

CONFIDENTIAL

Reference.....

To:

MR BOWDER

From:

MISS M F DAVIS  
Air 2b  
V/A 6/1  
215 3379

cc Mr Pedder PEP  
Mr Petter OT4

① ~~J. G. ...~~  
② AS  
③ ~~Mr ...~~ 20/11

JJ149.

18 November 1986

SAUDI ARABIA YAMAHAH PROJECT

I told you that Mr Pedder phoned me this afternoon to warn me that the Treasury were holding a meeting in twenty minutes time to discuss BAe's Saudi Arabia deal. Mr Curry from MoD wrote to Mr Adams on 7 November (but his letter only reached us and Mr Pedder very recently), urging the Treasury to reconsider their refusal to allow BAe cover against loss of up to £300m in the event of termination. Mr Curry requested an urgent meeting of EGC to reconsider the decision. As you know, I have been keeping in touch with Mr Henley, on this issue and he had advised me that the time for us to intervene in support of BAe was when BAe's formal reaction to the Treasury's refusal had come through, and at the expected EGC.

However, a meeting between the Treasury and MoD to discuss technical questions had expanded into a quasi-EGC as the FCO and Bank of England have invited themselves. Not surprisingly, Mr Pedder, PEP, and myself were not able to attend at such short notice. I have been unable to contact Mr Curry, -who will no doubt be vigorously defending BAe's cause, -as he is going to the meeting straight from another meeting. I have rung Bob Adams to protest at the short notice he has given us, and to ask him to formally register at the meeting DTI's support for the extra cover for BAe. I also asked him to mention the importance of the deal to BAe, evidenced by the Board raising the subject with Mr Channon at their recent lunch.

Mr Adams said that he expected the meeting to overtake the need for an EGC and that the likely outcome would be that the Treasury would stand firm on their refusal, so MoD would insist that the issue went to Ministers. We would therefore have an opportunity to put our views across at that stage. I said we would certainly want to do so and in the meantime, he agreed to make sure the meeting was made aware of our support for MoD's line.

I have a call out to Mr Curry, MoD, so that we can concert our line.

MFD

MISS M F DAVIS