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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: EXECUTIVE SECRETARIAT, NSC: RECORDS
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File Folder: United Kingdom vol. III 4/1/82 - 7/31/82 [5 of 6]
Box 91327 **20**

Date: September 4, 1998

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Roger Robinson to John Poindexter re delayed state department cable concerning John Brown -- 2 p. (4936) 2 7/21/00 598-002 #367	7/12/82	P1
2. cable	101032z 3 p. R 6/12/02 NL5598-002 #368	7/10/82	P1
3. cable	091658z 4 p. R " " #369	7/9/82	P1
4. cable	102005z 2 p. R " " #370	7/10/82	P1
5. memo	to John Louis re response to PM Thatchers representations to the President concerning John Brown engineering 5 p. 2 7/21/00 598-002 #371	nd	P1
6. memo	Robinson to Clark re President's correspondence to Thatcher re John Brown engineering and sanctions 1 p. (4678) R 3/28/01 598-002 #372	7/2/82	P1
7. cable	282136z 2 p. D 7/21/00 598-002 #373	6/28/82	P1
8. memo	5 p. annotated copy of item #5 2 " " #374	nd	P1
9. memo	Clark to the President re your meeting with Thatcher June 23 2 p. (4291) R " " #375	6/22/82	P1
10. memo	Haig to the President re your meeting with PM Thatcher June 23 4 p. D 6/12/02 NL5598-002 #376	6/22/82	P1
11. briefing paper	re the Falklands 1 p. (attachment to item #10) D " " #377	nd	P1

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

WITHDRAWAL SHEET

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Collection: EXECUTIVE SECRETARIAT, NSC: RECORDS
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File Folder: United Kingdom vol. III 4/1/82 - 7/31/82 [5 of 6]
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Date: September 4, 1998

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
12. briefing paper	re the Middle East 1 p. (attachment to item #10) <i>R 6/12/02 NLSS98-002 #378</i>	nd	P1
13. briefing paper	re East/West relations 1 p. (attachment to item #10) <i>R " " #379</i>	nd	P1
14. briefing paper	re economic sanctions against the USSR 1 p. (attachment to item #10) <i>R " " #380</i>	nd	P1
15. memo	4 p. (original of item #10) <i>D " " #381</i>	6/22/82	P1
16. briefing paper	1 p. (original of item #11) <i>D " " #382</i>	nd	P1
17. briefing paper	1 p. (original of item #12) <i>R " " #383</i>	nd	P1
18. briefing paper	1 p. (original of item #13) <i>R " " #384</i>	nd	P1
19. briefing paper	1 p. (original of item #14) <i>R " " #385</i>	nd	P1
20. memo	Haig to the President re Falklands crisis 1 p. <i>R " " #386</i>	6/19/82	P1
21. draft message	Reagan to Thatcher 1 p. (attachment to item #20) <i>R 7/21/00 598-002 #387</i>	nd	P1

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
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- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

~~SECRET~~

4936

MEMORANDUM

NATIONAL SECURITY COUNCIL

July 12, 1982

~~SECRET~~

INFORMATION

MEMORANDUM FOR JOHN M. POINDEXTER

WPC H

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Delayed State Department Cable Concerning
John Brown

It goes without saying that we take strong exception to the unilateral decision at State to delay by eight days the transmission of my draft cable concerning John Brown to AmEmbassy London. In the intervening period, two significant meetings have taken place with our Embassy concerning John Brown -- one with HMG and the other with the Chairman of John Brown. The cable reports are attached (Tab I). In both cases, our Embassy was unequipped to present our case and assist in diffusing this misunderstanding or defend the President's position -- the whole purpose of the crash effort on July 1-2. In addition, the single most important paragraph of our draft was not in the cable finally transmitted. The summary paragraph deleted reads as follows:

When the President cited the financial condition of John Brown, he was referring to the holding company John Brown Ltd., not the more thinly capitalized gas turbine manufacturing subsidiary John Brown Engineering. His comment was in no way intended to minimize USG concern over the acknowledged seriousness of the financial difficulties resulting from the sanctions for the subsidiary JBE. The President was merely pointing out his understanding that John Brown Ltd. will remain a going concern with the continuing ability to attract financing despite this extremely regrettable setback.

This is the defense of the President's position and the description of the misunderstanding involved -- namely, the President addressing the financial condition of the holding company and not the subsidiary. It also contained a very useful talking point -- that the President's comment (in the Thatcher meeting) was in no way intended to minimize USG concern over the acknowledged seriousness of JBE financial difficulties, etc.

~~SECRET~~

Review July 12, 1988

~~SECRET~~

598-002 #367

CAS

7/21/00

~~SECRET~~

2

(Tab II). I think we should seriously consider sending the excerpted paragraph. The President's wishes must be executed instantly as directed -- we cannot afford to engage in interpretive apologetics (Tab III -- my draft cable).

Attachments

Tab I	Reporting Cables from AmEmbassy London
Tab II	Cable to AmEmbassy London
Tab III	My Draft Cable

~~SECRET~~

National Security Council
The White House

255

RECEIVED

Package # 493

82 JUL 12 PM 1:53

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>[initials]</u>	
Bud McFarlane	<u>2</u>	<u>M</u>	
Jacque Hill	<u>3</u>		
Judge Clark	<u>4</u>	<u>✓</u>	<u>I</u>
John Poindexter			
Staff Secretary			
Sit Room			

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: [initials] Meese Baker Deaver Other [initials]

COMMENTS

① This discusses a very poor performance of the State Dept in carrying out Presidential instructions and lack of support for the President's sanctions policy.

[signature]

4936

Has this ^{yes}
discussed —

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TO SECSTATE WASHDC 2155

~~CONFIDENTIAL~~ SECTION 01 OF 02 LONDON 14919

NODIS
E.O. 12065: GDS 7/9/88 (STREATOR, E. J.) OR-M
TAGS: EEWT, UK, UR
SUBJECT: US/EUROPEAN TRADE RELATIONS: MEETING WITH JOHN BROWN REPRESENTATIVES

1. ~~Q~~ - ENTIRE TEXT.

2. SUMMARY:
JOHN BROWN'S CHAIRMAN CLAIMS THAT BROADENED US SANCTIONS WILL FORØE THE ENGINEERING DIVISION TO SHUT DOWN WITH THE LOSS OF 1700 JOBS AND 104 MILLION POUNDS STERLING IN SALES. HE ASSERTED THAT US ACTIONS AND BRITISH INVOCATION OF THE PROTECTION OF TRADING INTERESTS (PTI) ACT HAVE PLACED JOHN BROWN IN AN UNTENABLE POSITION WITH ITS FUTURE IN JEOPARDY WHETHER IT OBEYS US OR BRITISH LAW. JOHN BROWN EXPECTS THAT THE SOVIETS WILL COLLECT SUBSTANTIAL HARD CURRENCY RECEIPTS IN PERFORMANCE BONDS POSTED BY US AND EUROPEAN BANKS FOLLOWING CONTRACT DEFAULTS. THE SOVIETS HAVE GIVEN THE FIRM A TEMPORARY EXTENSION ON THE JULY 2 DELIVERY DATE FOR SIX TURBINES ALREADY MANUFACTURED AND READY FOR SHIPMENT.
END SUMMARY'

3. ECONCOUNS AND CG EDINBURGH MET ON JULY 7 WITH SIR JOHN MAYHEW-SANDERS, CHAIRMAN, JOHN BROWN AND CO. LTD., TO REVIEW JOHN BROWN'S SITUATION IN LIGHT OF JUNE 18 DECISION TO BROADEN RESTRICTIONS ON SALE OF OIL AND GAS EQUIPMENT TO USSR.

4. MAYHEW-SANDERS SAID HE WAS FAMILIAR WITH EXCHANGE OF CORRESPONDENCE BETWEEN PRESIDENT AND PRIME MINISTER AND HAD, IN FACT, SUPPLIED DATA ON POTENTIAL JOB LOSSES AND ECONOMIC IMPACT TO PM'S OFFICE. IF ANYTHING, HE BELIEVED THE PM WAS OVERLY CAUTIOUS IN DESCRIBING JOHN BROWN'S SITUATION. HE DID NOT UNDERSTAND HOW ALLEGED DIFFERENCES BETWEEN US AND UK OVER THE IMPACT OF US ACTIONS ON THE FIRM COULD HAVE ARISEN.

