



SECRET

Pland.
22PRIME MINISTER

Poland: Possible Economic Sanctions in the
Event of Forcible Intervention
(OD(81) 26 and 27)

BACKGROUND

1. You agreed in response to Sir Robert Armstrong's minute of 7th May that this matter should be discussed at OD. The Secretary of State for Trade has been in dispute with the Foreign and Commonwealth Secretary since early March over his misgivings about the position reached within NATO on contingency planning for economic sanctions in the event of Soviet intervention in Poland. Their latest exchange of letters is attached to OD(81) 27.
2. As background to their discussion, the Committee will also have before them, in OD(81) 26, an updated version of officials' earlier report on the range of economic sanctions which could be applied in the Polish context. To this is attached, at Annex II, the comparable paper on the available options which has in the meantime been agreed within NATO. The status of this NATO paper is deliberately ambiguous. In form it is merely a list of possibles, which leaves it to Governments to decide at the time what measures they would actually adopt. In practice, of course, some degree of moral commitment is involved already. The disagreement between Mr Biffen and Lord Carrington centres on this ambiguity.
3. The Secretary of State for Trade's main worry is that the way in which NATO's contingency planning has been conducted will limit Governments' freedom of choice in a crisis by confining it to rigidly pre-packaged measures which fail to take due account either of individual national interests or the varying circumstances of the moment. He is supported by the Chancellor of the Exchequer in his view that we should be thinking in terms of a more flexible and selective approach to trade sanctions in particular. He pressed for the evaluation by British officials of four alternative forms of trade embargo, which is set out in paragraph 7D of the revised report (pages 9-11); and he would now like these alternatives injected into the NATO paper. The four are: total embargo; exemption only for enforceable contracts; exemption also for contracts continuing established business (as in Iran); and exemption for all contracts, whether or not enforceable.



SECRET

4. Underlying Mr Biffen's expressed worries is the fear that in an actual crisis the need to take decisions very quickly would leave little scope for collective discussion by British Ministers; and that the economic Departments might once again be bounced by the Foreign and Commonwealth Office as they feel they were over Iran.

5. On the substance of the matter, Lord Carrington has repeatedly made clear that in his view anything less than a complete embargo on all new contracts would not be workable, equitable as between Allies or severe enough in its impact on the Soviet Union. On procedure, he is opposed to re-opening negotiations on the NATO paper, which was the fruit of long weeks of international discussion and represents a delicate balance among many different interests and points of view. Further negotiation might, he fears, undermine NATO's general support for the measures already identified and cast doubt on the United Kingdom's advocacy of a robust response to Russian intervention. Indeed it could well be argued that the preparation of the NATO contingency plans, of which the Russians are almost certainly aware, has already had a deterrent effect on them; and that this would be reduced by the kind of action which Mr Biffen would like to take.

6. The Lord Chancellor believes more sweepingly that economic sanctions are always ineffective (his Private Secretary's letter of 6th March). As a piece of historical analysis this has much to commend it (despite some contrary examples, eg the fear of impending American economic sanctions which precipitated the Japanese attack on Pearl Harbour). But it ignores the fact that in some international circumstances public opinion would certainly regard it as unacceptable if sanctions were not at least attempted.

HANDLING

7. You could introduce this item by referring to the considerable correspondence which has taken place since early March and the need to reach an agreed position. You could then invite the Foreign and Commonwealth Secretary to describe the present position which has been reached within NATO on the preparation of contingency plans in regard to Poland. Thereafter you could call on the Secretary of State for Trade and the Chancellor of the Exchequer to expand their reasons for suggesting that we should go back to our NATO allies with amended proposals. Subsequent discussion might cover the following points.



SECRET

(a) Does the Foreign and Commonwealth Secretary accept that, if there is forcible intervention in Poland by the Soviet Union, the economic sanctions which might be applied by the United Kingdom would be decided on by the Government collectively, in the light of the circumstances of the time?

(b) In the opinion of the Foreign and Commonwealth Secretary how damaging would it be to the solidarity of NATO's position over contingency planning if the United Kingdom sought to re-open the issue along the lines advocated by the Secretary of State for Trade?

(c) Does the Lord Chancellor accept that, while the application of economic sanctions might not have much effect on the Soviet Union, it would be unhelpful to advance this argument internationally at the present time or seek to stand aside from NATO's contingency planning on this account?

(d) How strongly does the Secretary of State for Trade rate potential Parliamentary opposition to the kind of measures considered in the NATO contingency plan? In his letter of 28th April he suggests that Parliament may well expect a different response over Poland than Afghanistan. Is not the difference that Parliament will expect a stronger reaction in relation to Poland?

8. You will not need to consider in detail the officials report attached to OD(81) 26. But are there any particular points of concern which members of the Committee wish to raise on it? Apart from the qualification made by Mr Biffen, the report has been fully cleared with Departments at official level.

CONCLUSION

9. Subject to points made in discussion, you may like to guide the Committee to conclude that the overriding objective at the present time must be to deter Soviet intervention in Poland. Re-opening discussion in NATO, along the lines suggested by the Secretary of State for Trade, might place this objective at risk.



SECRET

10. But it would be helpful to Mr Biffen if you could also seek an assurance from the Foreign and Commonwealth Secretary that what the United Kingdom has said in its contribution to the NATO contingency planning is not necessarily the same thing as what would actually be done if the contingency arose; that any British decision on economic sanctions will be taken with due regard both for the circumstances of the time and for our national interests; and that such decision will of course be preceded by appropriate collective discussion.

29th May 1981

R L WADE-GERY

c Sir Robert Armstrong o/r