



Foreign and Commonwealth Office

London SW1A 2AH

1 September 1982

Dear Wilke,

US Oil and Gas Measures (Pipeline)

The Prime Minister will wish to know before her visit to Scotland and meeting with John Brown where we now stand on President Reagan's measures against the Soviet Union which have affected John Brown and other British and European companies. We have of course seen John Witlock's letter to Tim Flesher of 31 August.

Following exchanges last week between Mr Pym and Mr Shultz we are arranging a meeting in London on Friday, 3 September, of senior officials of the four European countries concerned, to prepare for subsequent meetings of the Four with the Americans. We hope that senior officials of the Five will meet early next week, followed shortly thereafter by a meeting of the five Foreign Ministers. The latter would be in two stages - the first part soon in London, the second later this month in New York in the margins of the UN General Assembly. This two-stage approach is to avoid raising expectations of the first Ministerial meeting unduly. But we must keep up the momentum.

The French are showing signs of dragging their feet, and have asked that decisions on a meeting with the Americans should await the European meeting on Friday. But Mr Pym has sent a message last night to M. Cheysson and to Herr Genscher and Signor Colombo stressing the urgency of the matter.

Our intention is to press our European partners hard on Friday to agree on a set of specific proposals, perhaps involving credits and COCOM, which will give the Americans enough for them to withdraw the retroactive application of their measures, but which will not involve any surrender on the points which are of key importance to British and other European interests. We believe that such a package can be constructed, and we are in touch with the DOT and the other Departments concerned about the details. Mr Pym believes that the current Transatlantic atmosphere is very damaging to the Alliance and should be put right as a matter of urgency.

/The Prime



The Prime Minister may wish to reassure John Brown that we are doing all we can to protect the company's interests and solve the wider problems that President Reagan's measures may have posed. She may wish to point out that by issuing directions under the Protection of Trading Interests Act we have acted quickly and effectively to protect our companies' interests. And she may wish to reply to questions about our objections to the American measures by repeating that we do not as a matter of principle believe that existing contracts should be affected by retrospective measures, and that we object very strongly to the extra-territorial implications of the American measures. But Mr Pym hopes that the Prime Minister can also stress in public the point that the Transatlantic rift in the Alliance only benefits the Russians: we must therefore all work urgently and constructively to bridge it.

I am copying this letter to the Private Secretaries of the Secretaries of State for Trade and Industry and of the Chancellor of the Exchequer.

Yours ever

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