5. HE DESCRIBED JOHN BROWN'S SITUATION AS "VERY SERIOUS." IF THE SANCTIONS ARE NOT LIFTED, THERE IS A HIGH PROBABILITY THAT JOHN BROWN ENGINEERING IN CLYDEBANK (NEAR GLASGOW) WOULD CLOSE WITH A LOSS OF 1700 JOBS AND 104 MILLION POUNDS STERLING IN TURBINE ORDERS WITH THE USSR. MAYHEW-SANDERS FEARED THAT EVEN THOUGH JOHN BROWN HAS TWO

fw R
Lead these
two to:

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NLS 598-002 #368

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BY LOS NARA, DATE 6/12/02

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NATIONAL SECURITY COUNCIL
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PAGE 02 OF 02 LONDON 4919

DTG: 101032Z JUL 82 PSN: 055211

YEARS' OF ORDERS ON THE BOOKS, THEIR CUSTOMERS WOULD TURN TO OTHER SOURCES IF THE SOVIET SALE COLLAPSES BECAUSE OF UNCERTAINTY ABOUT JOHN BROWN'S RELIABILITY AS A SUPPLIER AND ITS DEPENDENCY ON US COMPONENTS. (THE ECONOMIST FOR JULY 10 REPORTS THAT THE FIRM HAS OUTSTANDING ORDERS IN ABU DHABI, OMAN, AND PAPUA NEW GUINEA.)

bullshit

6. HE SAID US ACTION AND THE SUBSEQUENT BRITISH DECISION TO INVOKE THE PTI PUT JOHN BROWN IN AN UNTENABLE POSITION IF IT ABIDES BY US EXPORT CONTROL REGULATIONS AND DOES NOT EXPORT THE TURBINES TO THE USSR, IT WILL LOSE SUBSTANTIAL SALES AND FUTURE CUSTOMERS, AND BECOME LIABLE FOR SIZEABLE PENALTIES FOR NON-COMPLIANCE UNDER THE CONTRACT. THE SOVIETS COULD ALSO CALL IN PERFORMANCE BONDS HELD BY US AND EUROPEAN BANKS WHICH, IN EFFECT, WOULD MEAN THAT THE SOVIETS GET THE HARD CURRENCY, IF NOT THE EQUIPMENT. ON THE OTHER HAND, IF HMG ISSUES AN ORDER UNDER THE PTI WHICH PROHIBITS JOHN BROWN FROM COMPLYING WITH US EXPORT CONTROLS, THE US DEPARTMENT OF COMMERCE WILL BLACKLIST JOHN BROWN, AND THE ENGINEERING DIVISION WILL GO OUT OF BUSINESS SINCE IT RELIES EXCLUSIVELY ON GE FOR MAJOR TURBINE PARTS.

So the U.K. Govt. will put IB out of business

7. MAYHEW-SANDERS THOUGHT THAT JOHN BROWN HAD A GOOD LEGAL CASE AND MIGHT WIN IN US COURTS ON THE RETROACTIVE NATURE OF US SANCTIONS, BUT LEGAL RELIEF PROBABLY WOULD NOT COME SOON ENOUGH TO SAVE THE ENGINEERING DIVISION,

8. HE PREDICTED THAT THE POLITICAL FALLOUT FROM THE BROADENED US SANCTIONS COULD BE SUBSTANTIAL, PARTICULARLY IN SCOTLAND WITH ITS HIGH UNEMPLOYMENT.

9. WE ASKED MAYHEW-SANDERS WHETHER JOHN BROWN HAD PAID ANY PENALTIES YET FOR NON-DELIVERY, SINCE JULY 2, REPORTEDLY THE OUTSIDE DATE, HAD COME AND PASSED. HE SAID IN STRICTEST CONFIDENCE THAT ON HIS TRIP LAST WEEK TO THE USSR THE SOVIETS HAD GIVEN JOHN BROWN AN INDEFINITE EXTENSION, BUT THAT WAS FOR A PERIOD OF DAYS, NOT WEEKS.

10. COMMENT: THROUGHOUT THE DISCUSSION, MAYHEW-SANDERS

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~~CONFIDENTIAL CODEWORD~~
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TO SECSTATE WASHDC 2156

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MAINTAINED A DEMEANOR OF CONTROLLED RAGE, HE SEEMED
PARTICULAALY UPSET ABOUT THE ALLEGED MISUNDERSTANDING
BETWEEN THE TWO GOVERNMENTS OVER THE IMPACT OF US SANCTIONS
ON HIS FIRM, WE DO NOT KNOW HIM PERSONALLY, BUT BELIEVE
HE SPOKE FRANKLY AND HONESTLY ABOUT JOHN BROWN'S POSITION.
END CMMNT. LOUIS
BT

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TO SECSTATE WASHDC IMMEDIATE 2140

~~CONFIDENTIAL~~ SECTION 01 OF 02 LONDON 14904

NODIS

E.O. 12065: XGDS-1 7/9/12 (STREATOR, E.J.) OR-M

TAGS: ETRD, UK

SUBJECT: US/EUROPEAN TRADE RELATIONS: HMG CONCERN MOUNTS
OVER SOVIET PIPELINE SANCTIDNS

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. SUMMARY:

HMG OFFICIALS ARE CONCERNED OVER APPARENT U.S. "MISUNDER-
STANDING" OF THE IMPACT OF SANCTIONS ON JOHN BROWN LTD.,
AND SEEM TAKEN ABACK BY THE PRESIDENT'S RECENT LETTER TO
PM THATCHER. STRESSING THAT THE FIRM IS NOW LIVING ON
BORROWED TIME, WITH UP TO 2,000 JOBS AND A \$200 MILLION
CONTRACT AT STAKE, THEY IMPLIED FURTHER UK GOVERNMENT
ACTION "SOONER RATHER THAN LATER." CHARACTERIZING THE
U.S. DECISION AS "INTENSELY DEPRESSING" AND OUR EXTENDED
EXTRATERRITORIALITY DISCUSSIONS AS "A DIALOGUE OF THE
DEAF," THEY WARNED OF A SPILL OVER INTO OTHER AREAS OF OUR
BILATERAL RELATIONSHIP, SUCH AS COCOM.
END SUMMARY.

3. ECONCOUNS AND EMBOFF MET JULY 6 WITH DEPARTMENT OF
TRADE (DOT) UNDER SECRETARY RUSSELL SUNDERLAND (NORTH
AMERICA AND EXTRATERRITORIALITY ISSUES) AND ASSISTANT
SECRETARY JOHN POWNALL (EAST/WEST TRADE) TO REVIEW HMG
THINKING ON OUR EXPANDED SOVIET SANCTIONS. SUNDERLAND
REFERRED TO A SERIOUS MISUNDERSTANDING BETWEEN THE US AND
THE UK ON THE IMPACT OF US SANCTIONS ON JOHN BROWN
ENGINEERING LTD. AND QUESTIONED HOW SUCH A SITUATION COULD
HAVE ARISEN. HE SAID HMG HAD CAREFULLY REVIEWED THE
COMPANY'S SITUATION AND REACHED CERTAIN CONCLUSIONS WHICH
BECAME THE BASIS FOR REPRESENTATIONS FROM THE PRIME
MINISTER TO THE PRESIDENT. HE EXPRESSED CONCERN THAT THE
U.S. SOMEHOW HAD CONCLUDED THE IMPACT WAS MANAGEABLE
AND SEEMED PARTICULARLY OFFENDED THAT HMG'S WORD WAS NOT
ACCEPTED. HE REVIEWED THE CORRESPONDENCE BETWEEN THE
PRESIDENT AND PM THATCHER, ABOUT WHICH EMBASSY IS AWARE
BUT HAS NOT SEEN. HE SAID THAT HMG WAS TAKEN ABACK BY THE
PRESIDENT'S LETTER OF ABOUT JULY 5. HE CHARACTERIZED THE
LETTER AS ACKNOWLEDGING US/UK DIFFERENCES OF VIEWS
REGARDING THE IMPACT OF SANCTIONS ON JOHN BROWN WHILE
OFFERING TO PROVIDE HMG WITH DATA SUPPORTING OUR POSITION.

