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TO IMMEDIATE FCO

TELEGRAM NUMBER 697 OF 23 FEBRUARY

INFO PRIORITY WASHINGTON UKDEL NATO WARSAW MOSCOW ROUTINE EC  
POSTSCOUNCIL OF MINISTERS (FOREIGN AFFAIRS) 23 FEBRUARY: POLAND

## SUMMARY

1. LARGE MAJORITY IN FAVOUR OF REDUCING IMPORTS OF MANUFACTURED GOODS AND LUXURY PRODUCTS FROM THE SOVIET UNION BY ACTION UNDER ARTICLE 113. COMMISSION ASKED TO MAKE FORMAL PROPOSALS TO ENABLE ACTION TO BE TAKEN AS SOON AS POSSIBLE. GREECE OPOSED MEASURES, BUT WAS READY TO ACCEPT USE OF ARTICLE 113 IF IT COULD BE EXEMPTED FROM TAKING ACTION. DENMARK PUT A LEGAL RESERVE ON RECOURSE TO ARTICLE 113.

2. FURTHER TRANCHE OF 8 MILLION ECU HUMANITARIAN AID TO POLAND AGREED.

## DETAIL

TRADE MEASURES AGAINST THE SOVIET UNION

2. NOTERDAEME (CHAIRMAN OF COREPER) IDENTIFIED THE MAIN QUESTIONS FOR THE COUNCIL AS:

(A) WHETHER TO TAKE ACTION AGAINST SOVIET EXPORTS:

(B) IF SO, ON WHAT LEGAL BASIS: AND

(C) HOW TO IMPLEMENT RESTRICTIONS, IN PARTICULAR

WHETHER TO TAKE ACTION BOTH ON LIBERALIZED PRODUCTS AND ON THOSE UNDER QUOTA: AND WHETHER TO FREEZE OR REDUCE TRADE.

4. YOU SPOKE STRONGLY IN FAVOUR OF A CLEAR AND POSITIVE DECISION BY THE COUNCIL IF DAMAGE TO EUROPEAN COMMERCIAL INTERESTS AND A MAJOR RIFT IN TRANSATLANTIC RELATIONS WERE TO BE AVOIDED. THE COMMUNITY SHOULD BE SEEN TO BE ACTING TOGETHER AND THE DECISION TAKEN UNDER ARTICLE 113. THIS WOULD ALLOW GREECE TO OPT OUT IF NECESSARY. FREEZING IMPORTS FROM THE SOVIET UNION AT CURRENT LEVELS WOULD HAVE LITTLE EFFECT: ACTION SHOULD BE TAKEN TO CUT IMPORTS OF A COMMON LIST OF PRODUCTS TO AN AGREED LEVEL OR BY AGREED PERCENTAGES. THE UK WOULD BE READY TO TAKE ACTION ON ANY OF THE PRODUCTS ON THE COMMISSION LISTS EXCEPT FURS, FERRO-CHROME AND CHEMICALS, PROVIDED OTHERS WERE PREPARED TO TAKE SIMILAR ACTION.

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5. OTHER DELEGATIONS, WITH THE EXCEPTION OF GREECE AND DENMARK, GENERALLY FOLLOWED YOUR LEAD. CHEYSSON (FRANCE) SAID MEASURES SHOULD BE AGREED AND ANNOUNCED AS SOON AS POSSIBLE. ACTION SHOULD BE TAKEN UNDER ARTICLE 113. FRANCE WAS READY TO ACCEPT A 50 PER CENT CUT IN QUOTAS WHERE THEY EXISTED AND A 50 PER CENT CUT IN ACTUAL IMPORTS OF LIBERALIZED PRODUCTS. COLOMBO (ITALY) AGREED WITH YOU AND CHEYSSON AND COULD SUPPORT CUTS OF 50 PER CENT, WHILE STRESSING THE NEED FOR ALL MEMBER STATES TO SHARE THE SACRIFICES. GENSCHER (FRG) COULD ACCEPT EITHER FREEZING OR REDUCTION OF QUOTAS. IT MUST BE CLEAR HOWEVER THAT THE COMMUNITY WAS NOT USING EVENTS IN POLAND AS A PRETEXT FOR PROTECTIONISM. VAN DER STOEL (NETHERLANDS) WANTED ANY MEASURES TO BE FLEXIBLE ENOUGH TO ALLOW FOR PROGRESSIVE TIGHTENING OF RESTRICTIONS, BUT COULD GO ALONG IN PRINCIPLE WITH REDUCTIONS SUBJECT TO CO-ORDINATION WITHIN BENELUX ON THE DETAILS. BELGIUM, LUXEMBOURG AND IRELAND ALSO AGREED, THE LAST EXPRESSING SOME CONCERN ABOUT THE ECONOMIC EFFECTS OF ACTION ON THE COMMUNITY.

6. OLESEN (DENMARK) DOUBTED WHETHER THE SORT OF TRADE MEASURES ENVISAGED, WHICH SHOULD BE RECOGNISED AS SANCTIONS, WOULD HAVE ANY EFFECT ON THE SOVIET UNION. IN ANY EVENT ARTICLE 113 WAS NOT APPROPRIATE AND ANY ACTION SHOULD BE UNDER ARTICLE 224. VARFIS (GREECE) OPPOSED FURTHER MEASURES. HOWEVER, HE PICKED UP YOUR REMARK THAT GREECE MIGHT OPT OUT AND ASKED HOW THIS COULD BE DONE. GREECE'S TRADE WAS PARTICULARLY VULNERABLE TO RETALIATION BY THE SOVIET UNION. GREECE WAS PREPARED TO ACCEPT APPLICATION OF ARTICLE 113 PROVIDED A WAY COULD BE FOUND TO EXEMPT HER FROM THE PRACTICAL IMPLICATIONS OF ACTION UNDER IT.

