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PREM 19/1185

Part 3

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Box NO 114

Defence Sales.

DEFENCE

Part 1: September
19

Part 3: November
198

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
27.11.82		7.8.83		28.2.84			
17.1.83		12.8.83		X			
31.1.83		25.8.83					
5.2.83		2.9.83					
10.2.83		5/9/83					
14.2.83		9.9.83					
15.2.83		22/9/83					
21.2.83		4.11.83					
28.2.83		7.11.83					
15.3.83		15.11.83					
24.3.83		18.11.83					
17.5.83		19.12.83		PREM 19/1185			
23.5.83		21.12.83					
27.5.83		16.1.84					
1.6.83		17.1.84					
3.6.83		30.1.84					
6.6.83		31/1/84					
17.6.83		6.2.84					
20.6.83		14.2.84					
4.7.83		21/2/84					
11.7.83							
15.7.83							
18.7.83							
25.7.83							
26.7.83							

PART 3 ends:-

AJC TO MOD 2872/870

PART 4 begins:-

~~AJC~~ MOD TO AJC 2-3-82



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From the Private Secretary

28 February, 1984

QUARTERLY REPORT ON DEFENCE SALES

The Prime Minister has noted the contents of your Secretary of State's minute of 21 February about Defence Sales in the quarter ending 31 December, 1983.

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence

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Minister of State
for Defence Procurement

D/MIN/GP/3/8

COPY TO
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DN Plans
Head of DS11
Head of DS13
Head of Mat Co-ord (N)
RMD1
RMD3

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

27 February 1984

Dear Paul,

You will be aware of a longstanding prospective sale of Vosper Thornycroft frigates to Pakistan for which ECGD credit cover was agreed by Ministers in 1982. It now appears that Vospers are close to concluding a sale but to achieve this a substantial improvement in the credit currently on offer is required.

Briefly the background is that following discussions in OD in June 1982 Vospers were offered 50% ECGD cover for a then contract value of £150m, in the expectation that they would be able to obtain the balance of the finance required from Arab banking sources. Vospers succeeded in obtaining an informal offer of finance from a source in Abu Dhabi on the basis of which they offered the Pakistanis a 100% credit package. The Prime Minister wrote to President Zia in August 1982 supporting the Vospers proposals. This succeeded in improving the company's chances in the face of strong competition from the French and Italians among others. Real progress began to be made last year with the appointment of a new Chief of Naval Staff in Pakistan. Admiral T K Khan has, from the

/ outset ...

The Rt Hon Paul Channon MP

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outset, shown a decided preference for equipping the Pakistan Navy with British ships, and for reviving links with the Royal Navy over a wider front. He has now established a requirement for two Type 21 frigates with a largely British equipment fit. He has obtained the approval of the Pakistani Ministry of Defence and Joint Chiefs of Staff for his proposals. A Ministry of Finance decision on the MOD budget is expected within the next month. Our Ambassador in Islamabad, who has consulted both the Ministry of Finance and the MOD there, confidently expects that a budgetary allocation will be made for purchase of frigates and that Vospers, as the preferred supplier, will be asked for firm credit proposals.

Vospers' current offer of ECGD-backed credit amounts to £75m and expires on 31st March. They have established that they cannot obtain the Arab finance which they had earlier been led to expect and they have been unable to obtain commercial finance from alternative sources. Meanwhile the contract value has increased from £150m to £220m, the increase being largely attributable to the Pakistan Navy's specification of the Type 21 in place of the smaller Mk 7 frigate, and to changes in equipment fit.

Two other proposals have been shortlisted from Germany and France. We understand that Vospers' proposals are cheaper than either of these and are judged by the Pakistan Navy to be well ahead on technical grounds. The Pakistan Navy have reported to us a French offer of 100% credit for two ships with approximately 50% of this Government-backed; the detailed terms are said to be subject to negotiation.

HM Ambassador has been unable to obtain a Ministry of Finance view on their credit requirement other than that it

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should be the best we can offer. He judges, however, that, to remain in contention, we should offer at least 50% of £220m (to match the French) and that we should be prepared to move quickly to match competing offers of up to 70%. Providing we can offer the consensus rate of 9.5% over a period of seven years from delivery we could not envisage a problem over terms. It is the amount of credit on offer which is the key issue.

Vospers have therefore submitted an application to ECGD for cover of up to 70% of a contract value of £220m with proposals from their London bankers to bear a proportion of the risk on principal and interest payments which would reduce ECGD's DML on the loan from approximately £250m to about £217m (further proposals designed to reduce the DML to £126m have, I understand, proved unacceptable to ECGD). The non-UK content of the current package is under 7% compared with up to 40% for the proposals made in 1982. This application is now being considered by officials. Vospers need to have their credit offer ready to present during March.

I do not underestimate the difficulty of agreeing to increased credit on this scale. We have however backed this project for 18 months; Vospers have worked hard on it and are now close to success. I believe we must now give them the credit support that they require to close the deal. The wider arguments for our support are no less strong than they were when OD last considered the matter. Norman Lamont may wish to comment on the industrial issues at stake and their implications for our hopes to privatise the warship building yards. I touched on these in my letter of 8th February to Peter Rees about credit for fast patrol craft for Kenya.

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Fast patrol craft orders would not, of course, affect Vosper Thornycroft's Woolston Yard at Southampton which will, I understand, have to run down in 1985 to a GRP facility with a loss of up to 2,000 jobs if further frigate orders are not obtained.

In all honesty, I have to say to you that there is no strong likelihood of a RN frigate order for Vospers in the foreseeable future. The only immediately available frigate orders are for two further Type 22s for which there are no price, procurement or privatisation arguments running in favour of Vospers at the expense of either Cammell Laird or Swan Hunter which are also competing for this order. In short, the Pakistani frigates represent a lifeline for continued steel warshipbuilding at Vospers.

Moreover, this would be the most significant warship export order since Vospers sold the Ramadhan class FPBs to Egypt in 1978 and the first export of warships of this size since the Type 42s and Mk 10 frigates were sold to Argentina and Brazil in 1970. It could open the way for further warship business. The Pakistan Navy hopes to procure further frigates possibly built in Karachi with Vospers' assistance. Pakistan's close naval links with Saudi Arabia and the Gulf States would enhance our sales prospects in that area.

This deal would also add substance to our defence relations with Pakistan and provide tangible evidence of our support. There are important defence and foreign policy considerations there, because of the strategic position which Pakistan occupies and her role in the Afghanistan conflict.

In summary, any risks in extending our credit exposure in support of this order have to be measured against important

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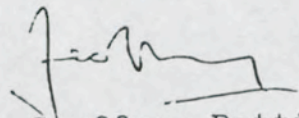
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commercial, industrial, employment, defence and foreign policy considerations, as well as the prospects for effective privatisation of the warship building yards.

I felt you should have early warning of these issues. Time is pressing and I hope that officials can reach early agreement in EGC or, if that is not possible, that the matter can be referred to OD again quickly.

I am copying this letter to Norman Lamont, Peter Rees, Peter Morrison, Lady Young and to Sir Robert Armstrong.

You will recall the support the Prime Minister gave to the provision of sufficient credit to win the order, despite the risks, when it was considered at OD 20 months ago. The industrial case for support is even stronger now than it was then. A lot of money has been spent since

for us

Geoffrey Pattie



Prime Minister.

To note.

A.J.C. $\frac{27}{2}$.

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PRIME MINISTER

QUARTERLY REPORT ON DEFENCE SALES: QUARTER ENDING 31ST DECEMBER 1983

You will wish to see the latest Quarterly Report on Defence Sales covering the period October to December 1983.

2. The quarter saw new export contracts worth £686M reported by our defence industries. This compares with reported contracts worth £693M in the previous quarter and £651M in the corresponding final quarter of 1982. The total recorded value of new defence export contracts won by British industry during 1983 was £2,255M. This represents a real growth of over 20% against the corresponding figure for 1982 of £1,708M, which was itself the highest figure recorded in real terms since 1978. 1983 has been an excellent year for our own defence industries especially at a time when other major defence exporters, notably the French, have been unable to maintain their exports at previous levels. Indeed, reliable although as yet unconfirmed estimates indicate a reduction in French defence exports during 1983 of some 25% to FF32Bn (approx £2.6B).

3. The largest equipment contract signed during the quarter was with Nigeria for the Swingfire anti-tank missile system (£165M) which should be honoured despite the recent coup. Kuwait purchased a further 12 Hawk aircraft (£74M) and an agreement was signed for the next phase of the Saudi National Guard hospital project (SANGMED) (£105M).



Other significant contracts reported were with India for auxiliary fuel tanks for Jaguar (£52M), the USA for limited production of AV8B (£49M), Oman for phase II of a military hospital (£26M) and Turkey for Sea Skua missiles (£17M). A full list of contracts reported during the quarter is at Annex A; details of the major sales prospects being pursued in the near future are at Annex B.

4. I have just returned from a visit to Saudi Arabia and Kuwait, undertaken as part of our drive to improve our prospects in the key Saudi equipment market. The situation there remains very difficult for our defence exporters with continued US and French successes likely. Indeed as you are already aware, the French announced in early January the start of a £3Bn programme for an air defence missile system. Whilst my officials believe that this announcement was timed at least in part to offset domestic criticism of the poor French performance in defence exports during 1983, there is no doubt that it represents a major success for them. In addition, recent Saudi decisions to include their requirements for various radar equipment, for which UK companies were bidding, within an overall C3 package being negotiated with the Americans is a further blow to our sales prospects there. This \$4Bn deal is being undertaken under the US Foreign Military Sales (FMS) scheme; the Americans' increasingly effective use of FMS aid adds to our difficulties in achieving significant sales to the Saudis. However during my visit, on which I was accompanied by Mr James Blyth, Head of Defence Sales, I was able to progress potential sales of Tornado, Hawk and AEW aircraft in Saudi, and armoured vehicles and Sea Wolf in Kuwait.

5. Elsewhere in the Gulf we are continuing to pursue sales of Challenger to Kuwait. In Oman we are continuing to promote a Tornado sale and, in support of this, four aircraft visited the country at the end of January. They have also visited Abu Dhabi and Saudi Arabia to reinforce earlier presentations there. Other realistic prospects for UK sales to Oman include the extensive tri-Service communications



project and also FH 70 artillery, where a contract looks increasingly likely. We are continuing efforts directed at further sales of Hawk to the UAE as well as sales of Challenger, AR3D radars and an Air Defence Operations Centre. Progress on the latter two has, however, been delayed largely for financial reasons. There are now good prospects for sales of Type 21 frigates to Pakistan, where the Navy have stated a firm preference for the UK ship. However, favourable credit terms will be essential to the successful completion of the deal.

6. On 13th December 1983 Geoffrey Pattie signed an important Memorandum of Understanding with Algeria on behalf of HMG. Serious negotiations are now beginning on the priority projects; air defence radars, Hawk, ships and submarines. We expect to see the first contracts to which the terms of the MOU will apply, signed during the first few months of 1984. Elsewhere in Africa, it is still too early to predict with certainty the effects of the coup in Nigeria upon our defence sales there. Nigeria has been for some time an extremely important export market, and in 1983 was our largest overseas customer for defence purchases. The new Government appears well disposed towards the UK and, despite the economic problems of the country, most UK defence companies are optimistic about the prospects for business under the new regime, particularly Vickers for further sales of their Main Battle Tank. Egypt still claims to have a high priority requirement for further Ramadam Fast Patrol Craft and I intend to raise this during the planned visit to the UK of the Egyptian Defence Minister next month. The proposed Nimrod AEW deal with Iraq is finally dead, largely as a result of their financial problems. A revised and substantially cheaper proposal based upon A300 Airbus airframes will be put to the Iraqis early in 1984.

7. During the successful visit of the Indian Defence Minister to the UK in November discussions continued on the general collaborative MOU. A further draft has now been put to the Indians. You will recall that they also raised the possibility of credit for long term defence



equipment purchases; you will receive a separate note on this in the next few days. Negotiations for the sale of Combat Engineering Tractors and further Sea Harriers continue; both contracts could be concluded in the first half of 1984.

8. In the Far East, no decision has been taken by the Malaysians as to whether to accept our offer of a Line of Credit (£100M initially), although I understand that the offer has been well received. The Line of Credit (now £40M) offered to Thailand is currently under consideration by the Thai Cabinet, but the prospects are now less promising. Vickers continue to pursue the sale of their Type 2400 submarine to the Australian Navy. The Australian Chief of Naval Materiel, Admiral Rouke, has proposed a co-operative RAN/RN acquisition process and my officials hope to visit Australia in February to clarify this proposal.

9. There is still concern over the FY85 R&D provision for the US Hawk VTX programme despite the assurance given to Geoffrey Pattie by Mr Lehman, the US Secretary of the Navy, that the USN will keep the programme fully funded. Geoffrey Pattie hopes to visit Washington in March and will take the opportunity to lobby key Congressional figures. We hope that the Full Scale Engineering Development Contract will be placed before the end of 1984. We remain cautiously optimistic over the prospects for further sales of Rapier to the USAF for defence of their European bases, with Turkey being the most likely area of deployment.

10. Our recently announced decision to purchase the Goalkeeper Close-In Weapon System from Holland should ensure that contracts for the purchase of Rolls-Royce engines for the Dutch M-Class frigate programme are signed early in 1984. Other prospective sales to Europe include Sea Skua (and ALARM) for the Federal Republic of Germany, Land Rovers to the Belgian MOD; and Rapier for Spain. The Greeks and Turks have still not made decisions over their possible purchase of Tornado, although these decisions are now expected soon.



11. In Latin America, the Chilean Air Force now wants to buy Jaguar. However, funding problems exist and the Chileans are seeking improved credit terms. Elsewhere in the region, continuing difficulties over credit cover are forcing more companies to offer credit financing at their own risk.

12. Despite the impressive performance of our defence exporters throughout 1983, it will not be easy to maintain our growth record of recent years during 1984. Continued budgetary restrictions in our major Middle Eastern markets coupled with a toughening of the competition, especially from France and other countries whose performance in 1983 has been disappointing, can be expected to combine to make 1984 a year in which we must be prepared for a possible reduction in our rate of growth.

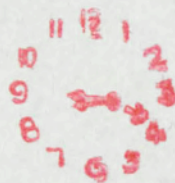
13. I am copying this to the Foreign and Commonwealth Secretary, The Chancellor of the Exchequer, the Secretary of State for Trade and Industry and to Sir Robert Armstrong.

WJH

LONDON

Ministry of Defence
21st February 1984

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ANNEX A - CONTRACTS SIGNED DURING THE QUARTER ENDING 31.12.83

A. NAVY SYSTEMS

<u>Country</u>	<u>Equipment</u>	<u>Value</u>	<u>Delivery</u>
Chile	Miscellaneous Naval Support Stores	0.102	End March 1984
	N97 Fuzes for 4.5 Ammunition (Qty 1000)	0.420	1984
China	Underwater high pressure water jet cleaning equipment and video system	0.224	Jan/Feb 1984
Oman*	Equipment for Naval Base (Habitat Contracts)	16.000	
Pakistan	Doppler Radars	2.000	
	Boiler Tubes	0.130	Early 1984
Saudi Arabia	Naval Training Aids	0.300	1984
South Korea	Engine Digital Controls (Hawker Siddeley Dynamics)	0.380	
Tunisia	30mm Naval Guns Spares and Components (BMARC)	0.600	1983
Turkey	Sea Skua	17.500	1986
USA**	Gun Control Sub System (Marconi Radar)	0.307	
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		37.963	
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*Contract omitted from our return for quarter ending 30.6.83

**Contract omitted from our return for quarter ending 30.9.83

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PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 31.12.83

B. ARMY SYSTEMS

<u>Country</u>	<u>Equipment</u>	<u>Value</u>	<u>Delivery</u>
Algeria	Automatic Pistol 9mm - (Heckler and Koch)	0.500	1983
	HF MAN Pack Radio PRC 320 (Plessey)	7.800	1983
	Radio Equipment (Racal Tacticom)	3.200	1983
	Shotgun Powder (Nobel Explosives)	0.300	1983
Canada	Mexeshelter (Heywood Williams)	0.100	N/K
Chile	Blowpipe training units (Qty 2)	0.200	Delivered Late 1983
	IFF Transponders	0.350	1984
China	Vacuum Guns and Associated telemetry and film recording/processing equipment (Graseby/Dynamics)	0.280	
Denmark	Optical FCS (Eveshed)	0.500	
Egypt	Plant Products, Technical Assistance and Services (IMI Kynoch)	1.400	1983
	Explosives (Nobel Explosives)	0.570	1983
	Spares for Anti Aircraft Trainer and Tank Simulator (Ferranti)	0.470	1983
	Gyro controls for T62 tanks (USI)	2.520	1983
	Vehicle Radios (VHF 1410) (Plessey)	3.000	1983
	Rocket Motor Components and Anti Aircraft Forged Components (Vickers)	4.750	1983
	Cymbeline Spares (Thorn EMI)	0.140	1983
	Band Sets (Boosey and Hawkes)	0.300	1983
Jordan	GRO 83 Radio Relay (MSDS)	1.000	1984/1985
	Spares and Test Equipment for Laser Rangefinder (USH)	0.138	1984
	Ammunition and Demolition Stores	1.370	1984/1985

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<u>Country</u>	<u>Equipment</u>	<u>Value</u>	<u>Delivery</u>
Kuwait	L60 Engine Spares (Scammell)	0.500	1985
	AFV Spares - various 'A' Vehicles	0.243	November 1985
Libya	Medical Equipment	0.119	1984/1985
	Saladin Spares (Alvis)	8.150	1983/1984
	Communications Equipment, Vehicle mounted (Racal Communications)	9.000	1984
New Zealand ⁺	NP2 4.5" Fuzes (Thorn EMI)	1.452	N/K
Nigeria	Swingfire (British Aerospace)	165.000	1985/1986
	AFV Spares - Vickers Main Battle Tank (Vickers)	0.160	October 1985
Oman	Military Hospital Phase 2 (John Laing)*	26.000	
	FACE (MSDS)	4.000	
	LT Gun Spares	0.122	1984/1986
Pakistan	LT Gun Ammunition VI	2.640	1984/1985
	Medium Girder Bridging	0.700	1984
Qatar	Special Forces Equipment	0.340	1984
Saudi Arabia	Sangmed LOA II	105.000	Valid until May 1984
	Explosive Ordnance Disposal Equipment	0.140	1984
Singapore	Airfield Camouflage (Hoybond)	1.000	
Sudan	Rifle and Machine Gun Spares (Heckler and Koch)	0.800	1983
Switzerland	Computer for FARGO Fire Control System (British Aerospace)	14.000	September 1985- November 1987
Syria	Multi Purpose Guns and Smoke Grenades (Paines Wessex)	0.439	1983/1984
	Mobile Comms Centre (IAL)* Vehicles (Land Rover Ltd)	6.000 14.300	1983/1984
Uganda	Barrack Room Stores	1.070	1984
UAE	Scorpion Spares II	0.730	1984/1985
	Interim Joint Operations Centre	3.200	1984/1985

+Contract omitted from our return for quarter ending 31.12.82

*Contract omitted from our return for quarter ending 30.6.83

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<u>Country</u>	<u>Equipment</u>	<u>Value</u>	<u>Delivery</u>
Tunisia	Snipe Aerial Target System (AEL Ltd)	0.200	1983
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PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 31.12.83

<u>C. AIR SYSTEMS</u>			
<u>Country</u>	<u>Equipment</u>	<u>Value</u>	<u>Delivery</u>
Algeria	Racking for AF Base Workshops (Dexion)	7.000	1983
Egypt	HUDS for MIG 21 Aircraft (Marconi Avionics)	10.500	1983/1984
India	Auxiliary Fuel Tanks for*** Jaguar (Bristol Components)	52.000	
	Super Searcher radars for Sea King (MEL)	9.000	
Kuwait	Hawk (British Aerospace)	74.000	August 1985- January 1986
Sweden	Development of optics for helicopter sight	1.000	32 mth duration
USA	R-2174 Programmable Radio Receivers (Racal Electronics)	10.500	
	Aircraft Handlers (ML Aviation)	3.190	
	AV8b Limited Production (British Aerospace)**	49.510	
	HUD/WASS F16 (Marconi Avionics)**	9.830	
	AV8b Sets (British Aerospace)**	6.990	
	F-111 General Maintenance (British Aerospace)**	3.080	
	USMC Spares (British Aerospace)**	2.600	
	HUD/WASS F16 (Marconi Avionics)**	2.070	
	Air Data System COBRA (Marconi Avionics)**	1.900	
	AV8b Pilot Production (British Aerospace)**	1.510	
	Various Spares (British Aerospace)**	1.110	
	Air Data Computer (Marconi Avionics)**	0.930	
	Satellite Spares (MSDS)**	0.880	
	Harrier Spares (British Aerospace)**	0.460	

**Contracts omitted from our return for quarter ending 30.9.83

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<u>Country</u>	<u>Equipment</u>	<u>Value</u>	<u>Delivery</u>
USA (Continued)	Fuel Tanks (FPT Industries)**	0.400	
	805 Engine Control Units (Smiths)**	0.390	
	Fuel Pads Chinook CH47 (British Hovercraft)*	0.551	
West Germany	Digital Flight Systems for engine control on Sea Kings (Hawker Siddeley)	1.200	1984
Yugoslavia	Spares and Test Equipment for Viper engines (Dowty)*	0.750	
Zimbabwe	Precision Approach Radar (Cossor)	2.000	1984/1985
	EX RAF Hunter Aircraft	1.000	1984
		<hr/> 254.351 <hr/>	

*** Contract omitted from our return for quarter ending 30.3.83

**Contracts omitted from our return for quarter ending 30.9.83

* Contract omitted from our return for quarter ending 30.6.83

Part Two: Priority One Prospects

Major planned effort required by Government and/or Industry during 1984 for these opportunities (although not necessarily leading to contract aware during 1984) and/or a real prospect of a UK sale being achieved.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	*Air Defence Scheme (Project Accord)(Phase 1)	300	1985	Industrial consortium (Marconi, Plessey and Racal) have submitted costed proposals through HMG for Algerian authorities covering a phased scheme. Total project value could be in excess of £500M.		France FRG Sweden
	*Hawk (27) and Soviet Aircraft refurbishment	200	1984/85	BAe quotation for Hawk still under consider- ation by Algerian Air Force. Proposals for MIG 21 overhaul and refurbishment submitted to Algerian Air Force by BAe (AG), Marconi Avionics and Rolls Royce are still under consideration. *These two projects were dependent on the satisfactory conclusion of the Government-to- Government MOU and credit package.	Minister(DP) signed Government-to-Government MOU on behalf of HMG on 13 December 1983.	France
	Gendarmerie Barracks	120	1984	Baxter Fell Ltd. Contract signature imminent. Credit likely to be required. Pre-fabricated construction techniques to be used.	Further Ministerial visit planned for April/ May 1984.	
	Submarines	320	1984/85	Proposals still under consideration. Detailed negotiations for both Piranhas and 550 Class submarines continue. Credit likely to be required.		France FRG Netherlands

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
EGYPT	Fast Patrol Craft	290	1984	No change. Vosper Thornycroft have prepared revised proposals on the basis of higher UK equipment content. The high proportion of foreign content is causing ECGD some concern. Original credit offer approved by EX. Remains high Egyptian priority but there are severe budgetary problems.	Egyptian Defence Minister mentioned subject to FCS during recent visit. Official visit to UK by FM Abu Ghazala expected end February.	Spain USA

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Type 2400 Submarine	In excess of 200 Total not yet known	1987	Australia requires new submarine to replace its existing Oberons. It is planned that some of the submarines will be built in Australia. VSEL are promoting the Type 2400 and a Type 2400 variant which more closely matches Australian requirements. Plessey and Ferranti have submitted proposals for the combat system. RFT submissions are currently under consideration by DOD.	Minister of S(DP)	France Holland Sweden Germany Italy
	Tri-service Helicopters Lynx/Super Lynx	50 (helicopters and spares)	1984	The RAN has picked two helicopters, the Sikorsky Sea Hawk and Westland Lynx III, as final contenders for an aircraft for its guided missile frigates. A decision is expected to be announced by mid 1984. This may be the first of a larger order for all three services. MOD may be required to provide assistance in Certification of the Lynx III for the RAN.	Minister of S(DP)	USA - Sea Hawk
INDIA	FH70	422	1984 onwards	Indian MOD have confirmed that 155mm (rather than 152mm) system is required. An invitation to commence negotiations is awaited.		France Austria Sweden

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
INDIA (Continued)	Combat Engineer Tractor	32	1984/88	Subject to agreement on prices it is anticipated that the Indians will place an order for at least 15 CETs in early 1984 and perhaps more later.		
	Sea Harrier	110	1984	The Indian Navy have now accepted the first six aircraft from the first contract for eight. The Indians have reduced the further requirement from twelve to eleven aircraft and negotiations on this follow-on contract have now commenced.		
	Light Combat Aircraft	300	N/K	BAe have presented the Indians with a proposal for a feasibility study free of charge		Germany France
INDONESIA	Medical Equipment for Services	17	1984 onwards	Owing to budgetary constraints this programme is likely to be split over 2 financial years, although all indications are that contract will be placed in 1984.		USA FRG Italy
	Hawk (further buy)	20	1984	1982 follow-on contract included option at fixed price for further 4 aircraft.		
	Tribal Frigates	40	1984	Indonesians have signed Letter of Intent to purchase 3 surplus refitted Tribal Class Frigates.		
	MCMVs	120	1984/85	Reported as IN top priority. VT have submitted proposals for their Hunt Class.		FRG Holland Italy

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
INDONESIA (Continued)	Rapier	50	1984	Strong indications that IAF will select Rapier as preferred choice to meet priority requirement for short range AD. BAe have submitted credit backed offer for initial order of one battery plus in-country support.		
JAPAN	Searchwater Radar	75	1984	JMSDF are considering Searchwater. The USN decision to purchase Searchwater's Texas Instruments competitor will adversely affect prospects of sales to the JMSDF, but may not be irretrievable.		
MALAYSIA	GEMAS Range Project	17 (initial)	1984	IMS have prequalified for the construction of workshops and tank ranges which represents stage 1 of an overall project. Package includes offer of joint venture with Malaysians on construction. Project priority linked to inadequate existing support for recent Scorpion buy.		Australia
	Petroleum Emergency Project	60+	1984 (for study contract)	Project is not yet precisely defined, and IMS with PEP support are offering to undertake a free study conditional upon being given management consultancy for the main project completion target for which is 4-5 years.		FRG USA Sweden

PART II - MAJOR DEFENCE SALES PROSPECTS
ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
PAKISTAN	Frigates (Type 21)	200	1984	Vosper's proposals for Qty 2 frigates submitted August 1982. PN decision pending.	Ministerial agreement to ECGD cover, up to £75M of contract value. PM's letter to Zia August 1982	France Italy FRG
	Skyflash	c40	1986/87	BAe have submitted proposals to PAF for the modification of their F16s to carry Skyflash missiles. Timescale has slipped due to budgetary constraints.		USA
	Javelin	N/K	1985	Shorts presentation given November 1983. Semi-technical document now being prepared for assessment by Army.		USA Sweden
SINGAPORE	Sea King/Commando	200+	1984	RSAF priority requirement for 5 SAR and 15-19 Utility helicopters. G to G arrangement re support, training etc will be offered to Singaporeans.		Italy France
SOUTH KOREA	Lynx	55	1985	WHL Navy Lynx 2 is favoured by ROK Navy, but selection of a helicopter and weapons system has been deferred to mid 1984, with contract signature forecast for March 1985.		France USA Italy
	Battlefield AA Gun Fire Control System	40	1984	Evershed Power Optics are developing a gun FCS for ROK Army which will incorporate MAV TICM II TI, and later possibly a surveillance radar. Up to 200 system will be required in total with some manufactured under licence.		

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SOUTH KOREA (Continued)	LAW 80	30	1984	Once units have been cleared for manned firings, demonstrations need to be mounted urgently for ROK Army and ADD. Prospects of sales will be adversely affected unless the bad publicity surrounding LAW 80's alleged poor performance in US Army trials can be countered.		
THAILAND	MBT Mk 3	250	1984	Vickers DS have tabled proposals for Mk 3 to meet RTA requirement for 100 medium tanks for main defences. RTA have requested in-country trial in Spring 1984; BA crew will support, and further MOD support will be required in 1984.		
	Mk 41 retrofit	65	1984	Vickers DS in discussion re engine and turret fits for 170 2nd hand US tanks (from Japan); in-country trial planned for early 1984.		USA
	HS748	36	1984	RTAF has a requirement to modify 4 HS748s, and BAe's discussions have been centred on this being undertaken locally. RTAF also requires a further 6 aircraft, and a decision is hoped for in early 1984.		
	Line of Credit	50	N/K	A recent signal from our Ambassador advises that the 1984 borrowing programme has been approved in Cabinet and that the Line of Credit has been approved in principle.		

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Attack helicopters	50	1984+	Decision expected 1984. Belgium MOD yet to make choice on attack and reconnaissance combination. Lynx is contender and WHL working on offset proposals.		France FRG USA Italy
	Land Rovers	30	1984	Funding in 1983 lapsed as result of delay in decision. Retendering by competitors now likely.	US of S(DP) - written to Belgium Minister of Defence - M Vreven.	FRG/Aust- Mercedes
DENMARK	Navy Lynx	15	1985/86	Danes considering follow-on order of 4. Funding earmarked and i.s.d 85/86.		Follow-on order.
GREECE	Light Frigates	up to 500 total	1984/85	British Shipbuilders (VT) have submitted their proposals for the Greek light frigate requirement, currently 4 vessels to be built in Greek yards. VT have offered designs based on their Mk 18 frigate and on the improved Leander. Prospects also exist for UK equipment.		France Spain Italy Netherlands FRG
	Tornado	500	1984	A decision is currently expected in early 1984. The Greeks are concerned about the economic implications of the requirement and attach considerable importance to the financial and offset packages being offered. The Greek PM has confirmed that on political grounds Greece should opt for split purchase. The funds available for this project are said to have been significantly reduced.	S of S accompanied by Minister(DP) visited Athens in September 1983 to press the case for Tornado, and to provide details of a revised financial package. A further message from PM to Mr Papandreu was delivered during S of S's visit.	USA/France

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
NETHERLANDS	Spey Engines	c35	1984	Agreement has now been reached with the NL for the linked purchase of 16 Spey engines and six Goalkeeper CIWS.	M of S(DP) CDP	US - General Electric
SPAIN	Rapier	171.5	1984	Proposals for the 3 competing systems for the Spanish LLAD requirement were submitted in mid-October. The Spanish Army made their recommendation to the Under-Secretary of State for Defence in mid-November. A final government decision is expected in early 1984.	The FCS raised the question of Rapier with the King and PM in September Minister (DP) visited in November 1983. A letter from S of S or the PM to Spain commending BAe's proposals is under consideration.	USA FRG/France
TURKEY	Tornado	300	1984	TAF have signed a contract for F16 aircraft but in December 1983, BAe submitted proposals for the supply of 40 Tornado. TAF are thought to be impressed with Tornado but success will be dependent on the availability of FRG aid and the ability to overturn the F16 contract.	S of S raised Tornado during his visit to Ankara in October 1983 and paved the way for BAe's latest proposals. Minister(DP) plans to visit Ankara June 1984.	US - F16
WEST GERMANY	Sea Skua	50	1984	Awarding of it to BAe almost certain. No decision yet on accompanying radar but certain to be Sea Searcher or Sea Spray.		France
	ALARM	100+	1984	Despite FGN decision for US Harm efforts continue by UK to win Luftwaffe requirement. FRG accepted offer of UK MOD and BAe presentation on ALARM in early 1984.	M of S(DP) - offer to Dr Warner of UK presentation	US - HARM

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	11	1984	BAe (DG) have initialled a contract with the Brazilian Navy for the purchase of the system but this is conditional on the availability of ECGD credit cover. Efforts to secure this, with DSO help, are now being made and M of S(DP) has been invited to take up BAe (DG)'s case with M of Trade, DTI on the basis that the firm will bear most of the risk.	M of S(DP) (see status)	
CHILE	HMS ANTRIM	10	1984	Letter of Intent has been signed and a downpayment made. Contractual negotiations should be completed by March 1984.		
	Jaguar aircraft and Sea Eagle	75	1984	Chilean Air Force wish to purchase 14 ex RAF Jaguars on a Government-to-Government basis in 1985/86. They intend to deploy Sea Eagle on at least 6 of the aircraft. The Chileans require a co-ordinated MOD/industry (who will provide spares and support) package. But the Chileans have budgetary problems and are looking for an improved finance package.		

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CONFIDENTIAL UK EYES B

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ECUADOR	Air Defence Radar	20	1984	Contract for second stage of project signed, but Ecuador is off ECGD cover. S of S has written to S of S(DTI) on Plessey's behalf in order to secure ECGD support but this has been unsuccessful. Plessey will now be submitting revised proposals for the supply of a reduced amount of radar equipment which can be covered by the funds the Ecuadoreans had earmarked as the cash downpayment for the original contract.	S of S (see status)	USA Israel

CONFIDENTIAL UK EYES B
COMMERCIAL IN CONFIDENCE

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BAHRAIN	Hawk	25 (excl weapons)	1984	Highly successful in-country demonstration given last April. Purchase dependent on GCC funding and Saudi attitude will be crucial. Saudis are now understood to have formally offered 6 x F5s to BDF to be operated from facilities being constructed at Bahrain International Airport. Requirement for fast jet-trainers will be dependent on rate of expansion of BDF Air Wing.		France (Alpha Jet) USA
	Sea Skua/Sea Spray	25+	1984	Bae have excellent prospect to fit Sea Skua to BDF AB212 helicopters together with Ferranti Sea Spray radar. Understand that financial arrangements for purchase have been approved by Bahrain COS. Firm are adopting a low profile until formal notification issued by BDP.		France (AS15TT)
	Low Level Radar	25	1984	MOD UK report submitted September 1983. UK firms proposals submitted shortly thereafter for Low Level Radars, supplemented by airborne radars fitted to Skyvan or Islander aircraft. Proposals well received by BDF and they speak favourably of the Marconi S511 Radar. Decision promised mid 1984. However this would be interim solution only and BDF likely to standardise on Saudi air defence radar systems in longer term.		

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PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAN	Air Defence Radar	up to 150	1984/85	Both Plessey and Marconi are bidding for this major project. Full technical discussions have been completed and contract negotiations have started. ECGD cannot give insurance cover while debts situation from time of the revolution remains unresolved. Initial orders likely to be less than £50M.		Italy
IRAQ	A300 AEW	750	1985	Following the Iraqi's rejection of revised Government-to-Government terms for the Nimrod AEW deal, BAe are proposing A300 (AEW concept). BAe are to visit Iraq for discussion in January 1984.	Mr Taha Ramadan briefed by BAe during his October visit to UK.	
JORDAN	Fast Patrol Craft	10 (excl missiles)	1984	Decision expected soon. Souters well placed to win order. Fairey and Brooke Marine also pushing hard. Sea Skua being offered but unlikely to be included as it is too costly.		USA France FRG Italy Holland
	AFV Long Term Maintenance	16	1984/86	It is hoped that a contract will be signed within a matter of weeks.		
OMAN	Tornado ADV(BAe)	200	1986	Oman has declared a strong preference for Tornado ADV and 4 GRIs will visit Oman in February 1984 as part of Exercise Magic Carpet 84. BAe are to give detailed technical presentations to SOAF during February/March 1984.	S of S discussed with Sayid Fahr in June 1983. M of S(DP) discussed briefly with Sayid Fahr at RNEE in September 1983.	

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PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
OMAN (Continued)	Mobile Radars (MRSL)	20	1985	A priority GCC funded project. Marconi in dialogue with Oman for supply of Martello Radars.		
	Tri Service Comms (UK consortium)	200+	1984	This project has now resurfaced. UK team carried out study in August 1983 and report submitted to CDS Oman. Major prospect for UK electronics companies. An LSP (Royal Signals) officer will be posted to Oman in mid 1984 to assist Omani Joint Signals Board in management of this complex project. The Omanis are proceeding cautiously.		
QATAR	MCMV	50	1984 on	Requirement is for 2 vessels. RN/VT team visited Qatar December 1982. Likely that Qataris will wish to train one or two officers in UK before deciding upon type of vessel they will purchase. DNFCT have passed proposals to RN LSP as basis for further discussion. Hope is that a course can be offered at no cost (funded jointly by VT and Defence Sales Fund). French offered training and are understood to visit Qatar frequently including visit of French DIGMY in December 1983.		France (CNM)

PART II - MAJOR DEFENCE SALES PROSPECTS
MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
QATAR (Continued)	JOC	120	1984/85	Project progressing slowly; Plessey's chances of securing order will depend to a great extent on company's performance on AR3D radar contract. HMG letter of assurance given February 1983. Finance could be a problem. Marconi are also pursuing the contract and have had several discussions behind the scenes with QAF. A model of Marconi JOC proposal has been seen in GHQ.		
SAUDI ARABIA	Lynx Helicopters (for Army)	50	1985	Competing aircraft for observation role are now being assessed. Fly-off planned for summer 1984.	S of S raised subject with Prince Sultan in September 1982.	USA FRG
	Challenger MBT (Army)	450	1984/85	MOD presentation in February 1983. Saudi Army attended UAE trials in July.	HMG has formally offered to sell tank to Saudi Army. Foreign Sec raised subject with Prince Sultan in April 1983.	USA FRG (but subject to political constraint)
	MCV 80 (Army)	150	1984/85	GKN presentation in May. Saudi army attended UAE trial.		
	Javelin (for National Guard)	17	1984	Costed proposals presented by Shorts in October 1983, with HMG letter of comfort. Presentation offered.		USA Sweden
	Engineer Supply Package (Army) IMS	38	1984	Draft contract tabled, IMS hope negotiations will commence in 1984.		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA (Continued)	Artillery Surveillance Equipment and Associated Training and Support	24	1984/86	Validities of suppliers' offers have been extended. Contract signature is now expected in the first quarter of 1984.	Mr Pym raised further aircraft sales during his visit April 1983.	
	Piranha Submersibles for RSNF	100	1984	VSEL await invitation to present technical proposals.		
	Sangmed Project	120	1984	Negotiations on LOA III (valid May 1984 to May 1985) have begun and it is hoped to have contract signed within the first six months of 1984.		
UAE	EGA Hawk (10) (BAe)	84	1985	Although contract signed for 16 trainers, EGA was budget casualty. Recent interest in Harrier 2 (qv) may hold off US marketing of A10 and keep door open for EGA.		
	AR3D Radar (Plessey)	50		Plessey proposals well regarded and linked to ADOC. DSO ADAT Integrated Study of requirements has been offered to UAE authorities but no response as yet.		
	Challenger (ROF)	70	1984/85	Successful trials held July/August 1983. Intensive marketing follow-up. UAE follow-up questionnaires have been completed and forwarded to GHQ via DA. We should keep open offer of UAE Armour Committee visit to UK.		
	ADOC (Plessey/IMS)	50	1984	See AR3D		
	JOC (IMS/Plessey)	50	1984	IJOC contract success gives IMS ideal opportunity to advance negotiations with UAE on JOC.		
					FRG Italy	
					USA	
					France USA	
					USA France	
					USA France	

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE (Continued)	NOC (Ferranti)	50	1984	Ferranti are waiting to be called forward for contract discussions but budget considerations apply.		
	EW System (Marconi/Racal)	100	1984	Company proposals under consideration, supported by cautious MOD training offer. There seems to be a waning interest due probably to budget restrictions. Training syllabus is presenting security problems but, in principle such a course could be provided at RAF Cranwell.		

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
USA	Improved 81mm Mortar	350	1985	For budgetary reasons, and with an in-service date of 1987 for the full equipment, US will not begin major procurement before FY85.	Minister(DP)	USA
	Combat Support Boat	34	1984	Requests for proposals issued December 1983, for unrestricted competition for 50% of a total requirement for 734 boats. Remainder set aside for small business participation.	Minister(DP)	USA
	ICS3	100	1984	Despite extensive evaluation of ICS3, the US Navy has ruled that there should be competition for their communications system requirement.	Minister(DP)	USA
	Hawk VTX	1000	1984	FY84 Appropriations conference has voted for an 'all-wet' programme. Action in hand to secure BAe participation in a viable 'all-wet' programme.	Minister(DP)	USA
	EDSA	44	N/K	Proposals under evaluation: Shorts main rival is CASA teamed with McDonnell Douglas.	Minister(DP)	USA Spain Israel France Italy
	Rapier	35	N/K	In addition to \$50M for FY84 Congress has appropriated a further \$200M for FY84 to improve airbase defence in Europe. Rapier is a strong candidate for US bases in Turkey, and Roland/Patriot for Germany.	Minister(DP)	

Part Two: Priority Two Prospects

Significant effort required by Government
and/or Industry during 1984, but to rank
lower than Priority One opportunities.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Aircraft Ground Support Workshop at Blida	10+	1983	No change. Plans for implementation of workshop complex at Blida still under consideration. UK companies are discussing requirement with Algerian Air Force. A smaller scale project may now be favoured.	Minister(DP) signed Government-to-Government MOU on behalf of HMG on 13 December 1983.	FRG France Italy
	Troposcatter Radio Relay and Associated Equipment	18	1984	MSDS. Contract expected to be signed at end March.		
	UHF Radio Relay GRO83	40	1984	MSDS. To be a designated contract under the terms of the MOU. Credit likely to be required.		
	Further Ship Purchases	240	1984/85	British Shipbuilders are preparing proposals to meet possible requirements for a variety of surface vessels including light frigates and auxiliaries.		
EGYPT	Main Battle Tanks	500	1986+	Long-term prospect. Egyptians have evaluated both Challenger and Vickers Valiant.	France	France USA Japan
	Command and Control System	20-100	1984/85	UK is approaching project on a phased basis. As a first stage ICL have submitted proposals to establish a Software Development Centre and a Software Training Institute (value £5M each). Discussions continue on the wider C3 project to allow UK firms to bid on a UK Ltd basis, when the full requirement is put out to tender in 12 months time. Implementation is likely to be phased over a long period.		

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
KENYA	Vospers Fast Patrol Boats (4)	140	1984	This is a longstanding project which has been in abeyance for some years. It now appears that the requirement is to be accorded high priority although it is doubtful whether the Kenyans can afford 4 boats at £35M each. An order of 2 cheaper boats is more likely. Credit will be essential and not easy to obtain.		France Israel
NIGERIA	Lynx and Commando Helicopters for Nigerian Army Air Corps	up to 300	1984/85	Westlands have prepared detailed proposals for setting up an Army Air Corps for the NA, including supply of helicopters, setting up a base etc. However, due to Nigerian financial constraints, the scope of this project may be reduced to supply of helicopters only in one or more packages.	US of S(DP) may visit in April/May	USA FRG France
	Blowpipe	25	1984/85	Shorts sold 1 regiment's worth of Blowpipe in 1981. It is understood that the NA intend to equip 4 regiments with Blowpipe. Following final delivery of the current order in January 1984, Shorts will start negotiations on the follow-on quantity.		USA FRG France
	Vickers Main Battle Tanks	275	1984/85	Third phase of re-equipment programme includes balance of tanks, ammunition and support required for training centre and one brigade. Credit required.		France

PART II - MAJOR DEFENCE SALES PROSPECTSAFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
TUNISIA	Fast Patrol Craft (52x2) (Exocet Armed)	52	1984/85	Decision likely to be delayed for the time being whilst the Tunisian Government reassesses its economy. Good credit terms essential.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Project Perentie (B Vehicle)	N/K	1985	Australia has a requirement for 3,000-3,500 0.75 and 1.5-2 tonne vehicles. Following submission of tenders in 1982 9 vehicles have been chosen from 3 companies for trials. UK interest is through Jaguar Rover Australia which has proposed a vehicle based on the Land Rover 110. The trials are expected to be completed in 1984 and contract placed in 1985.		FRG - Mercedes USA - Jeep
CHINA	Project 037 - Refit of Corvettes	20	1985	No change from last quarterly report.		
	PL4 AAM Components	10	1984	MSDS have been given clearance in principle to offer a radar seeker head. BAe (DG) and Thorn EMI have put in applications for clearance to offer other components and a fuze. If MOD/FCO agree and the companies reach contract stage, considerable HMG support will be needed to obtain the approval of our COCOM partners to the supply of these equipments.		
INDIA	Licensed Manufacture of 4.5 Mk 8 Gun Barrels and Ammo Package	N/K	N/K but possibly 1985/86	Prospect VSEL are promoting the sale of an all in gun mounting ordnance and ammo package regarding the Indian Navy plans to re-fit their Leander Frigates current 4.5 Mk 6 guns with more modern ones VSEL proposal is to supply up to 8 mountings together with Barrels and Ammo.		N/K

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
INDONESIA	HM Ship Tartar, Gurkha and Zulu	7.5	Feb/Mar 84	LOI signed 5/12/83 (Deposit not yet received)	yes on AWP clearance.	
	Plus Ammunition Stores MOD Training	6 approx				
	Plus associated modification and refit work by Vosper Thornycroft(UK) Ltd Air Defence System	22 approx 100	1987	Plessey Radar are pursuing the requirement for Gap-fillers and 3D Radars as part of the 2nd stage of the Air Defence System. An offer of a visit in early 1984 to Indonesia by an MOD Air Defence Advisory Team to advise on the operational concept of air defence has been accepted.		
	Hovercraft	5	1984	Considerable interest by Dr Habibe (Min of State for Technology) in a collaborative project involving licenced production of hovercraft in Indonesia once an initial sale of 4 BHC AP188 craft has been made to meet an urgent SAR requirement.		
JAPAN	LAW 80	25	1985	There is an early requirement to offer the JDA the opportunity to fire a main LAW projectile themselves, once clearance for manned firings has been given. The bad publicity resulting from LAW 80's alleged poor performance in US Army trials needs to be countered, or prospects of sales will be adversely affected.		

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN (Continued)	FH 70 Ammunition	20	1984/87	Meetings in London (5-9 December) agreed supply and licensing terms. A record of intent was signed and terms are being resubmitted to the Japan Defence Association.		USA
MALAYSIA	Lynx	50+	1985/86	RMN plan to form a Fleet Air Arm, and require up to 10 helicopters for ASW/ASV/Utility operations. MOD advisory team visited Malaysia in 1983; any sales will require backing of substantial training and support packages. RMAF also require replacement (Q30 initially) for Alovette, for which Lynx would be a contender.		
	Defence Operations Room (DOR)	50 (initial)	1985/86	Technical evaluation continues, with Easams proposals reportedly favoured. An initial contract may be signed 1985 to implement a 3-4 year programme; eventual requirement maybe up to £150M. Consideration being given to possible forms of additional trainings and assistance to support Easams during contract negotiations.	Letter from S of S (10.2.83)	USA
	Submarines	N/K	1985/86	Formation of Submarine Service is a priority for RMN. An RMN team hopes to visit UK for 2-3 months mid 1984 to take up MOD offers of training and assistance.		

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
PAKISTAN	Sea King	30	1984	Navy issued letter of interest, December 1983, for 2-4 helicopters. Submission and presentation now being prepared.		
	Fire Control System for T59 Tanks (Ferranti and Marconi)	100	1984	Firing trials continuing, next round in December/January.		FRG Belgium USA PRC
	Retrofit of Sea Wolf to PNS Babur (BAe DG)	15	1984/85	BAe have submitted costed proposals.		USA?
PHILIPPINES	Lynx	100+	1985 onwards	Realistic prospects for WHL to meet future gunship requirement for Armed Forces and Police. Credit and indigenous manufacture will be key.		
	Hawk	100	1985	Lack of funds has prevented PAF purchase of MB339, which at one stage appeared to have beaten Hawk for the advanced trainer requirement. Pressure by BAe, DSO and DA has achieved further evaluation by PAF which is known to favour Hawk.		Italy
SINGAPORE	Rapier (further buy)	50	1985	Further buy confidently expected following successful 1984 introduction into service with RSAF.	Ministerial approval given for RSAF to conduct Rapier live firing at RARH Summer 1984.	
SOUTH KOREA	Vickers 155mm SP Gun	50	1984	No change from last quarterly report.		USA
	Skyvan	100	1985	No change from last quarterly report.		Spain

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SOUTH KOREA (Continued)	Rapier	50	1986	BAe have agreed with the Norden Division of UTC (who are involved in Rapier manufacture against the USAF Rapier procurement for its UK Bases) that Norden will take the lead in promoting Rapier to USHQ PACAF and ROK Army. Prospects are long term, given present funding constraints.		
	Equipment for MCMVs	10	1984	No change from last quarterly report.		
THAILAND	Lynx	30+	1985	WHL are pursuing RTA interest in anti-tank gunships (Qty 30) and RTN interest in Navy Lynx-type helicopters.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
DENMARK	Sea Skua	15	1985/86	Danish decision turns on progress of their helicopter requirement.		France
FRANCE	AEW Equipment	300	1985	France has been considering the Boeing Awacs and Grumman E-2C Systems for their AEW requirement along with a "European" solution involving Marconi MSA. The E-2c has recently been discounted and the European Solution needs further definition. The most advanced European Solution is the MSA fitted in a Transaal aircraft but BAe are exploring the virtues of a fit in the A300. Nimrod AEW is a non-starter.		USA
NETHERLANDS	Communication equipment	9	1984	For M-class frigate Marconi equipped S-class and are in a good position.		Indigenous
	WAVELL	20	1986/87	Invitation to tender expected late 84/early 85: possibility of MOD briefing in 1984.		Indigenous
SWEDEN	Light transport helicopter	25	1985/86	Swedes to begin consideration in earnest in mid-1984.		FR FRG USA Italy
	CVR(T)	300	1986	Swedes are showing interest in Alvis and GKN components. Two Scimitars will be lent to Sweden in 1984 for trials.		Sweden France USA
SWITZERLAND	Lynx	200	1985	2 of the 9 contenders to be shortlisted in 1984. Decision in 1987.		USA FRG Italy France

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SWITZERLAND (Continued)	Javelin	75	1986	Swiss MANPAD reqt- possibility of trials in Switzerland in 1984.		USA
	Land Rover	25	1984	Swiss are considering bids decision expected 1984.		FRG Austria
WEST GERMANY	Navy Lynx	8	1984	Likely order for further 2. Provision in 1985 budget - contract expected early 1984.		FRG

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Engesa MBT	25+	late 1980s	A number of UK companies are bidding for the supply of equipment and components for this vehicle (eg Vickers-turret, ROFs - tank gun and Marconi - fire control system). Engesa are hoping to complete a prototype vehicle by mid 1984.		FRG France Belgium
	Brasilia MPA/AEW variants	25+	Late 1980s	Ferranti and Marconi Avionics are competing for the avionics fit for the MPA and AEW variants of Embraers EMB120 Brasilia aircraft. Discussions are still at an early stage.		France Italy
CHILE	Naval Lynx	50	1984/85	The Chilean Navy has a firm requirement for 6 helicopters (which could possibly include Sea Skua). WHL hope to get a letter of intent signed in early 1984 however much will depend upon the availability of funds and credit cover.		FRG
	Swingfire	10	1984/85	The Chilean Army is interested in Swingfire (particularly with a view to some form of local production) as a replacement to their existing first generation MAMBA. Chilean Army representatives have visited BAe (DG) to discuss the implications and BAe (DG) hope to secure a contract in the next 12 months or so.		

