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*From the Secretary of State*

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The Rt Hon The Lord Carrington KCMG MC  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London, SW1A 2AL

17 March 1981

*Dear Peter,*

CONTINGENCY PLANNING ABOUT POLAND

PM 81/10 (undated)  
received 10/3

Your minute to the Prime Minister of 10 March makes me feel that there are a number of aspects of the situation which we need to consider together.

My main concern lies in the likelihood that a Soviet intervention in Poland would leave us little time to consult before you had to attend a NATO Ministerial meeting and participate in decisions about immediate allied actions. There would then be little option other than to accept or reject the package of measures. We thus need to be sure that we have thought carefully in advance about the implications of such measures for the British economy and for our commercial interests.

The main points in my minute of 4 March to the Prime Minister were that trade measures had greater general implications for the United Kingdom than other countries, that there were limits on the effectiveness of these measures, and that they were subject to a fair degree of uncertainty because we simply do not know in Government the details of many of the deals which take place. We might easily land up doing too little or too much.

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I do not regard the fact that United Kingdom exports to the Soviet Union account for a relatively small part of our overseas trade (about 1% of total British exports) as a good reason for saying that the loss of the business does not matter. Action in relation to one country, or group of countries, has implications for our trading relationships worldwide. Our £455m of exports in 1980 were of considerable importance to some companies. Imposing a trade embargo would in effect be asking the shareholders of a limited number of firms like Davy to carry the cost of the Government's policy.

Of course, firms in other countries would in principle have to carry similar (and in some cases perhaps greater) burdens, but I think we must take a very objective view of whether or not the United Kingdom might find itself unduly exposed. One only has to consider what happened over the special steels and aluminium projects surrendered by American companies after the invasion of Afghanistan which were picked up by the French and Germans despite the understandings that this would not happen.

On the detailed point which particularly concerns me, the proposal to draw a line between existing contracts and other forms of trading relations presents considerable problems. It is possible to draw up technical definitions which enable operation of a policy allowing the completion of existing contracts. But, as we found from the examination of detailed cases over Iran, this can give rise to some very artificial distinctions which are inequitable and damaging both to our overall trading interests and to the companies concerned. Some trading arrangements are likely to be strictly of a contractual nature while others, because of the way they happen to be constructed, are not. I consequently think that we must have a clear definition of our objective in terms of the trade to be interrupted, should this become necessary, as well as defining the technical criteria to be adopted. I

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suggest that our aim must be to inflict the maximum economic damage on the Soviet Union at minimum cost to the United Kingdom economy. This means giving British firms equal opportunities to disengage and find replacement markets whether they are bound by legally enforceable contracts or are committed to established business relationships. Our approach to technical discussions in NATO about contract definitions should reflect this requirement.

I am copying this to the Prime Minister and other recipients of your minute.

*Yours  
John Biffen*

JOHN BIFFEN

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