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cc R.Y.

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Prime Minister

SHIPBUILDING: EC NOTIFICATION OF UK AID

I have seen Norman Tebbit's minute of 22 December suggesting early notification of proposals to support both British Shipbuilders and Harland and Wolff Ltd, and Nigel Lawson's minute of 9 January expressing reservations about Norman's proposed approach to the Commission.

2. It is hard to dissent from Geoffrey Howe's views about the difficulties we are likely to encounter in negotiating new aid levels for the UK industry as a whole. Even though the Commission may regard our notification as incomplete at this stage, there would be tactical advantage in submitting it without delay, and I therefore strongly support Norman Tebbit's proposals.

3. Early notifications of new proposals should also, as Norman points out, increase the prospects for securing the Commission's agreement to further extension of the Fund in the period between the end of January and the date when we receive sanction for our full proposals. Further extension will in itself not be easy to achieve, but it will be important to do so as the alternative to a further interim tranche of the Fund after January would, I believe, most likely be advance notification of all individual cases on an ad hoc basis. Notification of each order would not only be a cumbersome and lengthy process, but more importantly it would increase the risk of the Commission discovering the use of soft credit if, as seems likely, that will be necessary to supplement existing Intervention Fund assistance. Notification of cases with a high level of Intervention Fund subsidy would, in the absence of definitive proposals, be unlikely to succeed. Although Nigel Lawson suggests a lower key approach to the Commission, I think that these considerations add to the importance of early submission of our full proposals.

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4. My officials are in touch with their colleagues about certain aspects of the draft notification, including the volume of Intervention Fund aid for Harland and Wolff on which I shall be bringing forward proposals in due course in the context of considering future strategy for the company.

5. I am copying this minute to E(NI) colleagues, Geoffrey Howe and Sir Robert Armstrong.

J.P.

13 January 1984

Nat. Ind.

Shinbuddip Pol

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