

42.81

Confidential Filing

Defence equipment trade with the USA.
Possible sale of improved Hamiers, the AV8B.

DEFENCE

December
November 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
17.12.79							
22.7.80							
24.7.80							
25.7.80.							
29.7.80							
31.7.80.							

PREM 19/158

covering CONFIDENTIAL

Defence.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-938XXXX 218 2111/3

MO 26/11/5

31st July 1980

John Paul,

AV8B

for Paul, 1/8

/ I attach a letter from my Secretary of State to
Dr Harold Brown, the United States Secretary of Defense.
I should be grateful if I could take you up on your offer
to send the letter to our Embassy in Washington. I should
also be grateful if you could arrange for it to be
telegraphed ahead today, so that HM Ambassador in Washington
can present it, as I believe he had suggested, to Dr Brown.
// I enclose two copies of the letter, one for your records
and one for HM Ambassador Washington.

I am copying this letter, with one copy of my
Secretary of State's letter to Michael Alexander (No 10),
the Private Secretaries to other members of OD, Ian Ellison
(Industry) and David Wright (Cabinet Office).

John Paul
John Paul

(J D S DAWSON)

P Lever Esq
Foreign and Commonwealth Office

covering CONFIDENTIAL

CONFIDENTIAL -



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3

MO 26/11/5

31st July 1980

Dear Harold,

Earlier this year we exchanged letters about the AV8B Harrier and I undertook to let you know the outcome of our further studies as soon as possible. I have recently reviewed the situation. I should first like to thank you for all the help which we have received from those concerned in the United States.

On the technical and operational sides good progress has been made and I was particularly grateful for the arrangements made for us to evaluate the AV8B pre-prototype. You will be aware that the United Kingdom has always attached great importance to your continuing with the AV8B programme. Moreover it provides a substantial and significant example of interdependence among NATO Allies.

As you know, I have been considering whether there might be advantage for us if the RAF's requirement for an advanced Harrier were met through a joint US Marine Corps/RAF AV8B programme. An important factor which I must weigh is the likely reaction here to such a programme since it would mean giving up not only our own improved Harrier programme, but also the continuation of national VSTOL, which we pioneered. I would in particular need to be able to demonstrate clearly to Parliament and to our Industry advantages of a joint programme.

The Honorable Dr Harold Brown



In these respects I would clearly need to be able to show that the essential interests of UK industry were met. For example, we would need to be able to agree acceptable industrial and third party sales arrangements. I would also need to be able to demonstrate clearly the stability of any joint AV8B programme and to give assurance that the aircraft would be developed, produced and delivered to the RAF. There is the problem that whilst Congress appears to continue to support the AV8B, you are known to have expressed doubts about it. The current RAF requirement is for 60 aircraft; there would also be good prospects of sales in the export market. Would a joint programme on that basis have your support and would it obtain continuing Congressional approval through to completion?

For the time being I have agreed that the UK should fund and complete Project Definition on Harrier Mk 5 and continue our PD on AV8B. I hope that you too will be able to continue with your AV8B programme. I am concerned to decide as quickly as possible on the way ahead. It would be very useful to know your views on the questions which I have raised. If it would help I should be happy for David Cardwell, Chief of Defence Procurement, and Sir Douglas Lowe, Controller Aircraft to fly to Washington to explain our position further.

Jan 2/82

Jan 2/82

Francis Pym

-1 AUG 1980



CONFIDENTIAL

Defence 2 R1



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE. 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

29 July 1980

J D S Dawson Esq
Ministry of Defence
Main Building
Whitehall
London SW1

ks. *[Signature]* 1/8

Dear Jonathan,

AV8B

Thank you for sending me a copy of your letter of 25 July to Paul Lever with its enclosed draft letter to Dr Harold Brown.

2 My Secretary of State suggests a slight recasting of the third paragraph, particularly to avoid using the words "giving upthe continuation of national VSTOL". I attach a suggested redraft. In addition he hopes that your Department will be taking British Aerospace into full confidence over the nature of this approach and the drafting of the letter.

3 I am sending copies of this letter to the recipients of yours.

Yours ever,

Peter Stredder

PETER STREDDER
Private Secretary

CONFIDENTIAL

SUGGESTED AMENDMENT

Delete last sentence of paragraph 2 and whole of paragraph 3,
and replace by

"There can be no doubt that there would be good reason for and advantages in a joint programme. Not least among these are that it would provide a substantial and significant example of inter-dependence among NATO allies.

From the UK point of view I would clearly need to be able to allay the doubts which would be likely to be raised on both the industrial and the political fronts. I am sure that you will understand that in view of the pioneering role we have played in the development of VSTOL technology there will be many who will feel that we should continue with a national programme."

