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DESKBY FCO 061715Z FEBRUARY

FROM MOSCOW 061630Z FEBRUARY
TO IMMEDIATE FCO
TELEGRAM NUMBER 162 OF 6 FEBRUARY

YOUR TELNO 124 : TRANSFER OF CARBON-CARBON TECHNOLOGY TO THE USSR.
FOLLOWING FROM RATFORD IN AMBASSADOR'S ABSENCE ON TOUR.

1. I AM AS DISMAYED AS YOU DOUBTLESS ARE .
2. I SEE NO ALTERNATIVE TO THE ARGUMENT IN THE LAST THREE SENTENCES IN YOUR PARA 6. WHATEVER WE SAY, THE RUSSIANS WILL NOT BELIEVE THAT THE TERMINATION OF THIS CONTRACT WAS NOT THE RESULT OF FRESH WESTERN "SANCTIONS" AND , IN PARTICULAR, PRESSURE FROM THE USA. NEVERTHELESS , I DO NOT FAVOUR THE OPTION IN YOUR PARA 5. THIS WOULD BE MORE DAMAGING TO US IN THE LONG RUN AS CONCRETE EVIDENCE OF OUR BUCKLING UNDER US PRESSURE , AND THEREFORE OF OUR UNRELIABILITY AS A TRADE PARTNER. IT WOULD BE PREFERABLE TO COME AS CLEAN AS POSSIBLE AND TO TAKE A STAND ON OUR OWN INTERPRETATION OF WHAT OUR NATIONAL SECURITY DEMANDS.
3. EVEN WITH THE CORRECTION IN YOUR TELEGRAM NUMBER 125 WE FIND THE MEANING OF THE FIRST SENTENCE IN BRACKETS IN PARA 3 OF TUR OBSCURE . BUT WE SEE TWO DANGERS IN THIS AREA : FIRST THAT THE RUSSIANS MUST BE NOT ABLE TO CIRCUMVENT OUR OWN REFUSAL TO SUPPLY SEMICLN BUT SECONDLY , THAT THEY SHOULD NOT SEE US AS LEADING THE FIELD IN PREVENTING THEM FROM GAINING ACCESS TO ADVANCED TECHNOLOGY .
4. THE RUSSIANS WILL INEVITABLY MAKE THREATENING NOISES ABOUT THE TURNKEY AND OTHER MAJOR PROJECTS NOW UNDER NEGOTIATION. IF WE FAIL TO GET ONE OR ALL OF THESE CONTRACTS , SECTIONS OF BUSINESS , POLITICAL AND PRESS OPINION WILL VERY LIKELY ARGUE THAT THIS WAS THE RESULT OF THE FRUSTRATION OF THE CONSARC(UK) CONTRACT. BUT I CONTINUE TO BELIEVE THAT THE SOVIET DECISIONS ON THESE PROJECTS WILL ULTIMATELY BE TAKEN ON GROUNDS OF TECHNOLOGY, PRICE AND FINANCING. WE SHOULD PRE-EMPT SOVIET THREATS BY ARGUING NOW THAT IT IS UNCONCEIVABLE THAT, AT A TIME WHEN, FOLLOWING GORBACHEV'S VISIT , HE UK IS AIMING FOR BIG CONTRACTS AND THE INCREASE OF TRADE BY UP TO FIFTY PERCENT , WE WOULD UNDERTAKE AN ACTION OF THIS KIND UNLESS WE WERE UTTERLY PERSUADED THAT OUR NATIONAL SECURITY REQUIRED IT.

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5. IT WOULD BE COMPATIBLE WITH THE ABOVE APPROACH TO TAKE THE INITIATIVE IN EXPLAINING OUR DECISION TO THE RUSSIANS RATHER THAN TO LET THEM LEARN IT FROM THE COMPANY. BUT NO DOUBT WHETHER TO DO SO WOULD DIMINISH THEIR ADVERSE REACTION.

SUTHERLAND

LIMITED

SOV D

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RESEARCH D

NEWS D

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MR GEORGE, OT/DTI.

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