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From: David G Jones, Deputy Director General, Saudi Air Force Project

Guarantee Department
Mr ~~Bowder~~



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→ CC Mr ~~Bowder~~
TRP.

R E Adams Esq
HM Treasury
Parliament Street
London SW1

Your reference → File Saudi + Tornados
Our reference

Date 24 October 1986

Ming Davis

Dear BSB,

We should support MOD and ECGD if Treasury is likely to be difficult. *AMB*

SAUDI ARABIA YAMAMAH PROJECT

I am writing in strong support of ECGD's letter of 23 October 1986. From discussions over the past months I can confirm that ECGD's proposals represent the minimum required to make possible the finance facility. I am however disappointed that ECGD is unable to extend cover for 7 years, and therefore believe it even more critical that ECGD is able to enhance its cover in the manner suggested in their letter.

I should just like to raise two further points. Firstly, all parties, and especially ECGD, have worked very hard over the past months to reach a viable basis for putting into place the necessary finance facility. Despite this hard work however nine months have passed since substantive discussions commenced on a finance facility. During all this time BAe have been severely underfunded. I hope therefore that approval for ECGD's proposals can be given urgently to enable the negotiations to continue and allow the facility to be concluded as quickly as possible.

Secondly, the arrangements for the flow of oil revenue referred to in the third paragraph of the ECGD letter are complex, but all parties agree that they are completely workable. The arrangements cannot be simplified further since the Kingdom of Saudi Arabia insist that they involve the Saudi International Bank (SIB), a British bank with a substantial Saudi shareholding. Following extensive discussions in London with a Saudi delegation all parties including ECGD, the banks and MOD agreed to the inclusion of SIB in the payment mechanism, and the arrangements worked out are as simple as possible given this constraint. I should add that SIB have been handling the oil revenue since the

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beginning of October, and have so far followed our instructions exactly.

I am giving the letter the same distribution as Peter Henley's.

Yours sincerely,

D. W. C.

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