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
COLOMBIA	Naval Lynx	20	1984	Lynx now said to be a technically preferred aircraft but Navy experiencing problems in getting Ministry of Finance approval for the purchase.		FRG France
ECUADOR	Jaguar and associated spares	8.6	1984	Bae have obtained an Ecuadorean Letter of Intent to purchase the package. They are offering a finance package of 5 years credit and in the absence of ECGD cover are taking all of the risk.		
PARAGUAY	Sherpa	10	1984	The Paraguayans have a requirement for a light cargo/transport aircraft to perform a number of military and civil functions including disaster relief. The Sherpa has been successfully demonstrated but there remains strong competition from CASA. A decision is expected in early 1984.		Spain
PERU	Chimbote Naval Base	330	N/K	Peruvian Senate has approved \$500M expenditure on this project. Implementation depends on availability of funds.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION	
BAHRAIN	MBT	50	1986 on	<p>Priority for armour appears to have slipped. Possibility of Vickers offering ECGD backed credit package, though Valiant did not perform particularly well during Abu Dhabi trials which BDF attended and unilateral purchase could cause problems over Saudi funding.</p> <p>Challenger appears to be in pole position despite its weight and French challenge increasing. But Bahrainis have not yet decided whether they want armour.</p>	S of S has supplied letter of comfort to BDF to allay fear over purchase of tank not in service with British Army.	France (AMX 32) Italy (OF40)	
	Light Armoured Vehicles	20	1984/85	<p>Requirement is for assortment of some 60 vehicles from same stable. Interest centres on MCV 80 though Scorpion now making strong challenge. In-country demonstration refused owing to uncertainty over GCC funding.</p>			France
	Small Fast Patrol Craft (Fairey Allday/Watercraft)	8	1984/85	BDF intends purchasing a number of vessels with GCC funds probably in connection with the scheduled opening date of the causeway link to Saudi Arabia.			France FRG
	Rapier	40	1985	Though Germans appear to have market pretty well sewn up BDF have postponed acquisition of 1-Hawk. Possibility of selling small number of Rapier on short-term solution.			USA France

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAN	Westland 30 Air Ambulances	117	1984/85	Negotiations with the Iranian authorities are continuing. ECGD will not at present provide credit cover for the contract.		USSR
IRAQ	FH70	480	N/K	Further work on this prospect has been suspended due to the UK embargo on sale of offensive weapons.		
	Naval Base	500	N/K	Turkey offer for design and construction of naval base near Basrah submitted in December 1981. UK has also quoted for vetting detailed design. Construction contractor not yet known.		Numerous
	Hawk (BAe)	200	1985/86	Although the Iraqis are still talking about aircraft industry project (3bn) its scale is beyond their financial resources. BAe have offered supply of 30 Hawk aircraft as an interim measure in the hope of shutting out competition from Alpha Jet.	Mr Taha Ramadan briefed by BAe during his visit to UK in October 1983.	France Italy
JORDAN	Hawk (BAe)	70	1985/86	Possible replacement for F5B. Early decision unlikely due to Jordan's financial constraints.		France Italy Spain USA
	Khalid MBT Maintenance spares base repair spares major assys. and wastage rate items.	12 approx	1984/86	Offer in course of preparation.		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JORDAN (Continued)	Refurbishment of F5Es	N/K	1984/85	UK companies (MSDS, Ferranti etc) are promoting various packages (HUD/EW/NAV attack systems).		USA France
	C ³ I/EW	N/K	1984/85	Racal are promoting a ground based ELINT system (Weasel). DSO has offered to assist with evaluation of both C3 and aircraft EW options (see above) and will be commenting shortly on a Jordanian concept paper. A paper outlining a possible EW organisation will be forwarded shortly to JAF.		USA France
KUWAIT	MBT	100	1987	Kuwaitis highly impressed with Challenger at Abu Dhabi trials. There is a strong possibility of purchase of 74 tanks, provided political or financial consideration do not outweigh military ones.	S of S discussed armour with Shalkh Salim, Minister of Defence in July 1983.	France (AMX 32) FRG (Leopard II) USA (M1) USSR (T72)
	Light Armoured Vehicles	70	1985	Kuwaitis to be invited in Spring 1984 to see tanks under exercise conditions in BAOR and at Bovington. Requirement for 212 vehicles for Armoured Reconnaissance Squadrons to replace ageing Ferrets, Saladins and Saracens. Alvis, GKN and ROF Leeds have all submitted proposals in response to a tender. Marked preference for wheels. Engesa favoured for contract.	S of S visiting Kuwait early February 1984.	France (AMX 10) Brazil (Engesa) Austria (SK105) Canada (Piranha)

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
KUWAIT (Continued)	MBT Update	8-14	1984	Pilkington proposal to fit no No 84 sight to improve nightfighting capability under consideration for Chieftain and Vickers. FCS has been demonstrated on Vickers.		
	Various 'A' vehicle spares	7.7	Two years	Offer made valid until March 1984 order not received to date.		
LEBANON	Tactical Communication Package	10	1985	Decision had been expected by end of 1983 but did not materialise. ECGD credit allocation for Lebanon has been suspended.		USA France
OMAN	Hawk (BAe)	200	1986	Following recent success in UAE and Kuwait and increased interest in Bahrain, BAe are marketing in Oman.		
	Scorpion (Alvis)	20	1985	There is a reasonable prospect for a further 27 vehicles but GCC funding may not cover it.		
	LAW 80 (HEL)	10	1985	No requirement in Oman for this weapon in the short term.		
	Stormer (Alvis)	20	1984	Following successful 1982 trial there is interest but GCC funding will dictate timescale which is likely to be 1985.		
	FH70	20	1984	Omanis have recently requested in country trial (March 1984) which will be followed shortly thereafter by a contract for 6 guns. There is a strong prospect of an early follow on buy of a further 12.		

PART II - MAJOR DEFENCE SALES PROSPECTSMIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA	Armoured Personnel Carriers - For Public Order Duties (Ministry of Interior)	c18	1984+	AMAC have sold Qty 2 vehicles September 1983, and are hopeful of a successful evaluation of these with a follow-on order of some 100 vehicles.		Various
	FH70 Ammunition (L15) for Army	43	1984/85	IMS submitted proposals to Army in December 1983. RESPONSE AWAITED.		USA
	Tank Ammunition (L64 APFSDS) for Army	16	1984	Trialled in Saudi April 1983. New draft contract submitted (with reduced price) by IMS. RESPONSE AWAITED.		USA
	A/D Frigates (For RSNF)	2-300	1985/86	RSNF have requirement for 2 x Anti-Air Warfare Frigates in 5-8 years time. BS and BAe (DG) are preparing a Capability Document. Two presentations on Sea Wolf and Sea Dart given (December 1982 and April 1983).		France USA
	Rapier (For National Guard)	90	1984	MOD presentation September 1982		Various
	EOD Supply/Support Packages (Army)	12	1984	Under consideration by Saudi Army Chief Engineer.		USA FRG
	NBC Supply/Support Package (Army)	19	1984	Under consideration by Saudi Army Chief Engineer.		Various
	Anti-tank Ammunition	9	Spring 1984	Offer		
UAE	Tornado ADV (BAe)	600	1989/90	BAe keen to replace Mirage with Tornado in late 1980s. MD/HDS has offered visit to UK for further evaluations.		France USA

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE (Continued)	Harrier 2 (BAe)		1985	Although contract signed for 16 trainers, EGA Hawk was budget casualty. Recent interest in Harrier 2 (qv) may hold off US marketing of A10 and keep door open for EGA.		USA France
	Rapier (BAe)	70	1984	BAe keen to follow up Rapier sales. Recent Oerlikon sale of AD guns may well make sales much more difficult. Recent interest in Laserfire in Dubai.		
	Communications Project	120	1985	Integrated Communication System. Reaction to proposals submitted in December 1982 still awaited.		USA France
	Stormer (Dubai) (Alvis)	6	1984	Prospects looked good but understand that Engesa have been successful in Dubai with Cascavel. (48 vehicles).		Brazil
	MCV80 (GKN)	50	1986	Was successfully trialled with Challenger July/August 1983. GKN have responded to UAE follow-up questionnaire, and this together with significant price reduction could enhance MCV 80 prospects. Wheels versus tracks argument, and high price were inhibiting prospects for sale.		
	105mm Light Gun	28	1984	IMS hopeful that UAE will purchase further 28 guns if modifications are successful.		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE (Continued)	MCMV (Vospers)	100	1985/86	With Egyptian COMD now replaced by Abu Dhabians, Vosper prospect looks better but budget considerations will apply. Increased threat in Gulf may accelerate programme. Cmdr UAE Navy visited V-T yard during RNEE 1983.		France
	Westland 30 (Westland Helicopters)	N/K	N/K	SAR committee visiting US and NW Europe. Shortly DSO will consider sponsored visit.		
	Military and Technical Services	100	1984 onwards	Reaction to proposals submitted in December 1982 still awaited.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Rapier	100 approx	1986	Canada's LLAD requirement for its 2 European Air Bases is expected to be fulfilled by a gun/missile mix. BAe are promoting Rapier as the missile system and have carried out a site survey of the 2 German bases. The request for proposals (RFP) is expected to be issued shortly.		
	Canadian Patrol Frigate (CPF) Programme	N/K	1984	Canada is planning to purchase 6 patrol frigates to be designed and built in Canada. Although the main contractor is Canadian, (St John Shipyard and Dry Dock Co) a number of UK companies are hopeful of major sub contract work in propulsion machinery, radar, communications and weapon systems. The choice of many systems has not yet been finalized so it is not know exactly how much UK content there will be on the ships.		



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~3307222~~ 218 2111/3

MO 5/20

21st February 1984

N. D. P. R.

A d c. 2/2.

f.a.

Dear Roger,

TORNADO FOR GREECE

We understand that the Greeks may now be on the point of making a final decision on the choice of a new fighter aircraft for the Hellenic Air Force. The Ambassador has recommended that a ministerial message should be sent to Mr Papandreou to remind him of the advantages of a choice of Tornado. He recommended that this message should go from the Prime Minister but we here consider that it would be more appropriate for the kind of detailed message which needs to be sent at this stage to go from Mr Heseltine. Mr Heseltine did of course visit Greece last year, mainly in support of a Tornado sale, and has seen Mr Papandreou on a number of occasions subsequently. There is also the point that the Greeks have been on the point of making a decision for some time and this process may be further protracted. In view of this it would be better to keep the possibility of a further letter from the Prime Minister (she has written twice already) in reserve. I therefore attach the text of a message from Mr Heseltine to Mr Papandreou and I should be grateful if you could arrange for this to be telegraphed to Athens as soon as possible.

I am copying this letter to John Coles.

Yours ever

Mich Evans

(N H R EVANS)
Private Secretary

R Bone Esq



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

MO 5/20

20th February 1984

De Pinis

I understand that you are now considering the final bids for the New Fighter Aircraft for the Hellenic Air Force and I should like to remind you of several of the points which I made in favour of Tornado during our discussions last September.

You will recall that I emphasised the outstanding characteristics of Tornado. It is unique in its all-weather, day or night ground attack capability and hence provides a degree of deterrence which no other aircraft can match. The accuracy of its weapon delivery systems have far exceeded our expectations and its performance in terms of payload, range and speed, considerably exceeds its competitors. The design is fully proven with over 300 Tornados already in service. Over 550 will be in service by the time deliveries to the HAF would commence. Tornado is designed for minimum maintenance and support costs. The arrangements negotiated between the three partner nations and the HAF in the draft Memorandum of Understanding will provide access for Greece to a well established international procurement and logistics system. Under these arrangements the HAF will be closely involved in the future development of the programme and will benefit from common training, logistic support, and quality assurance. We are in effect offering Greece partnership in a successful European enterprise.

His Excellency Mr Andreas Papandreou



When we met in September I was able to offer attractive financial terms for a purchase of Tornado. A fixed price has been offered by Panavia and the three Governments have agreed to waive their normal research and development levies. The credit terms now cover 95% of the contract value inclusive of progress payments and local manufacturing costs with repayment spread over a period of eight years from final delivery. A fixed rate of interest of 8.95% in Deutschmarks, inclusive of all fees and charges is on offer for the British element in the credit package. The three governments and Panavia fully recognise the importance attached by Greece to the arrangements for offset. Panavia have accepted a contractual commitment of exceptional content and value, over the 15 year period, with liquidated damages applied to any short fall. This offer involves a considerable element of technology transfer and provides for final assembly of the aircraft in Greece. In support of this the three partner Governments have stated in the Memorandum of Understanding that, if Tornado is selected, they would expect their total imports from Greece, which already account for over 30% of all Greece's exports, to increase by 3% per annum over the 15 year period.

Finally I should like to reiterate the political importance which the Governments of the United Kingdom, Germany and Italy attach to their relations with Greece through partnership in the Tornado programme. This partnership will not only lead to immediate military and industrial benefits, but also to longer term co-operation if desired in the development of a future European fighter aircraft which the three Tornado nations are now actively discussing with other countries. On a bilateral basis I note with satisfaction that the first steps have already been taken to implement the Anglo-Greek Memorandum of Understanding which we signed in September. The first meeting of the Anglo-Hellenic Committee on Defence Equipment will take place in London on 27th February and I feel sure that this will open a new era of co-operation between our two countries.

Michael Heseltine

Felipe González Márquez

SUBJECT.
The Prime Minister

Madrid, 20 February 1984

To Mrs Margaret Thatcher
Prime Minister of the
United Kingdom
LONDON

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T 33AA184

Dear Prime Minister,

As soon as I received your letter of 16 January in connection with British Aerospace's offer to form a consortium with Spanish industry so that they could cooperate in coproduction of the "RAPIER" system, I informed my Minister of Defence of its contents and asked him to consider the arguments put forward in it.

As you know, at the moment, this low level air defence system is being considered along with three others: the American "Chaparral", the Franco-German "Roland" and the Italian "Skyguard-Aspide".

From our point of view, what concerns us most, apart from the efficiency of each system, is the impact that its acquisition might have on the level of technology of Spanish industry. In this respect, the "RAPIER" system offer is undoubtedly attractive.

At the moment, we have not yet finished assessing these four systems, although we hope to be able to make a final decision soon.

Yours etc.

(signed)

Felipe González

Felipe González Márquez

El Presidente del Gobierno

Madrid, 20 de febrero de 1984

Excma. Sra. Margaret Thatcher
Primer Ministro del
Reino Unido de Gran Bretaña
LONDRES

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL NO. T33A#84

Señora Primer Ministro:

Tan pronto como recibí su carta de 16 de enero, en relación con la oferta de British Aerospace de firmar un consorcio con la industria española para la coproducción del sistema "RAPIER", informé de su contenido a mi Ministro de Defensa, encargándole que tuviera en cuenta las consideraciones que en ella se planteaban.

Como Vd. sabe, en el momento presente, este sistema de defensa aérea de baja cota está siendo considerado junto con otros tres: el "Chaparral" norteamericano, el "Roland" franco-alemán, y el "Skyguard-Aspide" italiano.

Desde nuestra óptica, lo que más nos interesa, además de la eficacia de cada sistema, es el impacto que su adquisición pueda tener en la mejora tecnológica de la industria española. En este sentido, la oferta del sistema "RAPIER" tiene sin duda atractivo.

Por el momento, todavía no hemos concluido el período de valoración de estos cuatro sistemas, aunque esperamos poder tomar una decisión definitiva en fecha próxima.

Reciba un cordial saludo,

FELIPE GONZÁLEZ



CONFIDENTIAL

FCS/84/45

SECRETARY OF STATE
FOR DEFENCE

N.B.P.R.

A.S.C. 107
2.

Supply of Naval Equipment to Germany
for Installation in Argentine Destroyers

1. Your minute of 23 January suggested a need to review the decision taken by OD in 1982 to make an exception to our embargo on defence equipment destined for Argentina in the case of supplies for the destroyers being built in Germany.
2. I believe that a review is timely. Our reasons for making an exception in 1982 were sound but I believe that British companies have now had a good opportunity to meet their commitments. It would be wrong to allow this concession to continue indefinitely: the handing over of the fourth destroyer to Argentina makes a convenient cut-off point for the supply of spares. I therefore agree with your proposals for dealing with all remaining export licence applications for equipment for these vessels. In fairness to the companies concerned I hope they can be told as soon as possible that they only have a limited time in which to complete their orders.
3. I am copying this minute to members of OD and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

10 February 1984

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Reference
series

10 FEB 1954

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FLIGHT £95



Minister of State
for Defence Procurement

COPY TO

DG Marketing

COPY TO

PS/HDS

Head of DS11

Head of Mat Co-ord (N)

RMD 2

MINISTRY OF DEFENCE

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

D/MIN/GP/3/7

February 1984

Don't take

For some years the Kenyan Government has had a requirement for new fast patrol craft to replace some earlier boats, purchased from Britain, which have come to the end of their useful lives. In 1980 Vosper Thornycroft (UK) Limited (VT) was selected by the Kenyan Navy as the preferred supplier of a new class of up to four fast patrol craft. ECGD supported credit was offered on very attractive terms but because of economic down-turn in Kenya no contract was signed.

During the Royal Naval Equipment Exhibition held at Portsmouth last September the Kenyan delegation said that the patrol boat requirement was to be accorded high priority. VT have since put forward proposals for the supply of up to 4 x 56m patrol craft with associated spares and support. I understand that the company have been told that, provided an attractive UK credit package can be put forward, a contract will be placed with them within the next three months. Failing this recent proposals from Singapore, France, Germany and Israel will be considered. The total contract value for four boats is £139M and the great majority of the installed equipment would be of British origin.

/ VT ...

The Rt Hon Peter Rees QC, MP

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VT applied to ECGD for credit in mid-December but their request has been turned down by both ECGD and the Treasury, but I believe there are a number of reasons for supporting this proposal. In the first place, support of this kind may be the most economical way of maintaining warship building capability as well as avoiding major redundancies; these could be difficult to cope with at a time when we are seeking privatisation of the more attractive yards and further unemployment in the Portsmouth area would follow on closely the rundown in Portsmouth Dockyard. Reduction in orders for ships for the Royal Navy has already led to some redundancies in the company and work currently in hand in the two Portsmouth yards will be finished by October 1984.

Further, Kenya is important to us as a defence market. We have supplied much of her equipment in the past but we are now under pressure from the French and loss of our pre-eminent position could weaken our efforts in the area. On wider military grounds we also have considerable interests in Kenya; we have access to very valuable infantry and engineer training facilities there which we use extensively at virtually no cost: and the Royal Navy makes use of facilities at Mombasa and the main airports are important as staging posts for RAF aircraft involved in a number of contingency plans. Supply of these boats to Kenya, together with the related Treasury package, would do much to further our longstanding co-operation with the Kenyan Forces. Bilateral defence relations have been good in the past, but currently we are experiencing problems due to the attitude of one or two key personalities in the Kenyan Ministry of Defence, and they would no doubt seize on any further opportunity to make difficulties for us.

Our experience is that the Kenyans approach their external financial position cautiously and responsibly and all projects are scrutinised carefully by the authorities to keep within the existing IMF guidelines. Indeed I understand that despite an unfavourable debt service ratio Kenya has not so far defaulted.

/ This ...

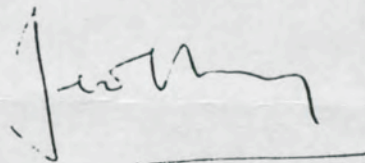
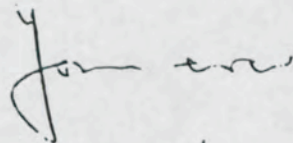
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This is important since I am told that when considering the company's proposal ECGD felt that with the high debt service ratio for 1984 and 1985 rescheduling could not be ruled out, and that this external position would not support any increase in the current market limit where there is little headroom even in Section 2 terms.

The information that we now have that the initial order is likely to be for only two boats, supports the view that the Kenyans are acting responsibly. We have also been able to establish that the requirement is supported at the highest level in Kenya. Against this background, the priority offered to this project and the choice of Vosper Thornycroft as the preferred supplier, the harm to our bilateral relations should support for this sale be refused and the domestic advantages for a hard pressed industry, I believe that we should offer to support credit for an initial order of two boats on terms which are at least as good as those being offered to Egypt for similar craft. I hope we can reach early agreement on this as VT have now fully agreed the specification with the customer and hope to resume negotiations on commercial aspects within the next two weeks.

I am copying this letter to Malcolm Rifkind, Paul Channon, Norman Lamont, Peter Morrison and to Sir Robert Armstrong.



Geoffrey Pattie

~~CONFIDENTIAL~~
CONFIDENTIAL

8 MAR 1984

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JF5572

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)5422
GTN 215).....
(Switchboard) 215 7877

6 February 1984

CONFIDENTIAL

Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

N.S.P.D.

A.S.C. 2/2.

D. Geoffrey

SUPPLY OF NAVAL EQUIPMENT TO GERMANY FOR INSTALLATION IN
ARGENTINE DESTROYERS

I have seen Michael Heseltine's minute to you of 23 January and the letter of 26 January recording the Prime Minister's views.

2 I believe that the proposed course of action represents a practical way forward.

3 However, as you will appreciate West Germany is our second largest market. I would hope in the event that any UK supplier is faced with breaking its long term commitment to the West German contractors - as is possible if we approve no further licences after the end of March - then we might have an opportunity to review this in the light of events as they develop.

4 As Michael's Annex shows, most of the spares for our equipment are not subject to licensing and will presumably be supplied by the manufacturers without reference to HMG.

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

NORMAN TEBBIT

~~Defense~~
Sous
PC 3



5 FEB 1964

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

31 January 1984

nbpm
JMS
2/1

Richard Mottram Esq
Private Secretary to the
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON SW1

Dear Richard,

SUPPLY OF NAVAL EQUIPMENT TO GERMANY FOR
INSTALLATION IN ARGENTINE DESTROYERS

The Chancellor has seen your Secretary of State's minute of 23 January to the Foreign and Commonwealth Secretary, and agrees with what is proposed.

I am copying this letter to John Coles (No 10), to the Private Secretaries to other members of OD and to Richard Hatfield (Cabinet Office).

Yours ever,

Miss J C Simpson

MISS J C SIMPSON
Private Secretary

Defence Service A-1

2 FEB 1984



CONFIDENTIAL



he 12

10 DOWNING STREET

From the Private Secretary

30 January 1984

Spain/Gibraltar

Thank you for your letter of 26 January about further moves by HMG to help British Aerospace secure Spanish purchase of Rapier. The Prime Minister has seen your letter, together with the Defence Secretary's minute of 25 January.

Mrs Thatcher entirely agrees that it would be wrong to imply in any way that our position on Gibraltar could be influenced by a Spanish decision to purchase Rapier. She is in agreement with the approach set out in your letter.

I am copying this letter to Richard Mottram (Ministry of Defence).

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



10 DOWNING STREET

THE PRIME MINISTER

30 January 1984

Dear Sir Raymond,

Thank you for your letter letting me know of your efforts to promote the sale of Tornado to Turkey, following British Aerospace's very welcome successes over Rapier and Sea Skua.

As you will know, we have all been considering over the last few weeks how best to follow up Michael Heseltine's meeting last October with the then Turkish Defence Minister. I am sorry to hear that the prospects for the sale of Tornado are looking less bright again. But I understand that Geoffrey Pattie is considering visiting Turkey next month in order to promote the development of military collaboration with Turkey and that the Ministry of Defence are in close touch with you about the points he should emphasise with the Turks.

I shall certainly bear in mind your suggestion that President Evren should be invited here. But the programme of inward visits at this level is already very full and I doubt whether a visit can take place soon. In general, however, our relations with Turkey are good and I am quite sure that the new Turkish Government view us as one of the countries best disposed towards them. Geoffrey Howe had a good meeting with the new Turkish Foreign Minister in Stockholm on 19 January and we intend to remain in close contact.

Admiral Sir Raymond Lygo, K.C.B.

Yours sincerely
Margaret Thatcher

file
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DTI



Foreign and Commonwealth Office

London SW1A 2AH

27 January, 1984

You John,

*Type letter pl.
✓ A.S.C. 30/1.*

Turkey

In your letter of 5 January you enclosed a copy of a letter to the Prime Minister from the Managing Director of British Aerospace. Admiral Lygo had suggested that we should show some sign of approval to the President of Turkey and invite him to visit the United Kingdom.

Admiral Lygo has been assiduous in promoting the sale of Tornado to Turkey and clearly sees a visit by President Evren as being helpful in this. Over the last couple of weeks British Aerospace claimed to have evidence that the Turkish intention to buy American F16 aircraft was wavering. As a result, MOD, in consultation with British Aerospace, were considering a visit to Turkey by Mr Geoffrey Pattie. As we agreed over the telephone, we thought it best to delay replying to Admiral Lygo's letter until the situation became clearer. Unfortunately, however, the prospect of the Turkish purchase of Tornado has once again receded and Mr Pattie has decided against an imminent visit. But he is currently contemplating a visit on 6 February in order to promote closer collaboration over defence equipment more generally.

In current circumstances, an invitation to President Evren to visit the UK would do little to alter Turkish intentions over Tornado. In view of the controversy surrounding the nature of Turkish democracy, the Department have advised the Royal Visits Committee not to consider an invitation to President Evren to visit until we can better assess Turkey's progress towards democracy, ie until 1986 at the earliest.

I am copying this letter to Richard Mottram (MOD).

Richard Bone
(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT: ~~x~~minute/letter/~~teletype~~/despatch/~~note~~

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Admiral Sir Raymond Lygo KCB

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter letting me know of your efforts to promote the sale of Tornado to Turkey, following ~~the~~ British Aerospace's very welcome successes over Rapier and Sea Skua.

CAVEAT.....

As you will know, we have all been considering over the last few weeks how best to follow up Michael Heseltine's meeting with the then Turkish Defence Minister ~~last~~ ^{last October} ~~October~~. I am sorry to hear that the prospects for the sale of Tornado are looking less bright again. But I understand that Geoffrey Pattie is considering visiting Turkey next month in order to promote the development of military collaboration with Turkey and that the Ministry of Defence are in close touch with you about the points he should emphasise with the Turks.

Enclosures—flag(s).....

I shall certainly bear in mind your suggestion that President Evren should be invited here. But the programme of inward visits at this level is already very full and I doubt ~~that~~ ^{whether} a visit ~~could~~ ^{can} take place ~~particularly~~ soon. In general, however, our relations with Turkey are good

/and

and I am quite sure that the new Turkish Government view us as one of the countries best disposed towards them. Geoffrey Howe had a good meeting with the new Turkish Foreign Minister in Stockholm on 19 January and we intend to remain in close contact.

RR → 20;
1

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister ⁽¹⁾

26 January 1984

Content with this approach?

Joe John,

DWS
26/1

Yes

ms

Spain/Gibraltar

The Prime Minister has asked whether the Foreign and Defence Secretaries have any advice to offer on further moves which HMG might make to help British Aerospace secure Spanish purchase of Rapier (your letter of 17 January).

We have reviewed the options with the Minister of Defence, British Aerospace, and the Embassy at Madrid. We have concluded that our political ammunition has now largely been expended. In anticipation of a Spanish decision in mid-January on procurement of Rapier or Roland (the Franco-German alternative), recent political backing for Rapier has included a meeting between Mr Heseltine and his Spanish counterpart, Sr Narcis Serra, in Brussels on 6 December, which was subsequently followed up by Ministerial correspondence. Then, after the French had tried to exert political leverage (in particular by taking action against Basque (ETA) terrorists living in the south of France), the Prime Minister sent a message to Sr Gonzales, which was delivered on 17 January.

The Foreign and Commonwealth Secretary shares the Prime Minister's view that she should not write to Sr Gonzalez about Gibraltar in the context of this Rapier contract. There might come a time when the Prime Minister's direct involvement with Sr Gonzalez over Gibraltar could be very useful, as it was when the previous Prime Minister, Sr Calvo Sotelo, came to London in January 1982 and we came close to achieving implementation of the Lisbon agreement. But it would be quite wrong to imply in any way that our position on Gibraltar would be influenced by a Spanish decision to purchase Rapier.

We have identified some other steps which might usefully be taken to keep Rapier uppermost in the minds of Spanish decision-makers. I understand that Richard Mottram is writing to you, but, to summarise, we are working for a high level visit to Madrid shortly, either by the Head of Defence Sales or the Chief of Defence Procurement, to discuss defence sales prospects in general; and a letter from the CDS to his newly appointed Spanish counterpart, recommending the Rapier package on offer in the context of closer defence cooperation. In addition Mr Pattie will be writing to the Spanish Industry Minister, Sr Solchaga, in reply to a letter from him, on the

See attached minute from Defence Secretary.

DWS
26/1

CONFIDENTIAL

/industrial

CONFIDENTIAL



industrial advantages to Spain of the Rapier package. We think it best now to put the Rapier contract into the wider context of defence procurement collaboration between the UK and Spain, building on the prospects held out by the Prime Minister in her letter to Sr Gonzalez.

I am sending a copy of this letter to Richard Mottram (Ministry of Defence).

A handwritten signature in blue ink, appearing to read 'R B Bone'.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

Defence: Defences Sales pt-3.

26 JAN 1984

121234
56789

CONFIDENTIAL



tu

10 DOWNING STREET

From the Private Secretary

26 January 1984

Supply of naval equipment to Germany
for installation in Argentine destroyers

The Prime Minister has seen your Secretary of State's minute of 23 January to the Foreign and Commonwealth Secretary.

Subject to the views of Sir Geoffrey Howe and other members of OD, the Prime Minister is inclined to agree with the recommendations in paragraph 6.

I am copying this letter to the Private Secretaries to other members of OD and to Richard Hatfield (Cabinet Office).

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

CONFIDENTIAL

A handwritten signature in the bottom right corner of the page.

CONFIDENTIAL

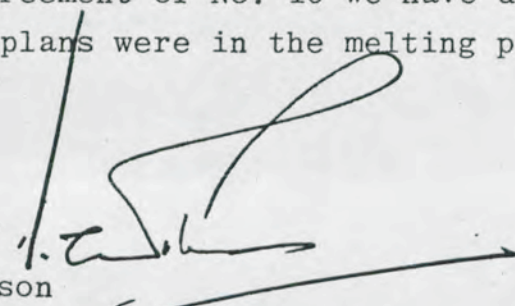
From: D C Wilson
Date: 25 January 1984

Mr Jenkins

cc: Sir J Bullard
Mr Cartledge
Defence Dept

TURKEY: LETTER TO PRIME MINISTER FROM MANAGING DIRECTOR OF
BRITISH AEROSPACE

- A
1. The Prime Minister's Private Secretary wrote to PS enclosing a letter from Admiral Sir Raymond Lygo to the Prime Minister dated 4 January. Admiral Lygo would like President Evren of Turkey to be invited to Britain to encourage the sale of Tornado.
 2. I submit a draft reply to No. 10 covering a draft reply from the Prime Minister to Admiral Lygo. Defence Dept, MOD and DTI concur.
 3. The draft takes account of Mr Geoffrey Pattie's recent decision not to visit Turkey this week to promote Tornado (Miss Anderton's letter of 20 January). With the agreement of No. 10 we have delayed replying to them while Mr Pattie's plans were in the melting pot.
- B


D C Wilson
Southern European Department

CONFIDENTIAL

	DRAFT: memo/letter/teletype/despatch/tele	TYPE: Draft/Final I+
	FROM: Private Secretary	Reference
	DEPARTMENT:	TEL. NO:

SECURITY CLASSIFICATION	TO: Private Secretary No 10 Downing Street	Your Reference
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- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

PRIVACY MARKING	SUBJECT: TURKEY	Copies to:
-----------------	-----------------	------------

.....In Confidence

CAVEAT.....

1. In your letter of 5 January you enclosed a copy of a letter to the Prime Minister from the Managing Director of British Aerospace. Admiral Lygo had suggested that we should show some sign of approval to the President of Turkey and invite him to visit the United Kingdom.

2. Admiral Lygo has been assiduous in promoting the sale of Tornado to Turkey and clearly sees a visit by President Evren as being helpful ⁱⁿ over this. Over the last couple of weeks British Aerospace claimed to have evidence that ^{the} Turkish intention to buy American F16 aircraft was wavering. As a result, MOD, in consultation with British Aerospace, were considering a visit to Turkey by Mr Geoffrey Pattie. As we agreed over the telephone, we thought it best to delay replying to Admiral Lygo's letter ^{in. h1} ~~till~~ the situation became clearer.

Unfortunately, however, the prospect of the Turkish purchase of Tornado has once again receded and Mr Pattie has decided against an imminent visit. But he is currently contemplating a visit ~~early in~~ ^{on} 6 February in order to promote closer collaboration over defence equipment more generally.

Enclosures—flag(s).....

In current circumstances, an invitation to President Evren to visit the UK would do little to alter Turkish intentions over Tornado. In view of the controversy surrounding the nature of Turkish democracy, the Department have advised the Royal Visits Committee not to consider an invitation ^{to President Evren to visit the} until the ~~elected government have settled down, ie until 1986~~ at the earliest.

We can better assess Turkey's progress towards democracy,

1 (Revised)

17

DRAFT: ~~minute~~/letter/~~teletype~~/~~despatch~~/~~note~~

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:
Admiral Sir Raymond Lygo KCB

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter letting me know of your efforts to promote the sale of Tornado to Turkey, following on British Aerospace's very welcome successes over Rapier and Sea Skua.

CAVEAT.....

As you will know, we have all been considering over the last few weeks how best to follow up Michael Heseltine's meeting with the then Turkish Defence Minister last October. I am sorry to hear that the prospects for the sale of Tornado are looking less bright again. But I understand that Geoffrey Pattie is considering visiting Turkey next month in order to promote the development of military collaboration with Turkey and that the Ministry of Defence are in close touch with you about the points he should emphasise with the Turks.

Enclosures—flag(s).....

I shall certainly bear in mind your suggestion that President Evren should be invited here. But the programme of inward visits at this level is already very full and I doubt that a visit could take place particularly soon. In general, however, our relations with Turkey are good

and I am quite sure that the new Turkish Government view us as one of the countries best disposed towards them. Geoffrey Howe had a good meeting with the new Turkish Foreign Minister in Stockholm on 19 January and we intend to remain in close contact.

Turkey: Anglo-Turkish Relations Nov 79



MO 5/16/1

Prime MinisterPRIME MINISTERDmb
20/1SPAIN/GIBRALTAR

Your Private Secretary wrote to Mr Bone in the Foreign and Commonwealth Secretary's office on 17th January, seeking advice on any further steps which might be taken in support of efforts to sell RAPIER to Spain.

2. Current indications are that a final Spanish decision is likely to slip until the middle of February or later. In these circumstances we need to ensure that the Spanish remain mindful of our close interest in this decision. I agree that you should not write again to Sr Gonzalez; and I do not believe it would be useful at this stage for me to send a further letter to my counterpart, Sr Serra. The offer made in my letter of a further visit by Geoffrey Pattie still stands, and he has also written today to the Spanish Industry Minister. However I intend to maintain pressure on the Spanish through contacts below Ministerial level.

3. There are two directions from which such approaches might be made:

a. I am looking into whether it would be possible for either Mr Perry, my Chief of Defence Procurement, or Mr Blyth, the Head of Defence Sales, to visit Madrid in the next fortnight or so. This would be to discuss equipment collaboration matters generally.



b. Both the Spanish Chief of Defence Staff and Chief of Army Staff are new in post, and indeed it is possible that the decision has been delayed in order to give them time to form their own views. It could well prove helpful for Field Marshal Sir Edwin Bramall, and perhaps also General Sir John Stanier, to write to their opposite numbers, looking forward to close defence co-operation in an Alliance context and early opportunities to discuss subjects of common interest, including equipment co-operation.

4. I understand that Sir Richard Parsons in Madrid is in favour of pursuing both of these approaches, and my officials are keeping in close touch with his staff, with the FCO and with British Aerospace, in order to capitalise on any further opportunities that may arise.

5. I am copying this minute to the Foreign and Commonwealth Secretary.

WJH

Ministry of Defence
25th January 1984

Defence Sales
A3



26 JAN 1984



COMMUNICATIONS

10010



Prime Minister

See especially para. 6.

A.S.C. 25
11.

MO 26/9/1

FOREIGN AND COMMONWEALTH SECRETARY

para 6
Amended

SUPPLY OF NAVAL EQUIPMENT TO GERMANY FOR INSTALLATION
IN ARGENTINE DESTROYERS

At their meeting on 21st July 1982 (OD(82)15th meeting), OD considered a paper (OD(82)63) on the supply of British equipment to the West German shipbuilders Blohm and Voss for installation in 4 MEKO 360 Destroyers being built for the Argentine Navy. These ships contain a significant amount of British equipment which had been embargoed since the beginning of the Falklands conflict, most notably Rolls Royce Tyne and Olympus marine gas turbine engines coupled with David Brown gearing. Because of the importance of the UK being seen as a reliable supplier and honouring contracts with a NATO ally and valuable trading partner, OD agreed that the equipment should be supplied but that the Germans, who were at that time still maintaining an embargo on defence sales to Argentina, should be asked to consult us before releasing the ships to Argentina. In the event, the Germans declined to accept this proviso and it was subsequently agreed that the British equipment should be supplied nonetheless. Three of the 4 ships have now been delivered to the Argentine Navy and the last one is expected to be handed over at the end of March 1984.

2. Since the UK embargo on this equipment was lifted, export licences have been approved, but there remain a number of items of British equipment awaiting either initial approval or renewal of export licences already granted but now expired. Furthermore, if our policy remains unchanged we may expect to receive an increasing number of applications for long-term spares. It is now 18 months since the OD decision and we need to review our position before any further licences are granted.



3. Details of the British equipment involved, together with on-going support commitments and the licensing position, are set out at Annex. The issues fall into the following categories:-

a. the supply of equipment still to be delivered under the original contracts. The main items in this category are one Rolls Royce Olympus main gas turbine engine and 2 spare engine change units valued at approximately £3.6M in all. This equipment is ready for immediate export. Rolls Royce attach importance to fulfilling this large export order and are pressing for authorisation to despatch the equipment;

b. replacement of items supplied to Germany which were found to be defective by the shipbuilders (within any guarantee period) and where the responsibility for the defect clearly rests with the British manufacturer. Spares for the MEL Scimitar ECM equipment fall into this category;

c. replacement of items which, although in good condition when supplied by the British manufacturer, were subsequently damaged by the shipbuilders during installation. A Graseby Dynamics towed array decoy system falls into this category.

4. In addition our officials anticipate that further decisions could be required in future under the following categories:-

a. spares for equipments which have already been delivered arising from a commitment to provide after sales support in the original contract;

b. spares for which there is no contractual commitment yet.

5. Although the OD decision in July 1982 clearly permitted the supply of the equipment required for the completion of the 4 Destroyers,



the question of supplying further spares or replacing defective or damaged equipment was not addressed. There is also the problem that items such as engine spares, which are common to the Type 42 Destroyers in service with Argentina, may be ordered in larger quantities than those strictly required for the MEKO 360 Destroyers. While HMG has the ability to control the export of equipment under the Export of Goods (Control) Order, this does not extend to the provision of after sales servicing or technical advice.

6. I propose that we should take the following action in respect of licensing equipments for the 4 MEKO 360 Destroyers:

a. further licences for equipment to be installed in the fourth destroyer should not be granted unless the manufacturer can satisfactorily demonstrate that this is in accordance with a contract signed before April 1982;

b. spares required in support of equipment already supplied, including those required to replace damaged or defective equipment, should be licensed only where it can be satisfactorily demonstrated that these form part of a specific contractual commitment entered into before April 1982 and the need for replacement is genuine. However, no further licences should be approved after the delivery of the fourth Destroyer to Argentina. This may involve some companies reneging on long term support commitments, but in most cases a supply of spares for several years will have been included in the initial outfit;

c. no licences should be approved for further spares not covered by contracts signed before April 1982.

I should be grateful for your agreement to proceed on this basis.



7. I am copying this minute to the Prime Minister, the other members of OD and Sir Robert Armstrong.

[Handwritten signature]

Ministry of Defence
23rd January 1984

ARGENTINA - UK EQUIPMENT FOR MEKO 360 DESTROYERS

Company and Equipment	Spares/Support Commitment	Export Licence Required for a) Eqpt b) Spares	Remarks
David Brown Gearing - Gears	Initial Spares outfit for 4-5 years. Commitment 10 years from delivery of last vessel.	a) No b) No	Spares could be supplied from sources overseas
Gloster Saro - Air Intake and Exhaust Silencers	None	a) No b) No	
Hale Hamilton Valves - HP Air Equipment	None	a) No b) No	
Hawker Siddeley Dynamics - Engine Control Gear	None	a) No b) No	Argentine Navy would look to Blohm and Voss for Repair
MacTaggart Scott - Helicopter handling	None	a) Yes b) No	Specialist items would be required from the UK
Vosper Thorneycroft - Stabilizers	None	a) No b) No	Specialist items would be required from the UK
Rolls Royce Gas Turbines	Initial spares outfit for 4-5 years. Commit- ment 10 years from delivery of last vessel	a) Yes b) No	Export Licence outstanding for 1 spare set of engines (1 Olympus and 2 Tyne). Olympus Common to Type 42 Destroyers in service with Argentine Navy
W & J Todd - Sonar Domes	None	a) Yes b) Yes	

ANNEX
(CONTINUED)

Company and Equipment	Spares/Support Commitment	Export Licence Required for a) Eqpt b) Spares	Remarks
Racal-Decca Marine Radar - Navigation radar	None - 1 year initial spares outfit	a) Yes b) Yes	Common to Type 42 Destroyers in service with Argentine Navy
Wynstruments - Window wipers	None - 1-3 years initial spares outfit	a) No b) No	
Hanworthy Engineering Sewage Treatment Plants	None	a) No b) No	
AGI - Naval Logs	None - 2 years initial spares outfit	a) No b) No	
Graseby Dynamics - Towed Decoy System	2-3 years initial spares outfit. Commitment 10 years from delivery of last vessel	a) Yes b) Yes	Items have been damaged during installation
COSSOR - IFF	Commitment 10 years from delivery of last vessel	a) Yes b) Yes	Spares could probably be supplied from sources overseas
MEL - SCIMITAR ECM equipment	None	a) Yes b) Yes	Specialist items would be required from the UK
Premaberg - Combustion air filters	None - 2 years initial spares outfit	a) No b) No	



10 DOWNING STREET

From the Private Secretary

17 January 1984

Spain/Gibraltar

Mr Tristan Garel-Jones, M.P., had a word with the Prime Minister in the House of Commons last night about the attempts of British Aerospace to secure a contract for Rapier from the Spanish Government.

The Prime Minister told me this morning that Mr. Garel-Jones considered that we were unlikely to defeat French attempts to secure a contract to meet Spanish needs. The French were apparently pulling out all stops - e.g. making gestures over the Basque terrorist problem and undertaking to facilitate Spanish entry into the European Community. Madame Mitterrand had also visited Madrid to present to the Spanish Government a cultural item of great interest to them. All this was designed to win the contract for France. Mr. Garel-Jones thought that the best way of promoting our own interests with regard to the Rapier contract was for the Prime Minister to write to the Spanish Prime Minister with the suggestion that they should both attempt to give an added impulse to the talks now taking place at official level over Gibraltar (the rest of the letter would deal with Rapier). Mrs. Thatcher told him that she had already written to the Spanish Prime Minister (on 16 January) supporting British Aerospace's efforts. She has since told me that she is disinclined to write to Mr. Gonzalez about Gibraltar. She is not willing to make concessions about Gibraltar in order to secure an arms contract - and however general the wording she might use, the Spaniards might interpret it as a new willingness to move in their direction.

I understand that the Prime Minister gave the Defence Secretary an account of her conversation with Mr. Garel-Jones later yesterday evening.

/I further

I further understand that he has been in touch with Sir Antony Acland this morning. As I have said above, the Prime Minister is not inclined to contact the Spanish Prime Minister again. But I think that she would be grateful for any advice which the Foreign and Defence Secretaries wish to offer on any further moves which we might make to secure the Rapier contract.

I am copying this letter to Richard Mottram (Ministry of Defence).

Roger Bone Esq
Foreign and Commonwealth Office,



[Handwritten scribble]

10 DOWNING STREET

From the Private Secretary

16 January, 1984

RAPIER for Spain

The Prime Minister has seen your Secretary of State's minute of 12 January in which Mr. Heseltine recommends that she should write to the Spanish Prime Minister in connection with British Aerospace's efforts to sell the RAPIER air defence missile system to the Spanish Army.

The Prime Minister has signed a very slightly revised version of the message. I enclose the signed letter and should be grateful if you would arrange for its delivery.

I am copying this letter and enclosure to Roger Bone (Foreign and Commonwealth Office).

A. J. COLES

R. Mottram, Esq.,
Ministry of Defence

CONFIDENTIAL

[Handwritten signature]



10 DOWNING STREET

Prime Minister.

The Foreign Secretary recommends
(letter attached) that you write
to the Spanish Prime Minister
about Repius.

"Dear Prime Minister."

A. J. C. ¹³/₁₁.

FIVE VC

SUBJECT

CC OPS
Master.



CC: MOD.
FCO

10 DOWNING STREET

THE PRIME MINISTER

16 January, 1984

PRIME MINISTER

PERS. L. MESSAGE

SERIAL NO. T11/84

Dear Prime Minister,

During 1983 there have been discussions between the defence industries of our two countries about the prospects for collaboration on a wide range of military equipment. The importance which both our Governments attach to these activities has been underlined by the visit of Sr Eduardo Serra to the United Kingdom in June, and Mr. Geoffrey Pattie's visit to Madrid in November.

I am writing to express my hope that 1984 will see this practical dialogue continue and bring constructive results. In particular I am keenly aware of your Government's desire to develop Spain's guided weapons industry. In this regard I believe that the offer by British Aerospace to form a consortium with Spanish industry for the co-production of the RAPIER system to meet the Spanish Army's low-level air defence requirements, and for Spanish participation in RAPIER export sales, could provide a very important contribution.

I am pleased that BAe's proposals have clearly received very serious consideration. Should your Government decide to take them up, I am sure that this will greatly encourage further very significant cooperation. Not only will it afford Spanish industry opportunities to work alongside British Aerospace and important UK subcontractors on RAPIER - it will also provide the possibility of involvement in some of BAe's other guided weapons technology. In addition, and perhaps in the longer term of still greater importance, agreement to cooperate in this important field will

/ be seen

SH

be seen by both our defence industries as an encouragement to pursue vigorously the opportunities for collaboration on other projects, to the benefit of both our countries' economy and security.

I know that Michael Heseltine has written very recently to Sr Narcis Serra on this same subject, and I feel sure that any of the more specialised aspects of this important decision for your Government could be discussed further, if necessary, between our Defence colleagues. But I wish to add my own support to the British Aerospace proposals, and at the same time to send you my good wishes for 1984.

Yours sincerely
Margaret Thatcher

His Excellency Senor Don Felipe Gonzalez Marques



MO 5/16/1

PRIME MINISTERRAPIER FOR SPAIN*Type letter pl.**A.J.C. 13*
/ 1.

Sir Richard Parsons, our Ambassador in Madrid, has suggested that it could be very helpful if you were to write to Sr Gonzalez in support of British Aerospace's efforts to sell the RAPIER air defence missile system to the Spanish Army. You may recall that Geoffrey Pattie reported on this matter following his visit to Madrid last November. We are in fierce competition with the French who are pushing hard with the Franco-German ROLAND system, but British Aerospace's proposals have clearly interested the Spanish authorities, in particular because they offer good prospects for industrial participation and transfer of technology.

The matter is now with Spanish Ministers for decision, and Sir Richard's advice is that Sr Gonzalez is already personally involved. Because of this, and the evidence that the French are doing all they can to sway the decision in ROLAND's favour - including possibly offers of assistance with the ETA terrorist problem - I believe it would be very timely for you to intervene with your Spanish colleague, early in the week beginning 16th January. / I attach for your consideration a draft letter, which has been prepared in consultation with the FCO.

I am copying this minute to the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry and Sir Robert Armstrong.

Ministry of Defence
12th January 1984

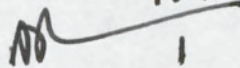
DRAFT LETTER FROM THE PRIME MINISTER TO SR FELIPE GONZALEZ

During 1983 there have been discussions between the defence industries of our two countries about the prospects for collaboration on a wide range of military equipment. The importance which both our Governments attach to these activities has been underlined by the visit of Sr Eduardo Serra to the United Kingdom in June, and Mr Geoffrey Pattie's visit to Madrid in November.

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I know that Michael Heseltine has written very recently to Sr Narcis Serra on this same subject, and I feel sure that any of the more specialised aspects of this important decision for your Government could be discussed further, if necessary, between our Defence colleagues. But I wish to add my own support to the British Aerospace proposals, and at the same time to send you my good wishes for 1984.