- 1 AUG 1980





Defence
Foreign and Commonwealth Office

London SW1A 2AH

29 July 1980

Dear Jonathan,

AV8B

Thank you for your letter of 25/July, with which you enclosed a draft letter from Mr Pym to Dr Harold Brown. I understand that FCO and MOD officials have been in touch about one or two points of presentation in the draft. We shall be happy to send the letter to the Embassy in Washington for delivery to Dr Brown as soon as it is ready for despatch.

I am copying this letter to Michael Alexander (No 10), the Private Secretaries to other members of OD, Ian Ellinson (Dept of Industry) and David Wright (Cabinet Office).

Yours etc

(P Lever)
Private Secretary

J D S Dawson Esq
Assistant Private Secretary to the
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON

29 JUL 1980

12 1 2 3 4
11 10 9 8 7 6 5

CONFIDENTIAL

3003



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE. 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

29 July 1980

J D S Dawson Esq
Ministry of Defence
Main Building
Whitehall
London SW1

Assumed to be Mr Dawson

by hand - 30/7

Dear Jonathan,

AV8B

Thank you for sending me a copy of your letter of 25 July to Paul Lever with its enclosed draft letter to Dr Harold Brown.

2 My Secretary of State suggests a slight recasting of the third paragraph, particularly to avoid using the words "giving upthe continuation of national VSTOL". I attach a suggested redraft. In addition he hopes that your Department will be taking British Aerospace into full confidence over the nature of this approach and the drafting of the letter.

*....
I have
shown the
importance
of this from
the P's point
of view.
Hand*

3 I am sending copies of this letter to the recipients of yours.

Yours ever,

Peter Stredder

PETER STREDDER
Private Secretary

CONFIDENTIAL



SUGGESTED AMENDMENT

Delete last sentence of paragraph 2 and whole of paragraph 3,
and replace by

"There can be no doubt that there would be good reason for and advantages in a joint programme. Not least among these are that it would provide a substantial and significant example of inter-dependence among NATO allies.

From the UK point of view I would clearly need to be able to allay the doubts which would be likely to be raised on both the industrial and the political fronts. I am sure that you will understand that in view of the pioneering role we have played in the development of VSTOL technology there will be many who will feel that we should continue with a national programme."



S. C. HILL 1980

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

28 July 1980

J.D.S. Dawson, Esq.,
Private Secretary,
Ministry of Defence

Dear Dawson,

HARRIER AV8B

Thank you for sending me a copy of your letter of 25 July to Paul Lever, covering the draft of your Secretary of State's proposed letter to the US Defence Secretary about the future Harrier programme. The Treasury are content with what is proposed.

Copies of this letter go to the other recipients of yours.

Yours sincerely,

R.I. Tolkien

R.I. TOLKIEN
Private Secretary

CONFIDENTIAL

29 JUL 1980





MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~830752~~ 218 2111/3

MO 26/11/5

25th July 1980

*Agreed that letter may come
+ for Paul - 30/7*

John Paul,

AV8B

*OK def being
out 79*

I attach a copy of a draft letter to the United States Defense Secretary, Dr Harold Brown, on the AV8B, which my Secretary of State proposes to despatch as soon as possible. You will recall that this approach was outlined in my Secretary of State's OD Memorandum, OD 80(49). I should be grateful to receive urgently your comments, and comments from those to whom I am copying this letter, by Monday evening 28th July. The letter is, of course, to be despatched through Foreign and Commonwealth Office channels.

I am copying this to Michael Alexander (No 10), the Private Secretaries of other members of OD, Ian Ellison (Dept of Industry) and David Wright (Cabinet Office).

*Yours
Dunthorn*

(J D S DAWSON)

P Lever Esq

DRAFT LETTER FROM S OF S TO THE HONORABLE DR HAROLD BROWN

Earlier this year we exchanged letters about the AV8B Harrier and I undertook to let you know the outcome of our further studies as soon as possible. I have recently reviewed the situation. I should first like to thank you for all the help which we have received from those concerned in the United States.

On the technical and operational sides good progress has been made and I was particularly grateful for the arrangements made for us to evaluate the AV8B pre-prototype. As you know, the United Kingdom has always attached great importance to the continuation of the AV8B programme. Moreover it provides a substantial and significant example of interdependence among NATO Allies.

All of this gives good reason and positive advantage for a joint programme. Obviously I must also consider the likely reactions here to a joint programme since it would mean giving up not only our own programme, but also the continuation of national VSTOL which we have pioneered. I would in particular need to be able to demonstrate clearly to Parliament and to our Industry advantages of a joint programme.

