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From the Secretary of State

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The Rt Hon Francis Pym MC MP
Secretary of State for
Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AL

7 September 1982

Dear Francis,

Since I issued Directions to John Brown Engineering and three other firms under Section 1(3) of the Protection of Trading Interests Act, we have received information about a number of other firms that look as though they might be placed in difficulties by the United States action over oil, gas and related equipment for the USSR. Several of these will almost certainly need Directions in due course if they are to avoid having to default on their contracts, but I would hope to delay action as long as possible so as to avoid prejudicing the atmosphere in our discussions with the United States.

Unfortunately, there are two cases where it is not possible to wait any longer. The first involves the Walter Kidde Company of Northolt, a wholly-owned subsidiary of a United States company, making fire-fighting equipment for use on the West Siberian Pipeline. The parent company has instructed the subsidiary to cease work on the order which is worth £9.5m (compared with annual sales for the company of £15m in all). It is unlikely that the company would survive the payment of penalties for non-delivery (due to begin later this month). There are currently some 700 employees on the payroll. The other case concerns

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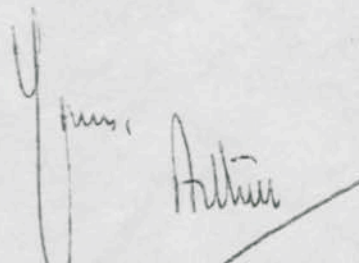
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Andrew Corporation, manufacturers of communications equipment, based in Fife. They are a branch of an American firm and are acting as sub-contractors, through a French sister company, to Thomson SCF. Although Thomson's contract (signed in January) is for the supply of a television and communications system which will only be used in part to assist Pipeline operations, the United States authorities have said that the goods concerned are caught by the embargo. Thomson require Andrew to supply by next week. The employment consequences are small - only twenty-four people out of a workforce of 240 are engaged on this contract - but I do not feel that this should deter me from making a Direction.

I would not propose making Directions to Kidde or Andrew under Section 1(3) of the PTI Act before the expected denial order has been issued to John Brown Engineering. If that order is limited in scope, but still, as seems likely, hits JBE business outside the Soviet Union, the issuing of two further Directions - we have already made four - would be an appropriate immediate response. Not necessarily the definitive response: we will need to consider that carefully but urgently once we are clear about the precise terms of any United States action against JBE.

I am consulting colleagues on a limited basis, as we agreed. Unless I hear by 5.00 pm today that there is disagreement with my proposal, I will issue a Direction as soon as we have confirmation of United States action against JBE. The situation of the companies, as well as my own departure for New Zealand on Thursday, compels this regrettably tight timetable.


LORD COCKFIELD

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10 DOWNING STREET

From the Private Secretary

9 September 1982

SOVIET PIPELINE

In his minute of 8 September your Secretary of State described the cases of two firms to whom it might be necessary to issue directions in the near future under Section 1(3) of the Protection of Trading Interests Act. As you know, Lord Cockfield discussed this question briefly with the Prime Minister in the margins of another meeting here yesterday. Mrs. Thatcher is content with the proposed action.

A. J. COLES

John Rhodes, Esq.,
Department of Trade.

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