he could be accompanied by colleagues able to discuss the entire range of possible measures which might help towards the release of the hostages. If it would be easier for you, we should be glad for

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the discussions to take place in Washington. Our Ambassador is fully briefed and we could, if necessary, send someone over from London to back him up.

I hope that we can continue to keep in the closest touch at this difficult time.

Warm personal regards.

Yours ever

Reagan

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The President of the United States of America

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