

PRIME MINISTER

Your note below

I understand that the arrangement is not for full reimbursement of the £9 million. Sir Keith Joseph has struck a gentleman's agreement with Lord Carrington, under which he will surrender £2 million from his PESC allocation in a future year to the aid programme. This £2 million is equivalent to the amount which the aid programme will have to find in the current year for these ships. It is the current year which presents the greatest difficulty to Lord Carrington and Mr. Marten. So the arrangement covers only £2 million of £9 million.

Yes
This understanding cannot be set down, as it would attract criticism from the Comptroller and Auditor General. It seems to be much less than Sir Keith Joseph led you to understand. Nevertheless, you did tell Sir Keith to sort this out with Lord Carrington. They have reached the agreement. It is argued that the order would be crucial for the health of one of the most modern and efficient of British Shipbuilders yards.

Can I therefore confirm that you are content for Sir Keith Joseph and Lord Carrington to proceed on the basis of their understanding?

MAJ

*Yes - I will
talk to K.S. about
it when next I see
him.*

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CONFIDENTIAL

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PS/ Secretary of State for Industry

10 August 1979

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PRIME MINISTER

I think you touched on this this morning. You were previously against it. Lord Carrington has now reluctantly acquiesced, given the strong views of colleagues. Accept? MAF 10/8/79

Dear Mike

Thank you for your letter of 9 August about the proposed sale of three ships to Pakistan from the Austin & Pickersgill yard of British Shipbuilders.

Further to the Prime Minister's comments recorded in that letter, and the discussion with the Prime Minister which I understand took place this morning, my Secretary of State and Lord Carrington met this afternoon and reached agreement on the outstanding issues. My Secretary of State believes, therefore, that the way is now clear for these orders to go ahead.

I am sending copies of this letter to Paul Lever (FCO), the private secretaries to other members of E(EA) and to Martin Vile (Cabinet Office).

Yours sincerely

Peter Mason

PETER MASON
Private Secretary

*K. J. tells me that
M of I. reimburses
the bid fund over
the line. So ODA does not
look like £9m. out.*