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Prime Minister

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Area parol 4?

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MR 15/5.

PRIME MINISTER

Yes mt

LYNX FOR PORTUGAL

I have seen Michael Heseltine's minute of 4 May about ways of providing the Portuguese with Westland Naval Lynx Helicopters, possibly with ECGD cover.

2 Before any decisions are taken on the precise credit terms on which these aircraft might be sold with ECGD's support, it should be said that, in Portugal's present economic state, cover for this country is being controlled by market limit - and there is not currently sufficient cover available within the relevant Section 2 limit of £175m.

3 I do not rule out the possibility of increasing the present limit sufficiently to take care of a Lynx sale to Portugal but since, as Michael Heseltine's minute points out, the Portuguese are not likely to be in a hurry to decide on their helicopter requirement, I should like the question of substantially increasing ECGD's present £350m exposure on Portugal to be fully considered by officials in the normal way. An increase to take account of this business could mean that other potential contracts, including a nuclear power station, might be put at a disadvantage through lack of ECGD cover.



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4 I propose, therefore, that officials of the Export Guarantees Committee should meet first to discuss how the matter should be handled.

5 My letter of 27 April to Peter Rees on the Pakistani frigates case is relevant in this context.

6 Copies of this minute go to the Secretary of State for Defence, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

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14 May 1984

Department of Trade and Industry

Pontypridd: PM visit
NW 82

15 MAY 1984





ccPC

10 DOWNING STREET

From the Private Secretary

16 May 1984

Portugal: Westland Naval Lynx Helicopters

The Prime Minister has seen the correspondence ending with the minute of 14 May by the Secretary of State for Trade and Industry. She agrees that officials of the Export Guarantees Committee should now meet to discuss how the question of ECGD cover for this contract might be handled.

I am copying this letter to Callum McCarthy (Department of Trade and Industry), David Peretz (HM Treasury) and Roger Bone (Foreign and Commonwealth Office).

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

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