 13.
1

13 JAN 1984

1 2 3 4 5 6 7 8 9 0
1 2 3 4 5 6 7 8 9 0



FILE SH



10 DOWNING STREET

From the Private Secretary

5 January, 1984

Turkey

I enclose a copy of a letter which the Prime Minister has received from the Managing Director of British Aerospace.

The letter, which is copied to the Foreign and Commonwealth Secretary, the Secretary of State for Defence and the Secretary of State for Trade and Industry, argues that we should extend some sign of approval to the President of Turkey and, specifically, invite him to visit the United Kingdom.

BT

I should be grateful for a draft reply for the Prime Minister's signature.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence) and Callum McCarthy (Department of Trade and Industry).

A. J. COLES

R. B. Bone, Esq.,
Foreign and Commonwealth Office

British Aerospace

PUBLIC LIMITED COMPANY

100 PALL MALL LONDON SW1Y 5HR

TELEPHONE 01-930 1020

From the Managing Director,
SIR RAYMOND LYGO, KCB

4th January, 1984

The Rt. Hon. Mrs. M. Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
London.
SW1

Dear Prime Minister,

As you know, we have succeeded in selling both Rapier and Sea Skua to Turkey. There are good prospects for selling further Rapiers and I have recently returned from a visit to Turkey, the purpose of which was to promote Tornado.

Our earlier attempt to sell Tornado was somewhat frustrated by a Turkish decision to buy the F16, heavily supported by U.S. Foreign Military Aid. However in October, Michael Heseltine visited the then Defence Minister and, as a result, British Aerospace was asked to submit further proposals. This we have now done and there is still a chance we will be successful.

I have now spent a fair amount of time talking to the top military people in Turkey and I have been impressed by their calibre and competence. They have now returned to a large measure of civilian rule.

Through their eyes, the Turks face an unfriendly world. They do not trust and will not deal with the French. They have the foreign worker problem with Germany and they have long memories of U.S. attitudes over Cyprus, generated by the Greek lobby in Washington. They see the U.K. as their best friend and they have great admiration for you personally. I believe we could do much to improve Anglo-Turkish relations, and provide U.K. Industry with a preferential position in the re-development of Turkey, if we could show President Evren some sign of approval. So far he has been cold shouldered by most western countries.

Continued

I have already briefed both Baroness Young and Geoffrey Howe on the subject of Turkey but in view of our immediate aims I thought I should bring to your direct attention my belief that an invitation to President Evren to visit the U.K. would be received with much satisfaction and might enable British Aerospace to glow with reflected pleasure.

With Best Wishes for all things all
Prosperous New year to you both.

Yours sincerely,
Ray Lygo

Copies to: The Rt. Hon. Sir Geoffrey Howe, QC, MP,
Secretary of State for Foreign and Commonwealth Affairs

The Rt. Hon. Michael Heseltine, MP,
Secretary of State for Defence

The Rt. Hon. Norman Tebbit, MP,
Secretary of State for Trade and Industry



JH 444

PS Secretary of State for Trade and Industry

CCFM

Depruce Jones

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
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21. December 1983

A J Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear John,

WAM/TJC?

A.J.C. 2/12.
f-a.

WESTLAND 30 HELICOPTERS FOR INDIA

In his letter of 16 December to you, Peter Ricketts mentioned the recent grounding of the W30s because of mechanical failure and the impact that this might have on securing the contract from the Indian Authorities. We have now heard that the Civil Aviation Authority have withdrawn the suspension of the type certificate and British Airways expect to be able to return the W30 to contract service. The Indians, who according to the ODA Appraisal Mission, appear to be unconcerned with this, have continued discussions with a full Westlands team in India. Meanwhile, officials are considering the other issues raised by this case as a matter of urgency.

2 I am copying this letter to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence) and Peter Ricketts (Foreign and Commonwealth Office).

Yours sincerely,

Ruth Thompson

RUTH THOMPSON
Private Secretary

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10 DOWNING STREET

From the Private Secretary

19 December, 1983.

The Prime Minister was grateful for the report contained in your Secretary of State's minute of 12 December on defence sales in the period July to September, 1983.

In noting its contents, the Prime Minister has asked to be kept in touch about the question of a new line of credit for India (paragraph 10 of Mr. Heseltine's minute) which, as you know, was raised with the Prime Minister at an earlier stage by the Indian Minister of Defence.

I am sending copies of this letter to Peter Ricketts (Foreign and Commonwealth Office), John Kerr (HM Treasury), Callum McCarthy (Department of Trade and Industry), and Richard Hatfield (Cabinet Office).

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

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see NO

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Foreign and Commonwealth Office

London SW1A 2AH

16 December, 1983

Dear John,

A.S.C. 6/1
p.a.

Westlands W30 Helicopters for India

In your letter of 6 December, you asked for a progress report by 17 December on our consideration of the Indians' request for aid for 21 Westland W30 helicopters.

ODA sent a professional team to India on 5 December to consider the request. They have since produced a first report, which is being sent to the Treasury for consideration, and further material is on its way from Delhi. As I mentioned in my letter of 5 December, the Treasury decided that the request is outside ODA's delegated financial authority.

The team's preliminary view is that on both technical and economic grounds the case for aid is marginal; its final assessment depends on further analysis on the basis of the material now awaited.

There remains real difficulties on the military aspects, given that aid funds cannot be used for military purposes. The present intention of the Indian Government is that, although the Oil and Gas Commission would pay for the 21 helicopters, the machines would be owned by the Ministry of Defence, would be registered as military equipment and flown and maintained by the Air Force. The Indians say that this is necessary to avoid ONGC paying customs duties; but all public sector beneficiaries pay these on imports of aid-financed goods. The Indians have also offered, for what it is worth, to provide written assurances that the helicopters would not be used for military purposes.

Our view at this stage is that we could consider aid only on the condition that the helicopters are owned by ONGC, and have civilian registration; and, because this would be a highly visible form of aid likely to attract some media attention, they must not show Air Force markings.

We understand that contractual negotiations between Westlands and the Indians are likely to be delayed until air worthiness certificates have been granted for the W30 overall (currently grounded because of mechanical problems) and for its GEM 60 Rolls Royce engine. Delivery dates for the W30s might therefore also slip. Possible aid expenditure on this project therefore seems unlikely in 1983/84 and so would not help to avoid underspending of the India aid programme this year.

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This letter has been seen by Mr Raison but not yet by Sir Geoffrey Howe; I shall be showing him a copy in his weekend box.

I am copying this letter to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence) and Callum McCarthy (Department of Trade and Industry).

Yours ever,

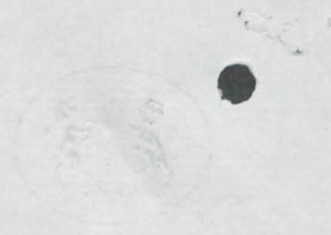
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

Reference series Pt 3



16 DEC 1983



1983

✓ D. B. Seal (4)

MO 20/9/1(A)



Prime Minister.

This is a formidable report.
Shall I thank the Defence
Secretary on your behalf?

PRIME MINISTER

A.S.C. $\frac{15}{12}$

You will wish to see the latest Quarterly Report on Defence Sales covering the period July to September 1983.

2. During the quarter contracts were signed worth £639M, compared with £401M in the previous quarter and £651M in the corresponding quarter of 1982. Details of the contracts signed are at Annex A to this minute. This brings recorded sales for the first three quarters of the year to £1569M and confirms my earlier confidence that we shall in 1983 comfortably exceed our 1982 sales of £1708M. Since 1979 defence exports have grown by an average of almost 10% a year in real terms, and there is every prospect that this will be repeated in 1983. I consider this to be a very creditable performance by our defence industries, particularly in view of the difficult world economic and trading conditions during that period, and the overall decline in the world arms market of some 20% which has occurred during the last three years.

3. As I mentioned briefly in my last report, following the signature of a Government-to-Government MOU, contracts were signed in July for the supply of Sea King helicopters (£220M) and Sea Eagle missiles (£30M) to India. These significant successes were achieved in the face of particularly fierce French competition, and strengthen our position considerably in what is now viewed by my officials as an important long term market for defence products. Two further major contracts were also signed during the quarter. Turkey has contracted to buy three batteries of Rapier and associated Blindfire radars (£146M).



This is seen by British Aerospace as being the first of a number of purchases of British equipment by the Turks. Also a £72M contract for the construction of an armoured vehicle base was successfully concluded with Oman. Other significant contracts reported were with the Sudan for supply of Strikemaster aircraft and associated support (£24M), with Nigeria for the supply of radios (£15M) and with Canada for supply of naval electronic warfare equipment (£10M). In addition a number of smaller individual contracts, but worth a total of £59M, were signed with the USA, mainly for aircraft sub-systems and spares.

4. We were disappointed to hear the recent announcement that Turkey plans to purchase the F-16 aircraft, since this considerably reduces our chances of selling Tornado there. I have been in touch with Dr Woerner to determine how we can best keep this prospective sale alive, and I took the opportunity to press the Tornado case with the Turks during my visit there in October. We are still awaiting a decision by the Greeks over their proposed aircraft purchase; this is expected before the end of the year. The decision is very finely balanced but there would now appear to be little more that we can do to influence the outcome.

5. During September the Royal Naval Equipment Exhibition was held at Whale Island, Portsmouth. This event, which is organised by the Defence Sales Organisation (DSO) and currently held every two years, presents British industry with an important opportunity to display its equipment to a wide range of potential overseas customer countries and continues to prove increasingly successful. This year was the largest exhibition to date: some 213 firms were represented and about 1000 official visitors from overseas countries attended. Also in early October the first DSO Strategic Plan was issued within Whitehall. This outlines a long term strategy for defence sales over the next ten years. The Head of Defence Sales, Mr Blyth, presented this strategy to our leading defence industrialists at a symposium at the end of November. Geoffrey Pattie opened the proceedings and I look forward to receiving industry's reaction to this new initiative.



6. Sales to the Middle East were again disappointing during the quarter with 90% of the £80M total being attributable to the construction contract with Oman mentioned earlier. There are some signs that we may now be past the low point in the severe cut backs in defence purchasing which the oil producing Arabian states have felt obliged to impose on their defence budgets, although a significant expansion is unlikely in the short term. However, just after the end of the quarter and therefore not included in the quarter's figures, an important contract was signed for the sale of 12 Hawk aircraft to Kuwait worth £73M. This is another successful step in our continuing efforts to promote Hawk as the standard trainer aircraft for the region as a whole. I propose to visit Saudi Arabia (probably in late January) and will raise with Prince Sultan several sales opportunities, including Hawk, Challenger and perhaps most importantly Tornado. I have recently written to the Prince on this last topic and at present the prospects are moderately encouraging. The long running negotiations for the extension of the Saudi National Guard hospital project (SANGMED) worth £105M now look fairly close to a successful conclusion. It is also encouraging that the Saudis have decided to extend the life of their Lightnings to 1987; this opens the way to a further extension of the BAe/MOD support contract (SADAP) with the Saudi air force.

7. Elsewhere in the Middle East we are continuing our marketing efforts with vigour. Our close defence relationship with Oman continues to foster Omani interest in British equipment and services. As and when the promised defence funding by Oman's partners in the Gulf Co-operation Council materialises (only the Kuwaitis are said to have paid their share so far) we can expect substantial business there including the possible sale of Tornado, radars and an extensive communications network. The recent establishment within the DSO of an Air Defence Advisory Team staffed by the RAF should also place us in a stronger position to go for the substantial air defence prospects in the Gulf, an area Geoffrey Pattie expects to visit early next year.



8. The possible sale of Nimrod AEW is, as you are aware, still under consideration by Iraq although their financial crisis must make a sale of this magnitude (currently about £1.4Bn) extremely unlikely. Our short term strategy is therefore to disengage from the negotiations as amicably as possible until Iraq's finances (or those of her Arab backers) allow a meaningful resumption. BAe are also considering the A300 Airbus as an alternative to the Nimrod airframe; this may help trim the size of the programme to more acceptable levels if and when Iraqi funds do become available. In Iran the number of approaches to British companies to sell equipment is high, but the negotiation of contracts remains disappointingly slow. This is true even for non-lethal equipment where approval to supply has been given; the lack of ECGD insurance cover does not help in this respect.

9. Attempts are still being made to arrange a mutually convenient date for the signature of the defence co-operation MOU with Algeria. Unfortunately preparations of the next Five Year Plan and for the 5th Party Congress appear to have priority but signature is still expected before the end of the year. Serious negotiations should then commence on the priority projects: air defence radars, Hawk, ships and submarines. Useful discussions on the latter took place during the Algerian visit to the Royal Naval Equipment Exhibition: further Navy-to-Navy visits to Algeria took place in November. Elsewhere in Africa, the long running saga of the possible sale of further Ramadan Fast Patrol craft to Egypt continues. They are still said to be of the highest priority but the best possible credit terms will be essential if we are ever to conclude this deal successfully. On a more positive note, a contract worth £165M has been signed for the sale of Swingfire anti-tank missiles to Nigeria.

10. Following the sale of Sea King and Sea Eagle to India, negotiations are now continuing on a collaborative umbrella MOU to cover future programmes. During the recent visit of the Indian Defence Minister and Indian Defence Secretary (PUS), my officials agreed a text with the Indian PUS. Final clearance is now



*Please keep me in
touch. This was
raised with
me not*

being sought in respective capitals. As you know they also raised the question of a new line of credit for India, and officials are now investigating whether a credit framework can be arranged. An agreement has now been reached on the recent contractual problems over the sales of Sea Harriers. Following the visit of HMS INVINCIBLE to Bombay the Indian cabinet has reportedly agreed to the purchase of a further twelve Sea Harriers; this is still to be officially confirmed. Negotiations on sales of the Combat Engineer Tractor have been delayed owing to the late submission of the Indian Army trials report. However, it is still hoped that contract signature can be achieved before the end of the year. Discussions also continue on the Indian Light Combat Aircraft programme, where BAe and Rolls Royce are now in competition with both French and German companies. We believe however that there is a preference for the British option.

11. In the Far East, a line of credit has been offered to Malaysia (£100M initially) and we are considering making a similar albeit smaller offer to the Phillipines, although political problems there may delay a formal offer. The proposed line of credit to Thailand (£65M) has run into difficulties with the Thai Ministry of Finance. Following Ian Stewart's visit there recently we are giving urgent consideration as to how our offer can be improved to allow purchases during their FY84. Interest in British equipment in Indonesia appears to be increasing, reflected by the signature during September of a general MOU which covers both sales and industrial transfer of technology. Prospects for significant sales to China have however not improved in the short term, although there are signs of an increasing willingness on the part of the Chinese to re-open a dialogue with UK industry for a project along similar lines to the ill-fated Project 051 (frigate modernisation programme).

12. In early October the Head of Defence Sales visited Japan. Prospects for limited sales there appear reasonable, particularly for marine engines. BAe are also stepping up their efforts to market Harrier, Tornado and ACA to meet long term Japanese requirements, but the prospects for sales of Searchwater radar to Japan will have lessened considerably following the very recent US decision



not to buy this equipment. Considerable concern must exist over the recent "two-way street" agreement between Japan and the US which will allow Japanese defence electronic equipment to be re-exported via the US; this adds a significant new competitor to what is already a tough market. There continue to be reasonable sales prospects in South Korea, especially for sales of Lynx and Sea Skua to the Korean Navy. Prospects also exist for sales of the Vickers SP 155mm gun, the Shorts Skyvan aircraft, and a number of smaller equipments. The important Australian requirement for a new submarine is being pursued actively by Vickers, who recently provided a comprehensive response to the Request for Tender issued in May.

13. The US Hawk VTX programme has met with continued budget problems; the \$4.9M procurement funding for long lead items has been deleted from the FY84 budget by Congress. This is largely due to pressure from Senator Stevens, Chairman of the Senate Appropriations Subcommittee, whose position is understood to have been strongly influenced by the UK attitude to the events in Grenada. The funding setback will cause programme delays and increases the risk of further Congressional pressure next year. We are continuing to monitor this closely and are seeking ways to minimise such future risks. A more positive development has occurred over the question of equipment for the defence of US air bases in Europe. Mr Weinberger has authorised his officials to begin negotiations with ourselves and the Turks for the purchase of Rapier for the defence of US bases in Turkey.

14. Financial confidence in South America continues to deteriorate. Of the more important defence equipment purchasers, in practice only Colombia and Chile remain on ECGD cover. The latest casualty has been Brazil and there and in Ecuador UK defence companies have suffered. My department is continuing to provide such help as it can and I have written on behalf of Plessey to the Secretary of State for Trade and Industry to try and assist them in Ecuador where a £20M



radar sale cannot finally be concluded until credit cover is obtained. We recently lost a major prospect in Colombia for construction of a naval base to Sweden (a major importer of Colombia's prime export - coffee) and, although technically still on ECGD cover, the economic outlook there is less promising than it was. This may threaten the prospective sale of Lynx to the Colombian Navy. In the short term Chile still has some potential as a market. We expect to conclude the sale of HMS ANTRIM to Chile before the end of the year; a cash deposit has been paid. Work is also in hand to prepare a MOD/industry package for the sale of ex-RAF Jaguars which could include Sea Eagle missiles; this would then be worth up to £75M.

15. In Europe, activity has intensified in support of UK prospects for contributions to the Dutch M-Class frigate programme. The Dutch continue to link their purchase of Rolls Royce engines for this with a UK purchase of Goalkeeper for our CIWS (Close In Weapon System) requirement. Possible delays in our own procurement timetable for CIWS could complicate this further, and the Dutch are now showing signs of broadening the discussions to embrace the general question of trade balance. Other UK prospects in this programme are for Vertical Launched Sea Wolf, communications, and Naval Lynx. In Germany we have been informed that the FRG has decided in favour of Sea Skua with associated UK radars; we will continue to pursue this in the next few months. During my visit to Athens I signed an MOU on Defence Equipment Co-operation with the Greek Under Secretary for National Defence which should assist our sales prospects there. The first meeting of officials on this took place in November.

16. Overall the quarter's results were extremely encouraging. In spite of a continued low level of business with the Middle East, our ability to continue to pursue other markets has enabled us to record a high level of sales. This should continue to the end of 1983. There are however very worrying indications that 1984 is going to be a much tougher year for exports of UK defence equipment. The market in the Middle East, our major market in recent years, appears likely



to remain relatively flat as a result of continued reductions in oil revenues, and the number of potential major prospects for the UK elsewhere is less than we would have hoped. Unless we can secure one or two really large contracts during 1984 (such as major Tornado sales) then maintaining our growth of recent years may prove to be difficult. Continued efforts by industry coupled with strong Governmental support will be necessary during the difficult times we expect to encounter next year.

17. I am copying this to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and to Sir Robert Armstrong.

WOW

Ministry of Defence
12th December 1983

Part 1 - Statistical Summary of Contracts signed during the quarter ending
30 September 1983

The value of new orders received (ie contracts signed) during the quarter amounted to £639.478 compared with £401.510 in the previous quarter and £650.907M in the third quarter of 1983. The largest individual order placed during the quarter was for Sea King Helicopters for India (£220.m) followed by the £146m order for Rapier for turkey.

<u>Navy</u>	<u>£M</u>	<u>Army</u>	<u>£M</u>	<u>Air</u>	<u>£M</u>
Brazil	0.648	Brunei	1.280	Algeria	2.500
Canada	10.500	Dubai	0.180	Finland	4.500
Chile	0.280	Egypt	0.520	India	250.000
Denmark	2.000	Guyana	0.160	Iran	1.000
Finland	0.175	Kenya	0.355	Iraq	0.300
New Zealand	3.088	Korea	0.200	Jordan	0.250
Nigeria	6.100	Kuwait	0.264	Lebanon	1.100
Oman	3.780	Lebanon	1.400	New Zealand	0.250
South Korea	1.700	Libya	3.000	Nigeria	8.000
Sweden	0.200	Netherlands	0.500	Oman	0.729
Switzerland	0.500	Nigeria	15.600	Sudan	24.000
UAE	0.500	Oman	80.235	Turkey	146.000
USA	0.402	Qatar	0.210	USA	57.143
		Saudi Arabia	0.500	Yugoslavia	4.000
	29.873	Syria	0.614		
		Thailand	3.000		499.772
		USA	1.715		
		West Germany	0.100		
			109.833		

NOTE: The figures are substantially correct but not completely comprehensive as not all private orders, particularly those of a minor nature, are known to the Defence Sales Organisation. Orders worth less than £100.000 are not included in the report. The figures shown are basic costs and do not include escalation or interest on credit.

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Part III - Contracts signed during the quarter
ending 30.9.83

A. Navy Systems

Country	Equipment	Value	Delivery
Brazil	Training Frigate Machinery Controls	0.500	1984
Brazil	Miscellaneous naval support orders	0.148	end '83
Canada	Canews for Delex programme - MEL	10.500	
Chile	Miscellaneous naval support orders	0.280	End '83
Denmark	Thorn EMI: Coastal Radar Integration System (Nato Infrastructure)	2.000	March '86
Finland	Cone 100 (Racal) (1 System)	0.175	1984
New Zealand	4.5 SL cartridges Qty 8,500	2.972	3.500 Dec '83
New Zealand	4.5 AA Ammunition Qty 805	0.116	Oct/Nov '83
Nigeria	Technical training software	0.100	1983
Nigeria	Helicopter Base - Westlands	6.000	N/A
Oman	Naval Rebroadcast system (Marconi comms)	3.000	
	New naval base communications (Marconi)	0.780	
South Korea	193m Mod 1 Sonar - Plessey	1.300	
South Korea	Mains 500 AIO Navigation System - Racal Decca	0.400	
Sweden	Marconi Avionics: Lapads (2 systems)	0.200	Jan/Feb '84
Switzerland	Marconi Avionics: TICM Prototype equipment	0.500	Oct 84-85
UAE	Racal-Decca RD 150 Radar (coastguard)	0.500	1984
USA	Versatile exercise mine - BAe	0.402	
		<hr/> 29.873 <hr/>	

CONFIDENTIAL UK EYES B
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Part III - Contracts signed during the quarter
ending 30.9.83

B. Army Systems

Country	Equipment	Value	Delivery
Brunei	76mm Ammunition	1.280	1983/84
Dubai	Demolition Equipment	0.180	1983/84
Egypt	ECCM receivers and simulators - Plessey	0.520	1983
Guyana	Surplus vehicles, guns and ammunition	0.160	1983
Kenya	Calibration equipment - Pilkingtons	0.355	1983
Korea	Invertron AM FCTS Artillery Trainer	0.200	end 1983
Kuwait	AFV Spares various 'A' vehicles	0.264	July '85
Lebanon	Land Rovers - B.L.	1.400	1983/4
Libya	Tank Transporter spares - Scammell	3.000	1983/84
Netherlands	Racal Acoustics: Tank crew helmets (ventilated) for Leopard 2	0.500	1983
Nigeria	Radios (for national security org) - Racal	15.500	1983
Nigeria	FOX/Scorpion support	0.100	1983/6
Oman	Tank base (Costains)	72.000	
Oman	AFU spares chieftain	0.895	Sept 85
Oman	Logistics software (Scicon)	2.500	
Oman	MB2 Ammunition (2nd Buy)	4.700	1983/5
Oman	105mm Light Gun Spares	0.140	1983/4
Qatar	9mm X 5.56 Ammunition	0.210	1983/4
Saudi Arabia	Armoured personnel camers	0.500	Sept '83
Syria	Laser Range finders - AVIMO Ltd	0.614	1983/84
Thailand	Shorts 330 Aircraft	3.000	
USA	B 3410 Telecine - Marconi	0.149	
	H 1230 Equipment - Marconi	0.764	
	B 3410 Telecini - Marconi	0.220	
	Gun display unit for battery control system - MSDS	0.582	
West Germany	Marconi Avionics: TICM	0.100	April 1984
		<hr/> 109.833 <hr/>	

CONFIDENTIAL UK EYES B
COMMERCIAL IN CONFIDENCE

Part III - Contracts signed during the quarter
ending 30.9.83

C. Air Systems

Country	Equipment	Value	Delivery
Algeria	Radar Technology Training - IAL	2.500	1983/84
Finland	Plessey: Watchman ATC/AD Radars	4.500	1984 onwards
India	Sea King Helicopters - Westland	220.000	
India	Sea Eagle missiles - BAe	30.000	
Iran	Radar Spares - Plessey	1.000	NK
Iraq	Air defence controllers training - Miltrain	0.300	1983/84
Jordan	4 x Gazelle QFI courses - HSL Ltd	0.150	1983/84
Jordan	ARI Radar Spares - Plessey	0.100	1983/84
Lebanon	Aircraft Ammunition	1.100	1983
New Zealand	Steady scope - British Aerospace Dynamics (for airforce and Navy use)	0.250	1983
Nigeria	2 x HS 125-700 (for PGN operated by NAF) - BAe	8.000	1984/85
Oman	Skyvan maritime 360° Radar Conversion (Racal/Decca)	0.729	
Sudan	10 x Strikemaster aircraft and supporting package including spares, produce/engineering support and pilot training - BAe (previously reported in 1981 when a signed contract was not funded)	24.000	1983/84
Turkey	Rapier/DN181: BAe/MSDS	146.000	Late 1983 onwards
USA	Spare parts TF41 - Rolls Royce	10.232	
	TF41 Engine Kits - Rolls Royce	3.764	
	Spare parts Pegasus Engines - Rolls Royce	0.222	
	Spare parts Pegasus Engines - Rolls Royce	4.782	
	AV8B Pilot productin - BAe	0.731	
	AV8B Limited Production - BAe	3.908	
	USMC Spares - BAe	1.654	
	USAF F-111-BAe	1.756	
	Various Spares - BAe	0.166	
	F18 Instruments - Smiths	0.261	
	AV8A support - Smiths	0.332	
	AV8B Development - Smiths	0.346	
	Mk 4 APU/starter Unit for AV8B - Lucas	7.333	
	HUD Lantim - Marconi Avionics	1.214	
	Air Data System Cobra - Marconi Avionics	0.355	
	Projected map Assemblies - Ferranti	6.184	
	Valves for AV8B - Dowty	0.261	
	Valves for AV8B - Dowty	0.254	
	FLIR Pod F18 Laser Designator - Ferranti	1.666	
	AV8B equipment - Smiths	0.233	

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Country	Equipment	Value	Delivery
USA *	Projector Map Assemblies - Ferranti	9.883	
USA *	Laser Rangefinder - Ferranti	0.379	
USA x	Projector Map Assemblies - Ferranti	1.227	
Yugoslavia	Rolls Royce: Viper Engine Parts	4.000	
		<hr/> 499.772 <hr/>	
*	Contracts omitted from our return for quarter ending: 30.6.82.		
x	Contract value amended from return for Quarter ending 31.3.83.		

Part Two: Priority One Prospects

Major planned effort required by Government and/or Industry during 1983 for these opportunities (although not necessarily leading to contract award during 1983) and/or a real prospect of a UK sale being achieved.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	*Air Defence Scheme (Project Accord) (Phase 1)	150	1984/85	Industrial consortium have submitted costed proposals through HMG for Algerian authorities covering a phased scheme. Total project could be in excess of £500M.	M of S (DP) to visit Algeria to sign MOU	France FRG Sweden
	Submarines	300	1984/85	Proposals under consideration. Detailed negotiations are now underway for both Piranha and 550 Class submarines. Credit likely to be required.		France FRG Netherlands
	*Hawk (27) and Soviet aircraft refurbishment	200	1983/84	BAe quotation for Hawk under consideration by Algerian Air Force. Proposals for Mig 21 overhaul and refurbishment submitted to Algerian Air Force by BAe(AG), Marconi Avionics and Rolls Royce are still under consideration. *Projects marked '**' depend on the satisfactory conclusion of Govt-to-Govt MOU and credit package.		France
EGYPT	Fast Patrol Craft	290	1984	Vosper Thornycroft are preparing revised proposals including credit. The high proportion of foreign content is causing ECGD some concern. Original credit offer approved by EX.		Spain USA
	Command and Control System (C3)	20-100	1984/85	UK is approaching project on a phased basis. First stage is to set up software training and development facilities in Cairo (ICL: value £5-10M) and to maintain discussions on wider C3 project to allow UK firms to bid on a UK Ltd basis when the full scheme is put out to tender in 12 months time. Implementation is likely to be phased over a long period.		France USA Japan
NIGERIA	Swingfire	165	1983	Detailed contract negotiations still continuing. Last minute financial changes are delaying contract signature.	US of S(DP) may visit in early 1984	France

PART II - MAJOR DEFENCE SALES PROSPECTS
ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Type 2400 submarine	In excess of £100M. Total not yet known.	1985	No change from last quarterly report. RFT responses must be with DOD by 10 November.		France Holland Germany Italy Sweden
INDIA	Light Combat Aircraft	165	N/K	Discussions are taking place between BAe and the Indians. It is still very much in early stages and is difficult to assess just how rapidly this contract may develop, it is believed that the Indians would prefer to collaborate with BAe. This project may be one of the first to be covered by the proposed G-to-G collaborative MOU currently being negotiated.		Germany
	Combat Engineering Tractor	32	1983	The Indians have trialled CET in India; the trials have apparently been a success and it is hoped that a contract may be signed this year.		N/C
	Sea Harrier	110	1984	The Indians have received the first batch of two aircraft. Due to engine surge problems they have delayed acceptance of the second batch of three aircraft, however BAe and the Indians are expected to reach agreement on this shortly. The final three aircraft will be delivered by the end of November. The Indian Cabinet is reported to have decided upon a further buy of 12 aircraft.		
INDONESIA	Medical Equipment for Services	17	1984 onwards	Decision on package, including training, delayed but still a priority on humanitarian grounds. Package may proceed piecemeal.		
	Hawk (further buy)	20	1984	1982 follow-on contract included option at fixed price for further 4 a/c.		
	Rapier	50	1984	Strong indications that IAF will select Rapier as preferred choice to meet priority requirement for short range AD. BAe have submitted credit backed offer for initial order of one battery of optical/tracked Rapier, plus in country support.		
	MCHVs (4)	N/K	1984	Reported as IN top priority. Vosper's have submitted proposal for their Hunt Class.		FRG Holland Italy

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
INDONESIA	Frigates	185	1984/5'	Genuine interest in acquiring up to 3 surplus Tribal Class Frigates. Initial discussion has been held. Vosper also shortlisted for command Frigate project - but funding constraints causing problems for short term purchase.		FRG Holland
JAPAN	FH 70	25-50	Starting 1983	Decision to purchase now ratified in Diet and funding for first 25 guns confirmed in revised FY 83/84 budgets. Sales of ammunition technology are being negotiated separately.		
	Searchwater Radar	Up to 75	1984	JMSDF have evaluated Searchwater. The recent US decision not to purchase Searchwater will adversely affect our chances.		
MALAYSIA	Defence Operations Room (DOR) project.	50(initial)	1984	Proposals are currently held in MINDEF where continuing delays have necessitated EASAMS submitting a revised quotation now valid until Jan 84. Contract unlikely to be signed before mid 84 earliest to implement a 3-4 year programme. Consideration being given to possible forms of additional, training and assistance to support EASAMS during contract negotiations.	Letter from S of S (10-2-83)	USA
	Petroleum Emergency Project	60+	1984 for study contract	IMS are proposing a G-to-G feasibility study conditional upon IMS being given management consultancy for the main project, completion target for which is 4-5 years.		FRG USA Sweden
	Gemas Range Project	17(initial)	1984	IMS submitting proposals for construction and equipping of an A vehicle workshop as Stage 1 of overall project. Package includes offer of joint venture with Malaysians on construction. Project priority linked to inadequate existing support for recent Scorpion buy.		Australia
PAKISTAN	Frigates (Type 21)	200	1984	Vosper's proposals for qty 2 frigates submitted Aug 82, with offer of 100% credit (50% ECGD) PN decision pending.	Ministerial agreement to 50% ECGD Cover. PM's letter to Zia Aug 82.	France Italy FRG
	Sky Flash	c40	1983/4	PAF have requested BAe to submit proposals for the modification of their F16's to carry Skyflash missiles.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS
ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SINGAPORE	Sea King/Commando	200+	1984	RSAF priority requirement for between 20-25 helicopters (5 SAR + 15-19 utility) with IS date 1984.		Italy France
SOUTH KOREA	Sky Van	100+	1985/6	Shorts are optimistic that a decision will be made in favour of Sky Van, but a decision may now be deferred to 1985/6 due to budgetary considerations.		Spain Canada
	Lynx	60	1983/4	ROK MND have initialled draft contracts for 10-12 Naval Lynx; a decision is expected by the end of 1983 with contract signature by end March 1984.		France USA
	Sea Skua	8-10	1983	B&E DG have been asked to submit a draft contract for Sea Skua in association with the naval helicopter requirement; a decision is expected in November 1983		France
	Twin 30 or 35 mm Battlefield AA Gun System	40+	1983/4	Evershed Power Optics have submitted proposals for radar and optical fire control systems. Up to 200 systems will be required in total with some manufactured under licence.		
	Vickers 155 mm SP Gun	50	1983/4	Following the breakdown of contractual negotiations over the US M109 Gun, VSEL will resubmit an offer based on their earlier proposals, possibly including the Vickers Mk III tank chassis.		USA
	Equipment for MCHVs	10	1983/4	ROK Navy have ordered sonar and AIO/Nav equipments for the first MCHV of a class of 6. Other equipments are still to be selected.		
THAILAND	MBT MK3	250	1984	Vickers DS have tabled proposals for Mk 3 to meet RTA requirement for 100 medium tanks for main defences. RTA have requested in country trial in Spring 84.		
	M41 retrofit	65	1984	Vickers DS in discussion with FFG of Germany re-engine and turret fits for in country trial in early 84.		USA
	Stingray	5 (initial)	1983	Contract anticipated before end 83 for initial quantity 12-20, with in country support.		USA Italy
	Line of Credit	40	NYK	The draft MOU has been forwarded and awaits clearance by the Thai government.		

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Land Rover	30	1983	Decision on 4x4 vehicle requirement imminent. Technical evaluation of Land Rover, Mercedes and VW completed.		FRG - Mercedes, VW.
	Helicopters	50-80	1984+	Decision expected end '83. Lynx III on offer. Decision on helicopter type expected late '83. Offset package of major importance.		FRG France Italy USA
GREECE	Tornado	500	1983/84	The Greeks are believed to be in the final stages of the decision making process for their new fighter aircraft. The decision is hoped for during 1983. They are concerned about the economic implications of the requirement programme and attach considerable importance to the financial and offset packages being offered. The Greek Prime Minister has confirmed that on political grounds the Greeks should opt for a split purchase and that Tornado is still very much in the running.	S of S accompanied by Min (DP) visited Athens in September to press the case for Tornado with the Greek Prime Minister and to provide details of a revised financial package. A further message from the Prime Minister to Mr Papandreu was delivered during S of S's visit.	USA France
	Light Frigates	Up to £500 M total	1984/85	British Shipbuilders (VT) have been invited to submit proposals for the next stage of the selection process for a new light frigate for the Greek Navy; up to 12 vessels could be required although initial proposals are for 6, and the Greeks are looking for licensed manufacture in Greek shipyards. VT propose to offer designs based on their Mk 18 frigate and on the improved Leander. Prospects also exist for equipment manufacturers on whatever hull is selected.		France Spain Italy Netherlands FRG
NETHERLANDS	Spey Engines. SMIA - Rolls Royce	50	1983	For 'M' class frigate programme. Question of linkage to RN purchase of GOALKEEPER.	M of S (DP) asked Dutch for meeting to discuss offset requirements. CDP met NL Director of Material on 19 October.	USA
SPAIN	Rapier	171.5	Late 83/Early 84	The 3 competing systems for the Spanish LLAD requirement have been invited to submit quotations by 15 October after which the Spanish Army is required to recommend their choice to the Under Secretary for Defence by mid-November, with a final Government decision expected before the end of the year. All 3 systems are accepted as meeting the requirement and BAe's industrial participation proposals have been described as 'very satisfactory'. However political considerations are likely to influence the final decision.	The FCS raised the question of Rapier with the King and the Prime Minister in September. A possible visit by an MOD minister to Madrid might be considered for later this year preceded by a letter from S of S to Spanish Defence Ministers commending BAe's proposals.	USA FRG/France

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SWEDEN	Helicopters Attack/ASW Recce/Tpt	120	1985/6	Requirement to replace fleet over next decade. WHL quoted, in September 1983, for 20 anti-tank and 10 SAR helicopters.		FRG France Italy USA
SWITZERLAND	Helicopter Anti-tank	80	1986	Lynx III on offer. Swiss intend to narrow competition to 2 by end 1983 for final decision 1986.		US France FRG Italy
TURKEY	Sea Skua	18	Late 1983	The Turkish Navy have now signed a contract to purchase Italian helicopters and discussions between BAe and the Turks continue on the supply of Sea Skua missile systems for these aircraft. A contract is confidently expected to be signed before the end of 1983.		France
WEST GERMANY	Sea Skua/Sea Spray/Sea Searcher	50	1983	Prospects for BAe Sea Skua and MEL Sea Searcher strong, as choice for Sea King improvement programme. Announcement expected soon.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	12	1983	BAe (DG) have received a letter of intent to purchase the system but this is conditional on the availability of ECGD credit cover. Efforts to secure this, with DSO help, are now being made but the outlook is not promising.		
	Submarine Fire Control System (for IKL 209 submarines)	8	1983	Contract signed but now the Germans will only offer officially insured credit cover for their own part of the contract and Ferranti is seeking support from ECGD. This is likely to be difficult to obtain.		
CHILE	HMS Antrim	10	1983	Letter of Intent has been signed and a down payment made. Contractual negotiations should be completed before the end of the year.		
	Jaguar Aircraft and Sea Eagle	75	1984	Chilean Air Force wish to purchase 14 ex RAF Jaguars on a Government to Government Basis in 1985/6. They intend to deploy Sea Eagle on at least 6 of the aircraft. The Chileans require a co-ordinated MOD/industry (who will provide spares + support) sale package. This is being put together, with a view to holding further discussions when a Chilean Air Force team visits to see the aircraft in November.		
ECUADOR	Rapier Blindfire	46	1984	BAe(DG) have a letter of Intent for the purchase of Rapier, but the contracts depends on MOD authority to supply Blindfire in 1986, and the firms ability to set up a counter trade deal to finance the purchase. Ministerial approval to supply Blindfire is expected shortly but whether the counter trade (with oil) can now be achieved is doubtful.	US of S (DP)	France - Crotale

PART II - MAJOR DEFENCE SALES PROSPECTS
MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BAHRAIN	Hawk	22 (ECL weapons)	1984	Highly successful in-country demonstration given April. DSO to assist on BL755 (this could involve speculative buy) but not on sidewinder. Purchase dependent on GCC funding over which there is some uncertainty at present and unilateral purchase of aircraft could result in Saudis withdrawing offer to gift some second-hand F5B's. Recent Kuwaiti purchase should help.		France (Alpha Jet) USA
	Sea Skua/Sea Spray	25+	1984	BAe have excellent prospect to fit Sea Skua to AB212 or 412 helicopters together with Ferranti Sea Spray radar.		France (AS15TT)
	Low level Radar	5	1984	MOD UK report submitted Sept 83.		
IRAN	Air Defence Radar	150	1983/84	Both Plessey and Marconi are bidding for this major project. Full technical discussions have been completed and contract negotiations have started. HMG has recently been asked to confirm that supply would be permitted. ECGD cannot give insurance cover while debts situation from time of the revolution remains unresolved.		Italy
IRAQ	Nimrod (BAe)	1400		The Iraqis are reconsidering a Govt-to-Govt deal; in the meantime political support is reaffirmed. Lack of finance will almost certainly delay this business	Discussed by PM with Iraqi First Deputy PM Oct 83	
JORDAN	Fast Patrol Boats	14	1984	Decision expected soon and UK companies (Fairey and Sauter) well placed. SL Sea Skua being offered but may be too expensive.		USA Spain France Italy
KUWAIT	Hawk	73	1983	Purchase of 12 Hawks signed late October - outside this quarters figures.		
	Air defence system	50	1983/84	Swiss consultants have now given independent assessment of proposals which merely confirmed that proposals were complicated and costly. Kuwaitis obviously disappointed with this and are clearly worried over the high cost. Suspected a decision will not be made for several months. D/KADI has offered to purchase a 5 year phased build up plan. Response from KMOD awaited.		France (Thomson/ CSF) USA (Hughes)

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
OMAN	Tornado ADV-Bae	200	1985/86	Oman has declared strong preference for Tornado ADV and have requested involvement in Exercise Magic Carpet 84.	S of S discussed with Sayid Fahr in June 1983.	
	Mobile Radars MRSL	20	1984/5	A priority GCC funded project. Marconi in dialogue with Oman.		
	Sultan, Samaritan and Spartan, Alvis	5	1984	This package appears on the GCC shopping list but budget restrictions may cause slippage.		
	Tri Service Comms	200+	1984	This project now resurfaced. UK team carried out Study in Aug 83 and report now due. Major prospect for UK electronics companies.		
QATAR	MCMV	30	1984 on	Requirement is for 2 vessels. RN/VT team visited Qatar Dec 82. Likely that Qataris will wish to train one or two officers in UK before deciding upon type of vessel they will purchase. French have also offered MCM training. DN FCT have passed proposals to RNLSF as basis for further discussion. Hope is that course can be offered at no cost (funded jointly by VT and Defence Sales Fund.)		
	JOC	120	1984/85	Project progressing slowly; Plessey's chances of securing order will depend to a great extent on company's performance on AR3D radar contract. HMG letter of assurance given Feb 83. Finance could be a problem.		France
SAUDI ARABIA	Artillery Surveillance Equipment and associated training and support	33	1983/84	Contract negotiations due to begin October 1983.		
	Lynx Helicopters (for Army)	50	1985	Competing aircraft for observation role are now being assessed. Fly off planned for Summer 1984.	S of S raised subject with Prince Sultan in Sept 82	USA FRG
	Hovercraft (Min of Interior)	10	1985	Timing slipping because of lack of funding		
	Challenger MBT (Army)	450	1984/5	MOD presentation in Feb 83. Saudi Army attended UAE trials in July.	HMG has formally offered to sell tank to Saudi Army. Foreign Sec raised subject with Prince Sultan in April 1983.	USA FRG
	MCV 80(Army)	150	1984/5	GKN presentation in May. Saudi army attended UAE trial		

PART II - MAJOR DEFENCE SALES PROSPECTS
MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA	Javelin (for National Guard)	17	1984	MOD presentation Sep 82. Further more detailed information on cost, performance etc has now been provided at NG's request. MOD follow up visit scheduled for Oct 83.		USA Sweden
	Engineering Support package (Army) IMS	6	1984	Draft contract being considered. IMS hopeful of contract negotiations commencing early 1984.		
	Engineer Supply package (Army) IMS	38	1984	Draft contract issued but negotiations delayed owing to moratorium.		
	193M Sonar Retrofit (to RSNF MCMV's)	6+	1984	Plessey invited to give in-country presentation and proposals in Sep 83. Company expect contract Dec 83.		USA France
	Air Defence Ground Radar system	200	1983/84	Confirmation still required that Radars are included in the American FMS C ⁵ package which is reportedly now funded by the Saudis in the sum of \$1.5 billion (the original proposal was for a \$3 billion programme) If Radars are incorporated this will effectively exclude Marconi and Plessey from bidding, unless they can tie in with a major US Prime contractor.		USA
	Nimrod AEW	250	1985/86	Prince Sultan has expressed an interest in acquiring Nimrod AEW with an enhanced capability for EW and intelligence gathering. More recently he indicated to Mr Pym that the timescale envisaged was 1985/86 (i.e. after the aircraft enters service with the RAF)		USA
Tornado IDS	450	1987	There would appear to be some prospect for Tornado IDS as a potential replacement for the Lightning aircraft when this is phased out of Royal Saudi Air Force service in 1987. Information is being supplied to interested commercial agencies in Saudi Arabia.	S of S wrote to Saudi Minister of Defence and Aviation.	USA	

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA (national guard)	Sangmed Project	90	1983	The current LOA expired on 23 May 1983. Negotiations for a second LOA for the continued operation of the King Khalid hospital are proceeding, but this will now only cover the period to 23 May 1984. Work on this Phase 2 has, however, begun using surplus funds from LOA I		USA
UAE	EGA Hawk (10) BA	84	1984	Although contract signed for 16 trainers, EGA was budget casualty. Recent interest in Harrier 2 (qv) may hold off US marketing of AIO and keep door open for EGA.	Mr Pym raised further aircraft sales during his visit Apr 83	France USA
	AR3D Radar Plessey	50	1983	Plessey proposals well regarded and limited to ADOC. IMG letter of assurance may be required or ADAT study.		USA France
	Challenger ROF	100	1984/85	Successful trials held Jul/Aug 83. Prospect for up to 270 tanks. Intensive marketing follow up. MD/HDS has offered visit to UK	M of S (DP) to visit Jan 1984	
	ADOC Plessey/IMS	50	1984	See AR3D Radar		
	IJOC Design Study. IMS/Consortium	3	1984	Proposals on interim solution have been put forward. Contract expected to be signed shortly.		
	NOC Ferranti	50	1984	Ferranti are waiting to be called forward for contract discussions but budget considerations apply.		

PART II - MAJOR DEFENCE SALES PROSPECTS
MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE	EW System (Marconi/Racal)	100	1984	Company proposals under consideration, supported by MOD training offer. There seems to be a waning interest due probably to budget restrictions.		
	Field Engineer Equipment	54	1984/86	Following completion of requirement definition, early commencement of negotiations is expected.		
	Joint Operations Centre	50	1984 onwards	Proposal delayed until current IJOC negotiations completed.		USA France

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
USA	Improved 81 mm mortar	350	1984-	Single year procurement planned for FY 84; multi year programme thereafter.		
	Combat Support Boat	Proportion of 6-700 boats	Nov 1983	Decision on American small business set aside awaited.	Minister (DP)	USA
	Hawk VTX	1 BN (total programme)	1984	Appropriation committees sceptical about the Dry/Wet concept. Funding \$30M R&D and \$4.9M procurement for FY 84 now likely to be a conference item.	Minister (DP)	USA
	Searchwater Radar	50	1983	The US have indicated that they will procure the TI Profile system in preference to Searchwater. There may however still be prospects for a reduced Searchwater buy as an interim measure.	Minister (DP)	USA
	Integrated Communication System (1 c33)	50-100	1983	Moves within congress to open up the procurement to competition.	Minister(DP)	USA
	European Distribution System Aircraft (EDSA) Shorts	81	Nov 1983	Competitive bids submitted. Shorts main rival CASA teamed with McDonnell Douglas.	Minister (DP)	USA Spain Israel France Italy

ANNEX B

Part Two: Priority Two Prospects

Significant effort required by Government and/or Industry during 1983, but to rank lower than Priority One opportunities.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Algeria	Aircraft Ground Support Workshop Complex at Blida.	20 +	1983	Plans for implementation of workshop complex at Blida still under consideration. UK companies are discussing requirement with Algerian Air Force. A smaller scale project may now be favoured.	M of S(DP) to visit later this year to sign MOU.	None.
	Further Ship purchases.	100	1984/85	British Shipbuilders are actively pursuing proposals to meet possible requirements for a variety of surface vessels including light frigates and auxiliaries.		FRG France Italy
Egypt	Main Battle Tanks	500	1986 +	Long Term prospect. Egyptian Director of Armour visited UK this October to further evaluate challenger and Vickers valiant.		France
	Licence manufacture of 105 mm tank gun. 105 mm FS APDS Ammo	19.7 (including sales of hardware).	NK	Prospect.		
Nigeria	Lynx and Commando Helicopters for Nigerian Army Air Corps.	up to 300	1984/85	Westlands are preparing detailed proposals for the setting up of an Army Air Corps for the NA which includes the sale of Lynx and Commando aircraft.	M of S(DP) may visit in early 1984.	USA FRG France
Tunisia	Post patrol craft (52 x 2) (Exocet armed)	52	1983/84	No change. It is hoped that the Tunisian Defence Budget will include a provision for the vessels. Attractive credit terms will be essential.	Secretary of State discussed with Tunisian Ambassador March 1983.	France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Australia	Tri-service helicopters. Lynx/ Super Lynx.	50 (helicopters and spares)	1983/84	There is only one change from the last quarterly report. The Australian decision has been delayed and is now expected early in 1984.		USA (Sea Hawk, Black Hawk) France (Super Puma, Dauphine)
	Project Perentio	NK	1985	Australia has a requirement for 3,000 - 3,500 $\frac{1}{2}$ tonne and 1 $\frac{1}{2}$ -2 tonne vehicles. Following submission of tenders in 1982, 9 vehicles have been chosen from 3 companies for trials. UK interest is through Jaguar Rover Australia which has vehicles based on the Land Rover trial. The trials are expected to be completed in 1984 and contract placed in 1985.		Mercedes Jeep
China	Project O37 Refit of Corvettes	20 +	1985 +	The Chinese decided not to proceed until Project O51 was underway and since its demise have not re-opened discussion on O37, although the requirement is known to stand.		
India	FH70	300-500	1984/85	FH70 is in a four-cornered competition. A decision could be made in early 1984. Indian MOD have confirmed that 155 mm (rather than 152 mm) system is required. An invitation to commence negotiations is awaited.		France Austria Sweden
Indonesia	Medical	5.4	By end of 1983	Offer.		
Japan	FH70 ammunition	20	1984/7	Preliminary discussions on licencing arrangements with potential manufacturers have taken place. Initial supply quantities are still under discussion.	None foreseen.	USA
Malaysia	Lynx	50 +	1985/86	Formation of Fleet Air Arm a priority for RMN with procurement of up to 10 helicopters for ASW/ASV/Utility operations. Offers of MOD training and assistance to RMN under active consideration. Good prospects for Lynx to meet this requirement and Air Force requirement for Alouette replacement. (Qty 30, initially).		USA France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Malaysia (Continued)	Submarines (2)	NK	1985/86	Formation of submarine service also a priority for RMN. Offers of MOD training and assistance under active consideration. Good prospect for Vickers S/B medium sized submarine for coastal patrol.		FRG
Pakistan	Fire Control System for T59 Tanks. (Ferranti and Marconi)	100	1983/84	Firing trials have narrowed competition down to those stated. Ferranti believe they are favourites but latest trials resulted in lower than average success rates by all 3 countries. Further training to be given pending retrial.		FRG Belgium
	Retrofit of Sea Dart and Sea Wolf	15	1984	Under evaluations by PN.		
Phillipines	Lynx	NK	1985 onwards	Realistic prospect for WHL to meet future gunship requirement for Armed Forces and Police. Credit and indigenous manufacture will be key.		USA
Singapore	Rapier (further buy)	50	1985	Further buy confidently anticipated following successful introduction into service with RSAF next year.	Ministerial approval given for RSAF to conduct Rapier live firing at Hebrides in Summer 1984.	

