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FROM SIR MICHAEL EDWARDES

7 May 1980

The Rt Hon Mrs Margaret Thatcher, MP
10 Downing Street
London SW1

Dear Prime Minister,

IRAN - POSSIBLE TRADE SANCTIONS

Although BL's major involvement in Iran has already been registered with the Departments of Industry and Trade, I am taking the liberty of writing to you direct to emphasise our concern about the impact of possible sanctions, since the ultimate decision is bound to involve striking a balance between foreign policy and domestic policy considerations.

Our continuing business with Iran - involving the supply of Land Rover kits and truck and bus chassis to two local assembly plants, plus substantial sales of spare parts - will be worth some £2 million per month this year. In addition, there are substantial bus orders in prospect, including one for 1000 single-deck buses worth £40 million, and we need to build up Land Rover business in Iran as our expansion programme begins to take full effect from 1981 onwards.

You will realise that, as we struggle to overcome the impact of a strong pound and high domestic inflation on our competitiveness, BL cannot afford to pass up any opportunities of profitable business. As one of the UK's leading worldwide exporters, we are also concerned about the impact on our standing in other markets if we are seen to break contractual or long-established supply commitments. With so much taxpayers' money invested in BL, we would hope that Government policies in related fields will not conflict with the objective of that investment, which is presumably to give us the best possible chance to succeed.

The Rt Hon Mrs Margaret Thatcher, MP

7 May 1980

Past experience of sanctions and of other types of international agreement has shown that the UK adheres to such arrangements more rigidly than do our main overseas competitors. In the case of Iran, enforcement would be particularly difficult, and we know that certain competitors are already well placed to evade sanctions, for example through their operations in Turkey.

Even if sanctions were enforced with equal strictness by all industrialised countries, I doubt whether any of them would enter into this arrangement with such a vulnerable industrial base as that of the UK. If there is any question of our helping our allies with North Sea oil to overcome the effect of sanctions, I wonder whether they in turn would support our motor industry or other UK manufacturing industries which were hard hit by loss of exports. Or would they simply rejoice that sanctions against Iran had helped to tip another competitor over the edge?

I am sure that you already have all these points on board, and I recognise the need to show support for our American allies in their difficulties. But I am equally sure that I am not alone in British industry in hoping that we can make progress with Iran by building on the excellent outcome of the London siege, rather than entering into a trade sanctions operation which seems most unlikely to succeed and where failure will be felt most keenly in the area where we can least afford it - in the jobs at present provided by UK exporters such as BL.

I am sending copies of this letter to Keith Joseph and John Nott.

Yours sincerely,
Michael Swann