7. HAFERKAMP (COMMISSION) EXPLAINED HIS UNDERSTANDING. ON THE BASIS OF THE LARGE MAJORITY OF EARLIER INTERVENTIONS, THAT THE COMMUNITY WAS IN EFFECT TAKING A POLITICAL DECISION TO REDUCE IMPORTS FROM THE SOVIET UNION AND THAT THE COMMISSION WERE BEING ASKED TO MAKE PROPOSALS TO IMPLEMENT THIS. THEY WERE READY TO DO SO VERY QUICKLY. THEIR PROPOSALS WOULD COVER BOTH LIBERALIZED PRODUCTS AND THOSE ALREADY UNDER QUOTAS.

8. MUCH OF THE SUBSEQUENT DISCUSSION CONCERNED WHETHER GREECE COULD BE EXEMPTED FROM COMMUNITY ACTION ON LIBERALIZED PRODUCTS AS WELL AS ON QUOTAS. THE COMMISSION IMPLIED THAT THE CHOICE OF PRODUCTS COULD BE MADE SO AS TO TAKE ACCOUNT OF GREECE'S POSITION. YOU SUGGESTED THAT THE SIMPLEST WAY TO DEAL WITH THE PROBLEM WAS TO DELIBERALIZE LIBERALISED PRODUCTS, LEAVING SCOPE TO EXEMPT GREECE FROM APPLYING THE CONSEQUENT QUOTA RESTRICTIONS.

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OLESEN (DENMARK) CONTINUED TO HARP ON DANISH OBJECTIONS TO USE OF ARTICLE 113 AND MADE FREQUENT EFFORTS, WHICH VARFIS SIDE-STEPPED, TO PUSH THE GREEKS TO HARDEN THEIR POSITION. BUT HE LATER SHOWED SOME SIGNS OF WEAKENING ON THE SUBSTANCE OF DANISH OPPOSITION TO TRADE MEASURES, EXPRESSING A PREFERENCE FOR FREEZING RATHER THAN REDUCING TRADE.

9. AFTER YOU, GENSCHER AND CHEYSSON HAD MADE IT QUITE CLEAR THAT A DECISION OF PRINCIPLE MUST BE TAKEN, TINDEMANS (CHAIRMAN) CONFIRMED THAT THE NECESSARY QUALIFIED MAJORITY FOR IMPOSING RESTRICTIONS APPEARED TO EXIST. THE COUNCIL AGREED THAT IT WISHED TO REDUCE SOVIET EXPORTS TO THE COMMUNITY BY ACTION UNDER ARTICLE 113 AND IT WAS NOW FOR THE COMMISSION TO MAKE PROPOSALS TO COREPER AS SOON AS POSSIBLE ON HOW TO IMPLEMENT THIS, TAKING ACCOUNT OF GREECE'S POSITION. VARFIS (GREECE) ASKED FOR HIS OPPOSITION TO BE RECORDED AND OLESEN (DENMARK) PUT A LEGAL RESERVE ON THE PROPOSED RECOURSE TO ARTICLE 113.

10. THE COUNCIL SUBSEQUENTLY RETURNED TO THIS POINT AFTER YOUR DEPARTURE AND TINDEMANS READ OUT THE FOLLOWING CONCLUSIONS:

''THE COUNCIL NOTED:

THAT A VERY LARGE MAJORITY OF MEMBER STATES WERE IN FAVOUR OF REDUCING IMPORTS FROM THE SOVIET UNION BY ACTION UNDER ARTICLE 113:

THAT GREECE HAD CONFIRMED ITS OPPOSITION TO SUCH MEASURES:

THAT DENMARK HAD PLACED A LEGAL RESERVE ON RECOURSE TO ARTICLE 113: AND

THAT THE COMMISSION WOULD MAKE PROPOSALS AS QUICKLY AS POSSIBLE IN THIS RESPECT''.

#### HUMANITARIAN AID

11. THE COUNCIL APPROVED THE DRAFT CONCLUSIONS IN THE PRESIDENCY REPORT OF 19 FEBRUARY, MAKING AVAILABLE A FURTHER 8 MILLION ECU HUMANITARIAN AID FOR POLAND TO BE DISTRIBUTED THROUGH NGOS

#### NON-UNDERMINING

12. AGREED THAT COREPER WOULD CONTINUE ITS STUDY OF THIS AND REPORT TO THE COUNCIL AS SOON AS POSSIBLE.

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COMMENT

13. IT WILL CLEARLY BE IN OUR INTERESTS TO PRESENT THE OUTCOME OF THE COUNCIL'S DISCUSSION AS A DECISION IN PRINCIPLE TO REDUCE IMPORTS FROM THE SOVIET UNION WITH ONLY THE DETAILS OF IMPLEMENTATION TO BE WORKED OUT. THIS WILL INCREASE THE PRESSURE ON THE DANES TO FALL INTO LINE AS WELL AS BEING HELPFUL WITH THE US. THE SECRETARY OF STATE TOOK THIS LINE IN HIS PRESS CONFERENCE AND OTHER MINISTERS APPEAR TO HAVE SPOKEN SIMILARLY.

14. PLEASE SEE MIFT.

FCO ADVANCE TO:

FCO - PS/SOFS PS/PUS PS/LPS PIRNIE BRIDGES BULLARD EVANS HANNAY  
GOODISON CROWE BROOMFIELD GREEN MS YOUNG

CAB - GOODENOUGH

IDT - CORLEY

MAFF - PARKHOUSE

TSY - CARY

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