



Prime Minister

To note at this stage.

OD will discuss on Thursday

From the Secretary of State

A.F.C. $\frac{23}{3}$

Rt Hon The Lord Carrington KCMG MC
Foreign and Commonwealth Office
London SW1

23 March 1982

Dear Peter,

SOVIET PIPELINE CONTRACTS

I understand that, when the Buckley Mission was here last week, they suggested that the price for American help with our problems over existing pipeline contracts would be progress on their proposals about credit. Leaving aside the question of how far we can go to meet them on this issue, I am writing to emphasise that the time for decisions is running out. John Brown are due to begin deliveries to the Soviet Union in July and will next month have to make decisions about their manufacturing programme involving substantial financial commitments.

So, I think we must now prepare for the situation where American re-exports remained blocked. In such a case, it must be up to the companies concerned to negotiate with their Soviet trading partners suitable revisions to their contracts. However I suggest that, should the need arise, HMG be prepared to say that we will not stand in the way of any new arrangements which we are satisfied are fair to the firms concerned and consistent with our present international obligations and licensing procedures. The Russians will want our goodwill in finding solutions to their problems. If turbine rotors have to be manufactured in Europe because US General Electric is precluded from making further exports, the necessary blades will almost certainly have to be made by a firm in Britain.

I am copying this to members of OD, the Secretaries of State for Industry, Agriculture and Energy, and Sir Robert Armstrong.

John Brown