4. SUNDERLAND SAID THAT JOHN BROWN WAS TRULY "ON THE
HOOK," THAT THE IMPACT WAS SERIOUS, AND THAT THE COMPANY

*not according
to JB itself*

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BY LOJ NARA, DATE 6/12/02

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DTG: 091658Z JUL 82 PSN: 054397

WAS IN AN EXPOSED POSITION. HE NOTED THAT "ESCAPE FOR JOHN BROWN WAS NEITHER CERTAIN NOR SIMPLE," BUT THAT COMPANY REPRESENTATIVES COULD NOT OVERDRAMATIZE THEIR SITUATION SINCE THEIR STOCK IS PUBLICLY QUOTED. WE EXPRESSED UNDERSTANDING AND SYMPATHY FOR JOHN BROWN'S POSITION, BUT NOTED THAT US COMPANIES SUCH AS CATERPILLAR, WHICH ALSO FACED FINANCIAL DIFFICULTIES, ARE MAKING SIMILAR SACRIFICES. POWNALL RESPONDED THAT "WE DON'T MIND YOU DRIVING YOUR COMPANIES OUT OF BUSINESS, BUT DO MIND WHEN YOU DO OURS."

5. REGARDING THE CURRENT POSITION OF JOHN BROWN ENGINEERING LTD., POWNALL SAID THAT JULY 2 WAS THE FIRST SHIPMENT DATE FOR TURBINES TO THE SOVIETS. CONSEQUENTLY, THE COMPANY IS LIVING "ON BORROWED TIME" AWAITING ONLY THE TWO FINAL CONTRACTUAL REQUIREMENTS FOR SHIPMENT: SOVIET INSPECTION OF THE GOODS; AND NOTIFICATION BY THE SOVIETS THAT A SHIP IS AVAILABLE FOR FOB DELIVERY. SO FAR THE SOVIETS HAVE NOT FOLLOWED UP ON THESE TWO CONDITIONS, BUT THIS SUSPENDED STATE CAN LAST AT MOST FOR A FEW WEEKS.

6. SUNDERLAND STRESSED THAT THESE CIRCUMSTANCES MAKE THE JOHN BROWN CONTRACT A MORE PRESSING PROBLEM FOR HMG THAN DO THE AEG AND NUOVO PIGNONE CONTRACTS FOR FRG AND ITALIAN AUTHORITIES. ACTUAL DELIVERY DATES FOR THESE FIRMS ARE FURTHER IN THE FUTURE. THE DEPARTMENT OF TRADE HAS EXAMINED JOHN BROWN'S CONTRACTS WITH THE SOVIETS. THERE ARE A SERIES OF LATE DELIVERY PENALTIES AFTER WHICH NON-SHIPMENT WILL INVOKE FURTHER LIABILITIES FOR NON-FULFILMENT. THE SOVIETS THEN HAVE THE RIGHT TO CANCEL AND SUE FOR DAMAGES. WHILE THE SOVIETS HAVE NOT SERVED NOTICE THAT THEY WILL TAKE SUCH A STEP, THERE IS REASON TO BELIEVE THEY WILL. ALTERNATIVELY, SUNDERLAND EXPECTS THAT THE SOVIETS WILL PUT PRESSURE ON EC COMPANIES TO PROPOSE AN ALTERNATE SOLUTION, JUST SHORT OF INVOKING THE PENALTY. (SEPTEL WILL REPORT ON MEETING WITH JOHN BROWN

EXECUTIVES AND THEIR JULY 2 MEETING WITH THE SOVIETS.)

7. SUNDERLAND WAS ELUSIVE ON STEPS THAT HMG MAY TAKE NEXT UNDER THE PROTECTION OF TRADING INTERESTS ACT (PTI), INVOKED ON JUNE 30 TO BLOCK OUR JUNE 18 EXPORT RESTRICTIONS. WHILE
BT

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~~CONFIDENTIAL~~ SECTION 02 OF 02 LONDON 14904

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THE PTI CAN REQUIRE AFFECTED FIRMS TO NOTIFY THE DEPARTMENT OF TRADE AND PERMITS THE SECRETARY OF STATE FOR TRADE TO PROHIBIT UK COMPANIES (INCLUDING SUBSIDIARIES OF US FIRMS) FROM COMPLYING WITH US SANCTIONS. DOT OFFICIALS ADMITTED THAT THEY DO NOT HAVE THE POWER TO ORDER A FIRM TO CONSUMMATE AN EXPORT. BRITISH LAW WOULD NOT PREVENT JOHN BROWN FROM MEETING CONTRACTED OBLIGATIONS WITH THE SOVIETS, BLOCKING USE OF A FORCE MAJEURE DEFENSE IN UK COURTS. POWNALL NOTED THAT US FIRMS, IN CONTRAST, COULD READILY CITE THE EXPORT ADMINISTRATION ACT AS A LEGAL DEFENSE FOR BREACH OF CONTRACT.

8. POWNALL STRESSED THAT IF JOHN BROWN ENGINEERING LTD. LOSES THE SOVIET CONTRACT AND IS SQUEEZED TO THE LIMIT, IT ALMOST CERTAINLY WILL HAVE TO CLOSE. EMPLOYMENT LOSSES BY THE FIRM WOULD TOTAL APPROXIMATELY 1,700 PEOPLE, IF JOHN BROWN COULD SHIP THE PRE - DECEMBER 31, 1981 ROTORS NOW IN STOCK, THE JOB LOSS WOULD BE SMALLER, PERHAPS 250. THE IMPACT ON SUB-CONTRACTORS AND OTHER FIRMS DEALING WITH JOHN BROWN WOULD PERHAPS BE 200-300 JOBS, IN TURN DEPENDING ON THE FINANCIAL POSITION OF THESE OUTSIDE FIRMS.

9. ON THE IMPACT OF OUR ACTION ON UK SUBSIDIARIES OF US FIRMS AND UK LICENSEES, THE DEPARTMENT OF TRADE PRESENTLY IS CONDUCTING A SURVEY AND HAS NO DATA YET. SINCE INVOCATION OF THE PTI, FIRMS ONLY NOW ARE REPORTING THEIR POSITION TO THE DEPARTMENT OF TRADE. SUNDERLAND GUESSED THAT, AT A MINIMUM, OUR DECISION MAY AFFECT CONTRACTS WORTH SEVERAL TENS OF MILLIONS OF POUNDS. AGAIN, SOME OF THESE SUBSIDIARIES AND LICENSEE HOLDERS MAY FACE LIQUIDATION. (NOTE: THIS EMBASSY ALSO IS UNAWARE OF THE IMPACT ON US-CONTROLLED SUBSIDIARIES. CALLS FROM SUBSIDIARIES AND UK SOLICITORS INDICATE CONTRACTS IN VARIOUS STAGES, RANGING FROM ONE TO FOUR HUNDRED AND FIFTY MILLION DOLLARS.)

10. SUNDERLAND CANDIDLY EXPRESSED HMG'S BELIEF THAT IT WAS MISLED IN THIS ISSUE, PERHAPS BECAUSE THEY DID NOT BELIEVE EUROPEAN CONCERNS WOULD BE DISREGARDED AND THAT SANCTIONS WOULD BE EXTENDED IN THE SAME OIL AND GAS AREAS (READ AS OPPOSED TO A GRAIN EMBARGO).

11. HE SAID HAD THE BRITISH GOVERNMENT A CLEARER IDEA IN EARLY JANUARY OF OUR LATER SANCTIONS, THE IMMEDIATE DECISIONS OF HMG AND JOHN BROWN ENGINEERING LTD. MIGHT

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NATIONAL SECURITY COUNCIL
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PAGE 02 OF 02 LONDON 4904

DTG: 091658Z JUL 82 PSN: 054364

HAVE BEEN DIFFERENT -- THOUGH UK OBJECTION NO LESS VIGOROUS. SUNDERLAND SAID HMG FIRMLY BELIEVED THE PROSPECT FOR SOMERESOLUTION OF THIS DISAGREEMENT HAD SEEMED LIKELY WITH ADVANCES ON RESTRICTING SOVIET CREDITS AND THE DISCUSSIONS AT VERSAILLES. HMG FULLY EXPECTED SOME QUID PRO QUO FROM THE US FOR THIS PROGRESS. HE SAID THE NEW SANCTIONS NOW HAVE LEFT HMG WITH NO ROOM FOR MANEUVER.

