

CABINET TWO

SECRET

Confidential Filing

Lord Kagan



SECURITY

DECEMBER 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
18-12-80							
26-1-81							
28-1-81							
PREM 19/589							

SECRET



Secretary
Jill AN

10 DOWNING STREET

From the Principal Private Secretary

16 April 1981

Dear Sir Harold,

Thank you for your letter
of 14 April 1981.

I attach a copy of the acknowledgment which was sent to Mr Winston Churchill in December 1974.

Yours sincerely,

Alvi Whitmore.

The Right Honourable Sir Harold Wilson
KG, OBE, MP

AN

18th December, 1974

Dear Mr. Churchill,

I am writing to let you know that the Prime Minister has seen your letter of the 17th December and appreciated your taking the trouble to write.

Yours sincerely,

Lady F

Personal & Political Secretary

Winston S. Churchill, Esq., M.P.,
House of Commons,
London, SW1.

1/2



10 DOWNING STREET

belive.

A reply from Sir Harold
Wilson to your letter
of 9 April.

A copy of the
acknowledgement is
attached.

Alm J.

16/4/87



HOUSE OF COMMONS
LONDON SW1A 0AA

14th April 1981.

Dear Mr. Whitmore,

Thank you for your letter of the 9th April.

In fact, all my secretary was asking for was a copy of the acknowledgement of Winston's letter to me. If you have that perhaps you could let me have a copy, but don't go to any great trouble over it.

Should this question be raised again, I was well aware that every single member of the Soviet trade delegation at Highgate was KGB/MBD and made it my business to warn every firm I knew who were involved in Soviet trade, including some of the really big exporters, of that fact.

Yours sincerely,

Harold Wilson

Mr. C. Whitmore,
10 Downing Street,
London S.W.1.



Security
File AN

10 DOWNING STREET

From the Principal Private Secretary

9 April 1981

Your Private Secretary wrote to Mr Davies Jones here at No 10 on 3 April 1981 asking us to let you have papers attached to Mr Winston Churchill's letter of 17 December 1974 to you. We let you have the original of Mr Churchill's letter last month.

Our records show that there were in fact no papers attached to Mr Churchill's letter, and indeed the letter itself makes no reference to any other documents. Mr Churchill's letter led, however, to some correspondence between Robert Armstrong and officials in another department, which you saw at the time. This correspondence is highly classified and we are therefore unable to release copies of it. But if you wished to see the file in order to refresh your memory, I should of course be very ready to make the necessary arrangements.

C. A. WHITMORE

The Right Honourable Sir Harold Wilson KG, OBE, MP

AN

MR. WHITMORE

✓ Thank you. I will
write to Sir Harold. HJ 5/2

Please see the attached letter from Sir Harold Wilson's secretary. This is in response to a telephone request with which we complied on 30 March 1981. My note at Flag A. The Winston Churchill letter referred to is at Flag B.

As you can see the CF file was originated by Churchill's letter with which there was no attachment.

We cannot release any more of these papers and I therefore propose to reply telling his private secretary simply that there was no attachment to the original letter.

You may, however, feel that either you or Sir Robert Armstrong should write personally to Sir Harold inviting him to read the file again. A draft of such a letter is enclosed.

Alan James Jones

8 April 1981



HOUSE OF COMMONS
LONDON SW1A 0AA

3rd April 1981.

Dear Mr. Davies-Jones.

You very kindly sent to our office the original of the letter Mr. Winston Churchill wrote to Sir Harold on the 17th December 1974.

However, you omitted to send with it the other papers which were attached to Mr. Churchill's letter.

Sir Harold would appreciate it if he could now have these to make the correspondence complete at this end.

Yours sincerely,

D. Williams

Private Secretary.

Mr. Alan Davies Jones.
10 Downing Street,
London S.W.1.



10 DOWNING STREET

Note for the file

The original of Winston Churchill's letter of 17.12.1974 has been returned to Sir Harold Wilson following a request for No 10 to do so by his secretary on Thursday 26/3/1981.

Sir Robert Armstrong's office in Cabinet Office raised no objections to No 10 doing so following consultation with Messrs Patterson and Sanders.

Alan Davies Jones
27.3.1981

Personal & Urgent



HOUSE OF COMMONS
LONDON, SW1

13
Davis: Can you
do a ch.
marked
study
with
some P.M. be

17 December 1974

and apparently
the same
turn to
with

Dear Prime Minister,

In case he may be unaware of

fact, I feel that your friend Lord Kagan

should be informed that his house-guest, a

delightful Russian by the name of Victor Levinovky

is also a minor member of the KGB

Yours sincerely,

17 Dec 1974
David [unclear]

P.S. May I congratulate you on your

visit in the House today - the
intrusion of which Mrs. Thatcher and her family, are
being suspected as undesirable.