In these respects I would clearly need to be able to show that the essential interests of UK industry were met. For example, I understand that there is still some way to go in agreeing acceptable industrial and third party sales arrangements. I would also need to be able to demonstrate clearly the stability of any joint AV8B programme and to

give assurances that the aircraft would be developed, produced and delivered to the RAF. There is the problem that whilst Congress appears to continue to support the AV8B, you are known to have expressed doubts about it. The current RAF requirement is for about 60 aircraft, and there can be little doubt moreover, that there would be good prospects of sales in the export market. Would a joint programme on that basis have your support and would it obtain continuing Congressional approval through to completion?

For the time being I have agreed that the UK should fund and complete the Project Definition on Harrier Mk 5 and continue our PD on AV8B. I am concerned to decide as quickly as possible on the way ahead. It would be very helpful to know your views on the question which I have raised. If it would ^{help} I should be happy for David Cardwell, Chief of Defence Procurement, and Sir Douglas Lowe, Controller Aircraft to fly to Washington to explain our position further.



0891 70652





cc MOD. 24
Defence

10 DOWNING STREET

THE PRIME MINISTER

24 July, 1980.

Dear Mr. Greenwood,

Thank you for your letter of 4 July which I have read with great interest.

The first issue you raised was the possible order for a further ten Sea Harriers for the Royal Navy. This is currently under consideration by Defence Ministers. They will take account of the arguments you have advanced.

Your second issue, the choice between the AV8B and Harrier GR Mk 5 to meet the RAF's requirement for an improved Harrier, is highly complex. We are considering very carefully how best to resolve it. In reaching a decision the Government will certainly have in mind the factors mentioned in your letter. We intend to ensure that, as well as satisfying the Air Staff Requirement, the eventual solution is as beneficial as possible to British industry. We are conscious of the significant interests which BAe and Rolls Royce in particular have at stake.

Much will depend on the future of the AV8B programme and how far its continuation is dependent on UK participation. We need a clearer indication of the US Government's position on this point than we have at present. Francis Pym is seeking further clarification and assurances on this from Dr. Brown. We hope that Dr. Brown's response will provide us with a more certain basis for a decision. The Ministry of Defence will continue to consult you as matters develop and to ensure that your views and interests are taken fully into account.

/You also

51

You also mentioned certain points on which UK Government action might help you to secure further overseas sales of the Hawk aircraft. I understand that since your letter was written satisfactory export credit arrangements covering a possible sale to Zimbabwe have been settled. Following further contacts with Zimbabwean authorities the Ministry of Defence has established their training requirements in greater detail and is discussing with BAe how these can be met. I believe the present proposals would eliminate the need for the loan of RAF Hawk aircraft. On the general issue of the requirement for credit to support Hawk sales the arrangements in respect of Zimbabwe and Egypt are evidence of the importance that the Government attaches to the matter.

Finally, you touched on the question of military sales to Chile. You will be aware of the announcement made by the Minister of State at the Foreign and Commonwealth Office in the Commons on 22 July that henceforth applications for arms exports to Chile will be treated in the normal way.

Yours sincerely
Margaret Thatcher

Allen Greenwood, Esq., CBE, JP.



MO 26/8/1

MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-~~8307002~~ 218 2111/3

22nd July 1980

Draft to type for signature, as amended.

Ridley

John Nich,

In your letter of 7th July 1980 you asked for a draft reply to the letter which the Prime Minister had received from the Deputy Chairman of British Aerospace dated 4th July about the prospect of further orders and sales of Sea Harrier, the Advanced Harrier and Hawk.

I outlined in my letter of 11th July the industrial issues which will bear upon our decision on the way ahead in connection with the Harrier GR Mk 5k and AV8B. Following OD's discussion of the Defence Programme my Secretary of State is currently considering the terms of his approach to Dr Brown, the US Defence Secretary on the points on which we need further assurances from the US Government on the AV8B programme.
 / The attached draft reply to Mr Greenwood reflects this point.

On the question of overseas sales the draft reply reflects the change of policy announced today by Mr Ridley in answer to a PQ from Mr Michael Shersby.

James ...
John ...

(J D S DAWSON)

N J Sanders Esq
 10 Downing Street

DRAFT LETTER FROM THE PRIME MINISTER TO MR ALLEN GREENWOOD

Thank you for your letter of 4th July which I have read with great interest.