12. CHARACTERIZING US ACTIONS AS "INTENSELY DEPRESSING," HE NOTED THAT THE CONSIDERABLE EFFORTS OF HIGH LEVEL HMG OFFICIALS IN BILATERAL DISCUSSIONS WITH THE USG ON EXTRATERRITORIALITY OVER THE LAST YEAR APPEAR NOW "TO HAVE BEEN NOTHING MORE THAN A DIALOGUE OF THE DEAF." HE SAID HMG FINDS US CONTROLS PARTICULARLY OBJECTIONABLE IN TWO AREAS: THE RETROACTIVE ELEMENT OF THE REGULATIONS AS THEY RELATE TO EXISTING CONTRACTS AND LICENSING AGREEMENTS; AND THE INTERFERENCE WITH UK COMPANIES WHICH ARE SUBSIDIARIES OF US FIRMS. HE STRESSED THAT OUR BILATERAL DISAGREEMENT NOW IS ON A VERY FAST TIME TRACK AND "FURTHER HMG ACTIONS WILL HAVE TO OCCUR SOONER RATHER THAN LATER." POWNALL NOTED THAT THIS DISPUTE CANNOT BUT SPILL OVER INTO OTHER ASPECTS OF OUR RELATIONSHIP, PARTICULARLY IF JOHN BROWN GOES UNDER, HE CITED, AS BUT ONE EXAMPLE, THE UPCOMING COCOM REVIEW WHICH "SOME EUROPEANS EASILY COULD MUDDLE UP." LOUIS
BT

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02 SECSTATE WASHDC 1669 DTG: 102005Z JUL 82 PSN: 056447
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~~CONFIDENTIAL~~ STATE 191669

EXDIS
E.O. 12065: GDS 7/10/88 (BURT, RICHARD)
TAGS: PGOV UK
SUBJECT: HMG CONCERNS OVER US EXPORT CONTROLS

REF: LONDON 14904

1. ENTIRE TEXT ~~CONFIDENTIAL~~.

2. FOLLOWING FOR THE EMBASSY INFORMATION IS MATERIAL ON
STATUS OF JOHN BROWN ENGINEERING WHICH DEPARTMENT PASSED
TO BRITISH EMBASSY.

BEGIN TEXT

DURING A MEETING ON JUNE 17 BETWEEN NSC STAFF MEMBERS AND
OTHER ADMINISTRATION OFFICIALS AND A REPRESENTATIVE OF JBE
AND THE UK COMMERCIAL ATTACHE (JOHN GOLDSTEIN), THE SERIOUS
FINANCIAL LOSSES FACED BY JBE IF DELIVERY OF GAS TURBINES
DOES NOT TAKE PLACE IN JULY WERE FULLY DISCUSSED. THEY
REPORTEDLY ARE:

(A) LIKELY FORFEITURE OF A \$7 MILLION PERFORMANCE BOND;

(B) CANCELLATION OF THE SOVIET TURBINE CONTRACT IF
ALTERNATIVE SOLUTIONS TO THE GE ROTORS ARE NOT FOUND IN
SIX MONTHS.

(C) POTENTIAL LOSS OF ITS \$44 MILLION INVESTMENT
(UNSOLD INVENTORY) AND ITS ABILITY TO COMPETE IN THE
WORLD TURBINE MARKET;

(D) LOSSES COULD RESULT IN THE SUBSIDIARY GOING OUT
OF BUSINESS;

(E) THE SOVIET CONTRACT PROVIDES NO RELIEF THROUGH
"FORCE MAJEURE" CLAUSE. INSTEAD ONLY A CLAUSE THAT
ALLOWS JBE SIX MONTHS TO FIND ALTERNATIVE SOLUTION TO
MEET DELIVERY SCHEDULE AND THIS GRACE PERIOD
ENDS JULY 1, 1982.

JBE REPORTEDLY ENTERED THE GAS TURBINE BUSINESS IN 1967
AND WAS AWARDED THE CONTRACT FOR THE SIBERIAN PROJECT
IN 1981 AT WHICH TIME THE INVESTMENTS WERE MADE. THE
FIRM HAS SIX GE ROTOR PACKAGES IN INVENTORY, ALL OF
WHICH WERE DELIVERED PRIOR TO THE DECEMBER 29
SANCTIONS. DELIVERIES WERE TO BEGIN ON JULY 1, BUT
SHIPMENT PRESENTLY CANNOT BE MADE DUE TO THE SANCTIONS.

DECLASSIFIED

NLS 598-002#370

BY WOS NARA, DATE 6/12/02

~~CONFIDENTIAL~~

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~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 SECSTATE WASHDC 1669

DTG: 102005Z JUL 82 PSN: 056447

JBE BELIEVES THAT A DELAY OF 3-4 YEARS WILL RESULT IF THERE IS A NEED TO INSTALL FULLY ASSEMBLED ROTORS IN COMPRESSOR STATIONS AT THE URENGOI END OF THE PIPELINE. THE APPROACH OF INSTALLING THE ROTORS IN THE TURBINES AFTER THE LATTER ARE IN PLACE IS NOT PRACTICAL BECAUSE OF METAL SHRINKAGE.

ALSTHOM SUBSTITUTE ROTORS ARE SUBSTANTIALLY MORE EXPENSIVE THAN THE GE EQUIVALENT AND MAKES THE SOVIET CONTRACT CONSIDERABLY LESS ATTRACTIVE. MOREOVER, ALSTHOM MIGHT BE AWARDED A NEW CONTRACT TO SUPPLY BOTH THE ROTOR KITS AND THE TURBINE ASSEMBLIES WITH JBE PRESUMABLY LOSING THE BUSINESS.

JOHN BROWN LTD. (HOLDING COMPANY)

JOHN BROWN COMPANY, LTD. IS A HIGHLY DIVERSIFIED CONGLOMERATE IN THE FOLLOWING BUSINESSES: GAS TURBINES (JBE) (11 PERCENT OF TOTAL SALES); PLASTICS AND TEXTILE MACHINERY (17 PERCENT); MACHINE TOOLS (11 PERCENT) AND GENERAL ENGINEERING AND MISCELLANEOUS (11 PERCENT).

IN THE FISCAL YEAR ENDING 3/81 (LATEST FIGURES AVAILABLE), JBE (ONLY 11 PERCENT OF SALES) WAS ONLY OPERATING DIVISION POSTING A LOSS. THE GROUP'S TOTAL PROFITS AFTER TAX WERE ABOUT \$40 MILLION.

THE HOLDING COMPANY'S TOTAL ASSETS WERE ABOUT \$640 MILLION (1.7 EXCHANGE RATE) WITH A TOTAL NET WORTH OF ABOUT \$180 MILLION. THIS IS A SUBSTANTIAL NET WORTH CUSHION WHICH COULD PRESUMABLY ABSORB THE LEVEL OF ANTICIPATED LOSSES FROM JBE. WHEN PRESSED, THE JBE REPRESENTATIVE ADMITTED THAT NOT ALL OF THE \$44 MILLION INVESTED (NOW IN INVENTORY) WOULD BE LOST IF THE SOVIETS CANCELLED THEIR CONTRACT.

WE UNDERSTAND THAT THE SUBSIDIARY IS ALREADY ACTIVELY ATTEMPTING TO IDENTIFY OTHER POTENTIAL MARKETS TO RECOVER PART OF THE INVESTMENT AND THAT JOHN BROWN LTD. WILL DOWN-STREAM SUFFICIENT CASH TO KEEP JBE AFLOAT IN A "WORST CASE" SCENARIO. THERE ARE ALSO ACTIVE DISCUSSIONS BETWEEN THE COMPANY AND THE UK GOVERNMENT CONCERNING POTENTIAL GOVERNMENT INTERVENTION. THIS ALTERNATIVE IS NOT THOUGHT TO BE NECESSARY DUE TO THE OVERALL STRENGTH OF THE JOHN BROWN GROUP.

BETWEEN 1980-81 THE JOHN BROWN GROUP WAS SUFFICIENTLY STRONG TO PURCHASE AT LEAST TWO US COMPANIES; OLOFSSON CORPORATION FOR \$44.4 MILLION AND LEESONA CORPORATION (1980). THIS LATTER INVESTMENT YIELDED PROFIT OF \$10.9 MILLION IN THE PERIOD 1980-81.