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
France	AEW Equipment	300	1984/85	<p>France has been studying options for their AEW requirement including Marconi's MSA fit in a Transall aircraft, Boeings ANACs system and more recently the Nimrod AEW system itself. The Grumman E2-C Hawkeye is believed to have been discounted.</p> <p>Bae have agreed to provide the French with prospects for the Nimrod option before the end of the year whilst Marconi continue to press through Aerospatiale for inclusion of their avionics systems in the French produced Transall or alternatively the A300. Airbus Airframe Funds have been allocated from 1986 onwards and a decision is expected during 1984.</p>	During regular exchanges with the French, Ministers will be briefed to press the European solution on the French Air Force.	USA.
Netherlands	LAW 80	50+	1984/85	Decision C 1984. RNLA requirement for C75,000 hand-held light anti-armour weapons. Potential for co-production between HEL and Eurometaal under discussion.		Various
	VI/Sea Wolf	50+	1984	Possible RNLN requirement for missile fit in 'M' class frigate, with HSA VM40 radar.		Various
	Wavell	20	1984	NL interest continuing. Plessey discussing co-production possibilities with HSA.		
Spain	Licence manufacture of 105 mm Light gun and ammunition.	3.5 (does not include Hardware element)	NK	Prospect		

PART II - MAJOR DEFENCE SALES PROSPECTS
EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Sweden	JAS 39 - GRIPEN Multi-role combat aircraft		1983	Number of UK Firms involved in sub-contract work. Also prospects for Skyflash as missile fit.		
Switzerland	Artillery fire control - FARGO.	14 (UK part)	1983	Collaborative venture. BAe are sub-contractors to Swiss firm Zellweger Uster AG order anticipated Oct/Dec 83.		
	Bloodhound Booster Rockets	21	1983	Funds set aside in budget for procurement in late 1983.		
	TICM	Multi-million	Not yet defined.	MAV have sold prototype equipment, value £1M, to Contraves to build into SEA GUARD. Prospects exist for onward sales of SEA GUARD and possible application to LAND GUARD and SKY GUARD.		
	Barmine System with 'Add on' fuzes.	3.00 (does not include hardware)	1985	Good prospect.		Sweden and France.

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Columbia	Naval Lynx	20	1984	Lynx thought to be technically preferred aircraft, however, Navy experiencing problems in getting financial approval for the purchase.		W Germany (BO 105) France (Dauphine)
Ecuador	Air Defence Radar	20	1983	Contract for second stage of project signed but ECGD credit cover unavailable due to Ecuador's debt rescheduling. S of S wrote to S of S (DTI) on Plessey's behalf but this was unsuccessful. A further attempt to get the case re-examined in the light of a Plessey offer to bear some of the risk themselves is now being considered.	S of S	Israel USA
Peru	Chimbote Naval Base	330	NK	Presidential approval for the project has now been given. However, it is not clear where the Peruvian Government will obtain funds.		France.

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Bahrain	MBT	50	1985 on	Priority for armour appears to have slipped. Possibility of Vickers offering ECGD backed credit package, though Valiant did not perform particularly well during Abu Dhabi trials which BDF attended and unilateral purchase could cause problems over Saudi funding which may well have strings attached. Challenger is now also being considered despite its weight and unsuitability for Bahrain's conditions and French challenge is increasing. But Bahrainis have yet to decide whether they really need heavy armour or not.	S of S has supplied letter of comfort to BDF to allay fear over purchase of tank not in service with British Army.	France (AMX 32) Italy (OF40)
	Light Armoured Vehicles	20	1984/85	Requirement is for assortment of some 60 vehicles from same stable. Interest centres on MCV 80 though Scorpion now making strong challenge. In-country demonstration refused owing to uncertainty over GCC funding.		France
	Patrol Boats.	8	1984/85	BDF intends purchasing a number of vessels with GCC funds.		France FRG
Iran	Westland 30 Air Ambulances	117	1984	Negotiations with the Iranian authorities are continuing. ECGD will not at present provide credit cover for this contract.		
Iraq	Hawk (BAe)	200		BAe have offered supply of 30 Hawks as lead into major Iraqi aircraft industry project. Although Iraqis are still talking about industry project, its scale (3bn) is way beyond current Iraqi financial resources.		France Italy
Jordan	ACA	NK	Late 80s	Subject to external funding and dependent on next buy/refurbishment.		USA France
	Hawk (BAe)	100	1985	Being pushed as replacement for F5B. Decision could be delayed if RJAF refurbish F5E.		France Italy Spain USA
	Refurbishment of F5Es	NK	1984	UK companies promoting various packages (HUI/EM/NAI attack). If USA block F16 sales then refurbishment leaves market open for ACA in late 1980s.		USA France
	Khalid MBT maintenance spares.	16	Two year maintenance scale (1983/85)	Sales offer dated 9.8.82. (Offer previously reported value £26.5M. Value of offer reduced 8.8.83)		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Kuwait	Various 'A' vehicle spares.	5.7	2 years.	Enquiry received. Spares scaling in course of preparation.		
	MBT	100	1985 on	Kuwaitis highly impressed with Challenger at Abu Dhabi trials. There is strong possibility of purchase of 2 regiments worth. Provided political or financial considerations do not outweigh military ones. Consideration to be given to inviting Kuwaitis to see tank under exercise conditions.	S of S discussed armour with Shaikh Salem, Minister of Defence in July 1983.	France (AMX 32) FRG (Leopard II) USA (M1) USSR (T72)
	Light Armoured vehicles.	70	1985	Scorpion has good prospects of replacing obsolescent Saladin. MCV 80 also under consideration and ROFs have submitted budgetary quotation for 101 Fox vehicles. There is currently strong preference for wheeled vehicles.	It is hoped S of S will be able to visit again in November.	France (AMX 10) Brazil (Engesa) Austria (SK 105)
	MBT update.	8-14	1983/84	Pilkington proposal to fit No 34 sight to improve night fighting capability under consideration for Chieftain and Vickers. FCS has been demonstrated on Vickers.		
Lebanon	Tactical Communications Package (Racal)	10	1984	Company have now obtained ECGD credit cover. No decision as yet.		USA France
Oman	Hawk BAe	200	1985/86	Following recent successes in UAE and Ministerial interest by Bahrain and Kuwait, BAe are marketing in Oman.		
	Scorpion Alvis	20	1984/85	There is a reasonable prospect for a further 27 vehicles but GCC funding may not cover it.		
	LAW 80 HEL	10	1984/85	Strong interest expressed at BAEE 82 but GCC funding problems have intervened.		
	Stormer Alvis	20	1984	Following successful 1982 trial there is interest, but GCC funding will dictate timescale.		
Saudi Arabia	Hawk	200	1985/86	HRH Prince Sultan has written to the British Ambassador in Jeddah saying that whilst the Royal Saudi Air Force recognised the capabilities of the Hawk aircraft, they did not have a requirement for it at this time. He said that it would be taken into consideration should a new requirement arise in the future.		France Italy Spain

PART II - MAJOR DEFENCE SALES PROSPECTS
MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Saudi Arabia	Air Base Security System	80-90	1983	Shorrock Security Systems are still in a position to win a contract for the provision of security systems for RSAF Airfields and other facilities. The RSAF have gone out to tender again but have now been forced to cancel this action and restart the process to comply with new government regulations on open tendering. Previously this requirement only applied to civilian projects.		USA
	Armoured Personnel carriers - for Public Order duties (Ministry of Interior).	C.18	1984+	AMAC have sold qty 2 vehicles Sep 83 and are hopeful of a successful evaluation of these with a follow-on order of some 100 vehicles.		Various.
	FH70 ammunition (L15) for Army	43	1984/85	IMS resubmitting proposals to Army October 1983		USA
	Tank Ammunition (L64 AP FSDS) for Army	16	1984	Trialled in Saudi, April 83 - New draft contract being submitted (with reduced price) by IMS.		USA
	Rapier (for national guard)	90	1984	MOD presentation Sep 82.		Various
	A/D frigates (for RSNF)	2-300	1985/6	RSNF have requirement for 2 x AD frigates in 5-8 years time. BS and BAeDG are concerting a response. Two presentations on Sea Wolf and SEA DART given (Dec 82 and Apr 83).		France. USA
	Additional spares for FH 70 IMS	11	1984/85	IMS proposals about to be resubmitted.		
	NBC/EDD equipment and associated training and support.	31+	1983/84	Start of detailed negotiations delayed and not now expected to start until early 1984.		France
	Carl Gustav Ammo	5.00	Nov 83	Offer.		Not known.
UAE	Tornado (ACA) BAe	600	1989/90	BAe keen to replace Mirage with Tornado in late 1980s. MD/HDS has offered visit UK for further evaluation.		USA.
	Harrier 2 BAe		1985	UAE have recently shown an interest in Harrier 2 (qv). This may hold off US marketing of A10 and keep door open for Hawk BGA (Priority 1 Prospect).		USA France
	Tracked Rapier BAe	70	1984	BAe keen to follow up Rapier sales. Recent Oerlikon sale of AD guns may well make sales much more difficult. Recent interest in Laser Fire.		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE	Stormer (Dubai) Alvis	6	1984	Prospects looked good but unconfirmed reports from DA that Engesa will be successful with Cascavel.		Brazil
	MCV 80 GKN	50	1986	Was successfully trialled with Challenger July/Aug. Wheels versus tracks argument could inhibit progress.		
	105 mm Light Gun IMS	28	1983	IMS hopeful that UAE will purchase further 28 guns if modifications are successful.		
	MCMV Vospers	100	1985/86	With Egyptian COMD now replaced by Abu Dhabians, Vosper prospect looks better but budget considerations will apply.		
	SAR helicopters	NK	NK	SAR committees visiting US and NW Europe in November. Prospect for W30. DSO will consider sponsored visit.		
	Integrated Communications System	120	1984 onwards	Reaction to proposals submitted in December 1982 still awaited.		USA France
	Military and Technical Services	100	1984 onwards.	Reaction to proposals submitted in December 1982 still awaited.		USA France

PART II - MAJOR DEFENCE SALES PROSPECTS
NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
Canada	Rapier	100	1985	Bae are still waiting for Canadian DND to issue a request for proposals (RFP) which is expected to be issued later this year.		
	Canadian Patrol Frigate (CPF) Programme	NK	1983	<p>Moderate. Canada is planning to purchase 6 new patrol frigates to be designed and built in Canada. Although the main contractor will be Canadian a number of UK companies hopeful of major sub-contract work in propulsion machinery, radar, communications and weapon systems.</p> <p>The main frigate contract has just been awarded to the St John Shipyard Co with Sperry. However, the choice of many systems has not yet been finalized and so it is not yet know exactly what UK content there will be on the ships.</p> <p>It is planned that the first ship will be operational by February 1989.</p>		
USA	Licence manufacture of 81 mm motor system.		NK	Good prospect. (This is a free licence in respect of large hardware sale).		
	RAPIER	£50 - 250 (£33 - 166 approx)	NK	In addition to £50 m for FY 83, congress has authorised (but not yet appropriated) a further £200 m for FY 84 to improve US Air Base Defence in Europe. Rapier is a strong candidate for US Base in Turkey and Roland/Patriot for Germany.		

15 DEC 1983



CONFIDENTIAL

789

File



10 DOWNING STREET

From the Private Secretary

6 December 1983

WESTLAND W30 HELICOPTERS FOR INDIA

Thank you for your letter of 5 December. I note that it is hoped that decisions will be taken on the use of aid funds for this project before Christmas. Perhaps you could kindly let me know by, say, 17 December what progress has been made.

BT1

I am sending copies of this letter to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence) and Callum McCarthy (Department of Trade and Industry).

A. L. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CT



Foreign and Commonwealth Office

London SW1A 2AH

5 December 1983

Dear John,

Westland W30 Helicopters for India

In your letter of 30 November you asked for a report on the prospects of Westland winning a contract for 27 W30 helicopters. ^{attached}

The Indian Ministry of Finance made a formal request for aid for 27 Westland W30 helicopters shortly before CHOGM. We are planning to send an ODA appraisal mission to India this week to consider the technical and economic case for the 21 helicopters which are to be owned by the Indian Oil and Natural Gas Commission but flown and maintained by the Indian Air Force.

The Treasury has decided that the case is outside ODA's delegated financial authority. We hope that the mission's report will enable decisions on the use of aid funds in this case to be made before Christmas.

We have refused aid finance for the six Indian Air Force machines because of their proposed ownership and because their main purpose is limited to the transportation of VIPs.

We understand from the British High Commission in New Delhi that the Indians would be satisfied with aid only for the 21 helicopters and that contractual negotiations could be completed within two months. In that event, and provided that the ODA appraisal is favourable, up to £10 million might be disbursed during this financial year and so help avoid underspending of the India aid programme. Prospects for securing the contract will not, however, be improved by the recent grounding of W30s because of mechanical failure.

I am copying this letter to the recipients of your letter and to Callum McCarthy in the Department of Trade and Industry. I shall be showing the Foreign Secretary a copy on his return from Athens.

Yours ever,

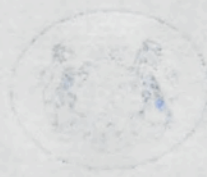
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

STRAUSS & KOBLENZ

125 71 72
- 3 DEC 1983



125 71 72
- 3 DEC 1983

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10 DOWNING STREET

*file in
a High Commissioner
in New Delhi*

From the Private Secretary

30 November 1983

WESTLAND W 30 HELICOPTERS

One matter which arose during the Prime Minister's visit to India for CHOGM was the prospect of Westlands winning a contract worth over £50 million for 27 of their new W 30 helicopters, of which, I understand, 21 would be for the Oil and Natural Gas Commission for servicing off-shore rigs and six for the Indian Air Force. I believe that we are unlikely to win the contract unless we offer substantial aid. Presumably, a down payment this financial year would help us to avoid the general under-spending on our aid programme to India.

[Handwritten signature]
I should be most grateful for a report about our prospects for securing this contract which I can show the Prime Minister on our return from Athens, i.e. by close of play on 6 December.

I am copying this letter to John Kerr (HM Treasury) and Richard Mottram (Ministry of Defence).

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Mr Coles

WESTLAND W 30 HELICOPTERS

Westlands are poised to follow up their success earlier this year in selling over £200 million worth of additional Sea King helicopters to the Indian Navy by winning a further contract worth over £50 million for 27 of their new W 30 helicopters, as follows:

- (a) 21 for the Oil and Natural Gas Commission for servicing offshore rigs;
- (b) 6 for the Indian Air Force for Government of India VIP flights.

2. The contract is important because of its implications for further W 30 sales both in India and elsewhere.

3. The Indians seem satisfied that the W 30 is the best helicopter for their purposes, not least on roominess grounds. But French and American price competition is fierce, and we shall not win without offering substantial aid. This will in any case be useful to us, since we could make a downpayment this financial year and thus help avoid underspend. Our judgement here is that £20-30 million of aid (from within the existing Indian programme, ie not ATP) will be needed. All aid will be concentrated on (a), since (b) cannot be considered "developmental"; and the Indians accept this.

4. Both ODA and Treasury think even (a) insufficiently developmental. Whitehall have therefore been slow to get their act together. But an Appraisal will be conducted by ODA next week.

5. The recent news that the W 30 has been grounded following an accident in the US is a setback. But initial Indian reactions suggest it should not be fatal if Westlands react quickly enough.

6. I suggest a deadpan enquiry next week about our prospects for securing this contract, about which the Prime Minister has expressed interest.



Robert Wade-Gery

29 November 1983

~~Prime Minister.~~

for information.

A & C 23/a

Mr Beetham

Minister

Mr Raleigh

→ PS to Prime Minister

separate copies

WESTLAND HELICOPTERS

1. Please see the telegrams below about the incident with a Westland 30 helicopter in the United States.
2. This is very bad news indeed and will undoubtedly cause problems for Westlands with the Government of India. On one or two occasions in the past the Ministry of Defence here has made the statement that the W 30 is an untried and untested helicopter. Westlands have refuted this allegation by saying that it is merely a derivative of the Lynx, a helicopter well tried and tested in all spheres including the Falklands. The part which failed in the W 30 is, apparently, a piece taken straight from the transmission system of the Lynx helicopter and not a modification which was incorporated in the design of the W 30. This in itself should offer some consolation to potential customers of the W 30 but, nevertheless, I am sure that the French, who are currently in Delhi, will make maximum use of this bad news.
3. I am further concerned that Westlands do not intend giving the Government of India a full briefing until next week. The news of the grounding of both W 30 and Lynx helicopters was apparently carried by the BBC on 22 November and I am sure that the news has by now reached the Government of India.
4. Telegram No OTTER 543 makes three points which the Prime Minister might consider using if this subject arises. I am not too convinced that they will give very much reassurance but, in the circumstances, I think it is the best we can do.
5. I will try to ensure that Westlands are as frank and honest as possible with the Indians when they come to Delhi

DTI to Delhi
SF2 + SF3

/ next

next week.

advice of manager

23 November 1983

R F Jones

HC Demi

→ cc : High Commissioner

FM DOT 221810Z NOV 83
TO IMMEDIATE NEW DELHI
TELEGRAM NUMBER OTTER 542 OF 22 NOVEMBER

FOR JONES
FROM SALVIDGE

THE FOLLOWING IS THE TEXT OF A DEPARTMENTAL SUBMISSION TO OUR MINISTERS ON THE WESTLAND HELICOPTER PROBLEM. IT IS FOR YOUR INFORMATION. DEFENSIVE BRIEFING ON LINE FOR PRIME MINISTER TO TAKE WILL FOLLOW AFTER FURTHER DISCUSSIONS WITH WESTLAND THIS AFTERNOON.

THE CAA AND FAA HAVE ORDERED THE GROUNDING OF ALL WESTLAND 30 HELICOPTERS PENDING THE INVESTIGATION OF AND ACCIDENT TO AN AIRSPUR W30 HELICOPTER NEAR LOS ANGELES ON 7 NOVEMBER. THE AIRCRAFT WAS ON A SCHEDULED FLIGHT WHEN IT INCURRED A FAILURE IN THE TAIL ROTOR PITCH LEVER AND BECAME UNCONTROLLABLE. THE AIRCRAFT WAS BROUGHT DOWN VERY RAPIDLY BUT IN DOING SO IT HIT OVERHEAD POWER CABLES AND IN THE ACCIDENT ITS TAIL AND BOOM AND MAIN ROTOR BLADES BROKE OFF. THE AIRCRAFT'S CABIN REMAINED INTACT AND THERE WERE NO FATALITIES, ALTHOUGH ONE PILOT AND ONE PASSENGER WERE HOSPITALISED.

THE REASON FOR THE FAILURE OF THE TAIL ROTOR PITCH CONTROL LEVER IS NOT KNOWN AND URGENT INVESTIGATIONS ARE UNDER WAY AT YEovil AND BY THE US FAA WITH THE HELP OF THE CAA AND THE DEPARTMENT OF TRANSPORT'S ACCIDENT INVESTIGATION BRANCH. WESTLAND ARE UNDERSTOOD TO BE WORKING ROUND THE CLOCK TO REMEDY THE PROBLEM BUT THE INDICATIONS ARE THAT THE FAILURE IS A SERIOUS ONE AND THE MOD BELIEVE THAT IT MAY BE SOMETIME BEFORE THE W30 IS GIVEN CLEARANCE TO RESUME FLYING. WESTLAND HAVE NOT SO FAR MADE ANY STATEMENT BUT THE W30 PROJECT MANAGER IS TO MEET WITH MOD AND DEPARTMENTAL OFFICIALS ON FRIDAY 25 NOVEMBER TO REPORT ON THE LATEST POSITION.

THE W30 IS A LYNX DERIVATIVE AND ACCORDING TO MEDIA REPORTS THIS MORNING UK AND DUTCH MILITARY LYNX AIRCRAFT HAVE BEEN GROUNDED PENDING INVESTIGATION OF THE W30 FAILURE. WE UNDERSTAND THAT THE PROBLEM ENCOUNTERED ON THE AIRSPUR W30 WAS EXPERIENCED ON A ROYAL NAVY LYNX ABOUT A MONTH AGO.

WE KNOW NO MORE THAN THAT AT PRESENT BUT A FAILURE SO EARLY IN THE LIFE OF A W30 IS BAD NEWS AND COULD HAVE VERY SERIOUS EFFECTS ON CUSTOMER CONFIDENCE IN THE AIRCRAFT. THE ACCIDENT WAS TO THE W30 - 100 SERIES WHICH WESTLAND HAD DEVELOPED ON A PV BASIS. THE LAUNCH-AID FOR THE W30 PROGRAMME WHICH THE DEPARTMENT HAS MADE AVAILABLE TO WESTLAND IS FOR THE FOLLOW ON - 200 AND - 300 SERIES AIRCRAFT WHICH HAVE NOT YET ENTERED PRODUCTION.

NNNN

cc SAO/M

LUK 391
FDW G 219/22

IMMEDIATE

RECEIVED
CHIEF OF MISSION
CHIEF OF MISSION
23 NOV 1983
DUPLICATES
OF LETTER
OF ENCLOSURES
10/11

CONFIDENTIAL

DD 230330Z NEW DELHI
GR 291
CONFIDENTIAL
DESKBY 23030Z

FM D T I 222209Z NOV 83
TO IMMEDIATE NEW DELHI
TELEGRAM NUMBER OTTER 543 OF 22 NOVEMBER
FOR JONES FROM SALVIDGE
WESTLAND HELICOPTERS

M I P T GAVE BACKGROUND ON WESTLAND HELICOPTER PROBLEMS. I HAVE CONSULTED WESTLAND (STANTON-JONES, A MAIN BOARD DIRECTOR) AND AIR DIVISION HERE, WHO HAVE BEEN MONITORING DEVELOPMENTS WITH M O D AND ACCIDENT INVESTIGATION BRANCH, DEPARTMENT OF TRANSPORT.

WESTLAND HAVE AN INTENSIVE FLIGHT TEST PROGRAMME UNDER WAY, SUPPORTED BY THE ROYAL AIRCRAFT ESTABLISHMENT, TO DETERMINE WHY THE TAIL ROTOR PITCH CONTROL LEVER FAILED. THEY AIM TO PUT A FULLER TECHNICAL BRIEF TO THE INDIAN MINISTRY OF DEFENCE (AND ALL THEIR OTHER ACTUAL AND POTENTIAL CUSTOMERS) BY EARLY NEXT WEEK, SETTING OUT THE REASONS FOR THE FAILURE AS THEY UNDERSTAND THEM AND HOW THEY PROPOSE TO REMEDY THE FAULT. ALTHOUGH I PRESSED WESTLAND, THEY DO NOT PROPOSE TO CONTACT INDIAN AUTHORITIES MEANWHILE. THEY TOLD THEM OF THE INCIDENT SHORTLY AFTER IT HAPPENED, BUT BEFORE C A A AND F A A GROUNDED THE AIRCRAFT. WESTLAND'S FIRM HOPE IS THAT A MAJOR RE-DESIGN WILL NOT BE NECESSARY BUT SEE M I P T, PARA 3.

IF THE ISSUE IS RAISED WITH THE PRIME MINISTER, WE SUGGEST RESPONDING ON THE FOLLOWING LINES:-

(I) PROBLEMS OF THIS SORT ARE DISCONCERTING BUT FAMILIAR WITH ALL AIRCRAFT PROJECTS. THERE IS NO REASON AT ALL TO SUPPOSE THAT IT WILL NOT SWIFTLY BE OVERCOME.

(II) WESTLAND KNOW EXACTLY WHAT FAILED, AND HAVE AN INTENSIVE FLIGHT TEST PROGRAMME, BACKED BY THE ROYAL AIRCRAFT ESTABLISHMENT, TO FIND THE CAUSE AND THE CURE.

(III) WESTLAND APPRECIATE NEED TO PUT FULL PICTURE TO INDIAN AUTHORITIES AND WILL SEND TECHNICAL BRIEFING TO THEM BY EARLY NEXT WEEK AT THE LATEST, SETTING OUT RESULTS OF LATEST WORK.

NNNN

Top copy on
COMMONWEALTH: CHOGM
H+S

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Doc
EB
PM



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

MO 6/11

18th November 1983

Dear David

We spoke this morning about the need to provide briefing on the subject of credit for defence sales to India. As agreed, I now attach a briefing note in case the subject is raised while the Prime Minister is in India. This has been cleared with ECGD.

Copies go to Peter Ricketts (FCO) and Ruth Thompson (DTI).

Yours

Aimon Lowe

(S H LOWE)

David Barclay Esq

Covering CONFIDENTIAL

DEFENCE SALES TO INDIA: CREDIT ARRANGEMENTS

Defensive Briefing

LINE TO TAKE

Mr Venkataraman raised this with me in London earlier in the month, and I assured him then that we would look at this request as helpfully as possible in the light of our overall credit arrangements. I have asked my officials to commence work on this straightaway and to get in contact with your people at the earliest convenient moment. Naturally I have asked officials to advise me on what can be done as quickly as possible.

I can assure you that sufficient ECGD cover should be available to support contracts on credit terms for major capital defence items. We would also be happy to discuss with you the possibility of a general credit framework should this suit your needs better.

BACKGROUND NOTE

During his meeting with the Prime Minister in London on 7th November, the Indian Minister of Defence asked the Prime Minister to consider a Government-to-Government credit line to cover, in particular, capital equipment in the defence field as well as shorter term credit for items such as ammunition. He pointed out that without credit it was difficult for India to plan her procurement programme sufficiently far ahead.

Discussions are now in hand between the MOD, ECGD, the FCO and others on how best to meet this Indian requirement. The normal

HMG vehicle for such credits would be ECGD, operating under its Section 2 ("National Interest") account. In fact, during the last two years ECGD has supported defence sales to India of substantial proportions. Over £900m has been earmarked for supplies of Jaguar Aircraft, Sea King helicopters and Sea Eagle missiles alone. All this business has been placed on a cash basis.

Any line of credit would have to count against the Section 2 credit cover for India (currently £2500m). In order not to freeze a block of cover for a lengthy period, ECGD would prefer not to offer a line of credit - but rather to provide cover on a case by case basis. The Indians, however, are likely to press for a line of credit against which they can set future purchases. This issue will need to be resolved in discussions in London and Delhi. In the meantime, to preserve as favourable a climate as possible for further UK Defence Sales, it is important that the range of options for providing credit is left as open as possible.



MINISTER OF STATE FOR DEFENCE PROCUREMENT

D/MIN/GP/19/5/35

16th November 1983

N. B. P. R.

Secretary of State

A. J. C. 16/4

Copies to:

US of S(DP)	AUS(D Staff)
CDS	DG Mktg
PUS	HMA, Madrid
CDP	Head of SED, FCO
DUS(P)	Head of DS 12
DUS(Pol)(PE)	RMD 4
HDS	

RAPIER FOR SPAIN

I returned this morning from Madrid where I discussed in some detail with Señor Eduardo Serra, my opposite number, Señor Narcis Serra, the Spanish Minister of Defence and Señor Carlos Solchaga, the Minister for Industry, the position now reached in evaluation of the competing proposals to meet the Spanish Army's requirement for a Low Level Air Defence system (LLAD). My purpose in writing is to let you know the outcome of my discussions and suggest how we might take the matter forward.

2. Although the recommendation put forward to Ministers last week by CADAM, an inter-Departmental Committee broadly equivalent to our DEPC, preferred the Franco-German Roland system offered by Euromissile to BAe's Rapier and Chaparral produced by Ford Aerospace, it is clear that no final decision has been taken. However, it also emerged that a recent Euromissile offer including a high proportion (55%) of local participation in manufacture, has great attractions for the Spanish.

/ As ...

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As a result British Aerospace will need urgently and significantly to improve their present proposal (involving about 40% Spanish involvement) if they are to regain preference. The American system has been ruled out largely on technology transfer and political grounds. I have told British Aerospace what needs to be done by them and, following my visit, I expect a high level BAE team shortly to be invited to discuss an improved offer with General Andres, the National Armaments Director.

3. Naturally, I spoke strongly in favour of Rapier and deployed transfer of technology and export-related arguments to which the Spanish are susceptible. Following our discussions, Señor Solchaga undertook both to let me know in greater detail, how best British Aerospace should seek to recast their offer and to ensure that long term industrial strategic considerations are given full weight when the matter goes to the Spanish Cabinet next month. Eduardo Serra is no less sensitive to the industrial implications of the decision and, following a somewhat bizarre recommendation by CADAM preferring Israeli UHF ground-to-air communications equipment to a significantly better Plessey proposal, his confidence in the quality of the advice he is being offered may be shaken so that he may well be inclined to take a view different from that offered by his traditionally francophile officials. (On the UHF equipment purchase, he confided that he was seeking to buy his way out of the contract with the Israeli firm so as to recapture the benefits provided in the Plessey proposals worth some £3m to the UK).

4. More important to the Spanish Government even than the industrial factor, in reaching a decision on a

/ future ...

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future LLAD system, may be foreign policy considerations. As you would expect the Gibraltar card was played repeatedly. But as the attached summary of my meeting with Narcis Serra makes clear, Franco-Spanish relations are unusually strained at present.

5. Clearly Rapier is still in with a reasonable chance and, while much will rest on BAe's ability to improve its competitive position, a lot depends too upon our ability to wrest the political initiative over the weeks ahead. I have already made a good deal of the significance HMG and British industry and commerce attaches to BAe winning this order. Malcolm Rifkind will be in Madrid on 29th and 30th of November and his visit will provide a further opportunity to reaffirm our position. Most important, however, will be any opportunity you are able to take at the margins of the DPC meeting in Brussels on 7th December to take up the matter with Señor Narcis Serra. Following that, and in view of the highly political nature of the Spanish decision as well as the value of the order (over £150m) and the entrée it should provide to Spanish-influenced markets, I think serious consideration should be given to launching a message at Prime Ministerial level. Interestingly, Eduardo Serra suggested that an invitation from the Prime Minister to the Spanish Premier to come to London to discuss matters like Spanish membership of the Community and NATO, NATO command arrangements and Rapier might well be welcomed.

6. I am copying this to the Prime Minister, Geoffrey Howe and Malcolm Rifkind.



~~CONFIDENTIAL~~

Summary of meeting between The Spanish Minister of Defence,
Snr Narcis Serra and Minister(DP), Mr Geoffrey Pattie

Snr Serra emphasised the Spanish wish to get away from straight purchases of defence equipment, and to increase co-operation and technology transfer so as to strengthen Spanish industry. He stressed his desire for European solutions to defence requirements, but said that unless these involved such co-operation the US would continue to dominate the market. In this regard he was personally very interested in the possibility of Spanish membership of the European TRIGAT anti-tank project, and complained that after nine months Spain was still waiting for a response on this from TRIGAT partners. He had been told by the French recently that the delay was caused by the UK which was against Spain joining!

2. I expressed complete surprise at this allegation, and at the Lisbon IEPG meeting later this week CDP will reinforce with Eduardo Serra our complete agreement to Spanish membership of TRIGAT. I went on to emphasise how we saw this as a propitious time for increased co-operation with Spain, in the context of our strong support for Spanish entry to the EC, and NATO membership. (The Spanish Ministers were especially responsive to the positive reference to Spanish EC membership contained in the Prime Minister's Mansion House speech).

3. I said that Spain's decision on LLAD was a very important opportunity to develop Anglo/Spanish relations in a number of areas. If the decision favoured Rapier, this could encourage many UK companies in the forefront of technology

/ seriously ...

seriously to consider closer ties with Spain. It could also have a bearing on the possibility for future co-operation on FCA, where it was the French who were against extending collaborative arrangements.

4. Snr Serra made it clear that he would carefully consider all aspects of the LLAD decision, and that personally he would be very happy if his defence and industry experts recommended Rapier. He was receptive to my suggestion that Spain was over dependent on French defence equipment support, and in respect of the political dimension said that although we had a bilateral problem over Gibraltar, there were much greater difficulties with France over the Basque terrorists. Unless France changed her policy here, Snr Serra would revise Franco/Spanish arrangements for defence equipment co-operation. But he was insistent there was no question of a decision going against Rapier because of Gibraltar.

5. Snr Serra thought that UK and Spanish defence Ministers had an important role to play in regard to the Gibraltar problem, and that the question of the Naval base must be seen in a NATO context. We made it clear that we were quite relaxed about questions of the NATO command structure, which would need to take account of Spain's major maritime role in the region, and I felt sure that we should be happy to discuss these matters further. Snr Serra also thought that the prospect of Spanish entry to the EC could provide a favourable time to address the Gibraltar problem.



MO 11/10/11

FOREIGN AND COMMONWEALTH SECRETARY

16 pm
Dues
9/11

DEFENCE SALES TO LIBYA - SALADIN SPARES

In your minute of 1st November you raised the question of whether we should allow the export of Saladin spares to Libya. I have since seen the letter from No 10 dated 4th November, indicating that the Prime Minister is content for a licence to be issued.

2. I agree that the political and commercial arguments are finely balanced. However, as we gave Alvis Ltd approval to enter into negotiations with the Libyan Government and the Company have kept the Defence Sales Organisation abreast of progress on this contract, I believe it would be wrong to withhold an export licence at this stage. The DSO has explored with the Company the implications of delaying issue of a licence for a couple of months but this does not seem to me to be a practical alternative.

3. I am therefore content to see an export licence issued, and do not think it necessary for us to have a meeting.

4. I am copying this minute to the Prime Minister and to the Secretary of State for Trade and Industry.

Ministry of Defence

7th November 1983

Reference: Sales
Pt 3

V.P.L.
D.M.
H.

11 12 1
2 3 4
5 6 7 8 9

19 NOV 1985



JF4744

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

7 November 1983

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

N. S. P. R.

A. J. C. 7/11

D. Geoffrey,

DEFENCE SALES TO LIBYA : SALADIN SPARES

Thank you for sending me a copy of your minute of 1 November to the Secretary of State for Defence.

2 Libya is a difficult but valuable market for British companies; both for visible trade (£260m in 1982, showing a 6% increase so far this year) and for substantial invisible trade. The long-term trade prospects are encouraging given Libya's natural resources.

3 When UK/Libyan relations have been poor in the past, the Libyans have been strongly suspected of penalizing British exporters in retaliation. The fear must be that if an export licence is not granted to Alvis the Libyans could take retaliatory action against the UK. British companies would be a prime target.

4 Since the Defence Sales Organisation supports this export, I would be unhappy to see the possibility of our commercial relations being soured by refusal to issue a licence.

5 I am copying this letter to the recipients of yours.

NORMAN TEBBIT

Defence : Defence Sales Pt 3 ?

(Shouldn't this be on
Middle East Defence Sales)

NOV 1983

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CONFIDENTIAL

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10 DOWNING STREET

From the Private Secretary

4 November 1983

Defence Sales to Libya: Saladin Spares

The Prime Minister has seen the minute of 1 November by the Foreign and Commonwealth Secretary to the Defence Secretary.

She is content that the export licence for the supply to Libya of spare parts for Saladin armoured cars should be issued.

I am copying this letter to Richard Mottram (Ministry of Defence) and Callum McCarthy (Department of Trade and Industry).

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



FCS/83/218

SECRETARY OF STATE FOR DEFENCEDefence Sales to Libya: Saladin Spares

1. The Defence Sales Organisation has told us that Alvis Ltd are pressing for an export licence to be issued quickly for the supply to Libya of spare parts for Saladin armoured cars, including sub-assemblies for 76mm guns. The contract is worth about £8million.
2. I found it necessary to delay political approval for this export licence in September, following an intemperate Libyan threat to give active support to the IRA. We now need to decide whether to go ahead. I note that according to Defence Sales, if there is any further delay Alvis are likely to lose the business.
3. I see the force of the Defence Sales arguments for granting approval in this case. The contract has been under negotiation for some time. If it is now lost, the prospects for future defence sales to Libya might well be damaged, and commercial relations could also suffer (exports to Libya are now running at £260 million per year).
4. On the other hand, we also have to weigh the political arguments. If we proceed with the sale and the fact of the Libyan threats became public - or if Qadhafi, as is at least possible, were to renew the threats - the Government could face serious criticism in Parliament. On the other hand, Sir John Leahy has visited Libya since their threats to support the IRA were made, and with this question specifically in mind. He left the Libyans in no doubt of the serious view we took of these

/threats



threats, and there are signs that the Libyans realise that they went too far on this occasion. At the end of his visit Sir John did not think that the Libyans will carry out their threat in the immediate, or even the near, future. But, as he acknowledges, he could be wrong.

5. The arguments are finely balanced. Ideally, one would want to let a couple of months elapse, so that we could form a clearer view. But that option is not open to us. In these circumstances I would be content to see an export licence issued, unless you or the Prime Minister wished to have a short meeting first.

6. I am copying this minute to the Prime Minister, and to the Secretary of State for Trade and Industry.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
1 November 1983

- 1 NOV 1983





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COMMERCIAL IN CONFIDENCE

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Handwritten initials

Secretary of State for Trade and Industry

22 September 1983

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Whitehall
London SW1A 2HB

Dear Michael,

PLESSEY RADAR LTD - ECUADOR

PS/Minister for Trade
PS/Mr Lamont
PS/Mr Butcher
PS/Sir Brian Hayes
PS/Sir Anthony Rawlinson
PS/Secretary ECGD
Mr Roberts DTI
Mr Croft DTI
Mr Kemp ECGD
Mr Twyford ECGD
Mr Titchener OT5, DTI
Mr Benjamin PEP, DTI
Mr Breach CPD, ECGD
Mr Hall PD2, ECGD (on file)
Mr Hudson Air, DTI
Mr Hutton PEP, DTI
Mr Pryor Air, DTI

Thank you for your letter of 9 September.

2 It is unfortunate, given the efforts which Plessey have made to secure further contracts for the supply of radar equipment to Ecuador, that the country's economic situation and prospects deteriorated so rapidly, and to such an extent, that ECGD had no alternative but to decline to extend the offer of support made for the second phase of the Condor project.

3 Your letter acknowledges the difficulty in giving cover in the present situation. ECGD is already paying claims in respect of past business with Ecuador and will continue to do so well into 1984 as a result of the formal rescheduling of part of Ecuador's officially insured export credit debt. ECGD's standard policy in such circumstances is not to undertake substantial new commitments until there are positive signs of a sustained economic recovery. To do otherwise would be inconsistent with the Department's remit to conduct its credit insurance business at no net cost to public funds and would be contrary to existing Ministerial assurances to Parliament as to how the Department will operate. As a result of world economic problems the level of claims paid by ECGD has risen to the point that it risks exhausting the cumulative balances built up by its credit insurance schemes since 1930. Against this background the Prime Minister has agreed that the Department should be more rigorous in its country risk assessments in marginal cases.

4 For these reasons I am afraid that I am unable to meet your request that cover be made available for Plessey's contract. ECGD's policy towards Ecuador will be kept under review with a view to the restoration of cover for longer term credit business



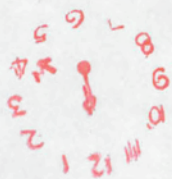
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COMMERCIAL IN CONFIDENCE

as soon as this can be justified by Ecuador's economic prospects. I hope you will agree that it would be difficult to come to a more favourable conclusion from the facts of the situation as set out in your letter.

5 I am sending a copy of this letter to the Chancellor of the Exchequer.

Yours *Erst,*
A. L.

Release - Sales - P43



26 SEP 1983

Defence Sales
PLS.

CONFIDENTIAL

✓ ADP
(2)



MF

Prime Minister

The Foreign and Defence Secretaries are agreed that when the Portuguese Foreign Minister is here next week we should offer a £5 million grant towards the Portuguese frigate programme, tied to the purchase of initial equipment.

FCS/83/174

SECRETARY OF STATE FOR DEFENCE

A.S.C. 6/9

Portuguese Frigate Programme

1. Thank you for your minute of 9 September. I welcome the suggestion you have made about how assistance might be given to the Portuguese frigate programme. You will be aware of the importance we have attached to appearing as forthcoming as possible to the Portuguese. I very much share the Prime Minister's view that we ought to help Portugal, both for its own sake, and in the interests of NATO and the European Community.
2. I fully understand and accept the argument that, since you have no financial military aid programme, there is a good case for not using Defence Votes to assist the Portuguese in the frigate programme. As your officials are aware, there will be no money available in the FCO budget in the foreseeable future for this purpose. I am therefore grateful to you for agreeing to make available to us the £5 million when required by PESC adjustment and I agree that the grant should be made from FCO votes. I assume that the MOD will be prepared to administer the aid on our behalf without additional charge.
3. You say that a 22% discount by Rolls Royce and a waiver of the R & D levy could be worth an extra £5.7 million to the Portuguese. Welcome though this is, I believe that the main interest of the Portuguese at present is likely to be in our help over the provision of Lynx helicopters. As you point out, however, there is no need at this stage to be specific about equipment options.

/4. I agree

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4. I agree that our officials should now prepare a suitable brief covering the offer of £5 million assistance for our joint use in the meetings with Dr Gama next week.

5. I am copying this minute to the Prime Minister, the Secretary of State for Trade and Industry, the Chief Secretary and Sir Robert Armstrong.

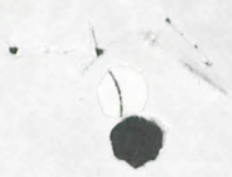
A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

16 September 1983

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Pt 3



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BF with DTI's
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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HE

TELEPHONE 01-218 5000

DIRECT DIALLING 01-218 2111/3

MO 26/9/4

9th September 1983

[Handwritten signature]

ECUADOR - PLESSEY RADAR

Since the late 1970s Plessey has been competing with American, French and Israeli firms to satisfy Ecuador's requirement for a national air defence radar system - "Project Condor". The project has been planned in 5 phases over 8 years and is thought to be worth a total of some £125M in radar sales.

In June 1981 Plessey won the contract for the first phase of the project largely against American competition. During the contract negotiations John Nott wrote to the then President of Ecuador supporting Plessey in order to counter American allegations that their proposals were inadequate. As a further indication of HMG's support a RAF loan service officer specialising in air defence was loaned to the Ecuadoreans to help them set up their new Air Defence Command. He has been in Ecuador for over 18 months and has been a great success. The Plessey contract for Phase I was worth £15.4M and was covered by ECGD credit insurance.

In early 1982 Plessey started preliminary negotiations to supply radar for Phase II and obtained a general indication from ECGD that credit cover would be available to support the contract. By September 1982 negotiations had progressed to a stage where Plessey sought, and got, a firm statement of intent from ECGD that cover would be reserved for the contract for a period of 2 months. During November/December however, the Ecuadoreans defaulted on their

The Rt Hon Cecil Parkinson MP



obligations under an existing ECGD backed loan and there were signs that Ecuador's economy was deteriorating, with the possibility that existing debts would need to be re-scheduled. As a result, when Plessey applied for a renewal of ECGD cover this was refused. The firm continued negotiations (had they not done so, this would almost certainly have given an opening to the American and Israeli competition) in the hope that the economic position would improve and ECGD support would be restored. Plessey eventually secured a signed contract worth £22.8M in May 1983, but it contained clauses to prevent it becoming effective until a loan agreement (which would need ECGD support) was also signed. By this time Ecuador had made formal application to re-schedule its debts.

The main negotiation for the re-scheduling was completed at the end of July. As a result ECGD now faces claims arising from some £58M worth of business achieved by UK firms in Ecuador, including one from Plessey for the first radar contract signed in 1981. Along with the government export credit insurance organisations in the other developed (OECD) countries, ECGD has now taken Ecuador "off cover" for medium and long term business. They will review the position periodically but failing signs of a sustained upturn in Ecuador's economy, of which there is little evidence to date, there is little prospect of cover being restored in the immediate future.

I gather that my officials have taken up Plessey's case with both ECGD and Treasury. They have emphasised MOD's involvement with Plessey and the Ecuadorean Air Defence project and have suggested that there is a moral commitment to support this case in view of ECGD's earlier indication that credit cover would be available. They have pointed out that if Plessey is able to win all 5 phases of the project it will represent some 2,200 men years of work in their factories and create orders for some 90 sub-contractors who supply radar modules and components. If cover is not forthcoming there is now a strong likelihood that the Israelis - who tend to be

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rather more flexible over credit matters when export business is at stake - will secure it instead. I should be grateful if you would have a look at this case with a view to making the necessary credit cover available. I appreciate the difficulties and risk that may be involved but unless we secure cover for the contract soon we fear this business will be lost to the Israelis.

I am copying this letter to the Chancellor of the Exchequer.

Yours ever

Michael Heseltine



MO 26/9/18

*Wait reply from FCS.*FOREIGN AND COMMONWEALTH SECRETARY*A.J.C. 12/19.*PORTUGUESE FRIGATE PROGRAMME

There was an exchange of views earlier in the year about the question of a subsidy to the Portuguese frigates programme. We need to decide on the line we should take on the issue during Dr Gama's visit later this month and I have therefore reviewed the part that MOD might play.

2. As you know, we have no military aid programme and there is a well-established principle that the Defence Budget should not be used for financial military aid. Any change of policy in favour of Portugal could risk creating an unfortunate precedent and lead to expectations from other NATO countries, such as Turkey, that we were now prepared to grant similar aid to them. In addition, UK companies might be led to expect financial subventions in support of their various sales activities. On the other hand, I acknowledge that there are foreign policy grounds for making a contribution and I recognise that a decision to stand aside from a collective NATO frigate project for Portugal could have unfortunate repercussions for our position within the Alliance and therefore for our defence interests.

3. On balance, I support the payment of a grant of £5M towards the frigate programme tied to the purchase of UK equipment. At this stage we do not need to be specific about the equipment options; the acquisition of Rolls Royce engines and Lynx helicopters are the major items which have been mentioned in the past but the re-appraisal of the precise nature of the frigate programme which



the Portuguese seem to be undertaking at present may yield other possibilities. Because of the possible implications for our standing in the Alliance if we were not to participate in this programme, I would be prepared to find the £5M required, provided that you can agree that the grant should be made from FCO votes. We would "reimburse" your costs by a PESC adjustment. Bearing the cost on your votes would be consistent with packages of military equipment funded by your Department in the past, for example, to Belize and Zambia on essentially foreign policy grounds, would help to emphasize the exceptional nature of the gift, and would avoid breaching the principle that the Defence Budget is not used for financial military aid. A subvention from defence votes would of course involve an opportunity cost to our own defence programme. But I am prepared to accept this.

4. A grant on these lines might also be combined with the offer by Rolls Royce of a discount of 22% (worth some £5M) on the purchase of engines for the three frigates and a waiver of the R & D levy, which could be worth as much as £ $\frac{3}{4}$ M. Concessions on the engine price would, of course, be a matter for the firm's commercial judgement and there could be no question of defence votes bearing the costs. We would also hope that ECGD would grant advantageous credit terms when the package is known.

5. If an approach on these lines is acceptable to you, I suggest that our officials should prepare a brief for our joint use in the forthcoming meetings with Dr Gama. Such a package should constitute a positive reaction on the part of HMG; the details of the equipment purchases to which the grant should be tied, and the precise phasing of payment, are, of course, matters that can be settled in much slower time and once the way ahead on the project is clear.

5. I am copying this minute to the Prime Minister, the Secretary of State for Trade and Industry, the Chief Secretary and Sir Robert Armstrong.

[Handwritten signature]
Ministry of Defence

9th September 1983

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5th September 1983

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RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE AND
MR PAPANDEOU, PRIME MINISTER OF GREECE, HELD AT MAXIMOS
PALACE AT 1200 HOURS ON FRIDAY 2ND SEPTEMBER 1983

Those Present:

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

Mr Papandreou
Prime Minister of Greece

Geoffrey Pattie MP
Minister of State for Defence
Procurement

Mr Zakolikos
Under Secretary for National Defence
(Procurement)

Mr P A Rhodes CMG
HM Ambassador, Athens

Mr Kyriazides
Greek Ambassador in London

Air Marshal P R Harding
Vice Chief of the Air Staff

Mr Mahairitsas
Diplomatic Adviser to the Prime
Minister

Mr D M Spiers
Director General Aircraft 1

Mr N H R Evans
Assistant Private Secretary to
the Secretary of State

The Secretary of State said that he was very grateful to have the opportunity to meet Mr Papandreou. He had brought a personal message from the British Prime Minister in which Mrs Thatcher reiterated her support for the Tornado aircraft for the Hellenic Air Force and emphasised the importance which the British Government attached to this decision. These sentiments had been endorsed by Chancellor Kohl and, since the Prime Minister's letter had been drafted, Senor Craxi had also asked to be personally associated with them. He was also glad to be able to tell Mr Papandreou that Mrs Thatcher had indicated that she would welcome an opportunity to have an early discussion with him in London. Mr Papandreou said that he would be delighted to take up the Prime Minister's invitation and indicated that a date in October or November would be suitable. He asked Mr Kyriazides to explore suitable dates on his return to London.



