

PRIME MINISTER

Now see further
letter from Defence
Secretary.
p.a. CDD
24/5.

TORNADO FOR OMAN

You saw Michael Heseltine's note (A) in which he proposed that we should offer Oman 'Jordanian' terms for the purchase of Tornado.

The Foreign Secretary strongly supports him (B).

But the Chief Secretary is opposed (C). He argues that

- (a) *for business* the concessional terms proposed would be a damaging precedent in the Gulf;
- (b) the UK should not be subsidising the German share of the contract;
- (c) BAe or the MOD should pay *for the concessions*.

You are seeing the Sultan next week. The subject will inevitably come up.

I have spoken to the Chief Secretary privately. In brief, he will not give way to the Foreign Secretary and Defence Secretary alone. But I have reason to think he would accept a ruling from you and would not insist on a meeting if you ruled that 'Jordanian' terms should be offered.

You could have a quick word at the end of Cabinet, to see whether the Defence Secretary can be persuaded to produce some of the money or squeeze the Germans harder. But in the end I think you will have to rule.

C.D.P.

(C.D. Powell)