

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

8 June, 1982

Dear John,

Existing Contracts (John Brown)

I enclose a draft brief, in case the Prime Minister wishes to raise this tomorrow morning with President Reagan. If the subject is discussed when officials of both sides are present we can be reasonably certain that the Americans will record the discussion and follow it up afterwards.

I am sending copies of this letter and enclosure to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Trade, the Secretary of State for Industry and Sir Robert Armstrong.

Yours ever,

A handwritten signature in dark ink, appearing to read 'Francis N. Richards', written in a cursive style.

(F N Richards)  
Private Secretary

A J Coles Esq  
Private Secretary  
10 Downing Street

CONFIDENTIAL



EXISTING CONTRACTS (JOHN BROWN)

POINTS TO MAKE

1. We spoke about this at Versailles. Can you now agree to release the components for our contracts blocked by your measures of 29 December last? If not may I have an answer within the week? Otherwise a good British engineering company will have to show substantial losses in its annual accounts due for publication next month.
2. You have linked release of these components to progress on limiting supply of credits to Soviet Union. We have done our best to be helpful on this issue. In light of agreement at Versailles on credit there is no further obstacle to release of components.
3. Would remove growing irritant in relations between United States and Western Europe. FRG and Italy also affected. If European factories close and workers are dismissed because of your measures transatlantic relations are bound to suffer. Russians would be only ones to benefit from open transatlantic strains. This episode illustrates need for Allies to act together in East-West context.
4. Believe it is generally undesirable to interfere with signed legal contracts like these. NATO contingency planning for Soviet invasion of Poland exempted existing contracts to avoid legal and political problems. In any case, interference will only encourage British companies to look elsewhere (eg. Japan) for manufacturing licenses and know-how. Surely this is not what you would wish.





## ESSENTIAL FACTS

1. President Reagan's measures of 29 December in Polish context, announced unilaterally and without Allied consultation, have prevented the export and re-export to the Soviet Union of US made components, including rotors, for turbines manufactured by John Brown and FRG and Italian companies, purchased last year by the Soviet Union for the Siberian Gas Pipeline. The American action has prevented the European companies carrying out their contracts. John Brown cannot afford to wait any longer.
2. Prime Minister's two messages requesting the release of these components have not been answered. Americans linked release to progress on their proposals to summit partners to curtail supply of official credits to Soviet Union.
3. Other Summit Countries reluctant to commit themselves to mechanisms for controlling credit flows. Versailles Declaration noted need for 'commercial prudence in limiting export credits' to the Soviet Union.
4. American Administration divided over whether to exempt components: State Department in favour of giving ground, Departments of Commerce and Defense reportedly opposed. Washington officials have told us that only a direct request to the President is likely to break the logjam.