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Prime Minister  
To be aware.

Ref. A04838

MR. ALEXANDER

+ Agree that discussion w/ O.A.  
is inevitable? Yes Mr. Smith

(attached to OD(81)27)

Poland: Contingency Planning

'A' — In his minute of 28th April the Secretary of State for Trade (i) reiterated, for the fourth time, his misgivings about the position reached within NATO on contingency planning for economic sanctions in the Polish context and (ii) suggested that officials should now work on the formulation of additional, flexible proposals for consideration in NATO. The Foreign and Commonwealth Secretary's reply of 1st May once again rejects (i), but meets (ii) in part by agreeing that officials should examine the feasibility cost and impact of the four options identified by the Department of Trade. The Secretary of State for Trade is expected to return to the charge. The correspondence arose out of a report by officials circulated as OD(81) 10 on 13th February. The Chancellor of the Exchequer and the Lord Chancellor have also taken part.

'B' —

'E' — 2. Officials have in hand a revision of OD(81) 10 which formed the basis of the United Kingdom's position in discussions with NATO. The revision will update the earlier report; draw attention to the (few) places where there are differences between it and the corresponding NATO paper which has meanwhile emerged; and identify options in the field of trade sanctions short of a complete embargo on new contracts. This last feature of the revised report will cover the evaluation of the four Department of Trade options to which the Foreign and Commonwealth Secretary's latest minute refers. The report should issue within two weeks.

3. What the revised report will not be able to do is reach conclusions on the policy question whether the United Kingdom should (as the Secretary of State for Trade wants) take an initiative in NATO to have the additional options in the field of trade sanctions written into the NATO paper (or somehow recognised by our Alliance partners); or whether (as the Foreign and Commonwealth Secretary insists) that would be both damaging and unnecessary. It seems unlikely that the issue will be resolved in further correspondence. Unless the Prime Minister is

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content to adjudicate or postpone the matter, a meeting of OD will be needed, which we shall arrange when officials' revised report is available.

4. Behind the specific argument between the Secretary of State for Trade and the Foreign and Commonwealth Secretary lies a more fundamental difference about the merits of sanctions. The Secretary of State for Trade, with support from the Lord Chancellor and the Chancellor of the Exchequer, thinks that they would harm us and fail to serve their purpose. The Foreign and Commonwealth Secretary sees them as unavoidable in certain circumstances. This unresolved clash between our economic and political interests is familiar from discussion of Iran and Afghanistan last year. Economic Ministers' apprehensions are sharpened by a feeling that the Foreign and Commonwealth Secretary did his best to bounce them over Iranian sanctions. If too many key decisions are left to be taken at the time a crisis is on us, they fear he may succeed in bouncing them again. Conversely, the Foreign and Commonwealth Secretary would probably prefer to avoid collective discussion unless and until the crisis arrives; and he can reasonably argue that theoretical argument in advance is likely to be pretty sterile.

REA

ROBERT ARMSTRONG

7th May, 1981

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