Security
5

Ref. A04108

MR. WHITMORE

mm
28.

Lord Kagan

Thank you for your minute of 26th January.

2. I will make sure that your report is brought to the attention of the appropriate official quarters.

3. We shall have of course to wait until we see the full report; but from what you say in your minute there does not seem to be a very good case for referring the matter to the Security Commission. There might be a basis for charges in a court of law; failing that, it looks to me more like a case for a Tribunal of Inquiry, disagreeable though that would be.

RA

ROBERT ARMSTRONG

28th January, 1981

File
Security
4

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

LORD KAGAN

I have received the following report of Lord Kagan's past activities and I pass it on to you for what it is worth.

Mr. John Watson, the Member for Skipton, is continuing the enquiries into Lord Kagan's conduct which he began at the time of Lord Kagan's trial. Mr. Watson's main - possibly only - source of intelligence is the Yorkshire Post. He says that Mr. Eric Varley frequently used a house owned by Lord Kagan in the Lake District. He claims that the firm Kagan Textiles paid large sums of money to Mr. Stanley Clinton Davis' law firm and he also alleges that Mr. Gerald Kaufman received payments from the same source.

But Mr. Watson's main claim is that Kagan Textiles paid sums of money into a Belgian bank account which were subsequently transferred to a Swiss bank account. From there it is said the money was used to finance property development in the Caribbean. A total figure of £1.9 million for the money transferred in this way has been mentioned.

Mr. Watson says that there are published reports that Sir Harold Wilson has a Swiss bank account. I do not know whether it is the case that this allegation has been made publicly.

He says that the Yorkshire Post journalist who is running the investigation into Lord Kagan's affairs has seen copies of a bank statement from the Belgian bank showing the transfer payments to the Swiss bank.

It is apparently Mr. Watson's intention to let the Prime Minister have in due course a memorandum reporting the findings of the investigation and suggesting that the matter should be referred to the Security Commission.

I doubt whether there is anything to be done about all this at present other than seeing that the appropriate official quarters are aware, if they are not already, of what Mr. Watson and the Yorkshire Post are claiming.

C. A. WHITMORE

KRJ
—

26 January 1981

SECRET

Ref. A03837

NOTE FOR RECORD

Lord Kagan's Association with Sir Harold Wilson

Sir Harold Wilson came in at his request on Tuesday, 16th December at 11.30 am to refresh his memory of 10 Downing Street papers relating to Lord Kagan, which he had seen during his Prime Ministership between December 1974 and February 1975. These papers arose from a letter which Mr. Winston Churchill MP had written to Sir Harold Wilson on 17th December 1974, suggesting that Lord Kagan had had as a house-guest a senior serving officer of the KGB named Lessiovsky. Mr. Churchill's information had appeared to be mistaken, as Lessiovsky had been refused permission to enter the country.

2. I took the opportunity of reminding Sir Harold Wilson that he had been interviewed by an officer of the Security Service at his own request in October 1972 and informed by him of Vaigauskas's intelligence function and of his friendship with Lord Kagan. He had volunteered to talk to Lord Kagan and to warn him about the dangers in any further dealings with the Russians. I also reminded Sir Harold that he had been reminded of the 1972 interview when he saw the then Director General of the Security Service in April 1974, shortly after becoming Prime Minister again. On that occasion he had confirmed that he had passed on a warning to Lord Kagan as promised.

REA

(Robert Armstrong)

18th December, 1980

SECRET

3

Security

SIP

Pa
me

M. Whitmore



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>589</i> (one piece/item number)	
Extract/Item details: <i>Armstrong note for the record (Ref. A03836) dated 18 December 1980</i>	
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16th December, 1980

In Confidence

*J.W.
17x11*

Lord Kagan

Thank you very much for having handed to me yesterday your Memorandum. — *W.W.*

As I explained, Sir Harold Wilson is expected to make a Statement about this before the end of the week.

May I suggest that we should have a further word about the matter then?

Ian Gow

John Watson, Esq., M.P.

b.c.c. Clive Whitmore. ✓

See notes re Samatsov. He got it from Conservative back bench sources.

AMW.

