

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE



To:

MISS DAVIS

cc Mr Michell

~~Mr Baker~~ PEP

*Don't forget
410
Please copy
to Mr Peller
M/D*

From:

J M BOWDER
AS/Air 2
VA 5/5
215 4154
2 october 1985

BRITISH AEROSPACE: SAUDI ARABIAN DEAL

Mr Trevor Knapp of the Ministry of Defence eventually telephoned me yesterday evening about this deal. In answer to my questions on the proposed oil arrangements and offset, he said the following:-

- i) All that had so far been agreed was that the aircraft ordered by Saudi Arabia might be paid for entirely in oil, up to an amount of about \$4 billion. The details now had to be worked out. Mr Knapp's simplistic view was that if the oil price went down, the Saudi Arabians would have to pump up more to pay for the aircraft. British Aerospace would have to play a role with BP as an agent having an interest in the deal. BAe had already been involved by the Ministry of Defence in the discussions on the oil deal.
- ii) On offset, Mr Heseltine had not promised that the UK would do anything definite. However he had said that he would do what he could. The MOD thought there were some good opportunities in Saudi Arabia. The idea was to get some industrial missions going to Saudi Arabia. Who, when, and what was not decided. He was intending to contact Mr Benjamin or Mr Baker in PEP to get discussions moving.

Now that Mr Knapp has given me this information, I do not think it is necessary for you to speak to somebody at your level in the Ministry of Defence.

J. E. Bromberger.

for J M BOWDER