

JJ 149

Mr Benjamin
Mr Titchener

~~Mr Padder~~

Reference.....

I suggest that the position is so fluid following BGC yesterday that we should defer putting up a submission
cc Mr C W Roberts
Mr Petter, OT4/1
Mr Baker, PEP2

To: PS/MINISTER FOR TRADE
From: A R TITCHENER
OT4
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~~Mr Padder~~

cc Mr Benjamin
Mr Bawle 30/1
Air 2

17 January 1986

I spoke to Mr Cannon on Monday evening to explain that the consideration of what sort of guarantee BGC could offer was at an early stage, much depending on the pricing of the deliveries and the rate/value of oil supplies. I will reiterate following the BGC discussion planned for Wed 29

SAUDI ARABIA

The Minister may wish to know the latest developments on the Tornado deal.

2. He will probably already be aware that on 5 January the Head of Defence Sales reached agreement with the Saudis on prices for the aircraft and support services totalling a £5 billion package (Riyadh telegram ZMC/ZDK/Z8G/A2P attached explains the detail).

3. Following the resignation of Mr Heseltine, Prince Sultan has suggested that Mr Younger should visit Saudi Arabia in March or April for general discussions about the Tornado project. Present thinking in the MoD is, I understand, that the Secretary of State would not be accompanied by businessmen other than perhaps a senior representative of BAe as prime contractor and that the earlier proposal that a team of businessmen should accompany the Minister will now be discarded. This would suit our purpose: our view remains that we should leave it to the Saudis to say what they propose by way of offset. There may in any event be an opportunity for general discussion about joint ventures with Saudi industry during the visit of the inward mission of leading Saudi businessmen in mid-April.

4. Meanwhile, the first meeting of the inter-Departmental coordinating committee of officials on Tornado takes place on 28 January under MoD chairmanship. The purpose of the meeting is to inform other Departments of the present state of play in negotiations with the Saudis and to consider further the implications of the payment in oil arrangements and further action on the offset front.

5. Finally, the Minister is aware that ECGD have been approached for cover for some part of the Tornado package. Mr Baker (PEP) is reporting separately on the latest position.

A R Titchener

A R TITCHENER