2. The Secretary of State said that he had two main purposes in visiting Greece. The first was to sign the Anglo/Greek Memorandum of Understanding. In his discussions earlier that morning with Mr Zakolikos they had agreed on the importance of the MOU as a significant step forward in Anglo/Greek collaboration. They had also agreed that the momentum which had led to the drafting of the MOU should be maintained and that its provisions should be translated into positive and concrete measures of defence co-operation. His second purpose was to reiterate the case for the purchase of Tornado for the HAF. He had discussed some detailed improvements to the financial package with Mr Zakolikos and these were being studied. But the basis of the case for Tornado rested not on the detailed financial terms but on the operational advantages of the Tornado system. Tornado had been optimised for air-to-ground operations and had a unique all-weather, day or night, low level attack capability. Its pay load and range characteristics were superior to the other aircraft being evaluated and its navigation and weapon delivery systems were outstanding in the air-to-ground role. Tornado was a potent deterrent system with a proven track record - 250 aircraft had already been delivered of the 800 planned for service in the Allied air forces. Over 400 of these would be in service by the time that the first HAF plane was delivered.

3. Continuing, the Secretary of State said that participation in the Tornado programme would bring great technological benefits to Greece. The Greeks would not just be buying an aircraft: they would be part of a sophisticated aerospace project at the frontiers of high technology. Greece would be joining the Tornado "Club." This would confer a number of advantages. The benefits in terms of direct acquisition of technology in such areas as electronics and computers were obvious. But very significant secondary benefits for the Greek industrial base were on offer in the direct offset part of the Tornado package. Greek engineers and technicians would help to form the Tornado team and would participate fully in the continuing process of modification and change of the aircraft throughout its in-service life. They would not be shielded from the technology and would have the capability to adapt the aircraft and its systems to meet specific Greek requirements in an operational emergency.

4. This point was also relevant in respect of the through-life costs of the competing systems. It was not uncommon for the initial procurement costs of aircraft to be pitched at an attractively low level and for this discount to be subsequently re-couped by very high spares and support costs. In the case of Tornado the Greeks would be part of a strong and well-established international procurement system and they would pay the same price for spares and support as the other three Governments. The international training, logistic, spares, support and quality assurance systems for Tornado were already fully established and would be available for the HAF to join, giving the prospect of considerable logistic economies for Greece.

5. Mr Papandreou said that he was very grateful to the Secretary of State for his presentation. He had studied the various proposals carefully and there was no question about the operational capabilities



of Tornado. In particular its twin engines offered operational and safety advantages. Its low level all-weather ground attack capability had considerable attractions in the age of deterrence. Greek pilots who had seen and flown the aircraft had reacted favourably to it. He was interested in the question of offset, which would require capital expense. How much was on offer for what numbers of aircraft? The Secretary of State said that Panavia had offered a package of offset comprising co-production of Tornado components, Greek manufacture of other defence equipment and general commercial offset to a total value of 80% of the contract. These terms would apply whether the Greeks decided to buy 100, 60 or 40 aircraft.

6. Mr Papandreou said that, so far as the Government process was concerned, the specialist committees had submitted reports on the characteristics of the candidate aircraft but had not made specific recommendations on the type or number to be bought. The Greek Government were conscious that a decision was needed soon and there would shortly be a meeting of the Committee of Foreign Affairs and Defence. He hoped that they would reach a decision by October. Naturally the general economic and financial situation would need to be taken into account and there would be a meeting the following week to assess the implications of the aircraft purchase for the Greek balance of payments and economic policy generally. But there was no question that aircraft replacements would be necessary. From a political point of view it was clear that the Greek Government should go for a split purchase. Tornado was an excellent product and a truly European aircraft. It was still very much in the running.

7. The Secretary of State said that, so far as the economic position was concerned, Mr Papandreou would be aware that Germany, Italy and the UK took over 30% of Greek exports whereas France and the US took only some 7% each. The offset package he had outlined would bring considerable economic benefits to Greece. Minister(DP) said that, during his recent visit to Greece, he had seen the facilities for aircraft production at Hellenic Aerospace Industries. He had been most impressed with these facilities and felt that it would be disappointing if the option of assembling Tornado in Greece had to be ruled out. As a collaborative product Tornado had been designed to be assembled in separate sections in different countries. He also emphasised the point about the cost of spares: spares costs were often loaded by 50% or more to recoup a low initial purchase price. Mr Papandreou agreed that the cost of spares was a big headache: they were fantastically expensive.

8. VCAS said that he wished to emphasise the operational and economic advantages of Tornado as a two crew, two engine aircraft. It had been shown that the greater reliability of such aircraft had a significant effect in reducing attrition as compared with single engine, single seat alternatives. This meant that less air frames would need to be bought to meet a given requirement. It was also worth pointing out that, with over 800 Tornados planned to be in service, the HAF would have a considerable reserve of parts and supplies to call upon in extremis



in an operational emergency. Finally a Tornado operational analysis cell had recently been set up and the results would be available for Greece if she decided to take part in the programme.

9. The meeting concluded with a brief discussion on the succession to the Secretary General of NATO, which has been reported separately by HMA Athens. The meeting was followed by the formal signing of the Anglo/Greek MOU by the Secretary of State and Mr Zakolikos, in the presence of Mr Papandreou.

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Ministry of Defence

Distribution:

PS/Minister (DP)	PS/Prime Minister ✓
PS/US of S (DP)	PS/Foreign and Commonwealth Secretary
PS/PUS	FCO (SED)
PS/CDP	FCO (Defence Department)
Sec/VCAS	HM Treasury (Mrs Case)
PS/HDS	ECGD (Mr Henley)
PS/CA	HM Ambassador Athens
DGA 1	
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RMD 4	
PO/Tornado	



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Defence

10 DOWNING STREET

From the Private Secretary

2 September, 1983

I enclose a message to the Prime Minister from Chancellor Kohl in response to the Prime Minister's letter of 25 August about tornado aircraft for Greece. As you will see, Chancellor Kohl has rejected the Prime Minister's request that his Government should guarantee a fixed interest rate of less than 9 per cent. In the circumstances, I assume that no reply is called for unless I hear to the contrary.

I am sending a copy of this letter to Margaret O'Mara (H.M. Treasury), Roger Bone (Foreign and Commonwealth Office), Jonathan Spencer (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

TIMOTHY FLESHER

Richard Mottram, Esq.,
Ministry of Defence

089



10 DOWNING STREET

PRIME MINISTER

A handwritten signature in blue ink, appearing to be 'M.S.' or similar, located to the right of the recipient's name.

As anticipated, Chancellor
Kohl has turned down our
request for a guaranteed
interest rate of less than
9 per cent for the Greeks.

A handwritten signature in black ink, appearing to be 'T.F.' or similar, located below the main text.

TIM FLESHER

2 September, 1983



DER BOTSCHAFTER
 DER BUNDESREPUBLIK DEUTSCHLAND
 Jürgen Ruhfus

PP12 deal

Ack'd 2/9

London, 2nd September, 1983

Dear Prime Minister

I have the honour to transmit to you the enclosed message from Herr Helmut Kohl, Federal Chancellor of the Federal Republic of Germany.

A courtesy translation is attached.

I have the honour to be,
 Dear Prime Minister,

Yours sincerely
 Jürgen Ruhfus

Her Excellency
 The Rt.Hon. Margaret Thatcher
 Her Majesty's Prime Minister and
 First Lord of the Treasury

L o n d o n

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CC MASTER
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Original:
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already been
processed.

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BUNDESREPUBLIK DEUTSCHLAND
DER BUNDESKANZLER

Bonn, den 1. September 1983

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 124/83

Ihrer
Exzellenz
Frau Margaret Thatcher, MP
Premierminister
des Vereinigten Königreichs
Großbritannien und Nordirland

London

Sehr geehrte Frau Premierminister,

wie Sie wissen, habe ich mich mehrfach persönlich sehr bemüht, unseren gemeinsamen TORNADO-Export nach Griechenland zu einem erfolgreichen Abschluß zu führen. Dabei ist die Bundesregierung den griechischen Wünschen in der Finanzierung des Projekts mehrfach und weit über das normale Maß hinaus entgegengekommen.

Allerdings sind damit auch die Grenzen für uns erreicht, so daß ich nach sorgfältiger Erörterung mit den zuständigen Bundesministern leider nicht Ihrem Vorschlag folgen kann, einen festen Außenzinssatz von unter 9 % zu garantieren. Im Interesse einer soliden Exportwirtschaft möchte ich bei dem Prinzip bleiben, keine Zinszuschüsse für Exportfinanzierungen zu gewähren.

Mit guten Wünschen und
freundlichen Grüßen

T123^B/83

Translation

Bonn, Sept. 1, 1983

Dear Prime Minister,

As you know, I have on several occasions made considerable personal efforts to bring to a successful conclusion our joint export of Tornado aircraft to Greece. In this effort the Federal Government has made several concessions to comply with Greek wishes regarding the financing of the project, concessions greatly in excess of the norm.

However, we have now reached our limit, and I regret that after thorough discussions with the competent Federal Ministers I cannot adopt your proposal of guaranteeing a fixed contractual rate of less than 9 per cent. In the interests of sound export trade I should like to hold to the principle of not granting interest subsidies for the financing of exports.

With best wishes,

Yours sincerely,
(sgd.) Helmut Kohl

The Rt.Hon. Margaret Thatcher MP,
Prime Minister
of the United Kingdom
of Great Britain and Northern Ireland,

London

RM



FILE

cc: FCO DTI
HWT CO

10 DOWNING STREET

From the Private Secretary

25 August, 1983

The Prime Minister has seen your Secretary of State's minute of 24 August about Tornado for Greece. As recommended, she has signed the draft letter enclosed with the minute. I should be grateful if John Holmes, to whom I am sending a copy of this letter could arrange for the message to be sent by telegram and for the top copy, which I am sending him, to be despatched.

I am also sending a copy of this letter to John Kerr (HM Treasury), Jonathan Spencer (Department of Trade and Industry) and to Richard Hatfield (Cabinet Office).

(Timothy Flesher)

Miss J. Ridley,
Ministry of Defence

CONFIDENTIAL

cc MASTER
OPS



10 DOWNING STREET

THE PRIME MINISTER **PRIME MINISTER'S** 25 August, 1983

PERSONAL MESSAGE

SERIAL No. T 119/83

By dear Chancellor,

For many months now our Governments have been working together very closely in an attempt to secure the first export order for the Tornado aircraft from Greece. We know that the final presentations have now been made to Mr. Papandreou and a decision is imminent. It has therefore been arranged for my Defence Secretary, Michael Heseltine, to fly to Athens on 2 September to make final representations in support of Tornado.

The Greek Government has made it clear that we stand no chance of obtaining this order unless we can offer credit at a fixed rate of interest below 9%. This is what the French are offering and because of the weakness of the Franc, the Greeks will find the French offer very attractive. For the British element of the credit package, special arrangements are being made to finance a loan in Deutschmarks at an interest rate of 8.95% inclusive of all charges and the British Government stands ready to provide financial support for this offer from public funds if commercial interest rates exceed this figure over the period of the loan. I know that there is no general scheme for subsidising interest rates in Germany, but I understand that special arrangements are being considered to support the German interest rate from public funds up to a maximum of 11.2%, leaving the Greeks to carry most of the risk thereafter. The risk of German interest rates exceeding 11% may be remote but in our view this scheme would still be most unattractive to the Greeks, in comparison with the French offer, and could well lose us the order. Moreover, Michael Heseltine would find it very difficult to explain such a scheme on

CONFIDENTIAL

/ behalf

behalf of the German Government when he sees Mr. Papandreou on 2 September. I must therefore urge that, as an exceptional measure, the German authorities be asked to support a fixed rate of 8.95% without any special conditions or restrictions in order to meet the Greek requirement. As I understand it, this does not require any immediate subsidy but only a potential and unquantifiable commitment to support interest rates if they rise significantly over the period of the loan.

I understand that this matter is to be considered at a meeting in Bonn on 29 August. This gives us very little time to compare notes before Michael Heseltine leaves for Greece on 1 September. I hope that you will be able to give us early confirmation of a favourable decision.

Warm regards,

Yours sincerely

Raymond Staiter

His Excellency Herr Dr. Helmut Kohl



MO 5/20

Prime Minister:

If you agree with Mr Heseltine that a message to Chancellor Kohl, needed, a draft is attached for your signature.

PRIME MINISTER

A

TORNADO FOR GREECE - GERMAN INTEREST RATES

25/8

As you know, the Greek decision on a New Fighter Aircraft is now very close and I shall be visiting Athens on 2nd September to make final representations in support of Tornado. I will take with me the personal message to Mr Papandreou which you have already signed.

2. The Greeks have made it clear that we stand no chance of obtaining this order unless we can offer credit at a fixed rate of interest below 9%. This is what the French are offering and, because of the weakness of the franc, the Greeks will find their terms very attractive. For the British element of the loan a scheme has been agreed with the Treasury whereby the credit is financed in Deutschmarks at less than 9% and the normal provisions for interest rate support can be invoked to allow a fixed rate to be offered for the period of the loan. However, the Germans do not have an interest support scheme similar to our own. Their only experience of subsidising interest rates for export credit has been on Airbus. This has proved very expensive and they are most reluctant to embark on anything similar for Tornado. Moreover, they are required to identify the extent of potential subsidies in advance and publish them in Government accounts. They are therefore extremely doubtful whether they can meet the Greek requirement for a fixed rate of interest at less than 9%, and they are proposing instead a scheme which would limit their support to movements in interest rates, inclusive of charges, between 8.95% and 11.2%, leaving the Greeks to carry most of the risk thereafter.



3. Although the risk of German interest rates rising above 11% may be remote, in our view this scheme will be quite unacceptable to the Greeks in comparison with the French offer and, unless it is amended I shall be placed in the invidious position of explaining a complex German scheme to Mr Papandreou which does not meet their requirements. I have therefore concluded that we should try to bring maximum political pressure to bear on the Germans, before their meeting on 29th August, to support a fixed rate of interest at 8.95% without any conditions or restrictions. I have spoken this afternoon to Herr Wurzbach (his deputy who will be representing him at the meeting) in the absence of Herr Woerner on holiday, and our Ambassador in Bonn will be calling at the Chancellor's office to underline our concern.* However, the final decision will rest with Chancellor Kohl and I strongly recommend that you should send the enclosed message to him on Friday 26th August.

4. I am copying this letter and enclosure to Nigel Lawson, Geoffrey Howe, Cecil Parkinson and to Sir Robert Armstrong.

Wright

Ministry of Defence
24th August 1983

*

Unofficially Herr Wurzbach
has since told me that
he would welcome a letter
from you to Kohl.

Letter in boxDRAFT MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL

For many months now our Governments have been working together very closely in an attempt to secure the first export order for the Tornado aircraft from Greece. We know that the final presentations have now been made to Mr Papandreu and a decision is imminent. It has therefore been arranged for my Defence Secretary, Michael Heseltine, to fly to Athens on 2 September to make final representations in support of Tornado.

The Greek Government has made it clear that we stand no chance of obtaining this order unless we can offer credit at a fixed rate of interest below 9%. This is what the French are offering and because of the weakness of the Franc, the Greeks will find the French offer very attractive. For the British element of the credit package, special arrangements are being made to finance a loan in Deutschmarks at an interest rate of 8.95% inclusive of all charges and the British Government stands ready to provide financial support for this offer from public funds if commercial interest rates exceed this figure over the period of the loan. I know that there is no general scheme for subsidising interest rates in Germany, but I understand that special arrangements are being considered to support the German interest rate from public funds up to a maximum of 11.2%, leaving the Greeks to carry most of the risk thereafter. The risk of German interest rates exceeding 11% may be remote but in our view this scheme would still be most unattractive to the Greeks, in comparison with the French offer, and could well lose us the order. Moreover, Michael Heseltine would find it very difficult to explain such a scheme on behalf of the German



Government when he sees Mr Papandreou on 2 September. I must therefore urge that, as an exceptional measure, the German authorities be asked to support a fixed rate of 8.95% without any special conditions or restrictions in order to meet the Greek requirement. As I understand it, this does not require any immediate subsidy but only a potential and unquantifiable commitment to support interest rates if they rise significantly over the period of the loan.

I understand that this matter is to be considered at a meeting in Bonn on 29 August. This gives us very little time to compare notes before Michael Heseltine leaves for Greece on 1 September. I hope that you will be able to give us early confirmation of a favourable decision.



MO 26/9/1

Prime Minister

PRIME MINISTER

May I have a word
about Saudi Arabia early
next week if before I go
to Scotland etc.

25/8

DEFENCE SALES QUARTERLY REPORT - APRIL TO JUNE 1983

I know that you will be interested in the latest Quarterly Report on Defence Sales, covering the period April to June 1983.

2. The total value of contracts signed during the quarter was £401M. This is less than the £528M sales achieved in the previous quarter, but very similar to the £406M figure for the corresponding quarter in 1982. The quarter's overall results are, however, relatively encouraging since they stood up well in the face of a significant downturn in our business with Saudi Arabia and the Gulf. That region usually contributes about half our defence sales business but, this quarter, represented only £45M or 11% of our successes, largely due to those countries' diminished oil revenues. The figures show we were able to obtain significant sales elsewhere to compensate. Details of the contracts signed are at Annex A to this minute. In addition, two further major orders were secured in early July, just outside the formal reporting period covered by this letter. These additional contracts, worth in excess of £390M, take the sales achieved to date during 1983 to about £1,320M. Given even only modest success during the remainder of the year, I am confident that we will comfortably exceed the £1,708M sales achieved during 1982, a figure which was in itself the highest recorded in real terms since 1978. An update on the current major sales prospects is given at Annex B.

3. The two most significant contracts signed during the quarter were for sales of Martello radars to Yugoslavia (£87M), and sales of



Vickers Mk III MBTs to Nigeria (£74M). The Martello sale which forms part of a much larger Yugoslav-led air space management contract for Libya (Operation Salaam) has been finally achieved after two years of negotiation, and could also lead to a further £65M order for communications equipment for "Phase II" of the overall package. On the sale of Vickers MBTs to Nigeria, the accompanying letter of credit is still awaited but my officials are confident that this will not present undue difficulties, since the Nigerians have a good track record in this respect. Other significant contracts reported were with Algeria for supply of Land Rovers (£33M); with the USA for further avionics equipment for the F-16 (£30M) and further Medium Girder Bridge Equipment (£28M); with Oman for Jaguar frequency-hopping radios (£20M); with Australia for ASW equipment (£18M); and with Nigeria for Scorpion light tanks (£13M). Also, as you are already aware, just after the end of the quarter, contracts for the purchase of Sea King and Sea Eagle were signed by India following signature of the Government-to-Government Anglo-Indian Sea King/Sea Eagle MOU. These contracts, together with the associated helicopter service contract which should be signed shortly, are worth some £250M and have been achieved in the face of particularly stiff competition from the French. This is a notable success in what could prove to be an important future market for British equipment. Also just outside the quarter, and therefore not included in the quarter's figures, Turkey signed a contract worth £146M for BAe's Rapier missiles.

4. The decision of Spain to purchase F-18A in preference to Tornado, although not unexpected, was nonetheless a disappointment. We are still therefore awaiting the crucial first export order for Tornado and it is for this reason that I attach so much importance to the current efforts to sell that aircraft to Greece.

5. In the Middle East, there have been significant cutbacks in the military budgets of all members of the Gulf Co-operation Council.



A number of promising UK sales prospects are bound to slip, notably Tornado for Oman and Hawk and the Valiant tank for Bahrain. The Saudis are also imposing tight financial controls which have led to delays in negotiations and programme cutbacks for the second phase of the management contract for the Saudi National Guard Hospital (SANGMED). I now anticipate that this important contract will be signed during the next quarter, but at a reduced value of some £100M for a one-year programme only, as opposed to the two-year contract previously envisaged. The tight financial situation in the region is expected to continue into 1984 but there is still considerable potential for future UK business there once the current budgetary pressures ease. Consequently, we intend to build up the momentum of our marketing there. I may be able to accept Prince Sultan's invitation to visit Saudi Arabia in support of this effort and I anticipate that other Ministers will visit the Gulf States this autumn. We are continuing in our efforts to promote Hawk as a standard trainer for the whole region. The aircraft undertook a successful promotional tour to Saudi Arabia, Kuwait and Bahrain in April. Kuwait has been less affected than most by the financial cutbacks and I raised the questions of Hawk sales with Sheikh Salim when I saw him in July. He was encouraging and I expect negotiations to resume on this in September. An important series of hot weather trials of armoured vehicles are currently underway in Abu Dhabi. We have sent Challenger, Valiant and MCV 80 to participate in these tests which are being attended by all other GCC States. Prospective tank business in the region amounts to at least £1,000M over the next few years. Competition currently exists from the US and France but Germany may give way to pressure to allow Leopard 2 to be offered to Arabian States. Recent requests from the Bahrainis and the Omanis for studies of their radar air defence needs and communications network respectively should lead to future sales. Other prospects in the Gulf region include radars and communications equipment, further aircraft sales and a range of Army equipment. The possibility of the sale of Tornado there is also beginning to be reopened and this is something I shall be consulting you and OD colleagues about separately very soon.



6. In Iran and Iraq, the defence sales picture is still dominated by our policy of non-supply of lethal items to either side whilst the war persists. Progress on the negotiations with Iran over recovery of debts outstanding from the Shah's regime remains slow, and the consequent lack of ECGD insurance cover or credit is making negotiations on the sale of Martello radars there difficult. An increasing number of approaches are being made to UK companies to supply defence equipment to Iran, but progress will be slow even though we have indicated our willingness to supply non-sensitive items. The projected Nimrod deal with Iraq is still under negotiation,[?] after rejection by the Iraqis of the Government-to-Government terms in March. Work on reversing this is continuing after a number of helpful financial concessions by the Iraqis, and a BAe/MOD team aims to visit Iraq this month. I am still sceptical about the ability of Iraq to finance a project of the size (approximately £2,000M) currently envisaged by them. In Lebanon, there are now some signs that the market there is picking up, with UK companies in competition with France and the USA for tactical communications. We intend to propose a general defence sales MOU to the Lebanese later this month.

7. A further round of negotiations took place in May on the defence cooperation MOU with Algeria and a final text was agreed. Signature should take place in September, with serious negotiations on major procurement contracts expected to commence soon afterwards. Priority items are expected to be Hawk, Air Defence Radars, and further ship purchases. A credit allocation of £300M outside the ECGD Section 2 limit has been agreed for Egypt for defence sales purchases, but we still await a list of priorities from them. They have, however, given a letter of intent to Vosper Thornycroft for purchases of six more Ramadam Fast Patrol Craft, but improved credit terms are likely to be required to conclude the negotiations successfully; this could present problems in view of the high foreign equipment content in the current proposals. As expected, the loan agreement for sales of Jaguar



to Nigeria was finally signed on 13th June. Following Nigerian purchases this quarter of Vickers Main Battle Tanks and Scorpions, it is unlikely, with the possible exception of Swingfire, that any early major procurement decisions will be taken there.

8. In India, negotiations continue on the general MOU covering collaboration in defence equipment. The Combat Engineer Tractor (CET) is currently undergoing hot weather trials and initial reports of its technical success are encouraging. It is possible that an order for CET could be negotiated in time for signature during your proposed visit to India in November. Longer term prospects there include UK participation in the Light Combat Aircraft programme, sales of FH70 and further sales of Sea Harriers.

9. In July, James Blyth, the Head of Defence Sales, visited Indonesia, Thailand, Singapore and Malaysia, to increase the momentum of our marketing in the region. The prospects for the successful establishment of a line of credit for defence purchases with Thailand now look promising. The Thais have formally accepted the proposed financial arrangements fronted by the Bank of England and we can expect signature of this by the end of the year. Interest there is in purchases of Scorpion and associated spares and Light Transport Aircraft. Whereas prospects in the short-term are clouded by economic difficulties, Indonesia in the longer term could become an important market. We are consequently progressing negotiation of our Anglo-Indonesian MOU for defence sales. Elsewhere in the Far East, the sales outlook in China is still unpromising in the short-term but there now appear to be good, though limited, sales prospects to Japan. In spite of US dominance of the market, sales of FH70 look particularly promising, and there are also reasonable possibilities of sales of Searchwater and in the longer term possibly EH101 helicopters and Harrier II. South Korea also presents a number of promising opportunities for UK Industry, including Skyvan aircraft, Lynx helicopters and the Vickers 155mm Self-propelled Gun. HM Ambassador indicates however that decisions could



be deferred by up to two years due to financial pressures. Major short-term prospects in Australasia are limited, although New Zealand has started negotiations for a possible purchase of small numbers of ex-RAF Jaguar aircraft.

10. Defence sales prospects in the US may be adversely affected by the recent decisions not to procure HARM, and also by our withdrawal of interest in purchases of Copperhead. However, we will continue to pursue sales actively in this market and the prospects for ICS3, Searchwater, 81mm Mortars, transport aircraft, Combat Support Boats and the Hawk VTX programme all appear encouraging. In South America, contracts with Ecuador and Brazil have continued to be frustrated owing to continuing difficulties over credit financing, while Peru's decision to re-schedule has been the latest setback for the Chimbote Naval Base project. Brazil however has provided reasonable business for a variety of UK component firms and the future market there continues to be promising despite her economic difficulties. Similarly Chile, despite her economic problems, is expected to be making further purchases of ammunition and second-hand equipment; a team from the Defence Sales Organisation is visiting Chile this month. British Aerospace are continuing to pursue an oil barter deal with Ecuador for Rapier sales, although difficulties over clearance to supply the Blindfire radar could pose problems.

11. In Europe a number of UK companies have won small contracts with Sweden to supply components for the Gripen aircraft. The most promising European prospects, other than Tornado for Greece, are for supply of engines for the Dutch frigate programme, Sea Skua for FRG and also, in the wake of the Rapier deal, for Turkey. BAe are optimistic over the prospects for Tornado for Turkey, although doubts must exist about her ability to fund such a purchase. The Royal Ordnance Factories are pursuing collaborative agreements with Spain and Greece, and British Shipbuilders retain hopes of dealing with the Hellenic Navy over the supply of frigates/corvettes.



12. In conclusion, we are seeing an interesting development in the pattern of our defence sales prospects. In the Saudi Arabia and Gulf areas, financial pressures are beginning to take their toll and we are suffering along with our competitors. But we are reacting by successfully diversifying and diverting our efforts to a wider range of markets as we have planned. Clearly we must continue to enhance our ability to react in a timely fashion to the relatively unpredictable middle term swings in the market. This will help to prevent a repeat of our experiences following the fall of the Shah: it will be interesting to see how the French react to what is likely to be a similar experience in Iraq. In the longer term, there are markets such as India, Indonesia and Brazil which are potentially huge and we have started to inject effort now to guarantee our place when they develop.

13. I am copying this to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry, and to Sir Robert Armstrong.

WFA
Ministry of Defence
22nd August 1983

D/DS13/405/3/2

ANNEX APART 1 - STATISTICAL SUMMARY OF CONTRACTS SIGNED DURING THE QUARTER ENDING30 JUNE 1983

The value of new orders received (ie contracts signed) during the quarter amounted to £401.510 compared with £528.399M in the previous quarter and £405.776M in the second quarter of 1982. The largest individual order placed during the quarter was for Martello Radar for Yugoslavia (£87M) followed by the £74M order for Main Battle Tanks for Nigeria.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Brazil	0.190	Abu Dhabi	0.925	Australia	18.000
Chile	0.820	Algeria	<u>33.300</u>	Egypt	2.600
Oman	0.500	Brazil-	7.106	Indonesia	4.300
USA	2.721	Brunei	1.790	Iran	1.800
	<u>4.231</u>	Canada	0.100	Iraq	3.800
		Dubai	0.880	Oman	0.800
		Egypt	0.900	South Korea	0.500
		Indonesia	0.100	Sweden	10.500
		Iran	1.700	USA	50.960
		Iraq	1.695	Yugoslavia	<u>87.000</u>
		Japan	0.600		<u>180.260</u>
		Kuwait	1.191		
		Nigeria	<u>95.602</u>		
		Oman	24.095		
		Pakistan	3.137		
		Qatar	0.910		
		Saudi Arabia	5.190		
		Singapore	0.150		
		Syria	1.848		
		UAE	1.250		
		USA	34.550		
			<u>217.019</u>		

Note: The figures are substantially correct but not completely comprehensive as not all private orders, particularly those of a minor nature, are known to the Defence Sales Organisation. Orders worth less than £100.000 are not included in the report. The figures shown are basic costs and do not include escalation or interest on credit.

Part Two : Priority One Prospects

Major planned effort required by Government and/or Industry during 1983 for these opportunities (although not necessarily leading to contract award during 1983) and/or a real prospect of a UK sale being achieved.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Aircraft Ground Support Workshop Complex at Blida	20 +	1983	Plans for implementation of workshop complex at Blida still under consideration. UK companies are discussing requirements with Algerian Air Force.	M of S(DP) to be UK signatory of MOU in September	France Sweden Germany
	Air Defence Scheme (Project Accord) (Phase 1)	150	1983/4	Industrial consortium producing costed proposals for Algerian authorities covering a phased scheme. Total project could be in excess of £500M.		
	Hawk (27) and Soviet aircraft refurbishment	200	1983/4	Position unchanged. BAe (AG) quotation for Hawk and Mig 21 overhaul and refurbishment under consideration by Algerian Air Force. - The two projects above depend on the satisfactory conclusion of Gvt to Gvt MOU and credit package -		
EGYPT	Fast Patrol Craft	240	1983	Egyptians have handed VT a Letter of Intent but credit is still very much the key. Firm are preparing a new application for credit. Original credit offer approved by EX.	USA	Spain USA
	Command and Control System (C3)	100 upwards	1984	No change. Prospects for some orders good although implementation is likely to take place over a long period.		
NIGERIA	Swingfire	165	1983	Following Presidential approval in March, detailed contract negotiations continuing.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Type 2400 Submarine	60 (for initial 2)	1985	<p>Moderate. The Australian Directorate of Submarine Policy plans to purchase new submarines to replace its existing fleet. It is planned that the new submarines will be partially built in Australia.</p> <p>VSEL are promoting a variant of the T2400 which more closely matches the Australian requirements, and Plessey and Ferranti will be submitting proposals for the combat system. The Request for Tender (RFT) was issued in May and an RAN team have just completed a tour of potential shipbuilders and combat systems specialists to discuss this. Four companies (2 for the submarine and 2 for the combat system) will be chosen to carry out project definition studies in 1984 and the final contract will be placed in 1985/6.</p>		France Holland Germany Italy Sweden
INDIA	Sea King	230	1983	The Indians have now decided that WHL's Sea King is the preferred choice. Following agreement on MOU negotiations, contracts were signed in July.		Formerly France
	Sea Eagle	30 (for first 20 missiles)	1983	Now coupled with Sea King contract; signed in July.		France
	Sea Harrier	110	1983/84	India are currently considering a purchase of a further 12 aircraft over and above the 8 currently on order.		N/C
	Light Combat Aircraft	165	N/K Long Term	Negotiations continue at a satisfactory but slow pace.		France USSR
	FH 70	360-700	1984 +	IMS has not yet received a reaction to the completed questionnaire. An alternative and cheaper vehicle (MAN - as used by FRG) already manufactured in India under licence, has been proposed.		France Austria Sweden
	CET	30	1983	On completion of a successful in-country trial, it is hoped that a contract could be signed later this year.		N/K

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN	FH 70	19 +	Starting 1983	Decision to purchase now ratified in Diet and funding for first 20 guns confirmed in revised FY83 budget. Sales of ammunition and transfer of ammunition technology are being negotiated separately.		
	Searchwater Radar	Up to 75	1984	JMSDF have evaluated Searchwater. A decision in favour of Searchwater by the US Navy would positively influence the Japanese.		
MALAYSIA	Defence Operations Room (DOR) Project	50 initial	1984	Technical evaluation of tender proposals complete; believed to be in EASAMS favour. Financial decision in context of budgetary allocation is awaited. EASAMS have offered long term credit and counter trading proposals. Possible forms of additional MOD training and assistance to support EASAMS under consideration.	Letter from S of S (10.2.83)	USA
PAKISTAN	Frigates (Type 21)	150	1983/84	Vosper's proposals for qty 2 type 21 frigates submitted Aug 82 with offer of 100% credit (50% ECGD)	Ministerial agreement to 50% ECGD cover - PM's letter to ZIA Aug 82.	France Italy FRG
	Skyflash	40	1983/84	Pakistan Air Force have requested BAe to submit proposals for the modification of their F16s to carry Skyflash missiles.		USA
SOUTH KOREA	Skyvan	100 +	1985/86	Shorts are optimistic that a decision will be made in favour of Skyvan, but a decision may now be deferred to 1985/6 due to budgetary considerations.		Spain Canada
	Lynx	60	1983/84	ROK MND have initialled draft contracts for 10-12 Naval Lynx: a decision is expected by the end of 1983 with contract signature by end March 1984.		France
	Sea Skua	8-10	1983	BAeDG have been asked to submit a draft contract for Sea Skua in association with the naval helicopter requirement: a decision is expected in November 1983.		
	Twin 30 or 35 mm Battlefield AA Gun System	40 +	1983/84	Evershed Power Optics have submitted proposals for radar and fire control systems. Up to 200 systems will be required in total with some manufactured under licence.		

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SOUTH KOREA (Cont)	Vickers 155 mm SP Gun	50	1983/84	Following the breakdown of contractual negotiations over the US M109 Gun Vickers have been invited to resubmit an offer based on their original proposals.		USA
	Sonar and Diesels	10	1983/84	Negotiations have now started on Plessey's 193 minehunting Sonar and Paxman diesels powerpacks for a new class of Korean MCMVs. 6 MCMVs of this class are planned.		
THAILAND	Line of Credit	65	1984/86	After nearly 2 years of discussion, the draft MOU has been forwarded and awaits clearance by the Ministry of Finance and the Supreme Command prior to signature.		

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Land Rover	30	1983	Decision on 4 x 4 vehicle requirement expected towards end summer. Technical evaluation of Land Rover, Mercedes and VW completed.		FRG - Mercedes VW
	Helicopters	50-80	1984 +	Decision expected end '83 Lynx III on offer. Decision on short list expected this summer. Offset package of major importance.		FRG France Italy USA
GREECE	Tornado	500	1983	A decision is still awaited on the choice of aircraft for the HAF. Should they opt for a two aircraft solution then Tornado would be a strong contender to meet the air to ground role. Panavia have submitted comprehensive commercial proposals and a final decision is expected before the Autumn. The proposals include significant offset offers to Greece and allow the integration of the HAF into existing Tornado training, supply and programme management arrangements. In parallel an MOU specific to Tornado and supported by the 3 partner governments is under consideration with the Greeks. Current activity is concentrated on improving the credit package in face of strong US and French competition.	Minister (DP) visited Greece in May 1983 to further the Tornado case. The Prime Minister has sent a message to her Greek opposite number supporting proposals. A visit to Greece by S of S to support Tornado is in prospect.	USA France
NETHERLANDS	Spey Engines SM 1A-Rolls Royce	50	1983	For 12 'M' class frigate programme. Question of linkage to RN purchase of GOALKEEPER.	M of S(DP) has asked the Dutch for an early meeting to discuss offset requirements.	USA
SPAIN	Rapier (Optical DN 181 Laserfire)	171.5	1983	Presentation on Rapier's performance in the Falklands held early May '83 was well received by the Spanish Army and should help to counter "black propaganda". Following this and recent BAe presentations in Spain prospects for a sale are more promising, particularly in view of the high level of Spanish industrial participation being offered by BAe. BAe's latest proposal includes full Spanish participation in the development and manufacture of Laserfire.	At Minister (DP)'s invitation Sir Eduardo Serra, the Spanish Under-Secretary for Defence, recently visited the UK for discussions primarily regarding Rapier.	USA FRG/France
SWEDEN	Helicopters Attack/ASW Rescue/TPT	120	1985/86	Requirement to replace fleet over next decade. WHL have been asked to quote by early Sep 83 for 20 anti-tank and 10 SAR helicopters.		FRG France Italy USA

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SWITZERLAND	Helicopter Anti-Tank	80	1986	Lynx III on offer. Swiss intend to narrow competition to 2 by end 1983 for final decision 1986.		US France FRG Italy
TURKEY	Sea Skua	15 (initial order)	July 1983	Negotiations on Sea Skua are linked to the prospective Turkish purchase of Italian helicopters. The Turks are reported to be close to finalising a contract with BAe. This would also involve Marconi Sea Spray Radars.		France
	Rapier	146	July 1983	A contract was signed between the Turks and BAe on 11 July 83, and will appear as a 'sale' in the next Quarterly Report.		
WEST GERMANY	Sea Skua/Sea Spray/Sea Searcher	50	1983	Prospects for BAe Sea Skua and MEL Sea Searcher appear strong as choice for Sea King improvement programme. Decision expected soon.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	10	1983	B Ae(DG) promotional efforts continue but progress is becoming more difficult because of Brazil's international debt problem.		
	Submarine Fire Control System (for IKL 209 submarines)	8	1983	Contract signed but stalled because of W German credit financing difficulties for main submarine contract. These should be overcome within the next 2 months or so.		
CHILE	Surplus Ships	10	1983	Negotiations for sale of HMS Antrim continue.		
	Surplus Aircraft	50	1984	Chilean Air Force are interested in purchasing ex RAF Jaguars on a Government to Government basis. Preliminary discussions are underway.		
ECUADOR	Rapier/Blindfire	46	1984	B Ae(DG) have Ecuadorian Letter of Intent for purchase of Rapier on the basis of oil counter-trade. However successful contract negotiation depends on agreement to release Blindfire in 1984. Case to be submitted to Ministers shortly.	M of S (DP) US of S (DP) Involvement will begin when case for Blindfire release is submitted.	France (Crotale)

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BAHRAIN	Hawk	22 (excluding weapons)	1984	Highly successful in-country demonstration given in April. DSO to assist on BL 755 (this could involve speculative buy) but not on Sidewinder. Purchase dependent on GCC funding over which there is some uncertainty at present.		France (Alpha Jet) USA
	Sea Skua/Sea Spray	25 +	1984	BaE have excellent prospect to fit Sea Skua to AB212 or 412 helicopters together with Ferranti Sea Spray Radar.		France (Asistt)
IRAN	Martello Radar	150	1983	As previously reported, because of outstanding debts dating from the fall of the Shah, ECGD have refused credit insurance cover for this Marconi business. Plessey are also competing.		
IRAQ	Nimrod	2000+	end 1983/84	BaE now working up a budgetary package for the Iraqis. Next visit planned for August. Finance is a major problem.	Visit by Mr Ramadan (1st Deputy Premier) to UK in September.	
JORDAN	Fast Patrol Boats	104	1984	UK yards competing with overseas yards. Fairey seem best placed. Ship launched Sea Skua is being offered.		Spain Italy France
	Refurbishment of F 5Es	N/K	1984	UK companies are promoting various packages (HUD/EW/NAV Attack Systems).		
KUWAIT	Air Defence System	50	1983/84	Proposals recently considered by Higher Defence Council but no decision taken. Kuwaitis may seek "Independent Assessment".	Mr Hurd discussed in March in Kuwait	France (Thomson/ CSF) US (Hughes)
	Hawk	80	1983/84	KAF enthusiastic about Hawk. Successful in-country demonstration given in April. We want to turn abolition of ATC's to our advantage over Hawk deal.	Hawk sale discussed by S of S during call on Shaikh Salim (13 Jul 83)	France (Alpha Jet)
OMAN	Tornado ADV	200	1984	Oman has declared strong preference for Tornado ADV	S of S discussed with Sayjd Fahr in June 1983	
	Mobile Radars MRSL	20	1984/85	A priority GCC funded prospect. Marconi in dialogue with Oman.		
QATAR	MCMV	50	1984 onwards	Requirement is for two vessels. RN/VT team visited Qatar in December 82. Likely that Qatar will wish to train one or two of their officers in the UK before deciding on the type of vessel to be purchased. INFCT have passed proposals		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
QATAR (Cont)	JOC	120	1984	to RNLSP as basis for further discussion. It is hoped that a course can be offered at no cost (funded jointly by VT and Defence Sales Fund).		France (CNM)
	Rapier	150	1985	Project progressing slowly; Plessey's chances of securing the order will depend to a great extent on the company's performance on the AR3D radar contract. HMG letter of assurance given in February 1983. Finance could be a problem.		
SAUDI ARABIA	Air Defence Ground Radar System	200	1984	Confirmation still required that radars are included in the American FMS C-Cubed package which is reportedly now funded by the Saudis in the sum of \$1.5 Billion (the original proposal was for a \$3 Billion programme). If radars are incorporated this will effectively exclude Marconi and Plessey from bidding unless they can tie in with a major US prime contractor.		USA
	Nimrod AEW	250	1985/86	Prince Sultan has expressed an interest in acquiring Nimrod AEW with an enhanced capability for EW and intelligence gathering. More recently, he indicated to Mr Pym that the timescale envisaged was 1985/86 (ie after the aircraft enters service with the RAF).	Mr Pym discussed with Prince Sultan on 9 April in Saudi Arabia. Mr Nott discussed in Sept 1982.	USA
	Hawk	200	1985/86	The recent Hawk visit to Saudi Arabia served to re-focus and re-inforce previous RSAF interest in the aircraft. However there are no plans to introduce a fast jet training aircraft into the King Faisal Air Academy Pilot Training Programme before the unit is relocated at Al Kharj in the late 1980s.		France Italy Spain
	Lynx Helicopters (For Army)	80	1984	Competing aircraft for observation role are now being generally assessed. Fly-off planned for summer 1984.	S of S raised subject with Prince Sultan in Sept 82.	USA FRG
	Engineer Package (Army)	43	1983/85	Under Negotiation		
	NBC/EOB Package (Army)	19	1983/84	Under Negotiation		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA (Cont)	BH7 Hovercraft (Min of Interior)	85	1984	Draft contract submitted by BHC.		
	Challenger MBT	480	1984/85	MOD presentation in Feb 83. Saudi Army to attend UAE trials in July.	HMG has formally offered to sell tank to Saudi Army. Foreign Sec raised subject with Prince Sultan April '83.	USA (possibly FRG)
	Artillery Surveillance Equipment and Associated Training and Support.	32	1983/84	Contracts have been cleared by Artillery Section of Foreign Procurement. Clearance by Ordnance Section now awaited.		
SAUDI ARABIAN NATIONAL GUARD	Blowpipe/Rapier	20/90	1984	MOD presentation on UK concept of AD (inc Blowpipe + Rapier) Sept '82. Further more detailed information on cost, performance etc has now been provided at NG's request.		USA
	SANGHED Project	100 (for year 1 of LOA2)	1983	The current LOA expired on 23 May 1983. Negotiations for a second LOA for the continued operation of the King Khalid Hospital are proceeding although it is unlikely that funds will be guaranteed at this stage for more than one year ahead.		
UAE	Field Engineering Package	50 +	1984-85	IMS are to submit a revised offer to GHQ Abu Dhabi for a reduced range of engineer equipment including Mines, Explosives, EOD Equipment, Class 30/60 Trackway and Ranger		No competition on overall package, but expect that UAE will shop around for individual elements of the package to strengthen their negotiating position with IMS
	EGA Hawk (10)	84	1983	Although contract signed for 16 trainers, EGA was budget casualty. Recent interest in Harrier 2 (qv) may hold off US marketing of A10 and keep door open for EGA.	Mr Pym raised further aircraft sales during his visit in April.	France USA
	AR3D Radar	50	1983	Plessey proposals well regarded and linked to ADOC. HMG letter of assurance may be required.		
	Challenger MBT	100	1984/85	Trials take place in July/August 1983. Prospect for up to 270 tanks.		
	AIOC	50	1984	See AR3D Radar.		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE (Cont)	Joint Operations Centre	50	1984	Proposals on interim solution have been put forward. Budget restrictions may delay project.		
	NOC	50	1984	Ferranti's are waiting to be called forward for contract discussions but budget considerations apply.		
	EW System	100	1984	Company proposals under consideration, supported by MOD training offer. There seems to be waning interest due probably to budget restrictions.		

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
USA	Improved 81 mm Mortar	350	1984	Single year procurement planned for FY 84; multi year programme thereafter.		
	Combat Support Boat	Proportion of 6-700 Boats	Nov 1983	Decision on American small business set aside awaited.	Minister (DP)	USA
	ICS 3	50-100	1983	Procurement decision awaited.		USA
	Hawk VTX	500	1984	USG have accepted free loan 12 Hawk aircraft. Acquisition plan for dry Hawks unsettled.	Minister (DP)	USA
	Searchwater	50	1983	Competition to be run between EMI and Texas Instruments. Though initially both systems could be procured.	Minister (DP)	USA
	ESDA	81	Nov 1983	Request for proposals issued. Shorts main rival is CASA, teamed with McDonnell Douglas.		USA Spain Israel France Italy

Part Two : Priority Two Prospects

Significant effort required by Government and/or Industry during 1983, but to rank lower than Priority One opportunities.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Further Ship Purchases Submarines, additional patrol craft	400	1983/84	Proposals under consideration. Detailed negotiations are now underway for both Pirhana and 550 Class submarines. Credit likely to be required.		Germany France
EGYPT	Main Battle Tanks	500	1986 +	Long term prospect. Egyptians have shown interest in both Challenger and Vickers Valiant		France
MOROCCO	IMS Ltd Package (Artillery, Ammo, Vehicles, Small Arms)	165	1983	Gradual rapprochement between Morocco and Algeria and worsening economic situation in Morocco and in Saudi, who were to give financial backing, are likely to reduce chance of success for this project.		
TUNISIA	Fast Patrol Craft (52m x 2) (Exocet Armed)	52	1983/84	No change. Tunisian Treasury are believed to be reluctant to finance the deal although it is hoped that the necessary funds can be allocated in the next Defence Budget.	Secretary of State discussed with Tunisian Ambassador March 83.	France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Tri-Service Helicopters	£50M (helicopter and spares)	1983/84	Moderate. A Request for Tender (RFT) was issued in January to Westlands, Sikorsky and Aerospatiale for Destroyer and Utility helicopters. Westlands have submitted proposals for 17 Lynx or Super Lynx (W50) helicopters. A decision is expected later this year. This could be first batch of a total order of some 110 helicopters for a variety of roles.		USA (Sea Hawk Black Hawk) France (Super Puma Dauphine)
CHINA	Project 037 Refit of Corvettes	20 +	1985 +	The Chinese decided not to proceed with Project 037 until Project 051 was underway and since its demise have not re-opened discussions on 037, despite prompting.		
INDONESIA	Medical Equipment Package	17 +	1983/84	G to G package through IMS. Reaction awaited to police equipment proposals submitted by IMS end March. Decision on medical equipment package, including training, has been delayed due to reconsideration of defence budget - believed however to be a priority requirement.		USA USA FRG Italy
	Hawk (Further Buy)	20	1983/84	1982 follow-on contract included option at fixed price for further 4 a/c.		
JAPAN	FH70 Ammunition	51	18-30 months	Licence Negotiations		USA
	FH70 Ammunition 155 mm HE L15	15	Late 1983 Early 1984	Good Prospect		USA
MALAYSIA	FH70 Ammunition	20	18-30 Months	IMS Request for Price		
PAKISTAN	Fire Control System for TS9 Soviet Tanks	100	1983/84	Firing trials have narrowed competition down to those stated. Ferranti believe they are favourites, but latest trials resulted in lower than average success rates by all 3 firms. Further training to be given pending retrial.		FRG (Kraus Maffei) Belgium (OIP)
	Naval Yard	NK	1984/85	Vosper Thornycroft and Sir Alexander Gibb		
	105 mm Light Gun and Associated Ammo.	50	1984/88	Under negotiation (IMS)		

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
FRANCE	AEW Equipment	300 +	1984/85	Proposed Marconi Avionics (MSA) fit in the French Transall aircraft is under consideration along with its US competitors to meet French requirements for an AEW system. An initial demonstration flight took place in December '82 and a further evaluation flight is planned for later this year. The French have also expressed an interest in Nimrod AEW but this would be dependent upon the production line being reopened; currently a remote possibility.		
	105 mm Lt Gun System	38	6-24 Months	Prices Given		
NETHERLANDS	LAW 80	50 +	1984/85	Decision C 1984. RNLA requirement for around 75,000 hand-held light anti-armour weapons. Potential for co-operation between HEL and Eurometaal under discussion.		Various
	VL/SEAWOLF	50 +	1984	Possible RNLN requirement for missile fit in 'M' class frigate, with HSA UM40 radar.		
SWEDEN	JAS 39 - GRIPEN Multirole Combat Aircraft		1983	Number of UK firms involved in sub-contract work. Also prospects for Skyflash as missile fit.		
SWITZERLAND	Bloodhound Booster Rockets	21	1983	Funds set aside in Budget for procurement in late 1983.		
	Barmine System	48.9	1985/87	An offer has been made for direct supply and discussions continue on licensed production.		Germany Italy France Sweden

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CHILE	Combat Engineer Tractor	30	1986-87	Enquiry		UK
COLUMBIA	Naval Lynx	20	1984	Lynx now said to be preferred aircraft but Navy are having difficulty in securing Ministry of Finance agreement to purchase the full requirement		W. Germany (BO 106) France (Dauphine)
ECUADOR	Air Defence Radar	20	1983	Contract for second stage of project signed, but ECGD credit cover not available because of Ecuador's recent decision to suspend repayments of existing official debts.		Israel USA

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BAHRAIN	MBT	50	1984	Firm requirement; Valiant is a leading contender (Challenger is considered too heavy) though uncertainty exists over GCC funding which may see purchase deferred. BDF still have not decided whether they really need heavy armour or not. Statement of commonality of spares between Challenger and Valiant supplied. In country demonstration refused but BDF will see tank in UAE.	S of S has provided letter of comfort to BDF to allay fears over purchase of tank not in service with British Army.	France (AMU 32) Italy (OF 40)
	Light Armoured Vehicles	20	1984/85	Requirement is for assortment of some 60 vehicles from same stable. Interest centres on MCV80 though Scorpion now making strong challenge. In country demonstration refused owing to uncertainty over GCC funding.		
IRAQ	Hawk	N/K	1984	Direct purchase of 25 off the shelf aircraft as a lead in to the SAAD 25 project is now dead. But Iraqis have shown interest in possibility of an initial design contract for an aircraft factory. BAe plan to visit in August. Finance is a major problem.		France Italy
	Naval Base	500	N/K	A turnkey offer for the design and construction of a naval base near Basrah was submitted in December 1981. The validity of the offer, which expired end 1982, has been extended to 30 September 1983		Numerous
JORDAN	Hawk	100	1984	Replacement for F5b. Decision could be delayed if RJAF refurbish F.5E.		France Italy Spain
	ACA	N/K	Late 1980s	Subject to external funding		
	Khalid MBT Maintenance Spares	26.5	Two Year Maintenance Sale 1983/85	Sales Offer Dated 9/8/82.		
KUWAIT	MBT	100	1985 onwards	Floater confirmed long-term interest. FUS under evaluation for any future MBT purchase.)))S of S discussed with)Shaikh Salim, Minister of)Defence, in July 1983.))	FRG (Leopard II) USA (M1) USSR (T72)
	Light Armoured Vehicles	20	1985	Scorpion has good prospects of replacing obsolescent Saladin. MCT 80 also under consideration and ROFS have submitted budgetary quotation for 101 Fox vehicles))))))	

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
OMAN	Hawk	200	1985/86	Following recent successes in UAE and heightened interest by Bahrain and Kuwait BAE are marketing in Oman.		
	Tri-Service Commis	100 +	1984	This project has now resurfaced. Oman has requested UK MOD assistance and an expert will visit in August 1983 to do a survey of requirements.		
	Stormer	20	1984	Following successful 1982 trial, there is interest but GCC funding will dictate timescale.		
SAUDI ARABIA	Air Base Security System	80-90	1984	Shorrock Security Systems are still in a position to win a contract for the provision of security systems for RSAF airfields and other facilities. The RSAF have gone out to tender again but have now been forced to cancel this action and restart the process to comply with new Government regulations on open tendering. Previously this requirement only applied to civilian projects.		USA
	193m Sonar (Retrofitting to RSNF MCMVS)	6 +	1984	Presentation given during RSNF visit in March '83. Plessey have been invited to give in-country presentation and proposals next quarter.		USA
	Missiles and A/D Frigates (For Navy)	150	1985/86	RSNF have requirement for 2 x AD Frigates in 5-8 years time. BS and BAE DG are concerting a response. 2 Presentations on Sea Wolf and Sea Dart given (Dec 82 and April 83).		Possibly France
	Challenger MBT (For National Guard)	50 +	1985	We have responded positively to SANG's request for a firm 'commitment to supply'		USA (Possibly FRG)
	SP20 (For Army)					
	(a) Ammunition	30	1983/84	IMS have submitted costed proposals, at the request of I/Arty Saudi Arabia.		
	(b) Fire Control Equip	30	1983/84			
	(c) Spares for Guns Sold	10	1983/84			
105 mm Tank Ammunition (L64 APFSPS)	20	1983/84	Draft contract prepared. Demonstration in Saudi Arabia 1983. Problems relating to costs anticipated (IMS).		USA	
Parmines	44.2	1984/86	Offer now invalid. IMS are held up by the prospective customers memorandum on the signature of new contracts.		This is a follow on requirement and we do not believe that there is any competition.	

