

cc/c



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From the Minister for Trade

8 September 1986

Miss J K Rutter
Private Secretary to the
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
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CDP
9/4.

Dear Jill

ATP: EXTENSION TO DHEKELIA "B" POWER STATION IN CYPRUS

Thank you for your letter of 1 August to Matthew Cocks summarising the Chief Secretary's comments following his conversation with my Minister: our resulting failure to initiate has undermined a strategy pursued for a couple of years to secure a position in the Cyprus power programme, and yet again underlines the problems of dealing with particular cases at third or fourth hand.

More seriously, however, my Minister is particularly concerned that your letter seeks to reverse the decision taken by EX last August on countries eligible for ATP. At that time, the Government was encountering considerable criticism that concentrating aid on the poorest countries ruled out UK companies pursuing business in markets where our competitors apparently without such a self-denying ordinance, have been ready to offer various forms of aid. As part of the package to make ATP administration more flexible and adaptable to commercial demands Ministers concluded that, whilst the predisposition would still remain for ATP cases in markets with a GDP per head of less than \$3000, ATP would be permitted exceptionally in countries which were "regularly recipients" of aid by others - this concept is not new, and goes back to the days when we had a distinction between "initiation" and "matching", which Ministers at EX also agreed should be dropped.

The line put forward by the Chief Secretary therefore goes directly against the procedure agreed by EX Committee, and my Minister could therefore not accept a restriction on future cases in the Cyprus market, which has for long been on our list of "regular recipients". Rather, in future, my Minister trusts that where there is a country to which ATP is proposed where previously no

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offers have been made, this is the issue that should be cleared inter-Departmentally on the basis of "other countries' aid practices", as a precondition to whether ATP in whatever form should be considered. My Minister is particularly concerned lest the course the Chief Secretary advances should lead to industry accusing us of reverting through case law to the situation before the improved flexibility agreed by Ministers last August. I am therefore copying this letter to Charles Powell at No 10 and to the Private Secretaries to members of EX.

yours sincerely

Steven Phillips

STEVEN PHILLIPS
Assistant Private Secretary to the
Minister for Trade (Alan Clark)



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