INVESTORS CHRONICLE, A UK BROKERAGE REPORT, IN OCTOBER 1981 DESCRIBED JOHN BROWN LTD. AS "A FINANCIALLY SOUND COMPANY." IN FEBRUARY 1982, PROSPECTS FOR THE LARGEST DIVISION OF THE COMPANY, THE PROCESS ENGINEERING AND CONSTRUCTION DIVISION, WERE UPGRADED TO "VERY GOOD." END TEXT. STOESSEL
BT

~~CONFIDENTIAL~~

~~SECRET~~

VIA CABLE

TO: AMBASSADOR JOHN LOUIS, JR.
American Embassy, London

SUBJECT: Response to Prime Minister Thatcher's Representations
to the President Concerning John Brown Engineering

Attached (Tab A) is a June 25, 1982 correspondence from Mrs. Thatcher to the President protesting the sanctions and highlighting the adverse affects on John Brown Engineering. Mrs. Thatcher took issue with the President's comment during their June 23 meeting in Washington that he understood John Brown was in reasonably solid financial shape. In his response to Mrs. Thatcher (Tab B), the President acknowledged some miscommunication on this subject and offered a full explanation through our Embassies. You are requested ASAP to contact the appropriate UK officials to provide this more detailed explanation of the status of John Brown Engineering (JBE) and the holding company John Brown Ltd. as viewed from Washington.

-- When the President cited the financial condition of John Brown, he was referring to the holding company John Brown Ltd., not the more thinly capitalized gas turbine manufacturing subsidiary John Brown Engineering. His comment was in no way intended to minimize USG concern over the acknowledged seriousness of the financial difficulties resulting from the sanctions for the subsidiary JBE. The President was merely pointing out his understanding that John Brown Ltd. will remain a going concern

~~SECRET~~

Review July 2, 1988

598-002 #371

CAS

DATE

7/21/80

with the continued ability to attract financing despite this extremely regrettable setback.

JBE

-- During a meeting on June 17 between NSC staff members and other Administration officials and a representative of JBE and the UK commercial attache (John Goldstein), the serious financial losses faced by JBE if delivery of gas turbines does not take place in July were fully discussed. They reportedly are

(a) likely forfeiture of a \$7 million performance bond;

(b) cancellation of the Soviet turbine contract if alternative solutions to the G.E. rotors are not found in six months;

(c) potential loss of its \$44 million investment (unsold inventory) and its ability to compete in the world turbine market;

(d) losses could result in the subsidiary going out of business;

(e) the Soviet contract provides no relief through "Force Majeure" clause. ^{Instead} ^a Only a clause that allows JBE six months to find alternative solution to meet delivery schedule and this grace period ends July 1, 1982.

-- JBE reportedly entered the gas turbine business in 1967 and was awarded the contract for the Siberian pipeline project in 1981 at which time the investments were made. The firm

has six G.E. rotor packages in inventory, all of which were delivered prior to the December 29 sanctions. Deliveries were to begin on July 1, but shipment presently cannot be made due to the sanctions.

-- JBE believes that a delay of 3-4 years will result if there is a need to install fully assembled rotors in compressor stations at the Urengoi end of the pipeline. The approach of installing the rotors in the turbines after the latter are in place is not practical because of metal shrinkage.

-- Alsthom substitute rotors are substantially more expensive than the G.E. equivalent and makes the Soviet contract considerably less attractive. Moreover, Alsthom might be awarded a new contract to supply both the rotor kits and the turbine assemblies with JBE presumably losing the business.

John Brown Ltd. (holding company)

-- John Brown Company, Ltd. is a highly diversified conglomerate in the following businesses: Gas turbines (JBE) (11% of total sales); Process engineering and construction (50% of sales); Plastics and textile machinery (17%); Machine tools (11%) and general engineering and miscellaneous (11%).

-- In fiscal year ending 3/81 (latest figures available), JBE (only 11% of sales) was the only operating division posting a loss. The group's total profits after tax were about \$40 million.

-- The holding company's total assets were about \$640 million (1.7 exchange rate) with a total net worth of about \$180 million. This is a substantial net worth cushion which could presumably absorb the level of anticipated losses from JBE.

-- When pressed, the JBE representative admitted that not all of the \$44 million invested (now in inventory) would be lost if the Soviets cancelled their contract. An intelligence report indicates that the subsidiary is already actively attempting to identify other potential markets to recover part of the investment.

-- The intelligence report further indicates that John Brown Ltd. will down-stream sufficient cash to keep JBE afloat in a "worst case" scenario. There are also active discussions between the company and the UK government concerning potential government intervention. This alternative is not thought to be necessary due to the overall strength of the John Brown Group.

-- Between 1980-81 the John Brown group was sufficiently strong to purchase at least two U.S. companies; Olofsson Corporation for \$44.4 million and Leeson Corporation (1980). This latter profitable investment *yielded profits of \$10.9 million in the period 1980-81.* ~~yielded pounds sterling 6.4 million -- almost 36% of the group's 1980-81 trading profits~~

-- Investors Chronicle, a UK brokerage report, in October 1981 described John Brown Ltd. as "a financially sound company." In February 1982, prospects for the largest division of the company, the process engineering and construction division, were upgraded to "very good."

We clearly do not need to overwhelm the UK government, however, we feel obligated to demonstrate deeper understanding of the situation than was assumed in the June 23 meeting. In our view,

the John Brown group is not threatened by the potential losses of JBE. The fact that virtually 100% of the subsidiaries Frame V shaft gas turbine manufacturing capacity (they also produce multiple end-use gas turbines) is reportedly dedicated to the Soviet market is a risk of doing business.

DECLASSIFIED

10/6/96

By GJS

KEYWORDS: GREAT BRITAIN ECONOMICS

SANCTIONS GAS

INTL TRADE INTL FINANCE

SUBJECT: DELAYED STATE CABLE RE JOHN BROWN LTD

ACTION: FOR INFORMATION DUE: STATUS IX FILES

FOR ACTION FOR CONCURRENCE FOR INFO

POINDEXTER

COMMENTS

REF#

LOG

NSCIFID

(N /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	7/16	Clark noted		RO

~~CONFIDENTIAL~~

~~MEMORANDUM~~

4678

NATIONAL SECURITY COUNCIL

July 2, 1982

~~CONFIDENTIAL~~

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: President's Correspondence to Mrs.
Thatcher Concerning John Brown
Engineering (JBE) and Sanctions

Attached (Tab I) is an intelligence report received in the past days which I was fortunately able to reference in your cover memo to the President. It confirms our assessment that the holding company, John Brown Ltd., is going to shore-up its ailing subsidiary (JBE). The UK government may also intervene to soften the blow and eventually work with the company concerning potential employment dislocation.

Attachment
Tab I Intelligence Report

DECLASSIFIED / RELEASED

NLS 598-002 # 372

BY CAS, NARA, DATE 3/28/09

~~CONFIDENTIAL~~

CONFIDENTIAL
Review July 1980

1000

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THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL WITH~~
~~SECRET ATTACHMENT~~

July 2, 1982

MEMORANDUM FOR L. PAUL BREMER III
Executive Secretary
Department of State

SUBJECT: Draft Cable to AMEMBASSY London

Attached is a draft cable to Ambassador Louis to follow up on the President's letter to Mrs. Thatcher. Larry Eagleburger needs the draft cable this afternoon for a meeting with Ambassador Henderson.


J. M. Poindexter

Attachment

UNCLASSIFIED UPON REMOVAL
OF CLASSIFICATION

CS 10/8/96

~~CONFIDENTIAL WITH~~
~~SECRET ATTACHMENT~~

CS

10/19/98

~~SECRET~~

VIA CABLE

TO: AMBASSADOR JOHN LOUIS, JR.
American Embassy, London

SUBJECT: Response to Prime Minister Thatcher's Representations
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~~SECRET~~

Review July 2, 1988

598002 #374
CAS 7/21/00

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This latter ~~profitable~~ investment yielded ~~pounds sterling~~ ^{profit of} 10.9 million -- ~~almost 36% of the group's 1980-81 trading profits.~~ ^{in the period}

-- Investors Chronicle, a UK brokerage report, in October 1981 described John Brown Ltd. as "a financially sound company." In February 1982, prospects for the largest division of the company, the process engineering and construction division, were upgraded to "very good."

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~~SECRET~~

5

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~~SECRET~~

02 JUL 2 13:39

WASHFAX RECEIPT

THE WHITE HOUSE

1982 JUL 2 PM 7:45

C

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OF CLASSIFIED
OSURE(S)

CA 5 10/1/82

MESSAGE NO. 851 CLASSIFICATION SECRET

FROM JOHN DOINDEXER 456-2257 WH-5R
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION DRAFT CABLE TO
AMEMBASSY LONDON

TO (AGENCY) DELIVER TO: DEPT/ROOM NO. EXTENSION

STATE

L. PAUL BREMER III

CC: S/S-S

REMARKS:

4291
GL
LH

THE WHITE HOUSE
WASHINGTON

MEMORANDUM

6/21/82

TO: WILLIAM CLARK
FROM: ^{FR}FREDERICK J. RYAN, JR.
SUBJ: APPROVED PRESIDENTIAL ACTIVITY

PLEASE IMPLEMENT THE FOLLOWING AND NOTIFY AND CLEAR ALL PARTICIPANTS. THE BRIEFING PAPER AND REMARKS SHOULD BE SUBMITTED TO RICHARD DARMAN BY 3 P.M. OF THE PRECEDING DAY.

