



FCS/83/222

cc NO

Prime Minister <sup>(2)</sup>

To note proposal that Chairman/  
Chief Executive of CW and BT  
a British citizen. Useful in warding  
off POEU scare stories about  
BT falling into foreign hands.

SECRETARY OF STATE FOR TRADE AND INDUSTRY

Cable and Wireless and British Telecom

1. Thank you for sending me a copy of your letter of 28 October to Nigel Lawson.
2. You raised the question of Cable and Wireless. I support the proposal, now put to shareholders, that the Articles of Association of the Company should be changed so as to provide that the Chairman/Chief Executive should be a British citizen. This restriction on grounds of nationality is prima facie in breach of the free movement of workers or freedom of establishment provisions of the EEC Treaty; but we are confident that, if challenged on this, we could defend the measure successfully as justified on grounds of public security (Article 48 or 56 of the Treaty).
3. The same point is relevant to British Telecom. Were we to try to extend the nationality restriction to cover all or a majority of the directors, as is being suggested, there would be a significant risk of such measures being challenged in the European Court of Justice and of the Court finding such a measure disproportionate to the security need identified. Moreover, there would seem to be merit in introducing the same restrictions for British Telecom as for Cable and Wireless.
4. I understand that it is not now proposed to publish the draft Articles of Association for British Telecom for several days. Our officials have already been in touch on the points

raised



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raised in this letter; it might be useful for them to meet to look further into the issues involved.

5. I am copying this minute to the Prime Minister, Nigel Lawson, Leon Brittan, John Biffen and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

4 November 1983

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Leon For  
Privatization  
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