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cc Mr Warry

CC Master

10 DOWNING STREET

7 May 1985

From the Private Secretary

LEYLAND BUS : BANGKOK

Following the meeting of OD today the Prime Minister discussed this case with your Secretary of State and the Chief Secretary. The Prime Minister said that following the difficulties with Westland in India and the loss of the Bosphorus Bridge contract she was concerned at the way Britain was failing to clinch major export deals with important job opportunities for this country. Your Secretary of State said the SALTON negotiations would be influenced by the extent to which the Government was seen to be backing BL in pursuit of export orders. The Chief Secretary urged that the Government should not break ranks on the OECD consensus. Not only would this weaken the Government's position in confronting the Japanese and others but it was not clear that Britain would benefit in the long run from competing against other countries with a longer purse.

Following a brief discussion, it was agreed that the Government should be prepared to offer £21 million if that was necessary to secure the first £80 million of the project. The Thais should be told that this was being offered on the assumption that the rest of the project would be unaided and that BL would be awarded a substantial proportion of it. However, it would be understood between Ministers that the option of offering aid for later parts of the project should not be closed off. This offer should be made quickly in order to ensure that there was no risk of losing the project through delay on the part of the Government.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office), Rachel Lomax (HM Treasury), Richard Broadbent (HM Treasury) and Michael McCulloch (Foreign and Commonwealth Office).

ANDREW TURNBULL

John Mogg Esq
Department of Trade and Industry

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