16xii

Notes regarding the Kagan/Vaigauskas/Lessiovsky/Samatsov case

1. The relationship between Lord Kagan and Richard Vaigauskas.

- (a) In 1967 Richard Vaigauskas was the KGB Agent working in Washington. He met Lady Kagan, at her request, in New York that year.
- (b) Vaigauskas came to the UK in 1968. He worked in the Soviet Embassy and was effectively the KGB Chief in London. He rapidly became very friendly with Lord Kagan calling on him up to 3 times per week for games of chess and other social purposes.
- (c) Vaigauskas invested a great deal of his time in his relationship with Lord Kagan. He gave Lord Kagan frequent gifts of caviar. According to Lord Kagan he was instrumental in helping some 30 Eastern European Jews to get exit permits.
- (d) In early 1971 when Vaigauskas was out of the country, the Government asked 115 Russian Diplomats to leave. This was a major part of Vaigauskas' London Section and effectively the whole of the KGB Department of his associate, Victor Samatsov.
- (e) Victor Samatsov, now in Sweden, had also become personally acquainted with Jo Kagan.
- (f) In 1974 Kagan Textiles paid half the cost of a visit to Lithuania of a "textile agent" who visited Richard Vaigauskas for a holiday. The file containing records of this visit has subsequently disappeared from Kagan Textiles.
- (g) In 1975, Lady Kagan, herself, met Richard Vaigauskas in Lithuania. At that time she obtained Vaigauskas' assistance in getting her brother an exit visa from Russia (he was Professor of Mathematics at Moscow University). She paid Vaigauskas £35,000 for "oiling the wheels".

2. The relationship between Lord Kagan and Lessiovsky

- (a) Victor Lessiovsky worked as Personal Advisor to U Thant at the United Nations between 1960 and 1973. He subsequently saw service for the KGB in Bangkok and is now on the staff of Kurt Waldheim at the United Nations. He was identified by a defector, Arcady Shevchenko, in September 1979. He is a somewhat more important KGB official than Richard Vaigauskas.

2 () Shortly after leaving U Thant's staff at the United Nations Victor Lessiovsky visited the United Kingdom. He spent the weekend with Lord Kagan at the latter's home in the Lake District. He then spent one night at Lord Kagan's London home. He was followed by British Security Forces for most of the time.

(c) Harold Wilson was also present at the Lakeland weekend with Lord Kagan and Victor Lessiovsky.

3 The relationship between Lord Kagan and Harold Wilson

(a) The friendship between Lord Kagan and Harold Wilson has been well documented.

(b) There is some evidence of a financial involvement between Harold Wilson and Lord Kagan. This apparently involves a series of payments to Harold Wilson and the investment in a Bahama's property development.

(c) The Security Forces warned Harold Wilson in the late 1960s about the potential danger of Lord Kagan's friendship with Richard Vaigauskas. Harold Wilson told them not to warn Joe Kagan himself.

(d) Harold Wilson did, however, agree to let the Security Forces have some details of the friendship. He never supplied such information but gave it instead to Sir Arthur Young, then in charge of the Metropolitan Police but subsequently a retained employee of Kagan Textiles.



SECRET

Prime Minister

MW

15xii

Seen by Mr. (M)

MW

16xii

Ref. A03809

MR. WHITMORE

Lord Kagan

I confirm that, as I told the Prime Minister and the Home Secretary before the weekend, Lord Kagan was in contact on a number of occasions with an identified KGB officer named Vaygauskas between March 1970 and September 1971, when Vaygauskas was one of those intelligence officers who were expelled in Operation FOOT.

2. Lord Kagan was interviewed by the Security Service in November 1971, and on four subsequent occasions. He was told of Vaygauskas's intelligence role. It was concluded that, although Lord Kagan had not been acting as a conscious agent of the KGB, he had been used by Vaygauskas to obtain information and gossip about political matters.

3. Mr. Harold Wilson was interviewed about Lord Kagan at his own (Mr. Wilson's) request in October 1972. Mr. Wilson was informed of Vaygauskas's intelligence function and of his relationship with Lord Kagan. He volunteered to talk to Lord Kagan and to warn him of any further dealings with the Russians.

4. Shortly after becoming Prime Minister, Mr. Wilson was reminded of the 1972 interview; on that occasion he confirmed that he had passed a warning to Lord Kagan on the earlier occasion.

5. Later in 1974 there were allegations that Lord Kagan was in touch with another KGB officer, then a member of the Soviet Mission to the United Nations. The KGB officer in question was never admitted to the United Kingdom: he applied for a visa in December 1974 but it was refused.

6. Sir Harold Wilson has said that he will be making a statement on Wednesday or Thursday. I suggest that, for the time being, if the Prime Minister is asked any questions, she should simply refer to that statement on the following lines:-

SECRET

"I understand that the rt. honourable Gentleman the Member for Huyton is to issue a statement on this question: I have no comment to make."

7. Sir Harold Wilson is coming in to this office tomorrow to look at the papers which he saw as Prime Minister. I propose to be available when he comes, in order to make sure that he remembers the interviews which took place but which are not recorded in the papers. I will report further after his visit.

*Paragraphs 8 and 9 closed, 40 years,
under a FOI Exemption.*

*Wayland
25 August 2011*

RA

(Robert Armstrong)

15th December, 1980