The first issue you raise was the
As regards a possible order for a further ten Sea Harriers for the Royal Navy, *This* is currently under consideration by Defence Ministers, *They will* ~~who will naturally~~ take account of the ~~points~~ ~~concern you express~~ ~~make~~ *arguments you have advanced.*

Your second issue
As you know, the choice between the AV8B and Harrier GR Mk 5 to meet the RAF's requirement for an improved Harrier, is a highly complex ~~issue, and~~ *We* are considering very carefully how best to resolve it. In reaching a decision, the Government will ~~have to take account of all~~ *certainly have to have in mind* the factors ~~including of course~~ those you mention^{ed} in your letter. ~~I am naturally anxious~~ *We intend* to ensure that, as well as satisfying the Air Staff Requirement, the eventual solution is as beneficial as possible to British industry. ~~I am well aware~~ *We are conscious* of the significant interests which BAe and Rolls Royce in particular have at stake. ~~Much of course~~ *will* depend on the future of the AV8B programme and how far its continuation is dependent on UK participation, ~~and on this point~~ *we* need a clearer indication ~~than we have at present~~ *on this point than we have at present.* ~~The Secretary of State for Defence~~ *Francis Pym*

to seeking further clarification and assurances on this
~~and other aspects~~ from Dr Brown, ~~and~~ ^{Dr Brown's} We hope that ~~his~~ response
will provide us with a more certain basis for a decision. ~~You~~
~~may take it that~~ The Ministry of Defence will continue to
consult you as matters develop, ~~not least~~ ^{and} to ensure that your
^{are} views and interests ~~can be~~ taken fully into account.

^{Certain}
You also mentioned ~~some specific~~ points on which UK
Government action might help you to secure further overseas sales
of the Hawk aircraft. ~~As regards a possible sale to Zimbabwe,~~
^{I understand} I am pleased to learn that since your letter was written
satisfactory export credit arrangements ^{covering a possible sale to Zimbabwe} have been settled.
Following further contacts with Zimbabwean authorities the
Ministry of Defence has ^{established} ~~determined~~ in greater detail their
training requirements and is discussing with BAe how these can
be met. I ^{believe} understand the present proposals would ^{eliminate} ~~obviate~~ the
need for the loan of RAF Hawk aircraft. On the general
issue of the requirement for credit to support Hawk sales ~~I~~
~~believe that~~ the arrangements in respect of Zimbabwe and Egypt
are ^{evidence of the importance that} ~~indications that~~ the Government attaches ~~importance to this~~
matter.

Finally, you touched on the question of military sales to Chile.
^{You will be aware of the announcement made by}
The Minister of State at the Foreign and Commonwealth Office ~~announced~~
^{on July 22nd} ~~[yesterday]~~ in the Commons that henceforth applications for arms exports
to Chile ^{will} ~~would~~ be treated in the normal way.

Paul

23 JUL 1984

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

CONFIDENTIAL

Defence



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~2300022~~ 218 2111/3

MO 26/11/5

11th July 1980

*Covered in the correspondence
with BAe & at OD.*

NRPA

Am 14/7

John Nich,

You asked in your letter of 1st July to me for a note about the prospects for further Harrier orders from British Aerospace, both in the short and the longer term. We shall be replying separately to your letter of 7th July forwarding the Deputy Chairman of BAe's letter of 4th July.

You report that British Aerospace expressed worries about the possibility of building Harriers in America in the longer term. We believe that this concern arises from consideration now being given to meet the Royal Air Force's requirement to introduce improved Harrier aircraft into service by 1987. Two options exist: either to join with the United States in development of the Advanced Harrier (AV8B) which is required by the US Marine Corps, or to develop a national aircraft (the Harrier GR5(K)). The issue was addressed, inter alia, in my Secretary of State's OD memorandum (OD(80)49) which was discussed at OD on 8th July. OD was not asked to take a decision on which option should be selected to meet the RAF's requirement, but endorsed my Secretary of State's proposal to approach the United States Defense Secretary to enable examination of the AV8B to continue, while at the same time completing project definition of the GR5(K).

British Aerospace have expressed some concern that, by joining with the United States on a collaborative AV8B programme, they would be forced to concede their position as world leaders in Vertical and Short Take Off and Landing Technology. They see difficulties in working as the lesser partner with McDonnell Douglas - the relative size of the orders would make this inevitable - and they are also worried about the diminution of the BAe market image across the range

N J Sanders Esq
No 10 Downing Street



of their business. However, BAe has accepted that there is no advantage to be gained from a national programme if this were to be at the expense of losing the work for the US Marine Corps. As is made clear in the OD paper, the industrial issues are complicated. We estimate that industrial benefits amounting to £700M would come to the UK from a US Marine Corps order for AV8B. Less than half of this would fall to BAe and there are, therefore, a number of other industrial interests, notably Rolls Royce Ltd, to take into account before a final decision can be made.

