

Subject: *Filed on Soviet Union: Credit Terms*
Pt 2.

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T155/82**

DOT
Cab office

CAB/WTE001/30

IMMEDIATE 301650Z JUL 82
FM CABINET OFFICE
TO WHITE HOUSE
BT
CONFIDENTIAL
TELEGRAM NUMBER MISC 176 DATED 30 JULY 1982.

MESSAGE FROM THE PRIME MINISTER TO PRESIDENT REAGAN.

DEAR RON,

THANK YOU FOR YOUR MESSAGE OF 2 JULY.

I NOTE WHAT YOU SAY ABOUT JOHN BROWN ENGINEERING. I HAVE NO DOUBT THAT MY ANXIETIES ON THAT SCORE ARE ONLY TOO WELL FOUNDED. IF DIFFERENT ACCOUNTS HAVE REACHED YOU, THIS COULD BE BECAUSE THE COMPANY MUST NATURALLY BE CAREFUL NOT TO ENCOURAGE DOUBTS IN THE UNITED STATES ABOUT ITS OWN FUTURE STABILITY. I CAN ONLY REITERATE MY VERY SERIOUS CONCERN ABOUT THE OUTLOOK FOR THIS BRITISH COMPANY IF IT IS PREVENTED FROM EXPORTING THE EQUIPMENT WHICH IT IS UNDER CONTRACT TO SUPPLY. IT IS BECAUSE OF THIS THAT WE SHALL HAVE NO OPTION BUT TO FOLLOW THE PROVISIONS OF OUR LEGISLATION TO PROTECT THE INTERESTS OF JOHN BROWN ENGINEERING AND OTHER BRITISH COMPANIES WITH EXISTING CONTRACTS.

YOU WILL KNOW FROM OUR TALKS TOGETHER THAT I BELIEVE, AS A MATTER OF PRINCIPLE, THAT EXISTING COMMERCIAL CONTRACTS SHOULD BE HONoured. I SHOULD LIKE TO STRESS THAT WE ARE TAKING, AND WILL CONTINUE TO TAKE, NO MORE THAN THE ABSOLUTE MINIMUM ACTION. I AM VERY ANXIOUS THAT THIS MATTER SHOULD NOT BE ALLOWED TO ESCALATE AND THUS BECOME A SERIOUS IRRITANT IN OUR RELATIONS. THIS IS WHY WE ARE LIMITING OUR ACTIONS IN THE WAY THAT WE ARE. I WOULD VERY MUCH HOPE THAT YOUR ADMINISTRATION WILL BE ABLE TO RESPOND IN THE SAME SPIRIT.

ON THE BROADER ISSUES, I DO NOT THINK THERE IS MUCH DIFFERENCE BETWEEN US. I DO AGREE WITH YOU ABOUT THE NEED FOR THE AUTHORITIES IN POLAND TO RETURN TO A COURSE OF RECONCILIATION AND REFORM. FOLLOWING THE DECLARATION BY THE NORTH ATLANTIC COUNCIL ON 11 JANUARY, WE OURSELVES ANNOUNCED MEASURES ON 5 FEBRUARY DIRECTED AGAINST POLAND AND AGAINST THE SOVIET UNION. OF COURSE, WE MUST CONTINUE TO WORK TOGETHER CLOSELY. OUR TASK WILL NOW NEED TO BE TO CONSIDER FURTHER WITH OUR NATO PARTNERS THE RELATIONSHIP BETWEEN THE LATEST RELAXATIONS ANNOUNCED BY GENERAL JARUZELSKI ON 21 JULY AND THE OBJECTIVES WE HAVE SET OURSELVES.

THE QUESTION OF ECONOMIC RELATIONS WITH THE EAST CERTAINLY NEEDS TO BE DISCUSSED FURTHER. FRANCIS PYM HAS JUST HAD MOST USEFUL TALKS ON THE SUBJECT WITH GEORGE BUSH AND GEORGE SHULTZ, WHICH WE LOOK FORWARD TO FOLLOWING UP. THE ALLIANCE, AND THE WEST AS A WHOLE, NEED AN AGREED AND UNITED STRATEGY FOR EAST/WEST ECONOMIC RELATIONS. WE SHALL BE HAPPY, INDEED ANXIOUS, TO WORK WITH YOU TO PROMOTE THIS.

YOURS EVER

MARGARET

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Subject Selection Secret Under Credit Form

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