MEETING: with Prime Minister Thatcher

DATE: June 23, 1982
TIME: 5:00 pm
DURATION: 60 minutes
LOCATION: Oval Office
REMARKS REQUIRED: Yes
MEDIA COVERAGE: Coordinate with Press Office
FIRST LADY
PARTICIPATION: No

REMARKS REQUIRED

cc: A. Bakshian
M. Brandon
R. Darman
R. DeProspero
K. Duberstein
D. Fischer
C. Fuller
E. Hickey
M. McManus
E. Rollins
C. Tyson
C. Romero
B. Shaddix
W. Sittmann
L. Speakes
S. Studdert
WHCA Audio/Visual
WHCA Operations
R. Williamson
N. Wormser
A. Wrobleski
M. Wheeler

~~SECRET~~

President has seen _____

MEMORANDUM

4291 add-on

~~SECRET~~

THE WHITE HOUSE
WASHINGTON

598002 #375

CT5

DATE 7/21/00

INFORMATION

June 22, 1982

PR

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK *WPC*

SUBJECT: Your Wednesday, June 23 Meeting with UK Prime Minister Thatcher

Issue

How should you most effectively use your time with Mrs. Thatcher?

Facts

Margaret Thatcher, whom you will be seeing for the fourth time this month in as many cities, comes here still riding high on the triumph of British arms in the Falklands. Buoyed by political popularity at home and the psychological lift of enhanced British stature abroad, she has the bit firmly in her teeth and will likely sound a theme which has already received a good deal of public play ("We have not sent British troops and treasure 8000 miles to establish a UN trusteeship").

Mrs. Thatcher will register disappointment over last week's sanctions decision which affects a company (John Brown) she claims has considerable economic significance in Britain (she wrote to you about this case in some detail weeks ago); she might link this issue to European unhappiness over general U.S.-Community economic tensions, including our anti-dumping actions on imported steel. She will also express, as she did in London and in her most recent correspondence, her growing concern over the course of events in the Middle East. But these two issues will be, from our point of view, relatively less important than the Falklands.

Discussion

While addressing her concerns over the extraterritoriality issue and providing a readout on the Begin meeting, your main objective with Mrs. Thatcher should be to reiterate our view that "a just war requires a just peace", one which both sides can accept. You will be laying down a marker, noting that an indefinitely prolonged military occupation of the Falklands is in neither UK nor US long-term interests and that our support for the British position can only continue if there is eventual progress toward a negotiated settlement. (In this connection you might want to consider raising

~~SECRET~~

Review on 6/22/88

~~SECRET~~

cc Vice President
Ed Meese
Jim Baker
Mike Deaver

SECRET

2

~~SECRET~~

the issue of lifting U.S. economic sanctions against Argentina as the EC countries did last Sunday.) Undoubtedly Mrs. Thatcher will be cool to such a line and will offer little evidence at this point of any willingness to move ahead on a negotiating track. Nevertheless, as the initial euphoria of British military success wears off, and as she confronts a less dramatic but more difficult post-hostilities phase, it is probable that she will begin to unbend. Your cautionary note on Wednesday afternoon can help point her in the direction of necessary reasonableness and reconciliation.

Al Haig's memo (Tab A) provides appropriate background and talking points for the three key issues you will be discussing (Falklands, East-West, Middle East) and includes material on additional subjects Mrs. Thatcher may wish to raise, time permitting.

SECRET

~~SECRET~~

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DEPARTMENT OF STATE
BRIEFING PAPER

~~CONFIDENTIAL~~

MIDDLE EAST

Ambassador Habib is trying to develop a political consensus in Lebanon where none has existed for several years. While he has been successful in achieving an agreement on a basic goal -- the need for a strengthened central government -- he is having difficulty in persuading the Lebanese players to make the urgent political decisions necessary to achieve this goal. Largely as a result of Ambassador Habib's persuasive efforts, the new National Salvation Council finally agreed to meet on June 20 and will meet again on June 22. The Lebanese executive authority -- probably through the Council -- must make the decisions necessary to inaugurate urgent negotiations between the Government of Lebanon and the Palestinian Liberation Organization fighters and other armed Lebanese elements.

In the meantime, it is imperative that the Israelis retain pressure on west Beirut but through a cease-fire in place. They must, however, withdraw from the Baabda area in order to remove the impression that the Lebanese government is acting only under Israeli pressure.

It is envisioned that a follow-on negotiation between the PLO and the Lebanese authority would remove the PLO as a state-within-a-state in Lebanon, transform it into a community responsive to the authority of the Lebanese government, and permit the safe passage of the PLO leadership cadre out of Lebanon.

The very important issues of Israeli-Syrian disengagement, Israeli withdrawal, and the arranging of a peacekeeping force in a buffer zone in southern Lebanon must be taken up as soon as the outcome of the West Beirut-PLO issues are resolved. The key to all our efforts in Lebanon is the strengthening of the Lebanese government and extension of its authority, the issue for which Ambassador Habib is working so intensively at the moment. Mrs. Thatcher will be very interested in our intentions with regard to resolving the Palestinian issue. We must impress upon her our resolve to make early progress on this through intense efforts to build on progress already made within the Camp David framework. The President responded on June 19 to Prime Minister Thatcher's letter on Lebanon and undertook to continue to consult closely on these issues.

~~CONFIDENTIAL~~

RDS 1,3 6/22/02

NLS 598-002#378
BY LOS NARA, DATE 6/2/02

DEPARTMENT OF STATE
BRIEFING PAPER

~~CONFIDENTIAL~~

EAST/WEST RELATIONS

On East/West relations Mrs. Thatcher has been perhaps your strongest supporter among Allied heads of government since you took office. Her views on the nature of Communism, the Soviet threat and the Western posture required to deal with them are robust. She has emphasized cooperation and teamwork in developing a united Alliance approach to East/West problems.

Partly because Britain has fewer economic ties with the East than its European partners, it has also been more helpful to our efforts to achieve greater discipline and stringency, keyed to Soviet behavior, in the economic field. Friday's NSC decision as it effects John Brown, Ltd., a British company operating in a high-unemployment Scottish area, will be all the more painful in light of this pattern of British good will. The Prime Minister may suggest that she will be under strong Parliamentary pressure to invoke British law against the application of the NSC decision in the UK. (See Background Paper on Economic Sanctions Against USSR).

~~CONFIDENTIAL~~

RDS 1,3 6/22/02

DECLASSIFIED

NLS 598-002#379

BY HDS NARA, DATE 6/12/02

DEPARTMENT OF STATE
BRIEFING PAPER

~~CONFIDENTIAL~~

ECONOMIC SANCTIONS AGAINST THE USSR

The Europeans, including Prime Minister Margaret Thatcher, are unhappy with the President's decision of June 18 to expand export controls on US oil and gas equipment and technology originally adopted in December following the imposition of martial law in Poland.

The December sanctions blocked the sale of all US produced oil and gas equipment and technology to the Soviets. The most significant transaction to be affected was a contract under which GE was to deliver \$175 million work of rotors to several European affiliates (including John Brown Ltd. in the UK) for use on the West Siberian pipeline. The President's June 18 decision reaffirms the earlier sanctions and extends controls to equipment manufactured overseas by US subsidiaries as well as that produced by foreign companies on the basis of US technology.

The Prime Minister is likely to focus on the important economic losses our decision may cause John Brown, Ltd. It has \$279 million in pipeline contracts with the Soviets which are dependent on receipt of GE rotors.

The British have claimed that nonfulfillment of these contracts could force the financially troubled firm into bankruptcy, with politically damaging increases in unemployment, and the Prime Minister has personally written the President twice to urge that our sanctions be eased to permit the deliveries of the necessary rotors.

In addition the British have been among the most vociferous critics of US efforts to apply our laws and regulations in foreign jurisdictions. The British have blocking legislation on the books to prevent UK companies from complying with US laws if we try to enforce them in Britain, and can be expected to use it if necessary. This further cooperation on limiting Western credits to the Soviets may also be in jeopardy from this decision.