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE	Tornado (ACA)	600	1989/90	BAe keen to replace Mirage with Tornado in late 80's.		France USA
	Harrier II	NK	1985	See under Hawks		USA France
	Tracked Rapier	70	1984	BAe keen to follow up Rapier sales. Recent Oerlikon sale of AD guns may well make sales much more difficult.		
	MCV 80	50	1986	Will be trialled with Challenger in July/August. Strong interest shown during Floater.		Brazil
	MCMV	100	1985/86	With Egyptian COMD now replaced by Vospers prospect looks better but budget considerations will apply.		
	Integrated Communications System	120	1984 onwards	Reaction to proposals submitted in December 1982 still awaited.		USA France

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Rapier	100	1985	Moderate. No change from last quarterly report. BAe are still waiting for Canadian DND to issue a Request for Proposals (RFP) which is expected to be issued later this year.		
	Canadian Patrol Frigate (CPF) Programme	N/K	1983	<p>Moderate. Canada is planning to purchase 6 new patrol frigates to be designed and built in Canada. Although the main contractor will be Canadian a number of UK companies are hopeful of major sub-contract work in propulsion machinery, radar, communications and weapon systems.</p> <p>The main frigate contract has just been awarded to the St John Shipyard Co with Sperry. However, the choice of many systems has not yet been finalized and so it is not yet known exactly what UK content there will be on the ships.</p> <p>It is planned that the first ship will be operational by February 1989.</p>		
USA	Rapier	50	N/K	No change.		

PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 30.6.83A-NAVY SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
Brazil	Naval Spares	0.190	1983
Chile	Height Cushion for Seacat Missiles	0.260	Has already occurred.
	'O' Class Submarine Sonar. MOD Kits.	0.400	1983/84
	Naval Spares	0.160	1983
Oman	Rediffusion Comms Equipment	0.500	N/K
USA	Stern Shaft Seals - Deep Sea Seals	1.300	
	Cable Assemblies - STC	0.200	
	Motors-Mawdsleys	0.380	
	Mine Disposal Weapon Equipment	0.841	Before 31.3.85

PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 30.6.83B-ARMY SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
Abu Dhabi	105mm Light Gun Spares	0.360	3-30 months
	AFV Spares - CVR(T)	0.565	April 1985
Algeria	Land Rovers	33.300	1983 Onwards
Brazil	Communications Equipment	0.500	1983
	Night Vision Equipment (For ENGESA vehicles).	6.394	N/K
	Vehicle Radios (For ENGESA)	0.212	N/K
Brunei	Hand Grenades L2A2	0.180	1984
	Scorpion Sight	1.300	N/K
	76mm Canister Ammunition	0.310	1984
Canada	Mexeshelter	0.100	Jul/Aug 1983
Dubai	105mm Light Gun	0.650	1983
	105mm Tank Gun Ammunition	0.230	1983
Egypt	SP122 Development contract	0.900	1984
Indonesia	Artillery Trainer (Invention)	0.100	
Iran	Water Purification Equipment	1.700	1983
Iraq	Hand Held Lasers	0.537	1983
	Beethoven Mk2 Exploders	0.158	1983
	Water Purification Equipment	1.000	1983
Japan	FH70 licensing and supply	0.600	1984 onwards
Kuwait	AFB Spares - Various 'A' Vehicles	0.149	June 1985
	AFV Spares - Chieftain	0.142	June 1985
	PTR 1430 Radios	0.900	1983/84
Nigeria	36 Main Battle Tanks and 11 Variants	74.000	1984/85

B-ARMY SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
USA (Cont)	Refurbish 200 Diesel Engines	0.420	
	Gun Display Unit for Battery Control System	0.760	
	Gun Display Unit for Battery Control System	0.770	
	Gun Display Unit for Battery Control System	2.880	

* Contract signed during quarter ending 31.3.83 but not previously recorded.

PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 30.6.83C-AIR SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
Australia	AQS-901 (2nd Productin Order)	18.000	Commencing Oct 84
Egypt	Mig 21 and L29 aircraft spares	0.400	1983
	Sea King and Commando helicopter refurbishment spares	2.200	1983/84
Indonesia	Refurbishment of 2 Wasp Helicopters plus provision of spares	1.500	
	Radar spares	0.300	
	Management Training (BAE)	2.500	
Iran	Air Force Cadets University Training	1.800	1983/86
Iraq	Air Traffic Control and Fighter Control Instructors Courses	0.100	1983
	University Training	2.500	1983/86
	Hunter Spares	1.000	1983
	Air/Sea Rescue Training Craft	0.200	1983
Oman	Refuelling Bowsers	0.800	1983/84
South Korea	Balloon Parachute Training System	0.500	1984
Sweden	Environmental Control System per JAS39 Programme	4.000	
	Development and Production of Manoeuvring flap actuation system	0.900	
	Auxiliary and emergency power	1.600	
	Mk IOLS ejection seat	1.500	
	Development and Manufacture of landing gear	2.500	
USA	Flight Data Acquisition Unit	0.140	
	AV8B Pilot Production	11.180	
	AV8B - FSD	0.240	

SUBJECT

cc Matis
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Ows.



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 124A/83

10 DOWNING STREET

THE PRIME MINISTER

My dear Prime Minister,

I am sorry that I did not get the opportunity to discuss your letter of 12 May about the Tornado weapons system at the Stuttgart Summit in June, but I understand that Chancellor Kohl reaffirmed our strong support for the selection of this aircraft for the Hellenic Air Force and the importance which we attach to this decision. The tri-national company PANAIA and the three partner governments in the Tornado consortium have studied your letter in detail and we believe that all the points you raised have now been satisfactorily resolved in discussion with the Hellenic Air Force.

Michael Heseltine, with whom I have discussed this, will be able to explain to you the unique advantages of the offer that has now been put forward. The much improved financial terms include a fixed price and a revised credit package.

The main point that I would like to stress about Tornado is that it is a proven success already in large scale production. 250 Tornados have already been delivered to the Armed Forces of three European countries, and this figure will have risen to 425 by the time of the first delivery to Greece. The experience that this represents would be a major plus for Greece as the new Tornado partner. It is a magnificent aircraft, which, particularly if you decide to undertake the final assembly in Greece, will provide a valuable transfer of high technology to your country.

/ Chancellor Kohl

Chancellor Kohl and the Government of Italy share with me the view that the purchase of Tornado is of major importance in cementing the defence, political and commercial links between Greece and three of her major European partners. It would be an excellent basis for the future development of these ties.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Andreas Papandreou.



da

10 DOWNING STREET

12 August 1983

From the Private Secretary

Adm. Sec.

This is just to record that the Prime Minister has seen and noted your letter of 10 August about arms sales to Chad.

Timothy Flesher

Timothy Flesher

John Holmes, Esq.,
Foreign and Commonwealth Office.

da

CONFIDENTIAL

HL



cc FCO
HMT
DTI

10 DOWNING STREET

From the Private Secretary

11 August 1983

Thank you for your letter of 9 August about Tornado for Greece. The Prime Minister has noted the position set out in the letter and has signed the draft letter to Mr. Papandreou which you enclosed. As requested I enclose the top copy of that letter undated for Mr. Heseltine to deliver when he is in Athens. Perhaps you could let us know when this is likely to be.

I am sending copies of this letter to John Holmes (Foreign and Commonwealth Office), John Kerr (H.M. Treasury) and Steve Nicklen (Department of Trade and Industry).

Tim Flesher

Nick Evans, Esq.,
Ministry of Defence.

CONFIDENTIAL

CONFIDENTIAL

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Foreign and Commonwealth Office

London SW1A 2AH

10 August 1983

Dear Tim,

Thankyou
mb

Pre Martin

To note

JH

u/y

Chad: Arms Sales

The Prime Minister may wish to be aware that Mr Raison, in the absence of Sir Geoffrey Howe, has approved the sale of ten 'Blowpipe' missile launchers and 100 missiles to a French company on behalf of the French Ministry of External Relations, who intend to give the equipment as soon as possible to the Government of Chad. The sale, worth some £2 million, will be by Short Bros, not HMG, though five of the launchers and the missiles will be released to Short Bros from the Ministry of Defence. The missiles are of a type now obsolete in the British Army.

The deal includes a small training element, which will be done by Short Bros staff, probably in the United Kingdom; it is a condition of sale that Shorts should not do this in Chad.

There is no reason to expect the deal to become public, but if it does we shall take our usual line that we do not comment on individual arms sales.

I am copying this to Richard Mottram (MOD).

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing St

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~2307822~~ 218 2111/3

MO 5/20

9th August 1983

Dear Willie,

TORNADO FOR GREECE

We now understand that the Hellenic Air Force has made its final submissions to Mr Papandreou on the question of their new fighter aircraft and that he is likely to take a decision in the near future. In order to exert the maximum influence on Mr Papandreou to purchase Tornado, Mr Heseltine plans to make a short visit to Athens. You will recall that on 6th June the Prime Minister sent an interim reply to a letter of 12th May from Mr Papandreou. We believe that while Mr Heseltine is in Athens, it would be timely if he were to deliver a full reply from the Prime Minister.

We do not, as yet, have a firm date for the visit. We have been planning on the week of 15th August but because the Greek Prime Minister's diary is so full the visit may have to be delayed until 2nd September. We have been assured, nevertheless, that no final decision will be taken until after Mr Papandreou has seen Mr Heseltine. On the assumption that the visit could be as early as next week, I am submitting now the draft of a letter which the Prime Minister might send.

Mr Papandreou's letter of 12th May concentrated on the need to improve the credit terms. This issue is still not finally resolved, but since the Prime Minister last wrote to Mr Papandreou we have secured agreement to increase the cover for the credit package from 90% to 95% of contract value, and to reschedule the payments period to 1989 to 1997, providing a grace period of 6 years (with payments commencing at the end of aircraft deliveries) and a repayment period ending 14 years from contract signature. We are still waiting, however, to hear whether Germany can approve an interest rate support scheme so that a fixed rate below 9% can be offered. We suggest, therefore, that the Prime Minister writes in general terms about the improved financial package, and leaves Mr Heseltine to explain the details when they are settled.

W F S Rickett Esq

- 1 -

CONFIDENTIAL



We have secured agreement from Bonn to associating Chancellor Kohl with the text of the letter and it has also been cleared with the Italian Government. The British Embassy in Athens has recommended that this formulation will have most influence with Mr Papandreou and FCO officials are content.

If the Prime Minister agrees to sign the letter I should be grateful if it could be left undated in view of the uncertainty over the dates of Mr Heseltine's visit.

I am copying this letter and enclosure to the Private Secretaries of the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

Yours ever,

Jane Ridley

(J E RIDLEY) (MISS)
Private Secretary

DRAFT LETTER FROM PRIME MINISTER TO MR ANDREAS PAPANDEOU,
PRIME MINISTER OF GREECE

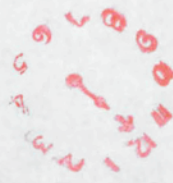
I am sorry that I did not get the opportunity to discuss your letter of 12th May about the Tornado weapons system at the Stuttgart Summit in June but I understand that Chancellor Kohl reaffirmed our strong support for the selection of this aircraft for the Hellenic Air Force and the importance which we attach to this decision. The tri-national company PANAIA and the three partner governments in the Tornado consortium have studied your letter in detail and we believe that all the points you raised have now been satisfactorily resolved in discussion with the Hellenic Air Force.

Michael Heseltine, with whom I have discussed this, will be able to explain to you the unique advantages of the offer that has now been put forward. The much improved financial terms include a fixed price and a revised credit package.

The main point that I would like to stress about Tornado is that it is a proven success already in large scale production. 250 Tornados have already been delivered to the Armed Forces of three European countries, and this figure will have risen to 425 by the time of the first delivery to Greece. The experience that this represents would be a major plus for Greece as the new Tornado partner. It is a magnificent aircraft, which, particularly if you decide to undertake the final assembly in Greece, will provide a valuable transfer of high technology to your country.

Chancellor Kohl and the Government of Italy share with me the view that the purchase of Tornado is of major importance in cementing the defence, political and commercial links between Greece and three of her major European partners. It would be an excellent basis for the future development of these ties.

Defence : Defence Sales
PTS



09 AUG 1983

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ofs



7791
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T...111/83

10 DOWNING STREET

THE PRIME MINISTER

26 July 1983

Subject
My dear Prime Minister,

Thank you very much for your letter of 24 June 1983 and the excellent news that you have made a decision in favour of the Sea King helicopter and Sea Eagle missile.

I am delighted to hear that the contracts have now been signed. You can be certain that the British Government will do all that it can to ensure the successful completion of this most important programme. This will further strengthen the growing relationship between us in the defence field and the close ties which already exist between our two countries.

I am grateful for the confidence you have shown in our industry.

Warm regards,

Yours sincerely
Margaret Thatcher

Her Excellency Shrimati Indira Gandhi

870



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~938 7022~~ 218 2111/3

MO 6/11

25th July 1983

Type pl.
M 25.
7

Dear John,

SEA KING AND SEA EAGLE FOR INDIA

In his letter to you of 30th June, John Holmes said that we would be providing a draft reply for the Prime Minister to send to Mrs Gandhi in answer to her letter of 24th June.

Now that the contracts and the associated Memorandum of Understanding for the sale of Sea King and Sea Eagle have been signed, the way is now clear for a reply to be sent and I attach a suitable draft.

I am copying this to John Holmes (FCO).

Yours ever,
Jane Ridley

(J E RIDLEY) (MISS)
Private Secretary

A J Coles Esq

DRAFT LETTER FROM THE PRIME MINISTER
TO MRS INDIRA GANDHI

Thank you very much for your letter of 24th June 1983 and the excellent news that you have made a decision in favour of the Sea King helicopter and Sea Eagle missile.

I am delighted to hear that the contracts have now been signed. You can be certain that ^{the British} ~~my~~ Government will do all that it can to ensure the successful completion of this most important programme. This will further strengthen the growing relationship between us in the defence field and the close ties which already exist between our two countries.

I am grateful for the confidence you have shown in our Industry.

Defence
Sales, A43

25 JUL 1963

11 12 13 14
15 16 17 18
19 20 21 22

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~3307232~~ 218 2111/3

MO 26/9/1

18th July 1983

N. D. J. R.

Dear John,

A. J. C. 6/7.

DEFENCE SALES TO GUYANA - VEHICLES AND AMMUNITION

On Friday MOD and FCO officials met the Guyanese High Commissioner to follow up the two defence sales points raised by President Burnham during his meeting with the Prime Minister of Tuesday.

Roger Bone reported to you on 12th July that we could not see any real problems over payment in local currency for the surplus MOD vehicles. In the event the High Commissioner seemed content with the proposal that the Guyanese should make a down-payment on handover with the balance spread in 6 equal monthly instalments. These sums will be paid in local currency through BHC Georgetown and delivery of the vehicles is likely to take place sometime next month.

The President also raised the question of provision of 9 mm ammunition. In fact the only UK manufacturer of this ammunition is the Royal Ordnance Factories and they are not aware of any request to supply rounds to Guyana. We have therefore put the High Commissioner in touch with the appropriate ROF official to discuss their requirements. Again, he seemed to be content with our response.

I am copying this letter to Roger Bone (FCO).

Yours ever,
Jane Ridley

(J E RIDLEY) (MISS)

A J Coles Esq

CONFIDENTIAL

DEFENCE: Sales Pt 3.

MINISTRY OF DEFENCE
HEADQUARTERS
CANTONMENT ROAD
OTTAWA, CANADA





JP

10 DOWNING STREET

From the Private Secretary

15 July 1983

DEFENCE SALES TO GUYANA

Thank you for your letter of 12 July. The Prime Minister has noted that you have been able to accommodate President Burnham's request for special payment arrangements for surplus Landrovers and Bedford Trucks.

I am copying this letter to Jane Ridley (Ministry of Defence).

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

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CONFIDENTIAL

Prime Minister



Foreign and Commonwealth Office

London SW1A 2AH

We have agreed to
Forbes Burnham's request
that he should be allowed
to pay for these vehicles in
local currency.

12 July 1983

 A.F.C. $\frac{13}{7}$

Jane T. S. H.,

Defence Sales to Guyana: Surplus Landrovers and Bedford Trucks

In order to accommodate President Burnham's request for special payment arrangements for these vehicles made during his call on the Prime Minister this morning, I can confirm that there would be no objection to the British High Commission in Georgetown accepting funds in local currency over six months as proposed. The precise accounting arrangements will be worked out between the Ministry of Defence, our High Commission in Georgetown and the FCO Finance Department, but we foresee no difficulties. Defence Sales of the Ministry of Defence have said that they would prefer the first instalment of one-sixth of the total to be paid before the Guyanese authorities take delivery of the vehicles. The MOD will discuss timing of delivery with them.

We propose to let the Guyanese High Commissioner know of this decision tomorrow.

I am copying this letter to Jane Ridley (Ministry of Defence).

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street



2 JUL 1983



ATC
You wrote to Richard Mottram
on 20 June about Tornado
(at Map).

Jane Ridley has said that
unless you specifically would
like details of the ways in
which the MOD propose to press upon
the PM of Greece the merits of
Tornado she was not considering
~~for~~ replying to your letter.

Agree?

Yes.

or 1/2.

Mal
6/7/83



10 DOWNING STREET

From the Private Secretary

4 July 1983

Thank you for your letter of 30 June conveying a message from Mrs. Gandhi to the Prime Minister about the Sea King and Sea Eagle contracts.

The Prime Minister was delighted to receive the excellent news that India has decided to buy Sea King and Sea Eagle.

I am copying this letter to Richard Mottram (Ministry of Defence).

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

Handwritten initials

file

da

1 July 1983

②

The Prime Minister has read with interest your Secretary of State's minute of 23 June on Defence Sales in the period January to March 1983.

A J COLES

Richard Mottram, Esq.,
Ministry of Defence.

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Foreign and Commonwealth Office

London SW1A 2AH

30 June, 1983

Wonderful

ms

Prime Minister

The Indians have decided to buy
Sea King and Sea Eagle.

At 1/2.

Dear John,

/ The Indian High Commission sent over today the enclosed message from Mrs Gandhi to the Prime Minister about the Sea King and Sea Eagle contracts.

This excellent news has already been conveyed to Westlands.

The Ministry of Defence will provide a draft reply as soon as the current negotiations over the associated government to government memorandum of understanding (over which the Indians have raised last minute objections) have been concluded.

I am copying this letter to Richard Mottram (MOD).

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street



PRIME MINISTER
INDIA

New Delhi
June 24, 1983

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T93⁵183

Dear Prime Minister,

I have your message regarding Westland Sea King helicopters. You will be glad to know that we have decided to buy the Sea King and the Sea Eagle. I am told that the contracts will soon be signed.

With warm regards

Your sincere

Indira Gandhi

The Rt. Hon. Margaret Thatcher,
Prime Minister of United Kingdom,
London.



Prime Minister

MO 26/9/1(A)

This is more substantial than usual.

Sales are up but there have been some substantial disappointments - and

Iran & (the Middle East) is ominous.

PRIME MINISTER

A.J.C. 27/6

DEFENCE SALES QUARTERLY REPORT - JANUARY TO MARCH 1983

Now that the Election is behind us I am sure you will be interested in the latest quarterly report on Defence Sales covering the period January to March 1983.

2. The total value of contracts signed during the quarter was £528M. This compares very favourably with £257M in the final quarter of 1982 (revised downwards from the previously published figure of £377M due to the Chinese Government's failure to ratify Project 051) and £394M signed in the first quarter of 1982. If this level of business can be maintained throughout 1983 we can look forward to a good end of year result, which could be better in real terms than the 1982 levels. Details of contracts signed are at Annex A and of sales prospects at Annex B to this letter.

3. I reported separately about the two most important contracts achieved during the quarter which were for sales of 18 Jaguars to Nigeria (£290M) and 16 Hawk Trainers to Abu Dhabi (£96M). The sale of Hawk aircraft to Abu Dhabi, which was scaled down from original expectations due to tight budgetary constraints, is an important step in our continuing efforts to establish the aircraft in the Gulf Cooperation Council (GCC) area and to counter continued Saudi pressure to standardise on US equipment. Other significant contracts concluded in the quarter were with Zimbabwe (£19M) for VHF radios, USA (£16.7M) for Medium Girder Bridge Equipment, Nigeria (£16M) for AT 105 Armoured Personnel Carriers, and Saudi Arabia (£10.6M) for small arms.



4. Whilst the overall value of contracts signed during the quarter is encouraging, there have been a number of significant set-backs. The failure of the Chinese Government to ratify the contract for Project O51 was a major blow. British industry may well conclude that the pursuit of other orders from the Chinese in the defence sector is likely to prove a fruitless exercise and we are not optimistic of any significant future business in the medium term from that quarter. The results of the Australian elections killed the prospects of an aircraft carrier deal of any kind and the prospects for sales of Sea Harriers and Sea Kings to Australia are consequently very bleak. A third major set-back occurred over the proposed sale of Nimrod AEW aircraft to Iraq. The Iraqis recently stated that they did not wish to proceed with the Government-to-Government deal proposed but wished to return to the original Company-to-Government conditions rejected by British Aerospace last June. This is being re-examined by the Companies. We believe that the underlying reason for this setback is shortage of funds but it seems that the Iraqis do not wish to be seen to be responsible for failure of the negotiations. The prospects for this deal being concluded successfully this year are remote. The prospective sale of Rapier to Norway has, I am afraid, been lost - the Norwegian Cabinet opted for the American I-Hawk despite concerted efforts by British Aerospace and the MOD. The cumulative effect on industry of these setbacks, all of which appeared very promising prospects at the turn of the year, and which represent a loss of potential export sales of some £1825M, will be significant.

5. On the positive side, the quarter saw the completion of a highly successful ship-borne exhibition, Floater 83, which toured the Gulf area during February and early March, calling at Qatar, Bahrein, Saudi Arabia, Kuwait, Abu Dhabi, Dubai, Jordan and Egypt. Some 52 companies were directly represented on the exhibition with the interests of others being covered by trade associations. The level of interest in the exhibits and in the mobility and firepower demonstration ashore exceeded the expectations of both the Defence Sales Organisation and exhibiting companies. This initiative, coupled



with the successful resolution of our difficulties over the Arab League visit, will give added impetus to our sales drive throughout the region. In particular, strong interest was generated in the Challenger and Valiant tanks and has resulted in trials being scheduled for armoured vehicles in the area this summer. The sales potential for tanks and associated infantry carriers is now in excess of £1000M over the next few years, but competition from the US, the French and the Germans will be formidable. Other items which aroused considerable interest include communications equipment, internal security equipment, boats, missiles and training aids. A very successful sales promotion tour for the Hawk aircraft in Saudi Arabia and the Gulf States has led to renewed interest and there are good prospects of a short-term sale to both Kuwait and Bahrein.

6. Another significant success was the acceptance by the West German Federal Security Council of the Anglo-German MOU on the Export of Collaborative Equipment. This decision, although not publicly announced, is of major importance since it allows the United Kingdom to take political responsibility for third country sales of collaborative projects, with FRG essentially acting as sub-contractor to the UK. This MOU will apply not only to new projects but also to existing ones such as Tornado and the FH70 155 Gun, and represents a major step forward in our efforts to sell that aircraft in the Middle East and elsewhere. It was also an act of considerable political courage on the part of the Federal German Government.

7. As you will recall, Rolls Royce signed a £30M contract with Iran for the supply of 300 tank engines, but we decided that the interests of our policy in the Middle East as a whole would not justify the issue of an export licence. I am currently looking to see whether any alternative MOD work can be given to Rolls Royce Shrewsbury to mitigate the loss of the Iranian order and will let you have a draft reply to David Plastow when this work has been done.



8. The Greeks are expected to decide in the next few months whether or not to purchase Tornado. The Hellenic Air Force's evaluation has been submitted to the Greek Prime Minister. You will recall that you wrote to Mr Papandreu supporting the Tornado purchase. Chancellor Kohl and Signor Lagorio have also done so. Mr Pattie visited Greece earlier this month and will continue to press for a favourable decision. In addition, there are promising prospects of Tornado sales to Oman. The chance of success in future sales will have been improved by virtue of the Anglo-German MOU which I mentioned above.
9. In the Middle East, we will press ahead with marketing Challenger, Lynx, radars, Hawk and other equipment. An extension to our contract for the management of the National Guard Hospital in Jeddah, worth £125M, is still being negotiated. There are signs, however, that the fall in oil revenues are beginning to affect adversely the military budgets of Saudi Arabia and other Gulf Cooperation Council (GCC) States. We may see a significant reduction in defence purchases by the states of the region over the next couple of years against a background of stronger sales competition especially from the USA and France. This would especially affect GCC funding for Oman where we are continuing to press the GCC donor states to allow Oman to exercise her preference for British equipment, especially Tornado. The Omani Deputy Prime Minister for Defence (Sayyid Fahr) was sanguine on this point when I saw him last week.
10. Progress has been made on the defence cooperation MOU with Algeria and signature may be imminent. This MOU remains an essential pre-condition for the sale of major weapons there. Egyptian spending plans have suffered further from the effects of falling oil revenues and decisions have been delayed in a number of areas; in particular no progress has been made in the projected sales of Ramadan fast patrol craft. Nigeria is understood to have taken decisions in principle on a number of major projects but funding problems could raise difficulties.



11. A number of decisions are expected in the coming months on a wide variety of sales to Europe. Westlands are bidding strongly for an expected Belgian buy of 46 Army helicopters. A number of British companies have prospects for sales of equipment to the Dutch Navy for its new M Class frigate programme. The FRG will make known its decision on a missile fit for its Sea King helicopters; there is guarded optimism over Sea Skua being chosen. Turkey is pursuing schemes with British Aerospace for buys of Rapier, Tornado and Sea Harriers, but it is difficult to see how the Turkish economy could support such purchases.

12. Several prospective sales to the US are looking promising, notably Combat Support Boats, 81mm Mortar, ICS3 and the European Distribution System Aircraft. In South America, economic difficulties continue to dominate the scene and potential sales of radars to Ecuador are caught up in that country's debt rescheduling efforts. Chile continues to maintain interest in purchases of second-hand equipment, including HMS ANTRIM and Jaguar aircraft. Additionally, they have also formally registered an interest in the purchase of HMS HERMES. Elsewhere in South America, the general outlook for UK sales of defence equipment is not currently promising: except that Brazil will probably buy some £50M of sub-systems this year for fitment to EMBRAER aircraft and ENGESA Armoured Personnel Carriers.

13. There are now bright prospects of significant business being obtained from India. Mr Pattie and the Head of Defence Sales visited India in April and relations between India and the UK in this area are better than for some considerable time. In particular, we consider that the prospects for sales of Sea King and Sea Eagle are very promising. Your intervention, after a late French bid backed by President Mitterand, was timely and there is confidence that a favourable decision will be announced very shortly. There is also reasonable Indian interest across a wide range of equipment, including the Indian LCA programme, FH70, Rapier, further Sea Harriers and CET.



Discussions continue with Indonesia over an MOU which could lead to defence equipment purchases on a Government-to-Government basis and a £65M Line of Credit to Thailand for defence sales purposes should be established soon. Reasonable prospects exist for the sale of FH70 to Japan.

14. Overall, there is evidence of a continuing interest in purchases of a wide range of UK defence equipment. However, our optimism must be tempered in view of the continuing general world economic situation and the falling oil revenues of countries which have historically been major purchasers of British equipment.

W. H. B.

Ministry of Defence
23rd June 1983



D/DS 13/405/3/2

PART 1 - STATISTICAL SUMMARY OF CONTRACTS SIGNED DURING THE QUARTER
ENDING 31 MARCH 1983

The value of new orders received (ie contracts signed) during the quarter amounted to £528.39M compared with *£ 257.976M in the previous quarter and £394.112M in the first quarter of 1982. The largest individual order placed during the quarter was for Jaguar for Nigeria (£290M) followed by the £96M order for Hawk trainer aircraft for Abu Dhabi.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Brazil	0.600	Abu Dhabi	10.100	Abu Dhabi	96.450
Kuwait	5.000	Australia	0.990	Algeria	9.040
Netherlands	4.000	Botswana	2.120	China	0.500
Qatar	4.000	Dubai	5.000	Egypt	0.250
South Korea	1.100	Egypt	0.250	India	0.680
USA	0.367	France	2.800	Indonesia	0.500
	<u>15.067</u>	Iraq	0.418	Nigeria	290.000
		Italy	0.112	Oman	1.373
		Jamaica	1.900	Qatar	0.200
		Jordan	0.188	USA	5.674
		Kuwait	5.161		<u>404.667</u>
		New Zealand	0.230		
		Nigeria	17.600		
		Oman	3.180		
		Paraguay	0.600		
		Philippines	1.500		
		Qatar	1.849		
		Saudi Arabia	11.100		
		Singapore	0.100		
		USA	24.467		
		Zimbabwe	19.000		
			<u>108.665</u>		

NOTE: The figures are substantially correct but not completely comprehensive as not all private orders, particularly those of a minor nature, are known to the Defence Sales Organisation. Orders worth less than £100,000 are not included in the Report. The figures shown are basic costs and do not include escalation or interest on credit.

* This figure is £120M less than that reported last quarter due to the cancellation of Project 051 for China which was included in last quarter's figure.

Part Two : Priority One Prospects

Major planned effort required by Government and/or Industry during 1983 for these opportunities (although not necessarily leading to contract award during 1983) and/or a real prospect of a UK sale being achieved.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Aircraft Ground Support Workshop at Blida	20+	1983	Plans for implementation of workshop complex at Blida still under discussion.	US of S(DP) visited in August 81	France, Sweden, Germany France, Italy, Czechoslovakia
	Air Defence Scheme (Project Accord)	150	1984	Industry now invited to hold direct discussions with Algerian Authorities.		
	Hawk (27) and Soviet aircraft refurbishment	200	1983	Position unchanged. BAe(AG) quotation for Hawk + Mig 21 overhaul and refurbishment under consideration by Algerian Air Force. - The two projects above depend on satisfactory conclusion of Gvt to Gvt MOU and credit package -		
EGYPT	Fast Patrol Craft	240	1983	Egyptians maintain that additional Ramadans are still required. Attractive credit offer approved by EX has now lapsed but no action taken to reoffer until Egyptian Minister of Defence indicates its priority in light of budget reductions following drop in oil prices.		Spain, USA USA, France France
	Command and Control System (C3)	100 upwards	1984	Prospects for some orders good although implementation is likely to take place over a long period.		
	Main Battle Tanks	500	1986+	Long term prospect. Egyptians have shown interest in both Challenger and Vickers Valiant.		
MOROCCO	IMS Ltd package (artillery, ammo, vehicles, small arms)	165	1983	No change. Morocco still believed to be awaiting favourable conclusion of discussion on financial backing by Saudi although incipient rapprochement between Morocco and Algeria may reduce chance of success for this project.		
NIGERIA	Swingfire	165	1983	The President has approved BAe's proposal and detailed contract negotiations are imminent.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	TYPE 2400 Submarine	60 (for initial 2)	1985	Moderate. The Australian Directorate of submarine policy plans to purchase new submarines to replace its existing fleet. It is planned that the new submarines will be built in Australia. VSEL are proposing a variant of the Type 2400 which more closely matches the RAN requirements for depth and endurance. A Request for Proposal (RFP) was due to be issued earlier this year but was delayed and is now expected to be issued shortly. The request for tenders is expected to be issued in late 1983 but final selection of one tender will not be until 1985.		Thyssen IKL(GE) WALKUS (Netherlands)
INDIA	CBT	50	1983	In-country trial due to take place May/June. It is expected that a contract will be placed shortly after completion of trial.		
	Sea King	230	1983	WHL are now clear favourites to win contract. Contract and MOU negotiations now taking place in India. Contract signature could be this month (April).		France
	Sea Eagle	16 for first 8 missiles	1983	This contract has now been coupled with the helicopter contract.		France
	Sea Harrier	110	1983/84	Indians have now received delivery of first of a batch of 8 aircraft. They are expected to make a decision on a possible follow-on for 12 aircraft during the coming months.		
	Light Combat Aircraft	165		RB199 Engine now cleared for India. A joint UK Industry/MOD team have recently visited India and initial proposals have been well received.		
INDONESIA	Medical equipment for Services and Police Riot Control equipment	10-15	1983/84	G to G package through IMS. Police equipment proposals submitted by IMS end March - reaction awaited. Medical equipment package offer, including training, due end May against 1983/84 budgetary allocation.		
JAPAN	FH70	25-50	Starting 1983	Funding for first 20 guns made in revised FY83 budget, and ratification expected in Diet shortly. Sales of ammunition and transfer of ammunition technology are possible.		

CONFIDENTIAL UK EYES B

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN cont	Searchwater Radar	Up to 75	1984	JMSDF are currently evaluating Searchwater and may initially purchase 10 sets with prospect of up to 75.		
MALAYSIA	Defence Operations Room (DOR) Project	50 (initial)	1983/84	EASAMS tender proposals (submitted 15 Dec 82) under consideration in Mindef. In country C3 presentations given by MOD experts in early Feb 83 in support of EASAMS.	Letter of support from S of S (10 Feb 83)	USA.
PAKISTAN	Frigates-Type 21	150	1983/84	Vospers proposals for 2 type 21 Frigates submitted Aug 82 with offer of 100% credit (50% ECGD).	Ministerial agreement to 50% ECGD cover. PM's letter to Pres. Zia Aug 82.	France Italy Germany
SOUTH KOREA	Skyvan.	100+	Start 83	Shorts are optimistic that a decision may be made this summer in favour of Skyvan.		
	-ynk.	?	Start 83	The ROK Navy is reported to have selected Lynx and an order for 12 may be placed this year. WHL will have the support of a RN team.		

CONFIDENTIAL UK EYES B

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Land Rovers	30	1983	Land Rovers offering 2 alternatives, to commercial (cheaper) & military specifications. Offering assembly in Belgium or production in UK with offset.		Germany - Mercedes
GERMANY	Attack Helicopter Lynx III	300	1984/85	GE requirement for 150/200. Plans for setting up Lynx 3 trials unit 1984 continuing in which GE formally invited to participate. GE team visited Westland Feb 83. Team expected to return to UK in Spring for MOD discussions.	M of S(DP)	USA France Italy
	Sting Ray	25	1985 onwards	GE requirement for new light weight torpedo in late 1980's. However programme has slipped in timescale allowing US A.L.W.T to become a serious contender	M of S(DP)	USA
	Sea King/Sea Spray	50	1983	Decision expected 1983 for re-equipping FGN Sea King fleet with over horizon targetting and anti-ship missile capabilities. GE impressed with performance of the UK equipment in Falklands.		France - AS 15TT
GREECE	Tornado	500	mid 83	Decision still awaited on the choice of aircraft for the HAF. Should they opt for a two aircraft solution then Tornado would be a strong contender to meet air to ground role. Panavia have submitted comprehensive commercial proposals and final decision expected during 1983. Proposals include significant offset offers to Greece and allow the integration of the HAF into existing Tornado training supply and programme management arrangements. In parallel an MOU specific to Tornado and supported by the 3 partner Govts is under considering with the Greeks.	Minister(DP) has agreed in principle to visit Greece. The Prime Minister has sent a message to her Greek opposite number supporting Panavias proposals.	USA France
NETHERLANDS	Spey Engines - SMI/(Rolls Royce)	50+	1983/84	24 engines required for M class frigate programme. RR gave presentation to RNLN Feb 83.		
	Law 80	50+	1985/86	NL requirement for 75K+ weapons. I.S.D-1985. Co-production essential and MOD/HEL team have visited NL MOD & Eurometaal to discuss licensed co-production.		Various
NORWAY	Rapier	125	1983	Decision imminent. All recommendations and reports on the 3 systems have been written. Anglo/Norwegian MOU near signing stage.	M of S(DP) US of S(DP)	France - Roland USA - 1 Hawk

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SPAIN	Rapier	130	1983	Spanish Army have now accepted a presentation on Rapier performance in the Falklands which is likely to take place from 25-27 April. This will help to counter "black propaganda" being circulated by Rapiers competitors. Prospects for a sale particularly in view of the high level of Spanish industrial participating being offered by Bae.	Minister(DP) has invited Sir Eduardo Serra to visit UK for briefings on Rapier and Tornado.	USA/ France and GE
SWEDEN	Helicopters Attack/ASW Recco/TFT	120	1983/85	Sweden to replace whole fleet over next 10 years. Falklands experience presentation given by RN team Jan 83.		Various
SWITZERLAND	Anti Tank Helicopter Lynx	100	1986	Swiss anti-tank requirement. 7 models in competition to be narrowed to 2 by end 83 for final decision 1986.		USA France Germany Italy
YUGOSLAVIA	Martello Radar (for Libya)	87	1983	Negotiations between Marconi and the Yugoslavs are progressing satisfactorily. Further discussions with the Yugoslavs and Libyans are planned for the period immediately following Easter. ECGD are taking a more helpful attitude on credit cover but this area still contains many potential pitfalls.	Possible support if ECGD cover is refused.	

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CHILE	Surplus ships and aircraft	30+	1983+	Negotiations on sale of Antrim underway. Navy has also registered formal interest in purchasing Hermes, Air Force interested in modest initial purchase of second-hand Jaguar aircraft (through BAe).		
COLOMBIA	Naval Lynx	20	1983/4	Successful Lynx demonstration given by HMS Battleaxe during recent visit. WHL/LBI have been able to match attractive credit deal offered by Germans and Lynx therefore remains in contention.		Germany (B0105)
ECUADOR	Air Defence Radar (PAAS62)	20	1983	Contract for next stage of Radar project agreed but signature awaits confirmation that credit financing will be available.		Israel USA
PERU	Chimbote Naval Base	330	1983/4	Project has now resurfaced again and appears to have full backing of President and Minister of Finance. Requirement for ECGD backed element of credit financing is considerably larger than sum remaining under country limit but DSO and DOT to make case for support on National interest (employment) grounds.		France but proposals may also be submitted by Netherlands and Spain

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	Hawk EGA or Harrier 2	84	1983	Although contract signed 2.1.83 for 16 Trainer aircraft, an expected order for 10 EGA aircraft became a budget casualty. A recent interest in Harrier 2 may hold off US marketing of A10 and keep the door open for EGA if a Harrier sale does not materialise.	Mr Pym raised further UK aircraft sales on his visit in April 1983	France USA
	Radar AR3D	50	1983	Plessey are marketing, linked to the IMS led JOC project. Plessey offer is well regarded but Letter of Assurance may be required from HMG.		France USA
	JOC and Integrated Comms System	160	1983	IMS are leading a consortium of UK electronics companies. Proposals submitted on an interim solution which will eventually lead to a total UK package. UAE have requested IMS to submit detailed proposals quickly and IJOC negotiations have now resumed though budget restrictions may stretch these over a long period.		
	Electronic Warfare Package	80		Racal/Marconi have put forward a commercial proposal supported by MOD.		
	Engineer Equipment Package	80		IMS tender has been under consideration for over 2 years, though UAE say they intend to invite IMS for further discussions shortly.		Germany Belgium
	Challenger	80		UAE have requested quotations for 135 and 270 tanks. Planning is in hand for a trial in-country this summer against other western competitors.	Mr Pym raised this in April 83.	France Germany USA
	Naval Ops Centre	50		Ferranti are hoping to enter into further negotiations following a successful visit to UK by Comd Navy in Nov 82.		
BAHRAIN	Hawk	80	N/K	Aircraft to be demonstrated in-country mid-April.		
IRAN	Martello Radar	150	1983	Because of the prevailing economic situation and the outstanding debts, ECGD have refused credit insurance cover for this business. Plessey are also competing.		
IRAQ	Nimrod	(1100)	(1983)	During negotiations in Iraq in March the Iraqis rejected the Gvt to Gvt terms offered. Formal action is now with BAE to decide whether they can accept the Iraqi	Iraqi rejection of the Gvt to Gvt terms raised by Mr Hurd with TAHA RAMADAN (1st Deputy Premier)	

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAQ cont				counter conditions but BAe seem set to reject them. We believe that the Iraqi rejection of the proposed terms is a smokescreen to hide serious financial difficulties.		
JORDAN	Refurbishment of F5Es	10	1984	Briefing given in UK to Jordanian mission in Feb by UK companies on avionics options for F5 update. Refurbishment may be attractive if USA refuse F16 export. By extending timescale for future frontline aircraft purchase refurbishment of F5Es holds Jordanian market open for ACA at the end of the decade.		USA
KUWAIT	Hawk	250	1984/5	KAF enthusiastic over Hawk as replacement for Strikemaster. In-country demonstration to be given mid-April. BAe also preparing proposals for GCC for setting up a Gulf Overhaul Facility (probably in either Saudi Arabia or Kuwait).	Mr Pattie raised with Sheikh Salim in Feb 83. Mr Hurd raised this on his visit in April 83.	Unconfirmed rumour that Kuwaitis will be acquiring Alpha Jet assembled in Egypt.
OMAN	Tornado	200	1983	Strong prospect for ADV - Qty 8 - but subject to GCC funding and pressure to take on French or American aircraft. DSO/BAe presentations planned for early spring 83. Initiative now rests with Oman.		
	Martello Radar	20	1984/5	A priority GCC funded project. Marconi are in dialogue with Oman.		
QATAR	Rapier	150+	1984	Prospect for further 2 batteries provided first proves satisfactory. Finance could be a problem.		
	JOC	120	1983/4	Project is progressing slowly. Plessey's chances on securing this order will depend to a great extent on the company's performance on the AR3D radar contract. HMG Letter of Assurance given in Feb 83.		
	MCMV	50	1984	Requirement is for 2 vessels. RN/VT team visited Qatar Dec 82. Likely that Qataris will wish to train one or two officers in UK before deciding upon type of vessel they will purchase; RN LSP is to follow up.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

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PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA cont	Artillery Surveillance Package (Army)	30	1983)	Under negotiation (IMS).		
	Engineer Package (Army)	120	1983)			
	NBC/EOD Packages (Army)	60	1983)			
SAUDI ARABIA NATIONAL GUARD	Blowpipe/Rapier	Blowpipe C 20 Rapier C 90	1983/4	MOD presentation on UK concept of AD (inc Blowpipe and Rapier) Sep 82. Further more detailed information on cost, performance etc has now been provided at NG's request.		USA
	Challenger MBT	50+	1984/5	We have responded positively to SANG's request for a firm "commitment to supply", and are awaiting further developments. A formal response is still awaited.		USA Possibly Germany
	Sangmed Project	250+	1983	The current LOA expires in May 83. Discussion on a 2nd LOA for the further operation of the Jeddah hospital plus a number of pilot schemes based on the Plan will begin in April 83.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
USA	Improved 81 mm Mortar	250	1984	Major procurement unlikely to begin before FY85.		
	Combat Support Boat	22	1983	Future procurements may be split between an American small business and open competition, or limited solely to American small business.	Minister (DP)	USA
	ICS3	50-100	1983	Procurement decision expected mid 83.	Minister (DP)	USA
	Hawk VTX	500	1984	Proposed funding for FY84 is £35.2M. The Red Arrows tour will help to promote the aircraft.	Minister (DP)	
	Searchwater	50	1983	This radar requirement may now be the subject of a competitive request for proposal later this year.	Minister (DP)	USA
	European Distribution System Aircraft	81	1983	Request for proposals not yet issued.	Minister (DP)	USA Spain Israel France Italy

Part Two : Priority Two Prospects

Significant effort required by Government and/or Industry during 1983, but to rank lower than Priority One opportunities.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Further ship purchases - submarines, additional patrol craft and support vessels	350	1983/4	Proposals under consideration. Detailed negotiations are now underway for both Piranha and 550 Class submarines.		Germany, France
NIGERIA	Vickers Main Battle Tank	50-60	1983	The contract has been agreed with MOD and Presidential signature awaited.		USSR
	Scorpion Light Tank	15	1983	Negotiations continuing on this follow on order.		
TUNISIA	Fast Patrol Craft (52m x 2) (Exocet armed)	52	1983/4	Tunisian Treasury are believed to be reluctant to finance the deal although it is hoped that the necessary funds can be allocated in the next Defence Budget.	Secretary of State discussed with Tunisian Ambassador March 83. Minister of State FCO to visit April 83	France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Aircraft Carrier for RAN	300	1983	<p>Following the UK decision not to sell HMS INVINCIBLE to the Australians in 1982, proposals were put forward for the sale of a new Invincible class carrier or the lease of HMS HERMES.</p> <p>However, following the success of the Labour Party in the recent Australian elections, the new party leader Mr Hawke has decided that Australia will not proceed with any carrier purchase.</p>		USA Spain Italy
	Sea Kings and Sea Harriers	280 including initial spares	1983/4	<p>As the Australian government has now decided not to go ahead with the purchase of a new carrier there are no longer any prospects for the sale of helicopters or aircraft which would have been associated with a carrier sale.</p>		
	Tri-Service Helicopters	40+	1983	<p>The Choice of helicopter to replace the current Australian Sea King, Wessex and Iroquois aircraft will be dependent upon the choice of helicopter for the Perry class FFG requirement. Three helicopters, the Sea Hawk SH60b, Super Puma and Lynx WG30 are currently under consideration. A decision was expected in 1982 but this is now expected in 1983.</p>		USA France
PEOPLE'S REPUBLIC OF CHINA	Project 037 Refit of Corvettes	20+	1985+	<p>BaE (Bracknell Division) will explore possibility of opening negotiations on refit, initially of up to 10 Hainan class corvettes with AIO and fire control systems and sensors. More than 50 Hainans are in service.</p>		
INDIA	FH70	360-700	1983	<p>FH70 in a four-cornered competition and is believed to be the one favoured by the Indians. One problem is the price of the Foden tractor. IMS have now completed the Indian questionnaire. It is believed that only Austria have also completed the questionnaire.</p>		France Austria Sweden
	Rapier	38	NK	<p>DN181 has now been made available. Delivery not before 1988.</p>		France USSR
INDONESIA	Hawk (further buy)	20	1983/4	<p>1982 follow-on contract included option at fixed price for further 4 a/c.</p>		

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SOUTH KOREA	Twin 30 or 35 mm Battlefield AA Gun System	50	1985	Marconi Radar are putting forward proposals for a complete system; a licence manufacture agreement will be necessary for all or some of the equipments.		
	Sonar and Diesels	10	Start 1983	Plessey Marine have a good chance of supplying the minehunting sonar and Paxman diesels the powerpacks for a new class of Korean MCMVs. Six MCMVs of this class are planned.		
NEW ZEALAND	A4 Aircraft 1) Update or 2) Replacement	315 N/K	1984 1984	New Zealand needs to update or replace its ageing A4 aircraft. Update is the most likely option and BAe, Marconi and Racal have submitted a joint proposal for this. Sale of ex-RAF Jaguars has also been proposed but may prove to be too expensive for the NZ limited budget.		