British Aerospace also mentioned the prospects of orders for a further 10 Sea Harrier aircraft for the Royal Navy. This is still under active consideration within the Ministry of Defence. The MOD have ordered 34 Sea Harriers to sustain two front-line squadrons of five aircraft each and a training unit of six aircraft until 1995. In addition the Department proposed the purchase of a further 10 aircraft in order to form a third front-line squadron of five. This proposal was last year studied by Defence Ministers who subsequently commissioned a further examination of the justification for the additional 10 aircraft. This report has recently been submitted to Ministers. It will now also have to be judged in the light of the Department's current financial position.

In terms of numbers, domestic and overseas orders for Harriers of all types (leaving aside long term overseas sales of AV8B or GR Mk5(K)) include:-

- a. About 60 new aircraft to meet Air Staff Requirement 409 (either AV8B or GR Mk5(K)).
- b. Twenty four Harriers are currently on order for the RAF, of which two have been delivered.
- c. In addition to the possible 10 Sea Harriers mentioned above, 34 Sea Harriers have been ordered already for the Royal Navy, of which 20 are still to be delivered.
- d. Three Harrier trainer aircraft are on order for the Royal Navy and 4 for the Royal Air Force.



e. A possible order of 14 aircraft for Spain, in addition to the present order of 5 (it is not yet clear what the breakdown between Harrier, Sea Harrier and trainer aircraft would be).

f. Six Sea Harriers and two trainer aircraft are currently on order for India with deliveries expected to commence early in 1983.

Yours truly
Jonathan Dawson

(J D S DAWSON)



RECEIVED
JUL 14 1980

JUL 14 1980

Faint, illegible text, possibly a header or introductory paragraph.

Faint, illegible text, possibly a title or section header.

Faint, illegible text, possibly a signature or date.

Faint, illegible text at the bottom center of the page.



10 DOWNING STREET

From the Private Secretary

7 July 1980

SP 14.7.80

I attach a copy of a letter the Prime Minister has received from the Deputy Chairman of British Aerospace, Mr. Allen Greenwood, about the prospects for further orders and sales for the Sea Harrier, the Advanced Harrier and the Hawk. Various other matters are also raised in the letter.

The Prime Minister has asked me to send a copy of this letter to you. In due course, I should be grateful if you could let me have a draft reply for her to send to Mr. Greenwood; in the immediate future, however, you might like to take it into account in preparing for tomorrow's OD meeting.

JDS

J.D.S. Dawson, Esq.,
Ministry of Defence.

SP



file

8K

10 DOWNING STREET

From the Private Secretary

4 July 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 4 July, which I will of course place before her at once.

N. J. SANDERS

A.H.C. Greenwood, Esq.

1

PRIME MINISTER

This letter from Mr. Greenwood (British Aerospace) is the one he promised when you visited Bitteswell - about future orders for the Harrier and also about the possibility of selling the Hawk, and Hunter spares, more widely.

I have already asked MOD to brief you on some of these issues. Are you content that I should send them a copy of Mr. Greenwood's letter for their comments? Although it is marked "Personal and in Confidence", I see no difficulty in the text in sending it to the MOD, and I am sure that Mr. Greenwood has drafted it with that in mind.

May I send it to the MOD?

Yes please
nt

MJS

4 July 1980

British Aerospace

BROOKLANDS ROAD WEYBRIDGE SURREY KT13 0SJ

TELEPHONE WEYBRIDGE 45522

Deputy Chairman

PERSONAL AND IN CONFIDENCE

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
London, S.W.1.

4th. July, 1980.

Dear Prime Minister,

During your visit to the British Aerospace factory at Bitteswell, Leicestershire, on June 27th. 1980, you asked for a written submission on some of the points discussed. These are:-

1. Sea Harrier Aircraft.

The development of a Maritime version of the Harrier V/STOL fighter has permitted the revival of seaborne air power, in the defence of the United Kingdom. Because of the Harrier's unique capabilities, this can be achieved without the enormous cost of the large aircraft carrier - the Royal Navy will operate Sea Harriers from the new Command Cruisers, ships with relatively small flight decks fitted with the "ski-jump" launch ramp (another British invention). The Royal Navy has three such ships on order - HMS Invincible (currently undergoing sea trials), Illustrious and Ark Royal.

Thirty-four Sea Harrier aircraft are on order and a requirement for a further ten aircraft was identified by the Royal Navy over twelve months ago. If this order was placed now, the planning of future workloads in British Aerospace, Rolls-Royce, and equipment suppliers would be materially assisted.

