

SUBJECT.



File

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✓ Market set.

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10 DOWNING STREET

From the Private Secretary

5 July 1982

The Prime Minister accompanied by Mr. Baker met Mr. John Opel, the President and Managing Director of IBM together with Mr. Eddie Nixon, the Chairman and Managing Director of IBM(UK) at 10 am today.

Mr. Opel said that his visit to the UK was prompted by IBM's search for new opportunities for investment with ready access to markets in low cost, high productivity environments. IBM were generally very pleased with trends in the United Kingdom and in particular with the liberalisation of Government procurement policy and of telecommunications. In this context they were pleased to learn from the Prime Minister that a general licence covering their plans for a VANS was likely to be issued in a matter of weeks. Mr. Opel reported that IBM was in close negotiation with British Telecommunications and British Aerospace on international business communications using a British satellite later in the 1980's.

On the question of further investment Mr. Opel said that IBM planned to manufacture their new personal computer at the Greenock plant which, with its relatively high volume production, would have favourable effects on sub-contractors. The success of the Greenock plant in terms of productivity encouraged IBM to think further about additional investment in the UK in this context. Grants resulting from the Government's regional policy would be a factor in their decision although not the overriding consideration.

Mr. Opel reported that IBM were particularly concerned about the allegation by the European Commission that it had abused its market position. That allegation appeared to be based on a self-fulfilling definition of market dominance and ignored the extent to which similar non-IBM products were available. The remedy proposed by the Commission, that of the release of design information to competitors, was unacceptable to IBM since it would effectively remove the lead time enjoyed by IBM as a result of its own researches. IBM was prepared to compete with the Japanese who would be the principle beneficiaries of the Commission's proposed remedy but would not give up all the advantages going to buy their considerable

/ research effort.

research effort. To avoid doing so they were in extremist prepared to withdraw their research and development effort from EEC jurisdiction. In response the Prime Minister pointed out that the Commission's action was at a very early stage; she was however sympathetic to IBM's difficulties and the Government would keep a watching brief on the Commission's action to see whether any UK intervention would be justified.

Concluding the meeting the Prime Minister said that IBM was very welcome in this country and further investment which would provide jobs would be doubly so. Existing IBM investment in this country had shown what could be achieved by good management and a British workforce and she very much hoped that IBM would build upon what has already been achieved.

I am sending a copy of this letter to John Kerr (HM Treasury), John Rhodes (Department of Trade) and Neil McMillan (Kenneth Baker's office, Department of Industry).

TIMOTHY FLESHER

Jonathan Spencer, Esq.,
Department of Industry

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John R. Opel, President and Chief Executive Officer

July 7, 1982

Dear Prime Minister,

I would like to thank you again for meeting with Mr. Nixon and me last Monday. Knowing of the tremendous demands on your time, it was very gratifying to us that you would spend a few moments discussing the affairs of IBM.

Sincerely,

John R. Opel

The Rt. Hon. Margaret Thatcher MP
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