

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T138/82

CAB/WTE 001/25

ZZ WTE

FLASH

SECRET

Z 251845Z JUN 82

FM NO.10 DOWNING STREET
TO WHITE HOUSE

Top Copy a

UN: UNSSOD:
Feb 82

also a
Sov Union: Export
for USSR: PE 2

MESSAGE TO THE PRESIDENT OF THE UNITED STATES.

DEAR RON,

WHEN WE DISCUSSED ON 23 JUNE THE EFFECT ON JOHN BROWN ENGINEERING (JBE) OF AMERICAN SANCTIONS AGAINST THE SOVIET UNION, YOU TOLD ME THAT REPRESENTATIVES OF THE COMPANY HAD INDICATED RECENTLY TO YOUR OFFICIALS IN WASHINGTON THAT THE DECISION TO EXTEND THE SANCTIONS WOULD NOT CAUSE THEM GREAT FINANCIAL DISTRESS. I SAID THAT I WOULD ENQUIRE INTO THE MATTER AND ADVISE YOU FURTHER.

JBE'S VIEWS HAVE BEEN MISUNDERSTOOD IN WASHINGTON. THE COMPANY'S REPRESENTATIVES HAVE REPEATEDLY MADE CLEAR TO US OFFICIALS THEIR DEEP CONCERN ABOUT THE FAR REACHING RESULTS OF THE COMPANY BEING FORCED BY RETROSPECTIVE LEGISLATION TO ABANDON A CONTRACT WHICH THEY ENTERED INTO IN GOOD FAITH AT A TIME WHEN THE GOODS CONCERNED WERE NOT EMBARGOED. LAST WEEK THEY CONFIRMED TO US OFFICIALS THAT FAILURE TO SHIP THE TURBINES WOULD HAVE VERY DAMAGING CONSEQUENCES. THE PRECISE EXTENT OF THE DAMAGE CAUSED CANNOT BE ASSESSED AT PRESENT. AT WORST UNINSURED COSTS AND DAMAGES COULD BE AS MUCH AS POUNDS STERLING 100 MILLION. JBE COULD WELL BE FORCED OUT OF BUSINESS AND THIS WOULD LEAD TO 1700 JOB LOSSES IN THE COMPANY IN AREAS OF HIGH UNEMPLOYMENT IN SCOTLAND: THERE WOULD ALSO BE EFFECTS UPON COMPONENT SUPPLIERS. THE STABILITY OF THE GROUP AS A WHOLE MIGHT BE THREATENED. THE CHAIRMAN OF JOHN BROWN HAS CONFIRMED THESE FACTS TO THE SECRETARY OF STATE FOR TRADE SINCE OUR MEETING IN WASHINGTON.

WE SEE THE FURTHER MEASURES WHICH YOU ANNOUNCED ON 18 JUNE AS WRONG IN PRINCIPLE BECAUSE OF THEIR EXTRA-TERRITORIAL APPLICATION DIRECTLY TO BRITISH COMPANIES. THEY WILL IF PROCEEDED WITH CAUSE SERIOUS ECONOMIC DAMAGE IN THE UK QUITE APART FROM ADDING TO JBE'S PROBLEMS. WE ARE ALREADY RECEIVING REPORTS OF BRITISH COMPANIES FACED WITH LOSSES OR THE THREAT OF CLOSURE AS A RESULT OF THESE MEASURES. YOUR PEOPLE WILL TELL YOU THAT WE HAVE STRONGLY OPPOSED THE EXERCISE OF EXTRA-TERRITORIAL POWERS IN THE PAST, AND ARE THEREFORE BOUND TO REACT TO ITS NEW EXTENSION.

AS YOU KNOW, THE VIEWS AND POLICIES OF OUR TWO GOVERNMENTS ON RELATIONS WITH THE COMMUNIST COUNTRIES ARE IN VERY CLOSE HARMONY. IT WOULD BE UNHAPPY IF, IN PUBLIC EYES, THIS HARMONY WERE TO BE OVERSHADOWED BY THE VERY SEVERE CONSEQUENCES OF YOUR MEASURES FOR BRITISH COMPANIES. I THEREFORE HOPE THAT YOU WILL BE WILLING TO RECONSIDER THESE MEASURES IN THE WIDER POLITICAL, AS WELL AS THE SPECIFICALLY ECONOMIC, CONTEXT.

JBE'S PROBLEM IS NOW BOTH VERY SERIOUS AND URGENT. I WOULD GREATLY VALUE YOUR HELP IN SOLVING THIS PROBLEM BY 2 JULY WHEN THE FIRST SHIPMENTS ARE DUE.

MY BEST WISHES,
MARGARET.

BT

NNNN

SENT 251908Z JH

RG RG QSL UR MSG AT 1908Z AND PLS IF U HAVE TRF AGAIN
TO GIVE US SOME BELLS ONT TYY
TTYN KKK

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