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PARLIAMENTARY UNDER-SECRETARY OF STATE
FOR DEFENCE PROCUREMENT

NBRM
CDL 6/9

US of S(DP)25/2/3

5 September 1985

Dear Lee

your request of requirements

Your predecessor sent Michael Heseltine a copy of his letter of 16 July to Norman Tebbit.

I have now also seen the replies from Geoffrey Howe and Paul Channon. I share their disappointment at the cautious figure of £50M that has been proposed. Although I recognise the uncertainties on the Turkish scene, there is very good business to be done there, and much of it would give help to sections of the Defence industry that are currently in some difficulty. Certainly demand for cover for Defence Sales is no less buoyant than in other areas and adequate credit arrangements are proving critical to the successful completion of business. It is I think also important to remember the pressure we are under from our NATO colleagues to assist the weaker partners on the Southern flank, and helpful credit terms provide a comparatively painless way of responding.

While therefore I am content to agree, for the short term, the increase proposed and the method of allocation suggested by Paul Channon, I share Geoffrey Howe's view that we should keep the position under consideration to ensure that we do not fall behind our major competitors, and more specifically that officials should come back to us in two or three months' time with a review of the position. However should in the meantime any project arise which was of particular importance, either for our Defence relations with Turkey or for industrial reasons here, I would not rule out seeking exceptional provision of the sort which it has proved possible to provide for recent civil projects.

I am copying this letter to the Prime Minister, members of EX and Sir Robert Armstrong.

as to the bank request.
Even Lee
(JOHN LEE)

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