Navies around the world acknowledge previous inventions in air warfare at sea pioneered by the Royal Navy - the steam catapult, the angled deck, and the mirror approach aid, and will be watching with interest this latest example - the operation of V/STOL aircraft from smaller, cheaper ships. The Indian Navy has, in fact, already ordered the aircraft. British Aerospace is pursuing export prospects, but to keep

.../...

production continuous and economical, it needs the further Royal Navy order which, in itself, will be a sign to 'would-be' customers of confidence in the aircraft.

2. Advanced Harrier Aircraft.

The Royal Air Force requires a new aircraft from 1986 to replace existing Harriers committed to NATO in Germany. The project is to meet Air Staff Requirement 409 and, initially, some 60 aircraft will be required.

One contender for this A.S.R. is the American McDonnell Douglas (MDC) AV-8B, currently being developed for the U.S. Marine Corps under the terms of a licence arrangement between British Aerospace and McDonnell Douglas Corporation. The Marines require about 340 aircraft. British Aerospace previously supplied 110 British built Harrier aircraft (known in the U.S.A. as the AV-8A) to the Marine Corps, and the AV-8B will replace these and some older conventional aircraft from 1985 onwards.

The U.S. system provides for annual approval by the Congress of defence funding for each Fiscal Year, and debates are in progress in respect of the Fiscal Year 1981 - (the period from October 1980 to September 1981). The U.S. Government and Department of Defense is opposing further funding for the AV-8B, but a similar situation applied to the two previous Fiscal Years (1979 and 1980), and the Committees of the Senate and the House disregarded the Government and inserted funding for the project.

It has been said by the U.S. Secretary for Defense, Mr. Harold Brown, to his British counterpart - the Secretary of State for Defence - that a Royal Air Force order for the AV-8B would cause the U.S. Government to change its stance and support the project.

British industry has a substantial stake in the AV-8B for the U.S. Marine Corps (British Aerospace has a 30% share of airframe man hours, and Rolls-Royce has at least 75% of engine manufacture; and other companies also benefit) ~~and~~ has taken the view that if an R.A.F. order was essential to secure the project for the U.S. Marine Corps, then the AV-8B should be procured for the R.A.F. However, many informed observers now believe that an R.A.F. order will make no difference to the survival of the Marine Corps programme. They confidently expect that Fiscal Year 1981 funds for the AV-8B - including early production money - will be approved by the Congress once more, and the AV-8B will thus go ahead, regardless of any R.A.F. purchase.

The other contender for A.S.R.409 is the Harrier Mk.5 - a totally British aircraft. Work is proceeding on the initial design at British Aerospace under study contract funding from the Ministry of Defence.

The AV-8B having been optimised for U.S. Marine Corps use will not meet the Air Staff Requirement in every respect - particularly in manoeuvrability in air combat and in maximum

speed at low level. The Mark 5, having been designed to meet the A.S.R., completely fulfills all the R.A.F. needs.

The AV-8B has the benefit of having prototype aircraft flying, but has also used British Aerospace expertise to assist progress by resolving technical problems. The Mark 5 is only in the design stage, but would have the benefit of twenty years experience at British Aerospace of pioneering and producing the original Harrier, largely on time and within budgets.

Purchase of 60 Mark 5 aircraft for the R.A.F. would be somewhat cheaper for H.M.G. than purchasing 60 AV-8B's modified for R.A.F. use. British Aerospace appreciates that the customer - M.O.D. - will decide later this year on behalf of the R.A.F., but until then British Aerospace's policy is to support the AV-8B for the Marine Corps and the Mark 5 Harrier for the R.A.F. In this way, Britain's lead in V/STOL technology would not pass to the United States and would put this country's aerospace industry in a strong position for collaboration and/or competition for the considerable V/STOL markets of the 1980's.

If, however, it is firmly established that the AV8-B programme will not go ahead without a British order, then rather than have the Americans publicly reject the Harrier concept, British Aerospace would opt - as a second choice - for a joint U.S./U.K. AV-8B programme, rather than an isolated Harrier Mk.5 programme. In that event, it would be essential for the U.K. to drive a good bargain and one in which British Aerospace's commercial interests were protected, particularly in the export market. In order to achieve this, the existing Harrier Mk.5 programme should not be cancelled before the conclusion of a satisfactory and firm agreement on the AV-8B. Also, to ensure that our position as world leaders in V/STOL is protected, studies of longer term possibilities of advanced V/STOL concepts should be intensified.

British Aerospace is grateful for the way in which the Ministry of Defence has consulted industry in this matter.