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Helicopters Anti-Tank and Recce	50-80	1984+	ISD-1985. One of main priorities in procurement plans. Decision expected end 83.		Various
FRANCE	AEW Equipment	300+	1984/85	Marconi Avionics (MSA) fitted into either the Transall or Atlantique aircraft is under consideration along with its US competitors to meet French requirements for AEW system. An initial demonstration flight in AEW Nimrod took place in Dec 82. A further fuller evaluation flight is planned before June 83. The French have also expressed interest in Nimrod but this would be dependent on the production line being re-opened, currently an unlikely eventuality.		USA
ITALY	Spey Aero Engine	100	mid 1983	The RR Spey engine has been selected for the development programme for the Italian/Brazilian AMX fighter. A total of 260 aircraft are currently expected to be ordered. However a final decision to order Spey is awaited.		
	Gem Aero Engines	30-100	1983	The Gem engine has been selected for the flight development programme for the Agusta Al29 anti-tank helicopter. RR have signed a collaborative agreement with Piaggio to meet Italian requirements for local manufacture. Total engine requirements are likely to be between 750 and 800 units.		
NETHERLANDS	VL/Seawolf	50+	1983/4	Possible RNLN requirement for missile fit in Melass programme.		Various
	Wavell (Plessey)	20	1983/4	Presentation given end March 83.		
SWITZERLAND	Bloodhound Booster Rockets	21	1983	Funds set aside in budget for procurement in 1983.		
TURKEY	Rapier (32 fire units plus Blindfire)	146	April/May	BAe have been involved in detailed negotiations with the Turks for several months, and the Turks have now signed a Letter of Intent for the purchase of Rapier. Prospects for a "cash" sale of the system are said to be promising.		USA and Swiss/ Italian - (Oerlikon/ Contraves)

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	Tornado ADV	NK		BAe are keen to promote to replace Mirage 2000 in late 80s and will carry out a presentation in May.	Mr Pym raised this in April 83.	
	Blowpipe	30-50		Shorts are pursuing, but the recent Oerlikon AD Guns sale is a major setback (see under Rapier) recent sales to Dubai and Oman augur well for Abu Dhabi.		
	Tracked Rapier	100		BAe are marketing as a follow up to Rapier. There will be budget restrictions and the recent sales by Oerlikon of AD Guns and by the USA of I-Hawk may well make further sales of Rapier that much more difficult.		
BAHRAIN	ADV Tornado	N/K	N/K	Interest in aircraft once it has entered service with RAF.		France - Mirage USA - F16
	MBT	50	1984	Firm requirement for 27 tanks - interest centres on Valiant Mk 4 with CA, but some misgivings over weight and fact tank is not in service with UK Armed Forces.		France (AMX 32) Italy (OF40) USA (M1) Germany (Leopard II)
	Sea Skua/Sea Spray	25+	1983/4	BAe have excellent prospects to fit Sea Skua to AB212 or 412 helicopters together with Ferranti Sea Spray radar.		France (AS15TT)
DUBAI	Stormer Rapier	N/K		Alvis are pursuing and have demonstrated. BAe hope for an order for a battery but the recent sales to Abu Dhabi by Oerlikon of AD Guns and by the USA of I-Hawk do not augur well.		France
IRAQ	Hawk	160	1984	Direct sale of Hawk now offered to Iraqis as a possible starter for ultimate SAAD25 aircraft industry project. Although Iraqis are still in discussions with the 3 competing countries on SAAD25, Iraqi financial difficulties mean that no early contract for the project is likely. BAe will probably be prepared to accept for the Hawk deal those Iraqi contract conditions (bonds and guarantees) which were not acceptable for Nimrod.	SAAD25 raised by Dr Vaughan in Baghdad November 82.	France Italy
JORDAN	Hawk	100	1984	Replacement for F5b. Decision could be delayed if RJAF refurbish existing F5Es.		France Italy
	ACA	N/K	Late 1980s	Subject to external financing.		USA France

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
KUWAIT	Air Defence Package	400	Mid 80s	KADAT proposals on development of fully integrated air defence capability received favourably although there was some criticism of inadequate coverage of non-UK systems which KADAT has countered by submitting a further paper. Progress is likely to be slow and companies have been advised to keep a low profile for time being.	Mr Hurd raised this with Sheikh Salim on his visit in April 83.	USA France Following French Ministerial visit in Dec 82
	MBT	250	85 onwards	Floater confirmed long-term interest. Fire control systems under evaluation for any future MBT purchase.		Germany (Leopard II) USA (M1) USSR (T72)
	Light Armoured Vehicle	20-40	N/K	Scorpion has good prospects of replacing obsolescent Saladin. MCV80 also under consideration and ROFs have submitted budgetary quotation for 101 Fox vehicles.		France (AMX 10) Brazil (Engesal) Austria (SK 105)
LEBANON	Tactical Communications Package	10	1983	Offers have been submitted (credit said to be essential).		
OMAN	Tri-Service Communications Network	100	1984	Replacement of existing tri-service network scheduled for mid-80s. UK firms have good prospects of securing hardware contract.		USA
	Rapier	100	1985/86	SOAF have a requirement for an additional battery but are playing low key at the moment.		
	AEW/748		1985/86	BAe have sent detailed information on Coastguarder, in both maritime surveillance and AEW roles. Funding is however a problem.		
	Challenger	45	1984/85	IMS are shortly to quote for 27 tanks. There will be GCC pressure to go for American tanks.		
	Law 80	10	1984/85	Huntings production programme continues to slip.		
	EME Workshop	N/K	1985/86	Following recent purchases of British AFV SOLF has a requirement for a base workshop. IMS are hoping to lead on this.		
SAUDI ARABIA	105 mm Tank Ammunition (L64 APFSDS)	20	1983/84	Draft contract prepared. Demonstration in Saudi April 83. Problems relating to costs anticipated.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA cont	Blowpipe/Rapier (Navy)	N/K	1984/5	MOD presentation given Dec 82. Further discussion scheduled for Apr 83.		
	Air Base Security Systems	80-90	1983	Shorrock security systems are still in a position to win a contract for the provision of security systems for RSAF airfields and other facilities. RSAF have gone out to tender again. 15 firms invited including Protec, Shorrock and Chubb of the UK.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Canadian Patrol Frigate (CPF) Programme	N/K	1983	No change from previous quarterly report. We still await a decision from the Canadian Government. A decision is expected later this year.		International
	Rapier	100	1985	Canada's LLAD requirement for their European Air Bases is expected to be fulfilled by a gun/missile mix. BAe are promoting Rapier as the missile system and have carried out a site survey of the 2 European bases. The request for proposals is expected to be issued by the Canadian Government later this year.		
USA	LAW 80	N/K	1984	No change	Minister (DP)	USA France Germany Sweden Germany
	Rapier	£50M	N/K	Congress have allocated £50M to the USAF to improve air defence of USAF bases in Europe. UK have offered 12 Rapier Fire Units to be manned by the RAF at a cost of £50M.		

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10 DOWNING STREET

From the Private Secretary

20 June 1983

TORNADO

The briefing for the European Council recommended that the Prime Minister should take the occasion of the meeting to press upon the Prime Minister of Greece the merits of Tornado.

Mrs. Thatcher had this matter firmly in mind but decided that, in the light of the atmosphere and progress of the meeting, it would be counter-productive to take that opportunity to raise the matter with Mr. Papandreou.

B/K.

You may wish to consider whether there is any alternative way of bringing pressure to bear.

I am sending a copy of this letter to Roger Bone (Foreign and Commonwealth Office).

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

COMMERCIAL IN CONFIDENCE

file

17 June 1983

JAGUAR FOR NIGERIA

The Prime Minister was glad to hear from your Secretary of State (Mr. Heseltine's minute of 15 June) that the loan agreement associated with the sale of Jaguar aircraft to the Nigerian Air Force has now been signed.

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

COMMERCIAL IN CONFIDENCE



ce/RJ
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Prime Minute

Good news.

A.F.C. 16/6

c. Mr. Nicholl.

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PRIME MINISTER

JAGUAR FOR NIGERIA

As you know, British Aerospace Warton Division have been negotiating the sale of Jaguar aircraft to the Nigerian Air Force for some considerable time. I am pleased to be able to report that the loan agreement associated with the £290M contract for 18 aircraft was finally signed on 13th June.

2. This contract will give substantial work for many years to British Aerospace and its sub-contractors both for initial construction and subsequent support.

3. I am copying this minute to the Foreign and Commonwealth Secretary and to the Secretary of State for Trade and Industry.

W. H. H.

Ministry of Defence
15th June 1983

DEFENCE

Sales
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~~CONFIDENTIAL~~

From: S R Douglas, Private Secretary

C. V. D.



Minister of State
for Defence Procurement

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

D/MIN/GP/3/11

10th June 1983

*Encl.
AR 13-
6*

Dear John,

TORNADO FOR GREECE

I attach a copy of the telegram from HM Ambassador Athens confirming that Mr Papandreou has received the text of the Prime Minister's recent letter and reporting that Mr Papandreou would like to discuss this subject with the PM at the Stuttgart Summit next week.

We will produce a brief for the PM to use at Stuttgart and it will be necessary to co-ordinate work on this with German and Italian officials. I should be grateful if you would let me know your deadline for the receipt of briefing material for Stuttgart.

Yours sincerely

Stephen Douglas

John Coles Esq.,
10 Downing Street

~~CONFIDENTIAL~~

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FM ATHENS 061420Z JUNE 83

TO IMMEDIATE NODUK

INFO IMMEDIATE FCO (FOR SED)

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MY TELEGRAM NO SIC 200 060950Z JUNE 83: TORNADO.

1. MAHAIRITSAS HAS NOW TELEPHONED TO CONFIRM THAT PAPANDREOU HAS RECEIVED AND STUDIED THE PRIME MINISTER'S MESSAGE. PAPANDREOU ASKED ME TO THANK THE PRIME MINISTER FOR THE MESSAGE WHICH HE SAID WOULD BE TAKEN INTO ACCOUNT IF THERE WERE A QUICK DECISION ON TORNADO. HE DID NOT HOWEVER EXPECT A QUICK DECISION SEMI-COLON AND LOOKED FORWARD TO HAVING A WORD ABOUT THIS WITH MRS THATCHER AT STUTTGART. - SUMMARY 16/17JUN

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

NBPM

TB

7/6-

Tim Flesher Esq
No 10 Downing Street
LONDON SW1

6 June 1983

Dear Tim,

TORNADOES FOR GREECE

TPM - with TFP

The Chancellor has seen the letter of 2 June on this subject from the Private Secretary to the Minister of State for Defence Procurement. The Chancellor has no objection to the proposed reply to Mr Papandreou, but has asked me to emphasise that we may not be out of the wood yet on credit terms. The Chancellor is concerned at the suggestion in the MOD letter that it may be necessary to offer still further concessions to the Greeks in the light of any new proposals from the French. Outbidding the French in a credit race of this sort could be an expensive business. The Chancellor hopes that very careful consideration will be given to any proposals to offer concessions going still further than those already made by Mr Pattie to the Greeks.

Whatever concessions are finally offered, the Chancellor believes it will be essential for the subsidy cost to be divided equitably between the three Tornado partner countries. It would be absurd for the UK taxpayer to end up footing the bill for the subsidy costs of German and Italian exports. Nominal interest rates by themselves do not tell the whole story, because they leave out of account the exchange rate risk for the borrower, which is arguably more important. We understand that the Germans are likely to offer a DM market rate of 8.75 per cent, whereas for the UK part of the contract we have been thinking in terms of a dollar rate of 10 per cent. This implies a significant potential subsidy commitment on our part. It would be inequitable for the UK to have to offer a supported rate if the Germans are not prepared to do likewise for their share of over 40 per cent of the business.

Copies of this letter go to the recipients of the MOD letter of 2 June, and to John Rhodes (DOT), in view of the substantial ECGD interest in this case.

Yours ever,
John Kerr

J O KERR

Defence
Sales, pt 3

16 JUN 1984

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SUBJECT

cc MASTER
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FILE

JA

10 DOWNING STREET

THE PRIME MINISTER

**PRIME MINISTER'S
PERSONAL MESSAGE**
SERIAL No: T 83/83

cc: FCO
MOD
HM

6 June, 1983

Dear Prime Minister,

Thank you for your letter of 12 May about the Tornado weapon system. We regard this aircraft as a most successful example of European collaboration and foresee significant benefits for Greece in participating in this well-proven advanced technology programme. Partnership in this venture, alongside the three current members of the consortium, would lead not only to immediate operational, logistic and industrial advantages for Greece, but also to longer term co-operation in the defence, political and economic spheres.

Your comments on Panavia's offset proposals have been passed to the company who are now submitting further provisions which I hope you will find satisfactory. The major British companies concerned, British Aerospace and Rolls Royce, both have excellent records in fulfilling their offset obligations to overseas customers but I can assure you that the British Government will be taking a close interest in the performance of the British companies involved, both with regard to their offset undertakings and to their successful implementation of the contract. As a Government we shall also be looking for opportunities to increase defence purchases from Greece. Indeed, we have already arranged for Hellenic Aircraft Industries to be invited to tender for engine overhaul work on our further purchase of Phantom aircraft.

On credit the British Government has taken careful note of the points made in your letter and fully recognises the importance of

/ submitting

RW

submitting an attractive offer in support of Tornado. We are currently discussing a revised credit package with our partners which we hope will meet your overall requirements and prove fully competitive. The terms will be communicated to your authorities as soon as the final details are agreed.

Finally, I would reaffirm that the Government's co-operating in the Tornado programme consider that this aircraft provides excellent value for money in terms of capability and performance and would make a unique contribution to the capability of the Hellenic Air Force.

Yours sincerely
Raymond Stalder

His Excellency Mr. Andreas Papandreou



Minister of State
for Defence Procurement

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

D/MIN/GP/19/5/22

3rd June 1983

Dear Michael,

wednes
We spoke on the telephone this afternoon about the Prime Minister's reply to Mr Papandreou's letter of 12th May and you told me that you hoped that the Prime Minister would be able to agree the text of the letter tomorrow.

HM Embassy Athens already has a copy of the draft letter attached to my letter of 2nd June to Tim Flesher, and I have confirmed that no changes are required following today's discussions with German officials.

I should be grateful if the No 10 Duty Clerk could telephone the MOD Resident Clerk on 218-6002 when the Prime Minister has agreed the text. The Resident Clerk will then send a telegram to Athens asking the Ambassador to deliver the text of the letter to Mr Papandreou on Monday morning.

*done
4/6*

Yours sincerely

Stephen Douglas

M C Scholar Esq.,
10 Downing Street

CONDITIO

2 JUN 1983



FOR THE SECRETARY OF STATE
MINISTRY OF DEFENCE



MINISTRY OF DEFENCE
WHITE HALL, LONDON SW1A 2JF
UNITED KINGDOM OF GREAT BRITAIN





10 DOWNING STREET

(3)

Prime Minister

The background to this
letter is at flag A.

If you are content will
you tell the Duty Clerk
when you have signed so that
she can despatch over the
weekend? — text sent
by telegram
MCS 3/6 12 noon
4/6

~~CONFIDENTIAL~~
CONFIDENTIAL

A

From: S R Douglas, Private Secretary



MINISTRY OF DEFENCE

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State
for Defence Procurement

D/MIN/GP/19/5/22

2 June 1983

Dear Tim,

In his letter of 19th May John Coles asked me to forward a draft reply for the Prime Minister to send to Mr Papandreou in response to his letter of 12th May which Mr Pattie brought back from his visit to Athens.

The main burden of Mr Papandreou's letter was that improvements were required in the credit terms offered by the Tornado consortium company Panavia and backed by the credit institutions of the three partner Governments. We have therefore delayed drafting a reply whilst consultations took place with our German and Italian partners on the basis of the proposals which Mr Pattie made to the Greeks whilst he was in Athens, ie 90% contract cover and an average interest rate of 9½% across the three currencies concerned. However, we have now received further indications that the French may be undercutting us yet again and that the Greeks may consequently be looking for additional concessions. The situation is still very fluid and further discussions are taking place with Panavia and our German and Italian partners at the Paris Air Show in the course of today and tomorrow. Nevertheless, with the imminence of the General Election and the probability that the Greek Government will be taking their final decision very shortly, it is clearly desirable that the Prime Minister should now reply without further delay.

In the circumstances we recommend that the Prime Minister should agree a holding reply to Mr Papandreou stressing the close interest which the British Government will be taking in Panavia's performance and reassuring him that we are working urgently on an improved credit package which will be communicated to the Greek authorities as soon as the final

/ terms ...

Tim Flesher Esq.,
10 Downing Street

~~CONFIDENTIAL~~
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2

/ terms are agreed. The draft of such a letter is enclosed and has been cleared with FCO and Treasury officials. It is intended that this should be despatched by telegram to Athens over the weekend. This will enable us to confirm during the course of tomorrow that the Germans are content with this form of reply since Mr Papandreou has written in identical terms to Chancellor Kohl. We have so far been unable to establish whether a similar letter has been sent to the Italian Prime Minister.

I should be grateful if you could let me know as soon as the Prime Minister has agreed that this text may be sent, subject to any changes that may be required following our discussions with the Germans. We will then make the necessary arrangements in conjunction with the FCO for it to be telegraphed to Athens tomorrow evening.

I am copying this letter and enclosure to the Private Secretaries of the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

Yours ever

Stephen Douglas

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CONFIDENTIAL

*AI type
for PM*

DRAFT LETTER FROM THE PRIME MINISTER TO MR ANDREAS PAPANDREOU,
PRIME MINISTER OF GREECE

Thank you for your letter of 12 May about the Tornado weapon system. We regard this aircraft as a most successful example of European collaboration and foresee significant benefits for Greece in participating in this well-proven advanced technology programme. Partnership in this venture, alongside the three current members of the consortium, would lead not only to immediate operational, logistic and industrial advantages for Greece, but also to longer term co-operation in the defence, political and economic spheres.

Your comments on Panavia's offset proposals have been passed to the company who are now submitting further provisions which I hope you will find satisfactory. The major British companies concerned, British Aerospace and Rolls Royce, both have excellent records in fulfilling their offset obligations to overseas customers but I can assure you that the British Government will be taking a close interest in the performance of the British companies involved, both with regard to their offset undertakings and to their successful implementation of the contract. As a Government we shall also be looking for opportunities to increase defence purchases from Greece. Indeed, we have already arranged for Hellenic Aircraft Industries to be invited to tender for engine overhaul work on our further purchase of Phantom aircraft.

On credit the British Government has taken careful note of the points made in your letter and fully recognises the importance of

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submitting an attractive offer in support of Tornado. We are currently discussing a revised credit package with our partners which we hope will meet your overall requirements and prove fully competitive. The terms will be communicated to your authorities as soon as the final details are agreed.

Finally, I would reaffirm that the Governments co-operating in the Tornado programme consider that this aircraft provides excellent value for money in terms of capability and performance and would make a unique contribution to the capability of the Hellenic Air Force.

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...approval to proceed in support of ...
...revised credit package with our ...
...which we hope will meet our overall requirements and ...
...family composition. The terms will be communicated to your ...
...authorities as soon as the final details are agreed.

...I would reiterate that the Government's co-operation ...
...in the foreign exchange controls that this director provides ...
...excellent value for money in terms of capital and performance ...
...and would make a unique contribution to the stability of the ...
...economy.



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10 DOWNING STREET

2 June, 1983

With regard to the telephone conversation I had this morning with your private office, I should be grateful if you could signal this letter over to Mrs. Gandhi immediately and send it over by Foreign Office bag later.

DUTY CLERK

John Holmes, Esq.,
Foreign and Commonwealth Office

SUBJECT

cc: Madan
CPS



10 DOWNING STREET

FIVE
DSG
cc: FCO.
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T/82/83

THE PRIME MINISTER

2 June, 1983

My dear Prime Minister,

It has been the common aim of both our Governments for some time now to strengthen our relations in the defence field, and I am very pleased that Geoffrey Pattie's recent visit to India was just as successful as the one John Nott paid to you last autumn. I am also encouraged by the progress that has been made in exchanges at official level such as those between our scientists on the light combat aircraft programme (including the British RB 199 engine) and on the Memorandum of Understanding on defence equipment co-operation generally which your Defence Secretary, Mr. Kaul, has been discussing this week in London with Ministry of Defence officials. I can assure you that Britain will play her full part in improving collaboration between our two countries - not only in the supply of equipment to meet your Armed Forces' requirements but also in helping to build up the indigenous capability in India to which I know you attach great importance. The Rolls Royce Adour engine and Jaguar aircraft programmes have been outstanding examples of what can be done in this area.

It has been in this spirit that my Government has been actively supporting both Westlands in their proposals to meet the Indian Navy's requirement for an ASW helicopter with the Sea King and British Aerospace in their offer to supply Sea Eagle, the most advanced air-to-sea missile in the Royal Navy's own programme. I was delighted therefore to hear that the Sea King is your Government's preferred choice and that your officials have very recently completed the final contract negotiations with the firms concerned. I have since heard of some delay in concluding the matter, which is why I am sending you this message at what is for me, as you will understand, a very

/busy time

SH

busy time. I am confident that the combination of Sea King (which performed so well in the Falklands) and Sea Eagle will prove to be an excellent one for the Indian Navy and I do hope to hear in the near future that the contracts have been signed. This will give the prospects for future defence collaboration between India and Britain timely encouragement, which I am sure we should both welcome.

y
Yours sincerely
Margaret Thatcher

Her Excellency Shrimati Indira Gandhi

PRIME MINISTER

SALE OF SEA KING AND SEA EAGLE TO INDIA

You decided that you did not want to write to Mrs. Gandhi on this subject at the same time as you were answering another letter from her about Williamsburg.

I wonder if you would consider sending the letter now. The difficulty is that Westlands and British Aerospace had just about landed contracts for Sea King and Sea Eagle (worth £250 million) when President Mitterrand personally telephoned Mrs. Gandhi and secured more time for the French to make another bid. Geoffrey Pattie believes that we should match this high level French political interest with a message from you yourself. If this is to be done, it needs doing now because the new French bid is to be submitted this week.

If you agree, perhaps you would sign the attached letter.

A.J.C.

1 June 1983



10 DOWNING STREET

THE PRIME MINISTER

Dear Prime Minister,

It has been the common aim of both our Governments for some time now to strengthen our relations in the defence field, and I am very pleased that Geoffrey Pattie's recent visit to India was just as successful as the one John Nott paid to you last autumn. I am also encouraged by the progress that has been made in exchanges at official level such as those between our scientists on the light combat aircraft programme (including the British RB 199 engine) and on the Memorandum of Understanding on defence equipment cooperation generally which your Defence Secretary, Mr. Kaul, has been discussing this week in London with Ministry of Defence officials. I can assure you that Britain will play her full part in improving collaboration between our two countries - not only in the supply of equipment to meet your Armed Forces' requirements but also in helping to build up the indigenous capability in India to which I know you attach great importance. The Rolls Royce Adour engine and Jaguar aircraft programmes have been outstanding examples of what can be done in this area.

It has been in this spirit that my Government has been actively supporting both Westlands in their proposals to meet the Indian Navy's requirement for an ASW helicopter with the Sea King and British Aerospace in their offer to supply Sea Eagle, the most advanced air-to-sea missile in the Royal Navy's own programme. I was delighted therefore to hear that the Sea King is your Government's preferred choice and that your officials have very recently completed the final contract negotiations with the firms concerned. I have since heard of some delay in concluding the matter, which is why I am sending you this message at what is for

1
 Don't think we
 can send this
 letter
 This one should
 suit Frank
 recommended
 letter
 me

me, as you will understand, a very busy time. I am confident that the combination of Sea King (which performed so well in the Falklands) and Sea Eagle will prove to be an excellent one for the Indian Navy and I do hope to hear in the near future that the contracts have been signed. This will give the prospects for future defence collaboration between India and Britain timely encouragement, which I am sure we should both welcome.

Every good wish,

Yours sincerely

Margaret Thatcher

Her Excellency Shrimati Indira Gandhi.

AJC



10 DOWNING STREET

Clive Whitmore's Office
were very keen that the
attached was despatched
a.s.a.p. on Saturday.

I informed the MOD
Resident Clerk of the
PM's comments and asked
him to explain the
position to Mr. Whitmore.

Plat

28/5/83

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~8365822~~ 218 2111/3

MO 26/9/14

27th May 1983

28/5
Please type letter.

AC 27/5

Dear John,

SALE OF SEA KING AND SEA EAGLE TO INDIA

Westlands have been negotiating for two years with the Indians to sell the Indian Navy 20 Sea King helicopters. In parallel British Aerospace have been negotiating to supply Sea Eagle as the Sea King's air-to-sea missile. The total deal is worth £250M. Westlands and British Aerospace have faced the severest competition from the French throughout the negotiations. But last week we understood that Westlands' final offer had won the day, and they and Indian officials concluded the detailed contract negotiations. But the French have made a last attempt to get the deal in the form of a personal telephone call from President Mitterrand to Mrs Gandhi. As a result the Indian Prime Minister has given instructions that the French are to be allowed to make yet another bid. This is due to be submitted next week, and Indian officials have said that if it is better than Westlands' final offer, the British firm will be allowed to revise their bid once again.

This is a very disappointing development just at the point where Westlands were about to clinch the deal on the basis of an offer which was financially and operationally better than anything the French could put forward. There is now a very real danger that they will lose the contract because the French Government will in some way make it possible for the French offer to undercut Westlands. We believe that Westlands have cut their bid as much as they can and we doubt whether they can reduce their prices any further without making a loss. They will continue, with the support of the Defence Sales organisation, to do everything they can to win the order. But Mr Pattie believes that given that the French have intervened at the highest political level, the Prime Minister should show the Indians that Westlands and British Aerospace have just as much political support as their French competitors. He

A J Coles Esq

- 1 -

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/ recommends therefore that the Prime Minister should send Mrs Gandhi a message on the lines of the attached draft. This deliberately does not refer to President Mitterrand's telephone conversation with the Indian Prime Minister for our view and that of FCO officials is that to do so would be to put her on the spot too explicitly and to reduce her room for manoeuvre.

I am sending a copy of this letter and of the draft message (which has been cleared with FCO officials) to Brian Fall (FCO).

Yours ever,
Jane Ridley

(J E RIDLEY)

DRAFT LETTER FROM THE PRIME MINISTER TO MRS GANDHI

It has been the common aim of both our Governments for some time now to strengthen our relations in the defence field, and I am very pleased that Geoffrey Pattie's recent visit to India was just as successful as the one John Nott paid to you last autumn. I am also encouraged by the progress that has been made in exchanges at official level such as those between our scientists on the light combat aircraft programme (including the British RB 199 engine) and on the Memorandum of Understanding on defence equipment co-operation generally which your Defence Secretary, Mr Kaul, has been discussing this week in London with Ministry of Defence officials. I can assure you that Britain will play her full part in improving collaboration between our two countries - not only in the supply of equipment to meet your Armed Forces' requirements but also in helping to build up the indigenous capability in India to which I know you attach great importance. The Rolls Royce Adour engine and Jaguar aircraft programmes have been outstanding examples of what can be done in this area.

It has been in this spirit that my Government has been actively supporting both Westlands in their proposals to meet the Indian Navy's requirement for an ASW helicopter with the Sea King and British Aerospace in their offer to supply Sea Eagle, the most advanced air-to-sea missile in the Royal Navy's own programme. I

was delighted therefore to hear that the Sea King is your Government's preferred choice and that your officials have very recently ^{completed} concluded the final contract negotiations with the firms concerned. I ^{have since} am ~~however, concerned at the reported delay~~ ^{heard of some delay} in concluding the matter, which is why I am sending you this message at what is for me, as you will understand, a very busy time. I am confident that the combination of Sea King (which performed so well in the Falklands) and Sea Eagle will prove to be an excellent one for the Indian Navy and I ^{do hope to hear} ~~look forward to hearing~~ in the near future that the contracts have been signed. This will give the prospects for future defence collaboration between India and Britain timely encouragement, which I am sure we should both welcome.

M $\frac{26}{J}$

27 MAY 1983



file

NC

23 May 1983

I write to acknowledge your letter of 20 May enclosing a letter from the Prime Minister of Greece to the Prime Minister. This will be placed before Mrs Thatcher at once.

ASK

His Excellency Monsieur Nikos Kyriazides

SK

The Ambassador

Greek Embassy

London

The Principal Private
Secretary to The Rt. Hon.
Margaret Thatcher MP.,
Prime Minister.

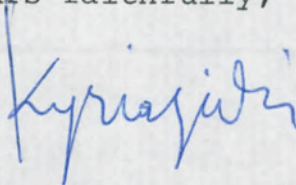
20 May 1983.

*See my letter of
19 May.
AKL $\frac{23}{5}$.*

Dear Private Secretary,

I am enclosing a letter
addressed to the Prime Minister from
the Prime Minister of Greece which
arrived in the diplomatic bag for
onward transmission.

Yours faithfully,



Nikos Kyriazides

Enc.

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file

DSJ

10 DOWNING STREET

From the Private Secretary

19 May 1983

LETTER FROM MR. PAPANDREOU: SALE OF TORNADO

Thank you for your minute of 18 May enclosing a copy of a letter from Mr. Papandreou to the Prime Minister. As you suggest, I have not yet received the original from the Greek Embassy.

BT I should be grateful if you would let me have a draft reply for signature by the Prime Minister. Perhaps you would clear this with Roger Bone in the Foreign and Commonwealth Office, to whom I am copying this letter together with a copy of Mr. Papandreou's letter.

A. J. COLES

Stephen Douglas, Esq.,
Office of the Minister of State,
Ministry of Defence.

CONFIDENTIAL

010



Prime Minister:
Mr Patten report
is now attached

MINISTER OF STATE FOR DEFENCE PROCUREMENT

D/MIN/GP/19/5/22

✓
18/5
[Signature]

inform B/C
PS/Prime Minister thro' PS/Secretary of State

LETTER FROM MR PAPANDREOU

I attach a copy of a letter from Mr Papandreou to the Prime Minister which Mr Papandreou gave to Mr Pattie at their meeting during the Minister's recent visit to Greece. I understand from the No 10 Duty Clerk that you have not yet received the original from the Greek Embassy in London.

2. Mr Pattie's report of his visit will be circulated later this afternoon. I assume you would like us to prepare a draft reply to Mr Papandreou's letter for the Prime Minister.

[Signature: S R Douglas]

18th May 1983

(S R Douglas)
PS/Minister (DP)
Ext: 6621

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GRS498

mt

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FM ATHENS 170605Z MAY 83

TO IMMEDIATE FCO TELNO 219 OF 17/5/83

INFO IMMEDIATE MODUK (FOR DEFENCE SALES AND PS/MINISTER (DP)).

SALE OF TORNADO.

1. BOTH PAPANDREOU AND ZAKOLIKOS EMPHASISED TO MR PATTIE ON 16 MAY THAT HIGH PRICE AND RELATIVELY UNFAVOURABLE LOAN TERMS WERE THE MAIN OBSTACLES IN THE WAY OF A PURCHASE BY THE GREEKS OF A NUMBER OF TORNADOS TOGETHER WITH ANOTHER AIRCRAFT. ZAKOLIKOS MADE CLEAR THAT THE GREEKS WERE DISSATISFIED WITH THE 85 PER CENT COVERAGE OF THE GUARANTEE OFFERED AND ALSO THE REPAYMENT TERMS AND INTEREST RATE.

2. ZAKOLIKOS, AND MORE STRONGLY PAPANDREOU, COMMENDED THE EXCELLENCE OF THE AIRCRAFT. PAPANDREOU AGREED THAT ITS DETERRENT VALUE WOULD BE OF PARTICULAR VALUE TO GREECE. PAPANDREOU VOLUNTEERED THAT THE HIGH QUALITY OF THE AIRCRAFT MADE IT 'JUSTIFIABLY EXPENSIVE'.

3. MR PATTIE STRESSED THE VALUE FOR GREECE OF THE PARTNERSHIP STATUS WHICH MEMBERSHIP OF NAMMA WOULD PROVIDE. IT WOULD NOT FOR EXAMPLE BE A CASE OF THE GREEKS BEING INFORMED OF MODIFICATIONS OR IMPROVEMENTS BUT RATHER OF THEIR TAKING PART IN DEVISING THEM.

AND THERE COULD BE ONE SOURCE MANUFACTURE IN GREECE OF PARTS WHICH WOULD BE USED IN AIRCRAFT OPERATED BY THE OTHER THREE COUNTRIES. THE GREEKS TOOK NOTE OF THE ADDITIONAL POSSIBILITY OF FINAL ASSEMBLY, BUT, AS BEFORE, EXPRESSED DOUBTS ABOUT THE EMPLOYMENT AND COSTS ASPECTS OF THIS.

4. MR PATTIE CONCLUDED BY SAYING THAT HE WAS SURE THAT IN A MATTER OF THIS IMPORTANCE FOR ALL OUR COUNTRIES WE SHOULD NOT FALL OUT OVER FINANCIAL PROBLEMS OF THE SORT WE NOW FACED.

5. PAPANDREOU RESPONDED THAT HE WAS SURE THAT THE PROBLEMS COULD BE OVERCOME. HE SAID THAT, AS HE HAD TOLD ME, HE FELT THAT THE OPPORTUNITIES FOR ECONOMIC AND COMMERCIAL COOPERATION BETWEEN OUR TWO COUNTRIES HAD NOT BEEN FULLY EXPLOITED. HE GAVE MR PATTIE A COPY OF HIS LETTER OF 12 MAY TO THE PRIME MINISTER WHICH HE SAID HAD BEEN DELIVERED THROUGH THE GREEK EMBASSY IN LONDON SEMI-COLON AND ASKED MR PATTIE TO CONVEY HIS WARM GREETINGS TO MRS THATCHER.

*(This has not
yet reached us)*

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6. NO DOUBT THERE IS A STRONG ELEMENT OF BARGAINING IN THE GREEK APPROACH, BUT IT IS CLEAR THAT THE GREEKS WANT TORNADO, FOR REASONS INCLUDING ITS EUROPEAN PROVENANCE. WE DID NOT SUCCEED IN SMOKING THEM OUT ON THE TERMS OFFERED FOR THE MIRAGE, BUT THEY NO DOUBT HAD THESE IN MIND WHEN TALKING OF THE RELATIVELY INADEQUACY OF PANAVIA'S OFFER. PAPANDREOU TALKED OF 'THE MONTH OF JUNE' IN WHICH A DECISION WOULD BE TAKEN. HE UNDERLINED HIS INTENTION OF KEEPING IN TOUCH WITH US, THROUGH THIS EMBASSY, DURING THAT PERIOD.

7. MR PATTIE HAS ASKED THAT A COPY OF THIS TELEGRAM BE SENT TO NO 10.

RHODE
BT

LIMITED
SED
DEF D
ACDD
TRED
PS/MR HURD
MR WRIGHT
MR GILLMORE
SIR J BULLARD
MR JAMES

COPIES SENT TO
No. 10 DOWNING STREET

T 63A/83

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 63A/83

Athens, May 12, 1983

cc MASTER
ofs

Her Excellency
The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister of the
United Kingdom

Your Excellency :

In reply to your letter concerning the possible procurement of the TORNADO weapon system, I should like to provide you with information derived from a briefing presented to me on the procurement of the New Fighter Aircraft for the Hellenic Air Force.

Our Air Force feels that its mission can be better accomplished if the new fighter is capable in both the Air Superiority role and the Ground Attack role.

Our assesment shows that the TORNADO IDS is considered superior for the Ground Attack role for which it has been optimized, but it lacks equal capability in the Air Superiority role.

It was pointed out to me during this briefing that the life cycle cost of the system has been found to be considerably high. According to the specialists' opinion, it can be reduced to acceptable levels by, first, a significant reduction of the procurement cost and, second, by providing to the Hellenic Air Force favorable terms and conditions pertaining to the support of the system.

Furthermore, the terms of the loan provided by the three partner Governments are far from being the best among those available in the aircraft market. The Ministry of Finance and the Bank of Greece are looking for a guaranteed loan covering the greatest part of the contract value (more than 85%), as well as all progress (Predelivery) payments. On the other hand, a duration of the loan of approximately 15 years, with a grace period exceeding 5 years and a weighted average interest rate not higher than 9 percent would considerably improve the proposal.

In the offset area, where my Government attaches great importance, our assesment is that PANAIA is not prepared to accept all the rules and principles set forth by our negotiations team.

More specifically, although PANAVIA's firm commitment is considered satisfactory by itself, the conditions included raise questions and uncertainties.

These questions and uncertainties give to PANAVIA's proposal the lowest credit in this area. If PANAVIA follows other competitors in accepting the rules and principles laid down and if the three partner Governments could accept a reasonable and specific commitment for the procurement of defence articles which are or could be manufactured in Greece, PANAVIA's Proposal could easily reach an acceptable level.

I should also like to advise you that the time is pressing and a final decision has to be reached within a month's time. In concluding, I would like to add that we do appreciate your cooperation in the defence field.

Sincerely,



Andreas G. Papandreou

20 MAY 1955



CONFIDENTIAL

SALE OF TORNADO

1. Both Papandreou and Zakolikos emphasised to Mr Pattie on 16th May that high price and relatively unfavourable loan terms were the main obstacles in the way of a purchase by the Greeks of a number of Tornados together with another aircraft. Zakolikos made clear that the Greeks were dissatisfied with the 85 per cent coverage of the guarantee offered and also the repayment terms and interest rate.
2. Zakolikos, and more strongly Papandreou agreed that its deterrent value would be of particular value to Greece. Papandreou volunteered that the high quality of the aircraft made it "justifiably expensive".
3. Mr Pattie stressed the value for Greece of the partnership status which membership of NAMMA would provide. It would not for example be a case of the Greeks being informed of modifications or improvements but rather of their taking part in devising them. And there could be one source manufacture in Greece of parts which would be used in aircraft operated by the other three countries. The Greeks took note of the additional possibility of final assembly, but, as before, expressed doubts about the employment and costs aspects of this.
4. Mr Pattie concluded by saying that he was sure that in a matter of this importance for all our countries we should not fall out over financial problems of the sort we now faced.
5. Papandreou responded that he was sure that the problems could be overcome. He said that, as he had told me, he felt that the opportunities for economic and commercial cooperation between our two countries had not been fully exploited. He gave Mr Pattie a copy of his letter of 12th May to the Prime Minister which he said had been delivered through the Greek Embassy in London; and asked Mr Pattie to convey his warm greetings to Mrs Thatcher.
6. No doubt there is a strong element of bargaining in the Greek approach, but it is clear that the Greeks want Tornado, for reasons including its European performance. We did not succeed in smoking them out on the terms offered for the Mirage, but they no doubt had these in mind when talking of the relative inadequacy of Panavia's offer. Papandreou talked of "the month of June" in which a decision would be taken, through this Embassy, during that period.
7. Mr Pattie has asked that a copy of this telegram be sent to No 10.

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SUBJECT
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T38/83

cc McW
+
Oms.

Defence

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GRS 464

CONFIDENTIAL

FM FCO 241800Z MARCH 83

TO PRIORITY ATHENS

TELEGRAM NUMBER 74 OF 24 MARCH

INFO ROME, BONN

SALE OF TORNADO TO GREECE: YOUR TELNOS 52 AND 53

1. PLEASE DELIVER THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO MR PAPANDREOU WHEN YOU THINK FIT:

'AS THE NEGOTIATIONS FOR THE PURCHASE OF A NEW FIGHTER AIRCRAFT FOR THE HELLENIC AIR FORCE MOVE INTO THE DECISIVE PHASE, I THOUGHT I WOULD TAKE THIS OPPORTUNITY TO WRITE AND REITERATE MY BELIEF, WHICH I KNOW IS SHARED BY MY GERMAN AND ITALIAN COLLEAGUES, IN THE QUALITY OF THE TORNADO AIRCRAFT, AND ITS ADVANTAGES FOR THE HELLENIC AIR FORCE. I BELIEVE A DECISION BY THE GREEK GOVERNMENT TO BUY TORNADO WOULD OFFER UNPARALLELED OPERATIONAL AND LOGISTICAL BENEFITS TO GREECE. I UNDERSTAND, MOREOVER, THAT PANAVIA ARE OFFERING A MOST ATTRACTIVE COMMERCIAL PACKAGE. YOUR TECHNICAL EXPERTS WILL HAVE GIVEN YOU A FULL BRIEFING ON THE ADVANTAGES OF THE TORNADO AS REGARDS RANGE, PAYLOAD AND WEAPONS SYSTEMS. IT IS A WELL-PROVEN WEAPONS SYSTEM WITH OVER 150 AIRCRAFT ALREADY IN OPERATIONAL SERVICE WITH THE ARMED FORCES OF ALL THREE PARTNER NATIONS OUT OF A TOTAL PROGRAMME OF OVER 800 AIRCRAFT. TORNADO IS A TRULY EUROPEAN AIRCRAFT BUILT FOR EUROPEAN DEFENCE NEEDS, WITH CONSIDERABLE DEVELOPMENT POTENTIAL AND I AM CONVINCED THAT, UNEQUALLED IN THE AIR-TO-GROUND ROLE, IT IS THE BEST AIRCRAFT OF ITS TYPE IN SERVICE TODAY.

ASSOCIATION WITH THE TRI-NATIONAL TORNADO GOVERNMENT ORGANISATION NAMMO (NATO MRCA DEVELOPMENT AND PRODUCTION MANAGEMENT ORGANISATION) WOULD ENABLE GREECE TO PARTICIPATE IN JOINT TRAINING, LOGISTIC SUPPORT AND EXCHANGE OF TECHNICAL INFORMATION WITH THE THREE NATIONS CURRENTLY PARTICIPATING IN THE TORNADO PROGRAMME. ON THE INDUSTRIAL SIDE, I UNDERSTAND THAT WIDE RANGING PROPOSALS ARE BEING OFFERED BY PANAVIA, IN CONJUNCTION WITH THEIR PARTNER

1

CONFIDENTIAL

/ COMPANIES

CONFIDENTIAL

9745 - 1

COMPANIES AND SUB-CONTRACTORS WHO TOGETHER REPRESENT A VERY BROAD SPECTRUM OF THE MOST ADVANCED EUROPEAN DEFENCE INDUSTRIES. THIS WOULD PRESENT GREEK INDUSTRY WITH THE OPPORTUNITY OF ACCESS TO THE MOST ADVANCED TECHNOLOGY IN THREE EUROPEAN COUNTRIES WHO TOGETHER ACCOUNT FOR OVER 30 PER CENT OF GREECE'S OVERSEAS TRADE. I SHOULD LIKE YOU TO KNOW THAT THE OFFER OF TORNADO HAS THE WHOLEHEARTED SUPPORT OF ALL THREE PARTNER GOVERNMENTS. THE EXTENT OF THIS SUPPORT IS SET OUT IN THE DETAILED TERMS OF THE MEMORANDUM OF UNDERSTANDING WHICH HAS BEEN NEGOTIATED AD REFERENDUM WITH THE HELLENIC AIR FORCE. WHILE THE PURCHASE OF A NEW COMBAT AIRCRAFT IS MAINLY A TECHNICAL AND COMMERCIAL QUESTION, THERE IS ALSO A WIDER POLITICAL CONTEXT. I BELIEVE THAT THE PURCHASE OF TORNADO WOULD DEMONSTRATE THE IMPORTANCE ATTACHED BY ALL THE GOVERNMENT CONCERNED TO DEFENCE CO-OPERATION ON A EUROPEAN BASIS AND STRENGTHEN THE LONG-STANDING RELATIONSHIPS WHICH EXIST BETWEEN THE FOUR NATIONS CONCERNED.'

PYM

LIMITED	PS/PUS	COPIES TO)
SED	SIR J BULLARD	APS/S OF S) MOD
DEFENCE D	MR WRIGHT	MR VERNELL, RM D4 DEFENCE SALES)	
WED	MR GOODISON	MR SANDARS DS 13) MOD
PS	MR GILLMORE	MR JEFFS DG MARKETING)
PS/LORD BELSTEAD			

file BPP

✓ Ind
FCO
HMT
Trade
CO

RESTRICTED



10 DOWNING STREET

From the Private Secretary

21 March 1983

TORNADO FOR GREECE

The Prime Minister has seen Mr. Heseltine's minute of 17 March. Subject to the views of the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretary of State for Industry and the Secretary of State for Trade, Mrs. Thatcher agrees that the proposed message from herself to the Prime Minister of Greece should be sent as drafted.

I should be grateful if you would arrange with the Foreign and Commonwealth Office for the message to be despatched.

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence

RESTRICTED

BPP

Prime Minister

Agree message to N. Papandreu?

MO 5/20

Yes.

A.J.C. 18/3

Have copy for me please.PRIME MINISTERTORNADO FOR GREECE

The Greek decision on the purchase of a new fighter aircraft is now entering the final phase. The Hellenic Air Force have been conducting an intensive evaluation since the autumn of the four competitor aircraft, the Tornado, the US F18 and F16 and the French Mirage 2000. The competing companies submitted their final prices and technical specifications on 21st February and their offset proposals, which will be a critical factor in the ultimate decision, on 15th March. The evaluation team hope to complete their work and submit recommendations to Government Ministers by the end of the month.

The overall Greek requirement is for 100 aircraft, but all the indications are that this will be split between two specialist aircraft to fill the air-to-air and air-to-ground roles. Under a two aircraft purchase, the Tornado IDS has an excellent chance of filling the air-to-ground requirement. However it is evident that the final decision will be a political one, resting with Mr Papandreu in his capacity as Defence Minister as well as Prime Minister.

The importance of obtaining a first order for Tornado cannot be over emphasised. After disappointments in Canada and Australia, Greece and more recently Spain - which is now evaluating the aircraft - represent the only immediate market prospects which do not pose political problems for our German partners. An order for 60 aircraft could be worth approximately £500M to the UK and maintain employment for some 2,000 workers at BAe Warton at a time when the programme would otherwise be running down. More significantly export orders are urgently needed in order to maintain



our capability to manufacture advanced military aircraft at a time when we are not yet ready to purchase the next generation of aircraft for our own requirements.

We face fierce French and American competition. The French have already been exerting considerable political pressure. President Mitterand was in Greece in the autumn and there have been a number of visits in both directions by French and Greek Ministers since. As for the Americans, we fear that Papandreou may wish to do a deal over the future of the US bases in Greece and we know that the repair of the American F16s in Europe has been offered to Greece as an attractive offset measure. In these circumstances our Ambassador in Athens has recommended that letters should be addressed to Mr Papandreou by the Heads of Government of the Tornado partner countries to underline the political support which all three nations are providing for Tornado. We understand that the Italians are prepared to send such a letter at Prime Minister level, but the intentions of the Germans, so soon after their election, are still not clear.

I therefore hope that you will agree to sending to Mr Papandreou the enclosed message which has been agreed with the Embassy in Athens and with FCO officials. Since the timetable for the final decision in Greece remains uncertain, the Ambassador has asked to be given discretion to deliver the message when he judges that it would be most effective. If the opportunity arose for you to speak about this to Mr Papandreou in the margins of the European Council next week I believe that would also be helpful.

I am sending copies of this minute and enclosure to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretary of State for Industry, the Secretary of State for Trade and Sir Robert Armstrong.

WJF

Ministry of Defence
17th March 1983

DRAFT MESSAGE FROM THE PRIME MINISTER TO THE PRIME MINISTER
AND MINISTER OF DEFENCE OF GREECE

As the negotiations for the purchase of a new fighter aircraft for the Hellenic Air Force move into the decisive phase, I thought I would take this opportunity to write and reiterate my belief, which I know is shared by my German and Italian colleagues, in the quality of the Tornado aircraft, and its advantages for the Hellenic Air Force. I believe a decision by the Greek Government to buy Tornado would offer unparalleled operational and logistical benefits to Greece. I understand, moreover, that Panavia are offering a most attractive commercial package.

Your technical experts will have given you a full briefing on the advantages of the Tornado as regards range, payload and weapons systems. It is a well-proven weapons system with over 150 aircraft already in operational service with the Armed Forces of all three partner nations out of a total programme of over 800 aircraft. Tornado is a truly European aircraft built for European defence needs, with considerable development potential and I am convinced that, unequalled in the air-to-ground role, it is the best aircraft of its type in service today.

Association with the tri-national Tornado Government organisation NAMMO (NATO MRCA Development and Production Management Organisation) would enable Greece to participate in joint training, logistic support and exchange of technical information with the three nations currently participating in the Tornado programme. On the industrial side, I understand

that wide ranging proposals are being offered by Panavia, in conjunction with their partner companies and sub-contractors who together represent a very broad spectrum of the most advanced European defence industries. This would present Greek industry with the opportunity of access to the most advanced technology in three European countries who together account for over 30% of Greece's overseas trade.

I should like you to know that the offer of Tornado has the wholehearted support of all three partner Governments. The extent of this support is set out in the detailed terms of the Memorandum of Understanding which has been negotiated ad referendum with the Hellenic Air Force. While the purchase of a new combat aircraft is mainly a technical and commercial question, there is also a wider political context. I believe that the purchase of Tornado would demonstrate the importance attached by all the Governments concerned to defence co-operation on a European basis and strengthen the long-standing relationships which exist between the four nations concerned.



For
Defence

10 DOWNING STREET

From the Private Secretary

15 March 1983

Thank you for your letter of 14 March informing me of the message from the new Australian Minister for Defence about his Cabinet's decision not to pursue further any option for an aircraft carrier. The Prime Minister has noted this information.

A. J. COLES

Miss J.E. Ridley,
Ministry of Defence.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~XXXXXX~~ 218 2111/3

MO 14/5

14th March 1983

Prime Minister
A-J-C. 14/3

Copy: Press Section.

Dear John,

The Prime Minister will wish to know that the Head of the Australian Defence Staff today passed to my Secretary of State the following message from the new Australian Minister for Defence, Gordon Scholes:

"I would like you to know that Cabinet decided last Friday that Australia would not pursue further any option for an aircraft carrier.

This includes both the purchase of a carrier and the leasing of HMS HERMES. I propose to announce this decision today.

I take this opportunity to thank you and your officers and British shipbuilders who have assisted us in this matter."

If asked, our Press Office will confirm that we have now been officially informed of the Australian Government's decision and they will make clear that there is now no question of an Australian yard build for a SIR GALAHAD replacement.

I am copying this to the Private Secretaries to OD members, to Jonathan Spencer (Department of Industry) and to Richard Hatfield.

