



PRIME MINISTER

1 I think I should warn you now of a potentially difficult issue which may arise during the early part of next year. E(EA) at its meeting on 9 December considered a proposal by Adam Butler for assistance totalling £4 million from the Aid and Trade Provision (ATP) for the construction by Austin and Pickersgill of three ships for an Egyptian shipping company. I need not trouble you at this stage with the details, except to say that E(EA) did not feel that sufficient information was available on a number of points for a final decision to be reached and we shall therefore be considering the issue again in January.

2 The point of which I think you will wish to be aware, however, is the presentational difficulties which are likely to arise should we finally decide that assistance should be made available from ATP for the construction of these ships. As you know when we were in Opposition we were extremely critical of the substantial subsidies made available by the previous Administration for the construction of ships for the Polish Government. If we were now to decide to make available a subsidy from ATP for these ships on top of support from the Intervention Fund - and there is an industrial case for doing this - we should risk laying ourselves open both to criticism from our own supporters and to a charge of inconsistency from the Opposition. It may be, of course, that E(EA) will finally decide in the light of further work now in hand that no ATP assistance should be made available in this case. But none the less I thought you would welcome advance warning of a potentially difficult problem.

✓ Mr. Aquino

P. M. Smith

You have already seen  
the minutes of E(EA)  
on this tricky issue.

T.L.

14/12

E (EA) 50  
23/11/19  
1/12/12  
actual

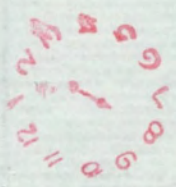


4 I am sending copies of this minute to colleagues on E(EA),  
to Angus Maude, Adam Butler, Cecil Parkinson and Neil Marten  
and to Sir Robert Armstrong.

KJ

K J  
11 December 1980

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11 DEC 1980

COMMUNICATIONS