



Secretary of State for Industry

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28 April 1983

Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall SW1

Prime Minister
To be aware, pending
an ROD reply to a letter
letter which I sent today.

A.J.C. $\frac{28}{4}$

Dear Secretary of State,

TANK ENGINES FOR IRAN

Thank you for sending me a copy of your minute to the Prime Minister of 22 April about the above.

2 I find this an extremely difficult issue. The Iranian order is very important for Rolls Royce and cancellation, as well as incurring financial penalties, would undoubtedly have a damaging effect on its overall engine business, particularly as there is a real opportunity of significant follow-up business. I am nevertheless impressed by the weight of the risks which the issue of export licences would involve for the major military and civil sales prospects elsewhere in the Middle East and, on balance, I agree that it would be wrong to allow this contract to go forward.

3 I am, however, a good deal less certain that it would be either sensible or desirable to carry this decision further by putting special pressure on Rolls Royce to prevent their meeting the Iranian requirement by other means. In terms of the risks, it seems one thing for Government to be seen to be facilitating the supply of military hardware by the issue of an export licence; and quite another for a company (legitimately) to supply a civil product which the Iranians might then convert for military use. It is not clear from the memorandum enclosed with your minute whether the judgment of our Ambassadors in the Middle East applies equally to the "compromise" solution as to the supply of military engines and therefore whether the risks to export business in these markets would be as great as you suggest. In view of the serious implications involved for Rolls Royce, of a failure to perform in Iran, I believe it would be sensible to have further urgent study made of the "compromise" option before final decisions are taken.

4 I am copying this letter to the recipients of yours.

Yours sincerely
Patrick Jenkin

PATRICK JENKIN

(approved by the Secretary of State and signed in his absence)

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