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File JD
SUBJECT cc Mather

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From the Private Secretary

10 April 1990

Dear Norman.

PRIME MINISTER'S MEETING WITH LORD PRIOR

The Prime Minister saw Lord Prior this afternoon at his request.

ECGD

Lord Prior said that GEC was concerned about some of the implications for them of the Portfolio Management System, in particular the risk that cover might not be available for new project business in some large markets. He recognised that the Government had rejected the Zero Option. But he hoped nonetheless there could be flexibility, if we were to avoid British companies losing major orders. The Prime Minister said that this point was in Ministers' minds. The Government attached great importance to capital goods' exports. GEC should keep in close touch with DTI, so that potential problems could be identified in advance.

Lord Prior also expressed anxiety about possible premium rate rises, which could make British companies uncompetitive. The Prime Minister pointed out that no decisions on premium levels had yet been reached.

Power Stations

Lord Prior spoke of the difficulties which the absence of orders for heavy power plant in the United Kingdom was causing for GEC, following the cancellation of a number of nuclear and coal-fired power stations. This could result in considerable unemployment. It also increased even further the importance of securing overseas orders, and having sufficient Government assistance to do so.

The Prime Minister said she assumed that GEC would bid for the Combined Cycle Gas Turbine power stations. Lord Prior said that GEC did not produce turbines over 35 megawatts, and the main orders would go to France, although GEC might win some subsidiary business.

Project Marathon

Lord Prior emphasised the importance of this project to GEC. He hoped the Government would show flexibility. The Prime

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Minister said that the issue might well come up in her meeting with President Bush.

Soviet Union

Lord Prior said that GEC were installing their System X telephone equipment in Moscow. They hoped that the Prime Minister would speak to Mr. Gorbachev on it during her visit to the Soviet Union. The Prime Minister said that this might appear a bit odd, given that she would be meeting Mr. Gorbachev in person. But following her recent telephone conversation with him, she would welcome anything which improved the line between London and Moscow.

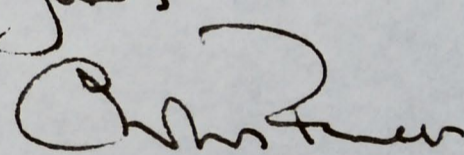
Turkey

Lord Prior said there were indications that Turkey was interested in purchasing night-vision equipment from the United Kingdom. He hoped that the Prime Minister would mention this in her talks with Mr. Ozal. The Prime Minister took note.

China

Lord Prior referred to GEC's efforts to win an order for System X in Hunan Province in China. The French appeared to be offering preferential credit terms, despite the Madrid Agreement. He was not asking for Government intervention yet, but might need to do so later in the week.

I am copying this letter to Carys Evans (HM Treasury), Bob Peirce (Foreign and Commonwealth Office), Simon Webb (Ministry of Defence), John Neilson (Department of Energy), and Myles Wickstead (Overseas Development Administration).

Yours sincerely,


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