

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Paul Channon MP
 Secretary of State for Trade and Industry
 Department of Trade and Industry
 1 Victoria Street
 LONDON
 SW1H 0ET

15 December 1986

Dear Paul,

EXPORT CREDIT FOR GREECE

In advance of the European Council Meeting last weekend the Prime Minister was asked to raise a number of individual export cases with Mr Papandreou ie the BAe ATP project, Tornados and the Acheloos River project. These possible export sales are in addition to negotiations which I understand are already in train with the Greeks for major frigate and tank contracts.

From none of the original requests was it clear whether or how much HMG credit would be involved. On the Tornado case (credit required £230 million) the Prime Minister was assured after consultations between our departments and with the Ministry of Defence that it would be possible to accommodate support for that sale without jeopardising cover for the frigate and tank sales (credit required for both £530 million). However, if credit is also sought for the ATP deal and the Acheloos project, the present £600 million market limit would be heavily oversubscribed. In practice, it may be unlikely that all this business will be won by the UK. Nevertheless I think we must be wary of over-committing the market limit and especially of indicating support at a political level which it is inevitably difficult to withdraw. In the short term the conclusion I draw is that until the outcome of some of these negotiations is clearer we need to go very cautiously indeed on further credit business with Greece.

I am copying this letter to the Prime Minister, George Younger and Sir Geoffrey Howe.

John MacGregor
 JOHN MacGREGOR

