



Foreign and Commonwealth Office

London SW1A 2AH

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*Dear John,*Poland

You will have seen the Declaration issued at the NATO Foreign Ministers' meeting on 11 January. The Americans were grateful for the firm tone of its political language as well as for the willingness of those concerned (less the Greeks) to list the sort of measures which they could consider taking. The clear demonstration of unity will have disappointed the Soviet Union, who had hoped and worked for a major demonstration of disarray.

The pressure will now be on the European Allies to translate these words into action. This will not be easy. There is likely to be a series of meetings in the Community, the Ten and NATO with a view to reaching decisions in the week starting 25 January. Decisions which fall to be taken in the Community could be taken in the Foreign Affairs Council of 25/26 January. Other decisions which are for individual governments may be co-ordinated in discussions in the NATO framework (where there will be a follow-up Council meeting on 21 January), although we may have trouble with the French, and, for different reasons, the Irish. The biggest impact would be made if the decisions were all announced at the same time after a final co-ordinating session in the NATO Council. But we doubt if it will be possible to achieve this. Decisions taken in the Community become known almost immediately and some alliance members, and the Irish, may announce their national measures at times which suit them.

As far as Parliament is concerned, however, Lord Carrington believes we should aim at a statement immediately after the decisive session in NATO. He will return to this question if it proves impossible to co-ordinate in NATO and the Ten as tightly as he would like.

/For the time

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For the time being he does not think any new decisions are needed. Officials are proceeding on the basis of the decisions reached when Ministers met on 7 January and recorded in your letter of 8 January. I would, however, like to draw attention to the following points which have emerged in discussion in NATO and the Community.

Subsidised Food Sales to Poland

Discussion in Brussels on 12 January indicated, as expected, that the French would press hard for continued sales at special subsidised prices (ie 15% discount from normal prices), supported by credits from individual member states. It is not clear yet whether they will be able to rally majority support. The Germans gave hesitant backing. As Lord Carrington made clear at the meeting on 7 January, he is unhappy about further such subsidised sales in the present circumstances in Poland. But he does not propose to attempt to block them if the rest of the Community thinks otherwise, although he will continue to argue in favour of operating wherever possible through voluntary or church agencies, and in any case of obtaining the best assurances we can from the Polish authorities that the food will be going to the people for whom it is intended. He is not, however, in favour of providing any credit for UK suppliers to participate in any forthcoming Community offer, although there would of course be nothing to stop UK traders from selling food for cash - which the Poles seem ready to produce for at any rate one commodity (butter) - with the benefit of the special Community subsidy.

There seems to be general agreement within the Community on the principle of further humanitarian aid to Poland. Lord Carrington proposes to continue supporting this. He hopes, however, that it can be agreed that there can be no question of the cost of this humanitarian assistance falling upon the ODA budget, even if the Community finds it most convenient to use funds from the Community aid budget.

Gas Pipeline

The Americans have publicly taken all the steps necessary to apply the regulations they have published in a way which will prevent the execution of existing contracts. This emphasises the importance of discussions to reach agreement on the precise meaning of the undertaking "not to undermine the effects of each other's measures". It does seem, however, that the Americans understand European concerns and are aware of the determination of the Germans and others that major contracts already signed should be honoured. We shall, however, need to keep up the pressure and we shall report at once if it looks as if the Americans may not be prepared to be co-operative over this. It is of course possible that the US position may be tactical, ie that they want to see the Europeans deliver a package of measures comparable to those

/announced



announced by President Reagan on 29 December before they give way over the pipeline.

Non-Undermining

The commitment by all members of the Alliance not to undermine each other's measures has served an important political purpose, and has received a favourable public reaction. But we shall need to consider carefully how it is to be given practical effect with regard to future contracts.

Export Credits

It was agreed at NATO that we and others should examine "the conditions surrounding export credits" to the Soviet Union. The size of our credits depends on the volume of our existing and future exports and also on what trade measures towards the Soviet Union are finally agreed. We must try to ensure that we do not suffer more than other countries whose exporters make less use of official credits and guarantees.

One measure which Lord Carrington believes that we should consider is that members of the OECD Export Credit Consensus (which includes all major NATO members) should agree to up-grade the Soviet Union from the category of "intermediate" to "relatively rich", which is where it belongs. Not only would this reduce the export credit subsidies the Soviet Union receives; but it would also affect most NATO members equally. It would take time, but he believes we should press strongly for this.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer and the Secretaries of State for Industry, Trade and Agriculture, and to David Wright in the Cabinet Office.

Yours ever,

F N Richards

(F N Richards)
Private Secretary