3. Hawk Exports

The Hawk Jet Trainer and ground attack aircraft is acknowledged - even by competitors - to be a success story, and to date, 150 aircraft have been delivered to the R.A.F. Initial deliveries have commenced to the first of the export customers. However, since the first three overseas contracts (50 aircraft to Finland, 12 to Kenya, and 8 to Indonesia) were achieved in 1978, no further export orders have been obtained. The only consolation to British Aerospace is that the competition - mainly the Franco-German collaborative project - the Alpha-Jet, and the Italian Macchi MB.339, have not achieved any marked sales success either. British Aerospace has been grateful for the help provided by H.M.G., particularly in the provision of competitive financing terms backed by E.C.G.D., but further help is needed in this and other areas if some key sales are to be realised.

Our competitors, particularly the French, are seen

.../...

publicly by customers to have a close relationship with their Governments, and French Ministerial visits to overseas countries in direct support of sales are commonplace occurrences. While our product has considerable technical merit, foreign purchases of military equipment which will have to operate for many years, are reassured by U.K. Government support for the sale. Two current examples of markets where specific H.M.G. assistance would add considerably to our chances of success are Zimbabwe and Chile.

The Hawk has been evaluated by the Air Force of Zimbabwe and we believe it is the aircraft they would choose. However, to clinch this order we expect Zimbabwe to require assistance with:

- (i) the training of jet pilots prior to delivery of the Hawk,
- (ii) a short term loan of R.A.F. Hawk aircraft, and
- (iii) the provision of attractive and competitive finance terms.

Competition comes from the Alpha-Jet, the Macchi MB.339, and the Soviet Bloc with the Czechoslovakian L.39 aircraft.

For many years, British Aerospace had a prime role in the supply of defence equipment to Chile. However, with the overthrow of the Allende Government, all military supplies were stopped, and despite the Chilean Air Force's preference for the Hawk, anti-British sentiment in Chile will help the French with the Alpha-Jet - unless a change in attitude is forthcoming from the United Kingdom.

As a first step, British Aerospace would like to re-open relationships by being permitted to resume the supply of spares for the Hunter aircraft still being operated by the Chilean Air Force.

These are examples of areas where a Government/Industry joint approach to export markets will assist the achievement of orders that will help the balance of payments, and bring employment to a large number of companies in the aerospace sector of the U.K. economy. Recent H.M.G. assistance in providing attractive HMG-backed credit terms, particularly for Egypt, is a step in the right direction, but more needs to be done.

We are very grateful to you for the personal interest which you are showing in these important matters, and it is only their complexity which has led to the length of this letter.

Yours sincerely
Allen Greenwood

(A. H. C. GREENWOOD)

CONFIDENTIAL



6/4-780

*Defence
No 13*

10 DOWNING STREET

From the Private Secretary

1 July 1980

I have sent you a note about the Prime Minister's conversation with the Deputy Chairman of British Aerospace on the Jetstream project. Later in that conversation, the British Aerospace representatives raised the question of further orders for the Harrier. They said that the Royal Navy needed 10 more aircraft, and that they understood the position to be that the decision was with Defence Ministers. They also expressed worries about the possibility of the building of Harriers in America in the longer-term. The Prime Minister said that she would look further into these points.

I should therefore be grateful if you could let me have, by the end of the week, a note about the prospects of further Harrier orders, both in the short-term and in the longer-term.

I am copying this letter to David Wright (Cabinet Office).

N. J. SANDERS

J.D.S. Dawson, Esq.,
Ministry of Defence.

CONFIDENTIAL

CONFIDENTIAL

Extract from Record of Meeting with British
Aerospace, Bitterwell 27.6.80

The Prime Minister said that she recognised that it was not easy to hold wages down but that it had to be done.

The local representatives said that the RAF was considering paying £60-90 million extra to buy Sea Harriers from America rather than Britain and that there was a delay over the decision on buying 10 more Harriers in addition to the original order. The Prime Minister said that she had mentioned the Harrier issue to Harold Brown while he had been in London and that she would look further into it.

The British Aerospace representatives said that the Navy needed another 10 aircraft and that the decision appeared to be stuck at the political level in the Ministry of Defence. The Prime Minister said that the decision-making process in the Ministry of Defence was not of the best. The Chiefs of Staff appeared to want everything, and did not realise that life was an either/or business. She said that it was difficult to decide these big issues, but that she was dissatisfied with the way that decisions were being reached at present.

MS

CONFIDENTIAL

CONFIDENTIAL

Subject filed as USN
Nov 79: Visit to US Policy
Defence

● Extract from Record of Meeting between
PM and American Secretary for Defence, Dr Brown,
Washington, 17.12.79.

