



DEPARTMENT OF TRADE AND INDUSTRY

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Secretary of State for Trade and Industry

1 August 1985

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON
SW1

Informed Prime Minister
CDD
1/8

R Michael

EUROPEAN FIGHTER AIRCRAFT

Following the Prime Minister's meeting yesterday, we had a further discussion this morning. At that meeting, you told me that you would reject any proposal to go below the German bottom line proposal (which is reflected in the last sentence of para 7 of your minute to the Prime Minister of 26 July - i.e a 9.75 tonne design, having engines of 89 kilonewtons thrust and a wing area of 49.5 square metres). You also told me that you would reject any proposal for there to be a single headquarters for the project located in France.

2 Further to this, you said that you had no difficulty in accepting, as the detail of a "bottom line" for the UK in negotiations, the letter of 26 July, with its attachments, from Ivan Yates of British Aerospace to Mr Speirs of the Ministry of Defence, subject to your reservations concerning the desirability of a four or a five-nation consortium.

3 I showed you the letter which I have today received from Sir Ray Lygo. You said that while you were not in a position formally to accept the amendments it proposes to your minute of 26 July to the Prime Minister, there was nothing in Sir Raymond's letter which caused you any difficulty.

4 Since your confirmation of the points I have set out above meets the concerns of industry, as I understand them, I am content that you should continue negotiations on this basis. I believe that this discharges the remit upon us in the letter of 31 July to your Private Secretary from the Prime Minister's Private Secretary recording our discussion yesterday.

5 I am copying this letter to the Prime Minister, Nigel Lawson, Peter Rees, Geoffrey Pattie, Richard Luce and to Sir Robert Armstrong.

JH1CSH

NORMAN TEBBIT