PERSONAL: IN CONFIDENCE

cc FCO
MOD
DTI
LV. Appleyard (CO)

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

16 July 1990

Dear Keith.

Thank you for your letter of 28 June about the Marathon project.

The Government's decision not to approve the export licence application for the Marathon project was taken after the most careful consideration of all the issues. We remain in close touch with the United States Government to ensure that we both take a consistent position. We are also in contact with the other principal Western governments bilaterally and through COCOM. I see no reason to change the decision which we reached.

Nevertheless, I agree that it would be useful for a senior official to discuss the full range of issues raised in your letter with representatives of the Marathon partners. I have asked Mr. Meadway, an Under Secretary in the Department of Trade and Industry, to do this. He will be in touch with the companies to arrange a meeting.

Yours ever

Margaret

The Right Honourable The Lord Joseph, C.H.

PERSONAL: IN CONFIDENCE

CONFIDENTIAL

B.0497

MR POWELL

c Sir Robin Butler

MARATHON

Your letter to Miss Phippard of 29 June requested a draft reply to Lord Joseph's letter of 28 June.

2. Departments agree that it would be useful to discuss the issues raised by Lord Joseph with the companies at a senior level. We propose that the Department of Trade and Industry should lead, at Under Secretary level, with the Foreign and Commonwealth Office also represented. The draft reply does not directly address Lord Joseph's contention that HMG will use its national discretion over export of 45 mb/s fibre optics systems in one way, while other governments use theirs differently, as this is an issue most easily dealt with in discussion.

3. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Defence Secretary and the Trade and Industry Secretary.

L V Appleyard

L V APPLEYARD

Cabinet Office
13 July 1990

CONFIDENTIAL

SIL

cf Foreign/Joseph

DRAFT REPLY to Lord Joseph

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CH

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 June 1990

I attach a copy of a letter the Prime Minister has received from Lord Joseph.

I should be grateful if you could provide a draft reply for Prime Ministerial signature. It would be helpful if this could reach me by Friday 13 July.

I am sending a copy of this letter and enclosure to Richard Gozney (Foreign and Commonwealth Office), Simon Webb (Ministry of Defence) and Martin Stanley (Department of Trade and Industry).

(C. D. POWELL)

Miss Sonia Phippard,
Cabinet office.

FROM: The Rt Hon. The Lord Joseph CH PC

PREM 19/6

The Rt Hon. Mrs Margaret Thatcher MP
The Prime Minister
10 Downing Street
SW1A 0AA

28 June 1990

CONFIDENTIAL

Dear Margaret.

Marathon

Thank you for your letter of 5th June, which I found puzzling.

I appreciate that there are delicate complexities in the situation but there seems to be a worrying discrepancy between the content of your letter and the developments both in COCOM and in the USA.

As to the new COCOM regime, Governments may permit administrative exceptions for systems at 45 Mbits and with a wavelength of 1320nm without notifying COCOM. However, our understanding is that HMG does not intend to allow exports of this type of equipment under the discretion which it has agreed in COCOM. This opens the door to other suppliers and operators to bypass our national and broader Western interests and obtain commercial advantages denied to British companies.

Secondly, it appears from advice that the Marathon partners have received from the US - and the fact that they have been approached over the last two weeks by US suppliers and contractors with good connections with the US Administration for a stake in Marathon - that the US Government may be less hostile to the project than we were advised by Whitehall.

Given these ambiguities and difficulties it would be very helpful if you would be willing to arrange for a senior official fully au fait with the situation to meet as soon as possible representatives of the Marathon partners so as to clarify the position.

I would be most grateful if this might be authorised by you.

Yours as ever,

Keith

SOV UNION : Rels pt 17