The Prime Minister asked about the American attitude to the AV8B. Dr Brown said that they had not yet made any decisions. He was still putting the finishing touches to the defence budget; the AV8B could be in or out. But there was not enough demand for two different aircraft. The United States could only go ahead in collaboration with the UK. It was possible that the AV8B would be omitted from the budget, and put back by Congress, as in the last two years. But if not enough were made, the price per aircraft would be so much that no-one would buy it even if it were to be developed. The budget did not go forward until 20 January, so a decision would have to be reached in the next two weeks. Sir Frank Cooper asked when funds would stop being available. Dr Brown said that this would not happen until well into 1980. The Prime Minister said that Britain was determined to do as much as possible on defence. However, we were concerned about the 3-1 adverse balance on purchases of arms equipment. We were also helpful to others in e.g. the Cyprus Sovereign Bases. Unless there were a lot more offset, it would be difficult for us to maintain our defence budget at the level we would wish. She asked Dr Brown to consider our case carefully, taking account not only of American lobbies, but of the defence needs of the free world. Britain made good weapons, but these were not always fairly assessed. Dr Brown referred to the Rapier deal, whereby the Americans would buy the missile if we operated it. Congress would not agree to pay the wages of UK personnel. The Prime Minister said that this was a partial offset arrangement. She stressed that Britain had been too tolerant on arms purchases, and as a result had been put upon. We wanted help to play our part in the defence of the free world. Dr Brown referred to American interest in Rapier and the JP233. They remained open minded on the AV8B, though it would be difficult to keep in the budget. Whether or not the Americans bought the AV8B in the end depended very much on how much it cost. Sir Frank Cooper stressed the importance of the AV8B project in the offset context.

CONFIDENTIAL

CONFIDENTIAL



Subject filed on
USA: Nov 79, Visit to
US Policy.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3

CONFIDENTIAL

MO 26/11/5

(Washington file)

for
[Signature]

PRIME MINISTER

HARRIER/AV8B

You will be aware that the Americans earlier bought some one hundred Harriers from us, and more recently have been developing themselves a further improved version for the US Marine Corps, known as the AV8B. The main interest in this for us has been the prospect of substantial work for Rolls-Royce and to a lesser extent British Aerospace and certain equipment companies, in making those parts of each AV8B which we could expect to be sub-contracted here. We have been looking to this as a major element in redressing the very unequal balance of defence equipment trade which lies substantially in favour of the US.

2. However, the AV8B programme has had an unstable history with strong backing from Congress and the US Marines being countered by a lack of enthusiasm in the Administration. Dr Harold Brown told me in July that he does not regard the programme as cost effective, if the US were the only purchaser, and raised the question of possible UK procurement of the aircraft. In his view if Britain did not buy enough aircraft to reduce the AV8B unit cost significantly, the US was unlikely to buy any. He indicated he would need to address such considerations in early December 1979 during the final phases of putting their FY 81 defence budget together.

3. It so happens that the Royal Air Force and British Aerospace have also been considering future improvements to Harrier, since it is clear that its unique short take off and vertical landing performance will continue to provide a vital operational capability for the Royal Air Force and Royal Navy for a long

/ time ...

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL



CONFIDENTIAL

2.

time to come. Studies of a British design, known as the Harrier Mark 5, are well advanced but before reaching decisions on this I agreed with the Americans that we should look at their AV8B to see whether this might provide a sensible alternative.

4. In the last eight weeks, assisted by British Aerospace, we have been undertaking such an evaluation, but it is not yet possible to take a final view on the operational, cost and industrial implications of choosing the AV8B. In particular, we need further studies on the manoeuvre performance of the AV8B in air-to-air combat. This is a feature of real importance for RAF operations in the Central European environment, for which the UK Mk 5 Improved Harrier is specially designed. I shall also need to look most carefully at the cost of joining an AV8B programme since such information as we have suggests that it could be more expensive than continuing our own development. Against that we shall have to weigh the likely benefit to UK industry of a joint US/UK AV8B programme, which could be initially in the order of £450M more than for a Mark 5 Harrier programme, with perhaps further increases if there were additional Government orders and foreign military sales.

5. The political implications are likely to be complex and difficult. Much could depend on what industrial arrangements appear to be negotiable on such things as work shares, data rights and sales, but, even if all else should prove reasonably satisfactory a fundamental issue would be the extent to which the US could give assurances about the longer term stability of the programme within their system which demands annual budgetary and Congressional approval.

6. I need to consider these and other issues further before I can come to a conclusion but, knowing the US DCD budgetary timetable, I thought it was sensible to write to Dr Brown explaining this situation and expressing my hope that he would not find it necessary to close the option before we could give our decision. We shall try and get further information we require as quickly as possible and I will then circulate a further note. Meanwhile I thought you would wish to be aware of what is happening.

7. I am copying this minute to the other members of OD, to the Secretary of State for Industry and to Sir Robert Armstrong.

14th December 1979

CONFIDENTIAL

CONFIDENTIAL