~~CONFIDENTIAL~~

DECLASSIFIED

NLS 598-002# 380
BY WJS NARA, DATE 6/12/02

DEPARTMENT OF STATE
BRIEFING PAPER

UNCLASSIFIED

STEEL

The Commerce Department announced on June 11 its preliminary findings that imports of steel products from nine countries -- including the UK -- are benefitting from government subsidies.

Effective from that date, US importers of these products from these countries will be required to post cash or a bond equal to the estimated subsidy to ensure payment of countervailing duties when the final findings are made.

The findings followed investigation of complaints from the US steel industry claiming that the imports were being subsidized.

The Commerce Department will make its final subsidy determinations by August 24.

The International Trade Commission must then finally determine whether the subsidized imports injure or threaten to injure the US industry.

Any countervailing duty orders will be issued by October 15.

UNCLASSIFIED

PRESIDENTIAL REMARKS AT THE END OF HIS JUNE 23, 1982

MEETING WITH UK PRIME MINISTER

MARGARET THATCHER

It has been good to welcome the Prime Minister to Washington, even if only for an afternoon's visit. I was delighted we could continue our conversations from Paris, London and Bonn on the whole host of issues where our cooperation is so close.

The fighting in the South Atlantic has stopped since the Prime Minister and I last met. We believe that a fundamental principle of international society -- that force not be used to settle disputes -- was at stake in the conflict. And we acted accordingly.

We also discussed other issues, including a number of economic questions, the future of East/West relations, and the crucial role played by events in Poland and Afghanistan. We share the commitment to meaningful arms control negotiations with the Soviet Union.

With respect to the Middle East, we consulted about what we could do to promote a lasting and just peace in that region so important to us, especially in Lebanon.

The Prime Minister has come to us at a particularly auspicious moment, the birth of the heir to the throne. I have every hope, Margaret, that you will carry back to London the fondest good wishes of the American people, of Nancy and of myself to the Prince and Princess of Wales and their little son. Thank you for coming.

MW

4291 add-on

MEMORANDUM

NATIONAL SECURITY COUNCIL

UNCLASSIFIED
W/SECRET ATTACHMENT

June 22, 1988

ACTION

SIGNED

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: CHARLES P. TYSON *CT*

FROM: JAMES M. RENTSCHLER *JMR*

SUBJECT: President's Meeting with Margaret Thatcher
(Wednesday, June 23 - 5:00 p.m.)

Your memo to the President (Tab I) conveys Al Haig's recommendations on the tack to take with Mrs. Thatcher tomorrow (Tab A) and incorporates talking points developed by me and other in-house hands (notably Geoff Kemp/Howard Teicher for the Middle East and Roger Robinson for economic sanctions).

Roger Fontaine and Alfonzo Sapia-Bosch concur.

RECOMMENDATION:

OK NO

☒ ☐ That you sign the memo to the President at Tab I.

Attachments:

Tab I Clark memo to President
Tab A Haig memo

UNCLASSIFIED
W/SECRET ATTACHMENT

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

ACTION

June 22, 1982

MEMORANDUM FOR MICHAEL K. DEEVER

FROM:

WILLIAM P. CLARK *wpc*

OK mmo

NOTED

SUBJECT:

President's Meeting with Prime Minister Thatcher:
Recommended Structure and Composition

Tomorrow's meeting with Mrs. Thatcher should be structured to include a restricted session in the Oval Office, followed by an expanded session in the Oval Office. The participants would be as listed below:

Restricted Session in Oval Office

US

The President

UK

Prime Minister Thatcher

Expanded Session in Oval Office

The President

The Vice President

Secretary Haig

William P. Clark

James Rentschler (NSC notetaker)

Prime Minister Thatcher

Clive Whitmore (Private

Secretary to the Prime Minister)

David Gillmore (Assistant

Undersecretary for Defense)

Ian Gow (Parliamentary Secretary)

MEMORANDUM

NATIONAL SECURITY COUNCIL

June 22, 1982

ACTION

SIGNED

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: CHARLES P. TYSON *CT*FROM: JAMES RENTSCHLER *J.R.*SUBJECT: President's Meeting with Mrs. Thatcher:
Recommended Participants

I recommend that tomorrow's meeting with Prime Minister Thatcher be structured to include a restricted session in the Oval Office, followed by an expanded meeting in the Cabinet Room. Your memorandum to Mike Deaver at Tab I provides a rundown of participants for each meeting.

RECOMMENDATION

That you sign the memorandum to Mike Deaver at Tab I.

Approve *Clark*Disapprove *unapproved*

Attachment
Tab I - Memo to Deaver

~~CONFIDENTIAL~~

4291 add-on

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~CONFIDENTIAL~~

June 21, 1982

MEMORANDUM FOR L. PAUL BREMER III
Executive Secretary
Department of State

SUBJECT: President's Meeting with Prime Minister Thatcher

The President will have an office meeting with Mrs. Thatcher on Wednesday afternoon, June 23. In preparation for that occasion, the Department is requested to provide the following materials:

- recommended talking points and background papers;
- recommended text for a Presidential departure statement following conclusion of the meeting;
- recommended list of meeting participants.

The NSC will need to receive this by no later than noon on Tuesday, June 22. Thank you for your assistance.

Michael O. Wheeler

Michael O. Wheeler
Staff Secretary

~~CONFIDENTIAL~~

Review on 6/21/88

CS

10/8/98

~~CONFIDENTIAL~~

4291

82 JUN 21, P 3: 01

WASHFAX RECEIPT

THE WHITE HOUSE

C

615 10/1/9

21

UNCLASSIFIED

MESSAGE NO. 769 CLASSIFICATION CONFIDENTIAL PAGES 1

FROM NSC/S
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION

TO (AGENCY)	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
<u>B</u>	<u>L. Paul Bremer III</u>		

REMARKS:

~~CONFIDENTIAL~~

MEMORANDUM

4291 add-on

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

June 21, 1982

ACTION

MEMORANDUM FOR MICHAEL O. WHEELER

SIGNED

FROM: JAMES M. RENTSCHLER *sub for*

SUBJECT: Tasker to State on Thatcher Visit

As per guidance from John Poindexter.

Your memo to Bremer (Tab I) tasks State with preparation of briefing materials for use with the meeting the President will have with UK Prime Minister Margaret Thatcher on Wednesday afternoon, June 23 (exact time has yet to be set, but John thinks it will be 5:00 p.m.).

RECOMMENDATION:

OK

NO

✓

That you sign the memo to Bremer at Tab I.

~~CONFIDENTIAL~~

Review on 6/21/88

White House
By *AS*

IED

10/8/82 ✓

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

4291 add-on
OK
CN

MEMORANDUM

6/21/82

TO: WILLIAM CLARK
FROM: ^{FK}FREDERICK J. RYAN, JR.
SUBJ: APPROVED PRESIDENTIAL ACTIVITY

PLEASE IMPLEMENT THE FOLLOWING AND NOTIFY AND CLEAR ALL PARTICIPANTS. THE BRIEFING PAPER AND REMARKS SHOULD BE SUBMITTED TO RICHARD DARMAN BY 3 P.M. OF THE PRECEDING DAY.

MEETING: with Prime Minister Thatcher

DATE: June 23, 1982

TIME: 5:00 pm

DURATION: 60 minutes

LOCATION: Oval Office

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Coordinate with Press Office

FIRST LADY
PARTICIPATION: No

REMARKS REQUIRED

cc: A. Bakshian
M. Brandon
R. Darman
R. DeProspero
K. Duberstein
D. Fischer
C. Fuller
E. Hickey
M. McManus
E. Rollins
C. Tyson

C. Romero
B. Shaddix
W. Sittmann
L. Speakes
S. Studdert
WHCA Audio/Visual
WHCA Operations
R. Williamson
N. Wormser
A. Wroblewski
M. Wheeler

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR MICHAEL K. DEAVER

FROM: WILLIAM P. CLARK

SUBJECT: President's Meeting with Prime Minister Thatcher:
Recommended Structure and Composition

Tomorrow's meeting with Mrs. Thatcher should be structured to include a restricted session in the Oval Office, followed by an expanded session in the Cabinet Room. The participants would be as listed below:

Restricted Session in Oval OfficeUS

The President
The Vice President
Secretary Haig
William P. Clark
James Rentschler (NSC notetaker)

UK

Prime Minister Thatcher
Ambassador Henderson
Clive Whitmore (Private
Secretary to the Prime
Minister)

Expanded Session in Cabinet RoomUK

The President
The Vice President
Secretary Haig
Secretary Weinberger
Secretary Baldrige
Edwin E. Meese, III
James A. Baker, III
Michael K. Deaver
William P. Clark
James Rentschler

UK

Prime Minister Thatcher
Ambassador Henderson
Clive Whitmore
David Gillmore (Assistant
Undersecretary for Defense
Affairs)
Ian Gow (Parliamentary
Secretary)
John Coles (Private Secretary
to the Prime Minister)

RECOMMENDATION

That you approve the above recommended structure and composition.

Approve _____

Disapprove _____

226

National Security Council
The White House

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Package #

4291

JUN 22 AM 11:35

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	1	<i>[initials]</i>	
Bud McFarlane	2	<i>m</i>	
Jacque Hill	3		
Judge Clark	4	<i>[initials]</i>	<i>A</i>
John Poindexter			
Staff Secretary			
Sit Room			

I-Information A-Action R-Retain D-Dispatch

DISTRIBUTION

cc: VP Meese Baker Deaver

Other _____

COMMENTS

URGENT.

227

National Security Council
The White House

Package #

4291

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	1	<i>[initials]</i>	
Bud McFarlane	2	<i>m</i>	
Jacque Hill	3	<i>[initials]</i>	<i>A</i>
Judge Clark	4		
John Poindexter			
Staff Secretary			
Sit Room			

I-Information A-Action R-Retain D-Dispatch

DISTRIBUTION

cc: VP Meese Baker Deaver

Other _____

COMMENTS

URGENT.

WHSR
ROUTE SLIP

STAFF	C/O
Clark	
McFarlane	C
Poindexter	C
Fontaine	
Merchant	
NSC S/S	C

Time Stamp

RECEIVED

82 JUN 19 P 5: 43

WHITE HOUSE
SITUATION ROOM

C : Copy

O : Original

WASHFAX RECEIPT
DEPARTMENT OF STATE

TAR

B

S/S # 8217250

82 JUL 19 19 P 5: 43

USE
SITUATION ROOM CTS 10/16/86
OF CLASSIFIED
ENCLOSURE(S)

MESSAGE NO. 000515 CLASSIFICATION ~~SECRET~~ No. Pages 2

FROM: Nils J. Swanson S/S-I 23838 7241
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION June 19, 1982 memorandum to the President from
Secretary Haig - Subject: Falklands Crisis.

TO: (Agency)	DELIVER TO:	Extension	Room No.
NSC	William Clark		

FOR: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☐ COMMENT ☐

REMARKS:

S/S Officer: 

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 15-18 LISTED ON THE
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

DEPARTMENT OF STATE
BRIEFING PAPER

UNCLASSIFIED

STEEL

The Commerce Department announced on June 11 its preliminary findings that imports of steel products from nine countries -- including the UK -- are benefitting from government subsidies.

Effective from that date, US importers of these products from these countries will be required to post cash or a bond equal to the estimated subsidy to ensure payment of countervailing duties when the final findings are made.

The findings followed investigation of complaints from the US steel industry claiming that the imports were being subsidized.

The Commerce Department will make its final subsidy determinations by August 24.

The International Trade Commission must then finally determine whether the subsidized imports injure or threaten to injure the US industry.

Any countervailing duty orders will be issued by October 15.

UNCLASSIFIED

~~SECRET~~

THE SECRETARY OF STATE

WASHINGTON

June 19, 1982

MEMORANDUM FOR THE PRESIDENT

From: Alexander M. Haig, Jr.

Subject: Falklands Crisis

Our objectives at this point are to end hostilities and to begin to heal the wounds in US/Latin American relations, while continuing to give the British as much support as possible.

The uncertain political situation in Buenos Aires may make it impossible for the Argentines to agree to end hostilities, though they do not appear to have the stomach actually to go on fighting. There is, however, a chance the new junta will come to terms. Most of the top army generals are reported to support an end to hostilities.

In London, Prime Minister Thatcher is understandably riding the crest of the wave. Thus far, we have not pushed her on the longer-term aspects of the Falklands crisis, recognizing her need to deal with the immediate military problems. However, the time is now approaching when we must discuss with Mrs. Thatcher issues such as the U.S. sanctions against Argentina, levels of future US support for UK activities and long-term British plans for the Islands.

Mrs. Thatcher currently plans to arrive in New York June 22 for the SSOD. I suggest you invite her to stop in Washington on her way home to discuss the Falklands. She is lunching with the Secretary-General on Wednesday but would be available for a meeting in Washington Wednesday afternoon or evening.

If you agree to a meeting, I could issue the invitation quickly through Ambassador Henderson.

Approve _____

Disapprove _____

~~SECRET~~

RDS-1 6/19/02

DECLASSIFIED

NLS

598-002-386

BY

LOJ

NARA, DATE

6/12/02

~~SECRET~~

DRAFT MESSAGE TO PRIME MINISTER THATCHER

Dear Margaret:

In view of the need for continuing close consultations between us on the situation in the Falklands, I would like to invite you to stop in Washington on June 23 as you return to London from the UN Special Session on Disarmament.

This would be an excellent opportunity for us to exchange views on the overall situation in the South Atlantic, including the sanctions which the United States is currently applying against Argentina, US support for future UK activities and longer-term political developments in the area.

Our discussions here would also enable us to review developments in Argentina and to consider the options open to the United Kingdom and the United States for working together to achieve a resolution of the crisis.

I hope that we can meet in Washington next week.

Sincerely,

/s/ Ronald Reagan

~~SECRET~~

598-002 #387

045

7/21/00

227

National Security Council
The White House

Package #

4291

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	1	☒	
Bud McFarlane	2	☒	
Jacque Hill	3	☒	
Judge Clark	4	☒	A
John Poindexter			
Staff Secretary			
Sit Room			

I-Information A-Action R-Retain D-Dispatch

DISTRIBUTION

cc: VP Meese Baker Deaver

Other

COMMENTS

State paper on Thatcher visit.

THE WHITE HOUSE
WASHINGTON

6/23

Judge,

The state paper on Thatcher visit came in last night after our paper had gone to the President. Jim Rentschler doesn't feel like it needs to go to the President, but there is one item we didn't cover — Steel.

On the way back from CIA you may want to show it to him for background.

John

RECEIVED 21 JUN 82 10

TO PRESIDENT

FROM HAIG, A

DOCDATE 19 JUN 82

WHEELER

21 JUN 82

RENTSCHLER

22 JUN 82

White
By GS

10/8/98

KEYWORDS: FALKLAND ISLANDS

GREAT BRITAIN

THATCHER, MARGARET

ARGENTINA

CM

SUBJECT: FALKLANDS CRISIS & POSSIBLE INVITATION TO THATCHER TO MEET W/ PRES
ON JUN 23 & RECOMMENDED PARTICIPANTS

ACTION: PREPARE MEMO FOR CLARK DUE: 22 JUN 82 STATUS P/X FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

RENTSCHLER

FONTAINE

SAPIA-BOSCH

WHEELER

COMMENTS **LOGGED FM LDX COPY

REF#

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(C /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
Clark	x 6/22	Ad-on/For Signature		
Pres	IP 6/22	for info		UP, GM, JB, MD
	- 6/22	Wheeler spl memo to Bremer		
	- 6/22	Clark spl memo to Deane		
	- 6/23	per noted		RECT
DISPATCH	ed by COX		W/ATTCH	FILE PA (C) Cen

NSC/S PROFILE ~~SECRET~~ ID 8204291
RECEIVED 21 JUN 82 10
TO, PRESIDENT FROM HAIG, A DOCDATE 19 JUN 82

DECLASSIFIED
Guidelines, August 28, 1997
NARS Date 10/1/96
CXS

KEYWORDS: FALKLAND ISLANDS GREAT BRITAIN THATCHER, MARGARET
ARGENTINA CM

SUBJECT: FALKLANDS CRISIS & POSSIBLE INVITATION TO THATCHER TO MEET W/ PRES
ON JUN 23

ACTION: PREPARE MEMO FOR CLARK DUE: 21 JUN 82 STATUS S FILES

FOR ACTION	FOR CONCURRENCE	FOR INFO
RENTSCHLER	FONTAINE	SAPIA-BOSCH
		WHEELER

OBE -
invitation already
sent by the time this turned up
JA 22 JUN 82

URGENT

COMMENTS **LOGGED FM LDX COPY

REF# LOG NSCIFID (C /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	C 6/23	OBE per Rentschler		

DISPATCH _____ W/ATTCH FILE *PA* (CN)