Yours ever,

Gene Ridley
(J E RIDLEY) (MISS)

A J Coles Esq

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RESTRICTED
DVSY 140930Z
FM CANBERRA 140630Z MAR 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 122 OF 14 MARCH
AND TO IMMEDIATE MODUK (FOR RMD3)

mf

AIRCRAFT CARRIER FOR RAN

1. IT HAS JUST BEEN ANNOUNCED BY THE NEW MINISTER FOR DEFENCE, MR GORDON SCHOLES, THAT THE AUSTRALIAN CABINET HAS DECIDED NOT REPEAT NOT TO ACQUIRE AN AIRCRAFT CARRIER TO REPLACE HMAS MELBOURNE. ACCORDING TO A DEPARTMENT OF DEFENCE PRESS RELEASE (COPY BY BAG) MR SCHOLES SAID THAT HE HAD ALREADY ADVISED THE BRITISH GOVERNMENT OF THIS DECISION (PRESUMABLY THROUGH THE AUSTRALIAN HIGH COMMISSION). THE PRESS RELEASE ALSO QUOTES MR SCHOLES AS SAYING THAT THIS WAS AN IMPORTANT DECISION WHICH BROUGHT TO AN END AN ERA IN THE NAVY'S HISTORY. THE ONLY ENCOURAGING NOTE IN THE STATEMENT IS A COMMITMENT THAT 'ACQUISITION OF ASW HELICOPTERS FOR OUR FRIGATES WILL BE PURSUED AS A MATTER OF HIGH PRIORITY'.

2. A CONTACT IN THE AUSTRALIAN DEFENCE DEPARTMENT HAS TOLD US THAT THE CABINET DECISION WAS TAKEN AT ITS FIRST MEETING ON 11 MARCH IE THE DAY ON WHICH MINISTERS WERE SWORN IN. ACCORDING TO OUR CONTACT NO BRIEFING PAPERS WERE ASKED FOR OR PROVIDED BEFORE THE DECISION WAS TAKEN.

MASON

LIMITED
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PS
PS/LORD BELSTEAD
PS/MR HURD MR GILLMORE
PS/PS MR DONALD
MR WRIGHT CABINET OFFICE
MR GIFFARD

THIS TELEGRAM
WAS NOT
ADVANCED

RESTRICTED

file RPT

DEFENCE

11 March 1983

The Prime Minister has noted the contents of your letter of 8 March about the effect of the Australian General Election on the possible sale of a Carrier to the Australian Navy.

A. J. COLES

Miss Jane Ridley,
Ministry of Defence

dg



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone ~~01-9307022~~ 218 2111/3

MO 14/5

8th March 1983

Prime Minister

A.J.C. $\frac{8.}{3}$

[Handwritten signature]

Dear John,

You asked for a note on the effect of the Australian general election on our projected sale of a Carrier to the Royal Australian Navy.

Shortly before the election we were asked by the Department of Defense to provide an updated statement of our offers both in respect of a new Carrier and the sale or lease of HMS HERMES. The Prime Minister will recall that as well as offering HERMES in its own right as a low cost solution we were prepared, should the RAN place an order for a new Carrier with Swan Hunters, to make HERMES available on a free lease to cover the period of the new ship construction. As a further incentive to a new Carrier purchase we also offered to have a SIR GALAHAD replacement manufactured in an Australian Shipyard, subject to satisfactory agreements on terms.

In the light of statements made by Mr Hawk since winning the election the prospects of selling any Carrier to Australia must now be considered slim. However, Mr Hawk's criticisms of the Carrier programme to date have been on cost grounds. HERMES represents a far cheaper solution and the RAN have confirmed, since the election, that they would still wish to receive our statements on both the new Carrier and HERMES to reinforce this point. For your own information we are offering HERMES at a price of £36M or on a six year lease at a lease charge of £6M per annum plus £5M deposit. This compares with the estimated cost of £300M for a new Carrier. The additional cost of supplying helicopters and Sea Harriers to meet the RAN's immediate needs would be about £150M in each case. In other words a Carrier solution based on HERMES could be offered for some £200M - a very different figure from the £1,000M for a new Carrier being quoted in the Press.



The offer to have a SIR GALAHAD replacement built in Australia is tied to the new Carrier solution. There is no question of our agreeing to let an Australian Yard build our new LSL if they are only purchasing a secondhand ship from the UK.

Yours ever,

(J E RIDLEY)

CONQUEROR

COVINGTON

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Defence Sales



FILE

da

10 DOWNING STREET

From the Private Secretary

28 February 1983

This is just to record that the Prime Minister has seen and noted your Secretary of State's minute of 21 February enclosing the quarterly report on Defence Sales for the period October to December 1982.

Timothy Flesher

Miss Jane Ridley,
Ministry of Defence.

CONFIDENTIAL

da

Prime Minister

To note.

MO 26/9/1A

A.F.C. $\frac{22}{2}$
PRIME MINISTERDEFENCE SALES - QUARTERLY REPORT: OCTOBER - DECEMBER 1982

You will, I know, be interested to see the latest quarterly report on Defence Sales which covers the period October to December 1982. A table showing the major sales prospects is attached as an Annex to the report.

2. The total value of contracts signed during the quarter was £377M, a reduction from the exceptionally high figure for the previous quarter, but a sum which nevertheless compares favourably with £358M in the final quarter of 1981. However, this brings the total value of contracts signed during the year to £1827M, compared with the 1981 total of £1446M, representing an increase of 26%, or 16% in real terms. At this time this must be a performance of considerable benefit to the UK Defence industry. The major contributory factors to this increase were the extensions to two large service contracts with Saudi Arabia; the communications project (SANGCOM: £200M) and the Air Defence programme (SADAP £370M), whereas the largest individual contract in 1981 was the £150M SANGMED hospital project followed by a £53M contract for Main Battle Tanks for Nigeria. Other important contracts signed during 1982 were the £140M USAF Rapier deal, the £120M contract (Project 051) with China for the refit of Luda class destroyers, and the sale of FH70 to Saudi Arabia (£64M). In addition there have been significant sales of torpedoes, fire control systems, fast patrol craft, BL755 cluster



bombs and surplus RN ships during the year as well as a £30M contract to set up an optics factory in Egypt. These figures serve to emphasise once more the importance of the Middle East as a market for our defence equipment. In the course of the year some 52%, by value, of the contracts signed have been placed in the Middle East, and 38% in Saudi Arabia alone.

3. For the last quarter of 1982 itself the largest individual contract signed was Project 051 for the refit of 2 Chinese Luda class destroyers. Valued at £120M and with prospects for increasing this figure if contracts for support services and licensed manufacture of the Sea Dart missile are concluded, this is the largest defence contract China has signed with the West. Unfortunately, however, as you are aware, the Chinese Government is now delaying ratification of this contract which was only achieved after 3 years of negotiations. I recently wrote to my opposite number expressing UK concern that Chinese failure to ratify would be a serious setback in our defence and trade relations. The second largest contract in the quarter was the £30M sale of MK 24 (Tigerfish) torpedoes to Brazil. Total sales to Latin America and the Caribbean in 1982 were double those of the previous year and topped £130M; contracts in this area in the final quarter included further sales of ex-RAF aircraft (Hunters and Canberras) to Chile, along with Blowpipe missiles and EW equipment.

4. Indonesia's £20.5M purchase of additional Hawk aircraft was another important contract signed during the quarter and is indicative of a period of increased interest in UK defence equipment which culminated in a request for an MOU and a wish to buy certain field medical and police equipments on a government-to-government basis. In addition, valuable contracts were achieved for BL755 to Switzerland (£19M), Phase 1 Military Hospital (£15M) and Blowpipe (£10M) for Oman and FH70 ammunition for Saudi Arabia (£14.6M).



5. Prospects for the Middle East in the near future indicate that 1983 will continue to show a significant amount of defence sales business in the area. The sale of 16 Hawk trainer aircraft (value £96M) to Abu Dhabi was finally concluded at the beginning of January, just outside the period of this report. This sale against stiff French competition represents an important new foothold for the Hawk in the Middle East and could in turn help sales prospects for the aircraft in Saudi Arabia, Kuwait and Oman. We need to make a particular effort in 1983 to establish ourselves as suppliers of equipment for the Saudi Arabia military as the Saudis have major new purchases in mind over the next two years. They are also increasingly important in influencing the selection of equipment by other Gulf states under Gulf Co-operation Council (GCC) auspices. The effect is particularly important in Oman, which has been awarded some £1000M by the GCC for military purchases. In Saudi Arabia itself International Military Services Limited (IMS) have the prospect of artillery and engineer support equipment sales over the next few months in excess of £200M. 1983 should also see the signature of a second contract between MOD and the National Guard for the management of the Jedda military hospital and of the second Memorandum of Understanding to carry forward the communications project for the National Guard. In general our success in Saudi is bound to be conditioned to a considerable extent by the climate of our political relationship. If the present difficulties persist a substantial amount of military business will be put at risk.

6. Following Head of Defence Sales' discussion with President Saddam Hussein in Baghdad in December, further talks on a possible purchase of Nimrod Airborne Early Warning aircraft are going ahead. Discussions on the Hawk project also continue but a decision is likely to be put off for financial reasons. The war inevitably continues to affect sales to Iran, although there are a number of prospects being pursued by various UK companies, notably Marconi Martello radars (value £150M)



where Ministerial approval has been given to the release of one equipment from the RAF.

7. Nigeria's financial problems and foreign exchange shortage delayed the Jaguar contract, which was finally signed recently for 18 aircraft, value £285M. However, it will not become effective until the loan agreement has been signed which should be within the next few weeks. Negotiations in Algeria in December on the defence co-operation plan did not reach the anticipated conclusion and both sides are aiming for agreement early in 1983. It has been agreed to earmark £500M for this project.

8. In December in USA, funds for the 1983 Defence Programme were appropriated; certain items are of great interest to UK. \$8M has been approved for the Hawk Jet Trainer Aircraft Programme but a restriction has been placed on this expenditure until a plan to install a US design ejector seat in the Hawk is presented to Congress. \$10M has been allocated for the evaluation of weapons such as Light Anti-Armour Weapon (LAW) 80 as an alternative to the US Viper, and \$50M for USAF to procure an 'off-the-peg' low level air defence system such as Rapier or European Roland for the protection of their European bases.

9. For Australia the main topic continues to be the possible sales of a new Invincible Class Carrier and the lease of HMS HERMES and dependent aircraft sales. An offer to purchase from Australia the replacements for SIR GALAHAD (and SIR TRISTRAM if the ship proves to be beyond repair) is also included in the UK proposal. Decisions were due in early 1983, but may be delayed by the recently announced election.

10. India remains an important market for UK defence equipment in the Far East, and a team from the Defence Scientific Staff visited India during January to discuss collaborative R&D projects. In addition,



a joint MOD/Industry team is planning to go out shortly for further discussions on the Indian Light Combat Aircraft requirement, and IMS expect to be called to Delhi in the near future for technical and contractual discussions on FH70.

11. The major sales prospect in Europe remains Tornado for Greece which could be worth some £500M to British industry. The Hellenic Air Force have still to decide on their requirement, but if they opt for a two aircraft solution, Tornado IDS will be a strong contender to meet the air-to-ground role. Support proposals have been agreed by the UK, Germany and Italy and negotiations on an MOU embodying these are nearing completion. However, competition from France and the United States remains fierce and will intensify when costed proposals including credit are presented by the companies towards the end of this month.

12. The 1982 success of our defence sales effort in Latin America and the Caribbean is unlikely to be repeated in 1983. The Hawk contract in Venezuela has now been written off and after the Falklands conflict the climate for UK defence sales there and probably in Peru may continue to be difficult. In addition the precarious state of most Latin American economies and the international indebtedness of countries such as Brazil and Mexico is likely to lead to reductions in their defence procurement programmes.

13. With the exception of Latin America, the general picture on prospects for Defence Sales in 1983 is optimistic, and it seems that the Middle East will continue to be our most rewarding market, with an additional impetus being given by the floating equipment exhibition which is now in the area.

WJH

Ministry of Defence
21st February 1983

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UK EYES B

D/DS13/405/3/2

PART 1 - STATISTICAL SUMMARY OF CONTRACTS SIGNED DURING THE QUARTER ENDING 31 DEC 82

The value of new orders received (ie contracts signed) during the quarter amounted to £377.976M compared with £650.907M in the previous quarter and £358.318M in the final quarter of 1981. The largest individual order was placed by China for Project 051 (£120M) followed by the £30M contract for Mk 24 (Tigerfish) Torpedoes for Brazil and Indonesia's £20.5M purchase of Hawk aircraft.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Algeria	0.200	Belgium	0.750	Algeria	0.280
Brazil	30.600	Brazil	8.650	Brazil	2.100
Chile	2.700	Brunei	0.379	Chile	3.700
China	120.000	Chile	3.000	Egypt	0.800
Denmark	5.000	China	0.112	India	4.600
USA	3.090	Denmark	0.750	Indonesia	20.500
		Dubai	1.832	Iraq	1.840
		Egypt	10.800	Oman	1.500
	<u>161.590</u>	France	1.300	Saudi Arabia	0.200
		India	7.000	Singapore	1.500
		Jordan	3.140	Switzerland	19.090
		Kuwait	1.289	USA	46.500
		Malaysia	5.500		
		Niger	0.130		
		Nigeria	2.000		<u>102.610</u>
		Norway	0.105		
		Oman	28.319		
		Portugal	0.120		
		Qatar	0.420		
		Saudi Arabia	25.400		
		Spain	0.450		
		Thailand	2.900		
		Trinidad & Tobago	0.280		
		USA	2.350		
		Zimbabwe	6.800		
			<u>113.776</u>		

Note: The figures are substantially correct but not completely comprehensive as not all private orders, particularly those of a minor nature, are known to the Defence Sales Organisation. Orders worth less than £100,000 are not included in the Report. The figures shown are basic costs and do not include escalation or interest on credit.

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UK EYES B

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Aircraft Ground Support Eqpt and Workshop Complex at Blida.	30+	1983	Some spares already delivered and work in hand on refurbishment action. Plans for implementation of Wk shp complex at Blida under discussion (Anthony Masters, Gloster Saro; Braby and Douglas).	US of S(DP) visited in August 1981	
	Air Defence Scheme (Project Accord)	150	1984	RAF outline proposals, after study by UK Industry, now under consideration by Algerian Directorate of Air Defence.	Minister(DP) to sign MOU	France, Sweden, Germany
	Hawk (27) + Soviet aircraft refurbishment.	200	1983	B Ae(AG) quotation for Hawk + Mig 21 overhaul and refurbishment under consideration by Algerian Air Force. The 2 projects above depend on satisfactory conclusion of Gvt-to-Gvt MOU and credit package.		France, Italy Czechoslovakia
EGYPT	Fast Patrol Craft	240	1983	Egyptians maintain that additional Ramadans are still required although decision is still awaited, despite the attractive ECGD backed credit offer being extended to end December 82. Vosper (Private) Ltd, based in Singapore have also put forward their own proposals for fast patrol craft to be manufactured in Egypt.		Spain, USA
	Main Battle Tanks	500	1986+	Long term prospect: Egyptians have shown interest in both Challenger and Vickers Valiant.		France, Spain
MOROCCO	IMS Ltd package (arty, ammo, vehicles, small arms)	165	1983	IMS understand that high level discussions between Morocco and Saudi on package financing likely to lead to favourable conclusion in near future.		
NIGERIA	Jaguar	285	1983	Nigeria's financial problems delayed this contract, but it was finally signed on 24 January.	1. Nigerian Minister of Defence called on S of S during his visit to UK for Farnborough 82. Ministerial visit may be required.	France
	Swingfire	65	1983	B Ae(DG) have offered revised credit proposals which are now under consideration by Nigerian MOD. Detailed contract negotiations are due to start in late January.	2. Nigerian Senate Committee on Defence called on Minister (DP) in October 82.	France
	Vickers Main Battle Tanks	50-60	1984	Negotiations still continuing on this follow-on order. Credit not yet requested.		USSR
	Scorpion	15	1983	Negotiations still continuing on this follow-on order.		
TUNISIA	Fast Patrol Craft (52m X 2) (Exocet armed)	52	1983	Technical aspects of contract agreed but financial package being re-examined in order to ease initial repayments burden.	Minister for Trade discussed project with Tunisian Minister for Defence (Dec 82).	France
ZIMBABWE	Logistic Vehicles Bedfords	20	1984	Affirm order totalling 244 vehicles plus back-up parts has been received to date.	Minister of State for Foreign Affairs visited Harare 4-8 Jan 83	FRG

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PART II MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	SEA KINGS and Sea Harriers	280 (including initial spares)	1983/4	There are prospects for the sale of up to 6 Sea Kings and 20 Sea Harriers if Australia decides either to purchase a new carrier or lease HMS HERMES. In 1982 an RAN appraisal team visited both the UK and USA to evaluate the Sea Harrier and AV8b.		AV8b
	Aircraft carrier for RAN	300	1983	Following the UK decision not to sell HMS Invincible to Australia, the RAN is reconsidering the purchase of a new carrier. The most likely choice of carrier is a new Invincible class carrier with the lease of HMS HERMES as an interim solution until the new carrier comes into service. Because of the high cost of a new carrier, to make the UK offer to Australia more acceptable, it is proposed to waive the design fees and to have the Sir Galahad replacement built in Australia. A decision was expected early this year but may now be delayed by the recently announced election.	Ministerial visit may be required.	USA, Spain, Italy.
PEOPLE'S REPUBLIC OF CHINA	Project O37. Refit of Corvettes	20+	1984	BAe (Bracknell Division) will start negotiations soon on refit of initially up to 10 Hainan Class Corvettes with A10 and fire control systems and sensors. More than 50 Hainans are in service.		
	PL4 air to air missile	25	1985	Chinese seek up to 200 sets of radar seekers (MSDS, value £20M) and fuzes (Thorn EMI, value £5M) for incorporation in PL4 AAM under development. BAe DG already have a consultancy contract and may supply autopilots and other components.		
INDIA	Sea King	200	1983	Negotiations conducted in Dec reportedly went well. Further talks called for Jan 83. Ctt signature should be end Feb 83.	Ministerial visit planned for April.	France
	Light Combat Aircraft	165 Approx	NK	RB199 engine now cleared for India. Team to discuss R&D/technology transfer visiting in Jan 83.		France, USSR?
	Sea Harrier	110 Approx	1983/4	BAe told Indian Government they could not hold prices beyond 1982 without a letter of Intent. L of I not forthcoming, but BAe intend to keep price rise to a minimum.		
	FH 70	360- 700	1983	Detailed questionnaire on gun performance received by IMS. Should be completed and returned by mid Jan 83.		France, Austria Sweden
	Combat Engineer Tractor	50 Approx	1983	Quantity 50+ required. 10 ex BA CETs to be modified for hot climate ready for delivery by end 1984.		
INDONESIA	Hawk (further buy)	20	1983/4	Recent follow-on contract included option at fixed price for further 4 a/c.	Possible Ministerial visit	
JAPAN	FH70	25	1983	Ratification of the GSDF decision to purchase FH70 is expected soon. Sales of ammunition and transfer of ammunition manufacturing technology are possible.		

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PART II MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN (Cont)	Searchwater radar.	75	1984	JMSDF were impressed by an airborne demonstration of Searchwater and may purchase initially 10 sets to equip P2J's, eventually up to 75 sets to equip P3Cs on order.		
MALAYSIA	Defence Operations Room (DOR) Project.	50 (initial)	1983/4	Further refinement of EASAMS original tender proposals submitted 15 Dec 82. Evaluation Ctt recommendation to Mindef expected mid Feb 83. Consideration being given to timely offers of MOD specialist advice and training in support of EASAMS.	Letter of support from S of S under consideration.	USA
PAKISTAN	Frigates (Type 21)	150	1983/4	Vospers proposals for 2 x Type 21 frigates submitted Aug 82 with offer of 100% credit (50% ECGD).	Ministerial agreement to 50% ECGD cover. PM's letter to Zia Aug 82.	France, Italy, FRG
SOUTH KOREA	SKYVAN	100	1984	Shorts had hoped for a decision by mid August but this has been deferred for up to 2 years. The DHC Buffalo is also being evaluated again by ROK Army Aviation.		
	SP 155mm Gun	50	1986	VSEL propose a joint venture with KHIC using the Vickers turret, ROF Nottingham ordnance and KHIC chassis, for the first 200 vehicles. Thereafter Vickers would need to offer 100% local manufacture. If successful sales of ammunition would be possible. Competition comes from the US M109.		

CONFIDENTIAL UK EYES B

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	LAND ROVERS	30	1983	Land Rover offering assembly in Belgium or production in UK with off-set arrangements.		FRG - Mercedes
DENMARK	SEA SKUA	15	1985/6	BAe visited Denmark with WHL in Feb 82. Interest is high.		
FRANCE	AEW EQUIPMENT	300+	1984/5	Marconi Avionics (MSA) fitted into either the Transall or Atlantique aircraft is under consideration along with its US competitors, to meet French requirement for an AEW system. An initial demonstration flight in AEW Nimrod took place in Dec 82 and the French observers present appeared to be impressed by what they saw. A further fuller evaluation flight is planned before June 83. The French have also recently expressed an interest in AEW Nimrod, should the production line be re-opened.		USA
GERMANY	SEA SKUA/SEA SPRAY	50	1983	Falklands performance of Skua impressed FRG. Decision expected mid 83.		France (ASI5TT)
GREECE	TORNADO	500	1983	A decision is still awaited on the choice of aircraft for the HAF. Should they opt for a two aircraft solution then Tornado would be a strong contender to meet the Air-to-Ground role. Panavia have submitted comprehensive commercial proposals and a final decision is expected during 1983. Panavia's proposals include significant offset offers to Greece and allow the integration of the HAF into existing Tornado training, supply and programme management arrangements. In parallel an MoU specific to Tornado and supported by the 3 partner Governments is under consideration with the Greeks.	Minister(DP) has agreed in principle to visit Greece.	USA, France
ITALY	SPEY AERO ENGINES	45	1983 (Initial Order)	The RR Spey engine has been selected for the development programme of the Italian/Brazilian AMX fighter. A total of 260 aircraft are currently expected to be ordered bringing RR £45M from this licensed manufacture order. Formal acceptance of RR's proposals is expected during early 83.		
	GEM AERO ENGINES	35 Approx	1983	The Gem engine has been selected for the flight development programme for the Agusta A129 anti-tank helicopter project and a collaborative agreement signed with Piaggio to satisfy Italian wishes for local manufacture. RR estimate total engine requirement as being approx 600 units of which their share is likely to be £35M.		
NETHERLANDS	SM2a SPEY ENGINES (Rolls Royce)	50	1983/4	24 required for M Class Frigate programme. High offset requirement expected, possibly linked to RN purchase of HSA radars.		France

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
NETHERLANDS Cont.	Submarine Towed Array Sonar 2026 (MAV)	5-10	1983	MODNL awaited MOD UK ordering of 4 pre-production sets - done mid 82. Now budgetary problems delaying order, but expected shortly.		
NORWAY	RAPIER (BAe Dg)	125	1983	Decision expected mid 83. New Govt to Govt MOU on Defence Trade with Norway under discussion and could enhance chances. Continuing attention to industrial offset and pricing by BAe.	M of S (DP) US of S (DP)	France-Roland US - 1 Hawk
SPAIN	RAPIER	130	1983	The Spanish Army continue to deliberate over their LLAD requirement, which includes BAe's revised proposals covering among other things, a Joint venture agreement. A Falklands presentation has been offered to help overcome Spanish prejudices against Rapier. Competitors to Rapier are the US Chaparral system and Euromissile Roland.	Ministerial visit may be required	USA, France/FRG
TURKEY	RAPIER	49	1983	Turkey has a requirement for a LLAD system and BAe have submitted proposals for Rapier which are currently under consideration. Although improving, Turkey's economy is still in poor shape and a contract will be difficult to secure in spite of ECGD support obtained following the intervention of Ministers.		Italy
YUGOSLAVIA	MARTELLO RADAR	128	1983	It is thought that a protocol was signed during late 82 between Libya, the eventual user, and Yugoslavia which, inter alia, detailed the required Marconi equipment. Following further discussions a formal contract is expected early in 1983. The poor state of the Yugoslav economy will make it difficult for Marconi to obtain the necessary ECGD cover and Ministerial involvement may eventually be needed if this important contract is to be secured.		

CONFIDENTIAL UK EYES B

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	10	1983	Brazilian financial difficulties have delayed contractual negotiations, but BAe(DG) remain hopeful that a contract will be obtained during 1983.		
	Equipment packages for Brasilia and AMX aircraft	50	1983+	Embraer are developing a twin engine turbo prop aircraft for maritime patrol (Brasilia) and with Italy a light fighter aircraft (AMX) for the Brazilian and Italian Air Forces. Various UK firms are bidding to supply components for these aircraft including Marconi and Ferranti for the Brasilia ASW package. The final selection of equipments is expected this year.		France, Italy, USA
CHILE	Hunter update	15+	1983	Ferranti are now in the final stages of negotiation for the sale of Nav attack and Head up display systems for the FACH Hunters.		
COLOMBIA	Naval Lynx	20	1983/4	The Colombian Navy has a requirement for 4-6 helicopters for their new corvettes under construction in W Germany. Lynx was originally thought to be too expensive however its performance in the Falklands has improved its standing.		France, USA
ECUADOR	Air Defence Radar (Phase 2)	20	1983	The first phase was signed in 1981. An RAF loan officer is currently assisting the Ecuadorean Air Force with the organisation and training of their Air Defence Command. Signature of second phase is now likely to be delayed because of Ecuador's economic problems.		

CONFIDENTIAL UK EYES B

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	BLOWPIPE	30-50	NK	Shorts are pursuing a firm prospect. Abu Dhabi have witnessed firings in UK.		
	Tracked Rapier	100	1983	BAe are pushing tracked Rapier to meet requirement for further battery of low level Air Defence missiles. Tracked Rapier will feature on Floater 83.		
	Hawk EGA aircraft (10) Hawk trainer (16)	180	1982/3	After 18 months of commercial and technical negotiations Abu Dhabi signed on 2/1/83 contract for 16 Hawk trainer aircraft (£96M). Abu Dhabi has cut back the order for 10 EGA aircraft for financial reasons but nevertheless remain a good strong prospect. We shall face renewed French competition.	PM's visit April 81 Mr Hurd Sept 82	France (Alpha Jet)
	Engineer Package	80	1983	IMS Tender under consideration; some new competition introduced but only IMS still offer complete package.		FRG, Belgium
	Electronic Warfare	100+	1983	Racal/Marconi have put forward proposals supported by MOD. Need to counter strong US pressure for Saudi Arabia and Gulf to standardise on American air defence equipment.		USA, France, Italy FRG
	JOC and integrated communication system.	160	NK	IMS are leading UK electronics companies and have submitted proposals on an interim JOC which will eventually incorporate a total UK electronics package with integrated communications.		France
BAHRAIN	Sea Skua/Sea Spray	30-40	1983	BOF interest in fitting system to 412 helicopters. Jointly developed by BAe-AB. Subject to GCC funding.		France (AS15TT)
	MBT	40+	1983	Interest is 27 Valiant MK4 with CA. Proposals submitted subject to GCC funding.		France (AMX32)
DUBAI	Blowpipe	10	1983	Shorts are hopeful of early contract signature.		
IRAN	Martello Radar	150	1983	Ministerial approval has been given to release of 1 radar from RAF. The Iranians are also discussing a similar radar requirement with Plessey.		N/K
IRAQ	SAAD 25 (Hawk supply and establishment of aircraft industry)	2125	1985	Iraqis plan to complete their evaluation of the competing proposals in 1985. Size of project makes it unlikely to go ahead in full during Iraq's economic difficulties resulting from the war, off the shelf buy of Hawk offered by BAe but turned down by Iraqis. Iraqis require new advanced trainer in 1986.	Raised by Dr Vaughan with Iraqi Minister in Baghdad November 82.	France, Italy

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAQ (cont)	Nimrod AEW and Tankers	1000	1983	In December 82 HDS discussed Nimrod with President Saddam Hussein, who confirmed Iraq's strong interest in the system subject to resolution of outstanding technical and contractual points and reduction in the price. Following a technical mission to Baghdad later in December the significant technical obstacles have been overcome. A team headed by the Deputy Cdr of the Iraqi Air Force is to visit UK in February. Revised price proposals will be submitted at the end of Feb. BAe aim to conclude negotiation by the end of March 83.	Diversion of RAF Nimrod agreed by OD, November 82. Raised by Dr Vaughan with Iraqi Ministers in Baghdad November 82.	
	FH 70	200	1985	Budgetary offer for 100 guns submitted post war supply and subject to FRG approval.		USSR, France, Austria
	Light Gun	25+	1983	Revised IMS offer to be submitted by end of January. Post war supply.		France, Italy, USSR.
JORDAN	Hawk	100	1983-4	Hawk favoured to replace ageing F5B in advanced jet trainer role. Decision could be delayed if RJAF refurbish existing F5Es.		France, Italy, USA.
	ACA	NK	late 1980s	Following Farnborough 82 and HDS' trip to Jordan in Sept 82 RJAF interest in the P110 family of aircraft has been revived. A detailed briefing on ACA took place in Nov 82. Long term Jordanian force structure partly dependent on whether the F5Es are refurbished. Any new advanced fighter would be internally funded.		USA, France.
KUWAIT	MBT	250+	1985	Strong interest in CHALLENGER which was demonstrated February 1982. Requirement exists to retrofit existing CHIEFTAINS with computerised fire control system.		FRG (Leopard 11) USA (M1), USSR (T72)
	Air Defence Package	400	Mid-80s on	KADAT have submitted recommendations for the build up of an effective fully integrated air defence capability. Interim cover to be achieved through acquisition of 3D radar supplemented by low-level radars linked to an ADC. Joint Plessey-Marconi solution to be considered by Kuwaitis. Later stages will offer opportunities for further radars, data processing and display equipment, and SAMS (despite recent purchase of small number of SAM8 systems).		USA (Hughes)
OMAN	TORNADO	200	1983	Strong prospect for ADV (Qty 8) but subject to GCC funding and pressure to take French or American aircraft. DSO/BAe presentation planned for early spring 83. Initiative now rests with Oman.	Ministerial visit may be required.	France, USA

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
OMAN (Cont)	Tri-Service Communications Network	100	1984	Replacement of existing tri-service network scheduled for mid 80s. UK firms have good prospects of securing hardware contract.		France, USA
	Martello 3D-Radar	20	1984/85	A priority GCC funded project. Marconi are in dialogue with Oman.		
	CVR(T)	45	1983 on	There is a requirement for a total of 44 vehicles of CVR(T) family but not before 1984. USH are pursuing and DSO will support.		
QATAR	Rapier	150+	1983	Good prospect for further 2 batteries if first battery is successfully installed.		
	Air Defence Radars	40+	1983	2 Radars ordered 1981 and are now being installed. Good prospect for sale of further 3 to complete coverage.		
SAUDI ARABIA	Nimrod AEW	150	1984/5	Prince Sultan has expressed an interest in acquiring Nimrod with some intelligence gathering capability in the mid- 80s He appears to envisage it in a role complimentary to AWACS.	S of S Discussed with Prince Sultan in Sep 82 in Jeddah.	USA
	Lynx Helicopter (Army)	80	1984	Fly off with competition planned for August 1983.	S of S raised subject with Prince Sultan Sept 82.	USA, FRG.
	Hawk	120	1985/6	Prince Sultan has confirmed interest in Hawk as a replacement for existing strikemaker aircraft when the King Faisal Air Academy moves to AL KHARJ in the late 1980s. BAe plan to demonstrate Hawk in Saudi-Arabia in April 1983.	S of S discussed with Prince Sultan in Sept 82 in Jeddah.	France, Italy, Spain
	Air Base Security Systems	80-90	1983	Shorrock security systems are in a strong position to win a contract for the provision of security systems for RSAF airfields and other facilities. Ministerial decision is awaited.		USA
	FH70(Army) tractors, spares and training	5.5	1983/4)	Follow on to gun and initial ammunition contract signed July 82.	S of S sent two personal letters to Prince Sultan concerning FH70.	
	FH70(Army) Ammunition	30	1983/4)			
	Artillery surveillance Package (Army)	33	1983)	IMS equipment proposal has been approved by the Ordnance Corps. An invitation for further negotiation is awaited from the Artillery Corps.		
	Engineer Package (Army)	95	1983)	Draft contract will be presented to Engineer Corps by end Jan 83.		
BH7 Hovercraft(Min of Interior)	85	1983	Draft contract submitted by BHC.			

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA (NATIONAL GUARD)	FH70	15	1984	Presentation January 1982		USA
	SANGMED Project	250+	1983	The current LOA expires in May 1983. Discussion on a 2nd LOA from the further operation of the Jeddah hospital plus possible early implementation of some aspects of the Plan will begin in early 1983.		USA
	CHALLENGER MBT	c50	1984 (delivery expected in Mid 80s)	We have responded positively to SANG's request for a firm "commitment to supply" and are awaiting further developments. A formal response is still awaited, and it is hoped that a SANG team will visit UK for a demonstration later this year.	Possible Ministerial visit	USA&FRG
	Blowpipe/Rapier	Blowpipe c50 Rapier c90	1983	A presentation on the UK concept of air-defence (including Blowpipe and Rapier) has been given to SANG by MOD. Further more detailed information on cost, performance, etc has now been provided at the customer's request. This is expected to be followed-up shortly by the companies involved, to promote their respective systems.		USA

CONFIDENTIAL UK EYES B

CONFIDENTIAL UK EYES B

PART II MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Canadian Patrol Frigate (CPF) programme.	N/K	1983	Canada is planning 6 new patrol frigates to be designed and built in Canada. Contract definition studies have been placed with Scan Marine Inc and St John shipyard and Drydock Co Ltd. A number of UK companies are hopeful of major sub-contracts notably for propulsion machinery, radar and communications equipment.		International
USA	Combat Support Boat	22	1983-4	Possible application of a small business set aside could exclude FAM from bidding for further army orders. A teaming arrangement may be necessary.	Minister (DP)	USA
	Searchwater	50	1983	Trials have proceeded well. Lease of two radars extended to May 83.	Minister (DP)	USA
	Hawk	500	1984 on	Funding of A8M approved for FY83.	Minister (DP)	
	European Distribution System Aircraft	81	1983 on	Shorts will respond to USAF's RFP with the 330. Funding of \$5M approved for FY83.	Minister (DP)	USA, Spain, Israel France, Italy.

CONFIDENTIAL UK EYES B



Sub
Defence

10 DOWNING STREET

From the Private Secretary

21 February 1983

CHINA - PROJECT 051

The Prime Minister was grateful for your Secretary of State's minute of 16 February, the contents of which she has noted. As Mr. Heseltine suggests, she would like to be kept informed about developments.

I am copying this letter to John Holmes (Foreign and Commonwealth Office), Jonathan Spencer (Department of Industry) and John Rhodes (Department of Trade).

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

85



MO 11/4

CC RJ
Prime Minister

To note.

A.S.C. 17/2.

PRIME MINISTERCHINA - PROJECT 051

Following Patrick Jenkin's report of his visit to China you asked for a note on the problems which have arisen on Project 051. Since this is Defence Sales business we have agreed that I should reply.

2. The contracts signed on 10th November 1982 with UK Industry (Vosper Thorneycroft UK Ltd and British Aerospace Dynamics Group, Bristol Division) required formal ratification by the two Governments. We confirmed our approval of the arrangements in early January, but the Chinese have so far withheld theirs. At first the reason given was that a Government review had been ordered to settle questions of detail over the fairness of some contractual clauses, price and technological standards. We now understand that this review has developed into an internal military/political debate over fundamental policy issues which are likely to be resolved only at Prime Minister level.

3. While details of the points at issue are sparse, according to information from our Ambassador in Peking the Chinese Defence Minister is the main opponent to the Project proceeding as negotiated. I have, therefore, sent the attached personal message to him expressing our concern over Chinese delay in ratification of the contracts.

4. The Chinese Government has been made fully aware through Patrick Jenkin's discussions of the political damage to Sino/British relations if the contracts freely negotiated over three years do not proceed. This message has since been reinforced by meetings between



the Chinese Ambassador in London and Arthur Cockfield, and with senior FCO and MOD officials, but I felt it sensible to make our position clear personally to the Chinese Minister of Defence in the light of the latest advice from the Ambassador. These developments are worrying but I hope that my message will have the desired effect. I will keep you informed of developments.

5. I am copying this to Francis Pym, Patrick Jenkin and Arthur Cockfield.

WJH

Ministry of Defence
16th February 1983



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 11/14

16th February 1983

Your Excellency

As you know, I have recently taken over from Sir John Nott as Secretary of State for Defence and I very much hope that during my tenure of office the good relations which exist between your Armed Forces and ours will expand and deepen. I am sorry to hear that it is not convenient for Mr Blaker to visit China in March to discuss the way ahead, but of course I understand the reasons and hope that he may be able to come later this year. I am also sorry that it will not be possible for you yourself to visit the UK until later this year, but I shall look forward to meeting you then.

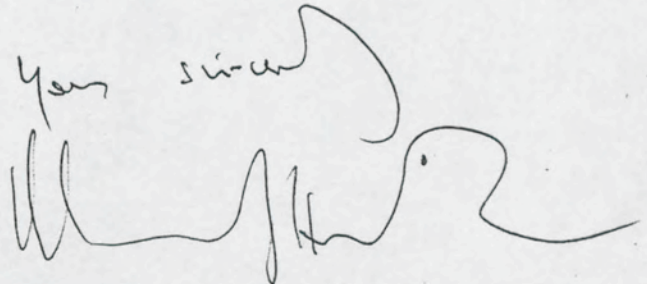
I had hoped that Mr Blaker might have been able to discuss with you Project 051. Now that this is not possible, I hope you will understand if I set down some thoughts in this message. As you know from our Prime Minister's visit in September last year, we have very high hopes of the Project, which we trust will be the start of a continued exchange of information on defence technology and of industrial cooperation on a firm basis of friendship, equality and mutual benefit.

Following the signature of the contracts on 10th November 1982 after three years of intensive preparatory work, British Industry is anxious to go ahead with the Project as soon as possible. I have, therefore, been very concerned to learn recently that there has been delay in ratification following the signature of the contracts by the companies. As you know, we have ratified these contracts and I very



much hope that it will soon be possible for the Chinese Government to do likewise. If at this late stage the contracts were not to be ratified, I fear that our efforts to advance defence collaboration and trade between our two countries would inevitably suffer a serious setback. But I am confident you have these considerations very much in mind and therefore look forward to early news of the results of your present enquiry.

My very best wishes to you in your important task.

Yours sincerely


Michael Heseltine



Defence

CG RT
②Prime Minister

From the Secretary of State

Department are now agreed
about the credit terms for this
project.

A.J.C. 15/2

RESTRICTED

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

15 February 1983

Dear Secretary of State,

SALE OF TORNADO TO GREECE: CREDIT TERMS

You wrote to me on 9 February requesting improvements in the present ECGD guaranteed credit terms for the above business.

I entirely agree with you about the importance of gaining this order for Britain. With this in mind, I have now authorised ECGD to increase the credit portion to 85% in line with what our German and Italian partners have said they are prepared to do. This, together with the remaining 15% being financed from commercial sources, should meet the Greeks' wish for 100% financing.

The question of the interest rate is more difficult. My earlier decision was to allow the previous fixed rate of 11% to continue until the end of 1982 and to apply the revised Consensus rate from then on. It was difficult to justify providing more official support for arms business than is given for civil business, particularly to a country such as Greece which is classified as relatively rich under the Consensus. To drop our fixed rate for sterling finance from 12.15% to 11.0% would involve a significant cost. But, subject to the Chancellor's agreement, I would be content to allow ECGD to reduce to 11.5%.

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From the Secretary of State

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Alternatively, if the commercial parties wish, ECGD may agree finance at floating rates in any acceptable currency such as dollars, deutschmarks or, indeed, sterling.

I am copying this letter to the recipients of yours.

Yours sincerely,
H. Lord Cockfield

H^o LORD COCKFIELD

[Approved by the Secretary of State and signed in his absence.]

RESTRICTED

Defence
Sales, p93

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Secretary of State for Industry

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

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

15 February 1983

The Rt Hon The Lord Cockfield
Secretary of State for Trade
Department of Trade
1 Victoria Street
London SW1

mt

Prime Minister

for information.

Dear Arthur,

A.D.C. 1/2

SALE OF TORNADO TO GREECE - CREDIT TERMS

I have seen a copy of Michael Heseltine's letter to you of 9 February, concerning the sale of Tornado to Greece. I am writing to express my strong support, on industrial grounds, for his request for improved credit terms.

2 The British Aerospace management have made it clear to me that export sales of Tornado will be essential to carry them through the period until decisions are reached on the next generation of advanced combat aircraft. The production of Tornado for the RAF and for the armed forces of the other Tornado partner countries, is now reaching its peak. As this work begins to tail off, there will be an urgent need for replacement work at British Aerospace's major Warton facility. The Experimental Aircraft Programme which is being partially funded by MOD will enable us to have a better basis for future procurement decisions: but without an additional tranche of production loading, which only the Tornado can provide in the short-term, a significant diminution in productive capacity at Warton is inevitable. There could also be significant implications for BAe's ability to sustain an adequate development programme on the civil side.

3 Numerous British suppliers of equipment and avionics are likewise heavily reliant upon Tornado work and face the same problem as British Aerospace over production loading.

4 I thus think it is most important that, in relation to this very important Greek order, the Tornado consortium should be placed on at least as favourable a footing as their competitors.

5 I am copying this letter to the Prime Minister, Geoffrey Howe and Michael Heseltine.

Your ever
Patrice

Dependence: Sales Pt 3

15 FEB 1963

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cc R J
Await reply from Lord

Cockfield.

A.J.C. 15
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p.a.

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Michael Heseltine MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2HB

15th February 1983

Dear Michael,

SALE OF TORNADO TO GREECE: CREDIT TERMS

You sent me a copy of your letter of 9 February to Arthur Cockfield in which you sought an improvement in the amount of credit and in the interest rate to be charged for the proposed sale of Tornado to Greece.

In the case of the amount of credit we have, as you know, resisted offering 85 per cent to support this sale because there has been no firm evidence of competitors offering such terms. While this is still formally the case it does now seem increasingly likely that the French will be offering this much. If therefore you are satisfied that a larger amount of credit will be required to win this sale, and Arthur Cockfield is content, I am prepared to agree that you may offer up to 85 per cent as you propose.

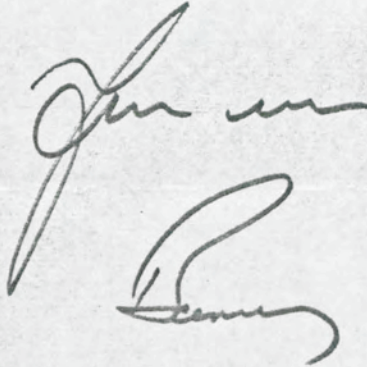
The interest rate is more difficult since what you suggest cuts across our general policy that terms for defence sales should be no more favourable than under the Consensus and would involve a higher potential public expenditure cost in interest subsidy. However, I understand the importance of offering attractive terms and therefore I suggest that you should consider offering credit at variable interest rates, based on the short-term market cost of funds provided on a roll-over basis, as both our partners have done. Variable rate financing could be offered in dollars, Deutschmarks or Sterling. In the case of dollars the present interest rate would be in line with that quoted by the Italians or a bit less. However, if a fixed rate sterling option is thought to be essential, I would be prepared, subject to Arthur Cockfield's

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views, to agree that you may offer as a last resort a rate of 11.5 per cent for this deal, as a compromise between the previous 11 per cent rate and the 12.15 per cent which should now apply.

I am sending copies of this letter to the Prime Minister, Patrick Jenkin and Arthur Cockfield.

A handwritten signature in dark ink, appearing to read 'Barney Hayhoe', written in a cursive style. The signature is positioned above the typed name 'BARNEY HAYHOE'.

BARNEY HAYHOE

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Reference,
Sales, A3

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15 JAN 1985

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FIVE SW
Defence

10 DOWNING STREET

From the Private Secretary

14 February, 1983

Frigates for Portugal

The Prime Minister has seen John Gieve's letter of 7 February conveying the view of the Chief Secretary that the arguments for financial aid in support of the Portuguese frigate programme do not justify an addition to existing expenditure programmes.

The Prime Minister has commented that this year's defence programme is underspent. She would accordingly be grateful for Mr. Heseltine's further views on whether, in the light of her wish that this matter should be re-examined (my letter of 31 January), financial assistance can be provided from the defence programme.

I am copying this letter to John Gieve (Chief Secretary's Office) and Brian Fall (Foreign and Commonwealth Office).

A. J. COLES

R. Mottram, Esq.,
Ministry of Defence

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PRIME MINISTER

FRIGATES FOR PORTUGAL

You will recall that the Foreign and Defence Secretaries decided earlier that they would have to return a negative answer to the Portuguese request for assistance in connection with their frigates programme. You asked that the matter should be re-examined in view of the importance of our relations with Portugal and Portugal's relations with NATO. I wrote accordingly on 31 January.

I now attach a letter setting out the Chief Secretary's views, stating that he cannot make new money available and that the Foreign and Defence Secretaries would have to meet the Portuguese request from within their existing programmes. This takes us full circle since Mr Pym and Mr Nott have said before that they cannot do this. 

How would you like to proceed? Do you want to indicate to the Chief Secretary that this matter is important enough to justify new money?

*But defence is
underspent -*

mf

A.S.C.

10 February, 1983

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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 5/20

BT

9th February 1983

Prime MinisterTo note, pending a reply from Lord
Cockfield.

A.T.C. 10/2.

ms.

SALE OF TORNADO TO GREECE - CREDIT TERMS

John Nott corresponded with you in the Autumn on the credit terms to be offered in support of the prospective sale of Tornado to Greece and this correspondence rests with your letter of 4th November. Since then there have been a number of further developments and the timescale for the Greek decision between the 4 competing aircraft has slipped. They originally hoped to take a decision by the end of the year. However, the revised timetable calls for best and final offers on 21st February with no provision for submitting improved terms thereafter. Once the final bids are evaluated, the Greek Government is expected to make its decision by the end of March.

There is no doubt that the Hellenic Air Force, who have been conducting an intensive evaluation of the 4 competitive aircraft, are greatly impressed by Tornado. They have spent a good deal of time on the technical aspects of the aircraft and have specified a design which involves a certain amount of development from the version used by Germany. We do not think that they would have gone to this trouble unless they regarded Tornado as a very serious contender and it is our belief that they would like to purchase Tornado if the financial terms are sufficiently attractive. A first export



order for this aircraft is critically important, after disappointments in Canada and Australia. As a fellow member of NATO, Greece is one of the few prospective markets which poses no political problems for the Germans. Moreover, an order from Greece could lead to a further order from Spain which, on the instructions of the new Socialist Government, has decided to evaluate Tornado alongside the F18. Conversely failure in Greece would make it very difficult to succeed in Spain.

An order for 60 Tornado from Greece would be worth some £500M to the UK with the prospect of follow on orders for spares and support over a considerable period. It would provide continued employment for some 2000 workers at BAe Warton at a time when the programme would otherwise be beginning to run down substantially. An early export order for Tornado is therefore critical to the preservation of an advanced military aircraft industry in this country at a time when we are not ready to order the next generation of military aircraft for our own use.

Against this background I must return to you to seek further improvements in the credit terms which we are offering since these will clearly be a key factor in the Greek decision. There are 2 points at issue. The first is the extent of the credit cover to be provided. The Greeks have asked for 100% Government backed credit since they are anxious to reduce to the minimum the impact of this project on their normal commercial borrowing limits. Although the French have, through official channels, only admitted to 60% credit cover, we have learned in Athens that they will be offering 85% credit from the normal Government institutions and that 3 of the main contractors for the Mirage bid, Dassault, Snecma and Thomson CSF will be guaranteeing the remaining 15% on the grounds that they are firms owned in whole or in part by the French Government. The Tornado consortium cannot adopt this ploy but I feel most



strongly that we should now raise the proportion of ECGD credit on the UK share of the package to 85%. The Germans have confirmed that they are prepared to do this if we do and the Italians have said that they will fall into line with whatever the other 2 partners agree. I hope that you will now be able to accept this extension in cover but I should point out, since there was some misunderstanding on this point in earlier correspondence, that the balance of the credit package is available from commercial sources.

The second issue is the interest rate which ECGD can offer. When we expected the competition to be concluded in December, you agreed that a fixed rate of 11% could be held until the end of the year. However, the date for final bids has slipped by 2 months and I understand that the interest rate must be increased to 12.15% in line with consensus agreements. This seems to me an unnecessary move since defence contracts are not covered by the consensus arrangements and market rates have recently been moving downwards. We have no intelligence on what the French interest rate will be but we can be quite certain that they will not be observing consensus rates for a defence project of this importance. Moreover, our partners in the Tornado consortium will be offering significantly lower rates, albeit in different currencies. We understand that the Germans will be offering 9¼% variable or 8½% fixed in DM while the Italians will be offering a variable rate of 10¼% in US dollars. Against this 12.15% in sterling will not look particularly competitive and I would hope that you can agree to hold the rate at 11% until the end of February.

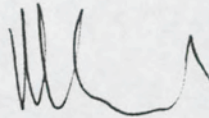
Time is now very tight. We must give the Tornado consortium clear directions on credit no later than 15th February to allow them to present their final bids on Monday 21st February. I have not been able to write to you earlier since, in a competitive situation of this kind, we have been unable to obtain firm evidence of the

fw



intentions of our competitors or our partners. However, I would be most grateful for a favourable decision on these 2 points as early as possible.

I am copying this letter to the Prime Minister (with previous correspondence), Geoffrey Howe and Patrick Jenkin.

for ew


Michael Heseltine

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

pps.

A J Coles Esq
Private Secretary
10 Downing Street
London SW1

7 February 1983

Dear Sir,

FRIGATES FOR PORTUGAL

The Chief Secretary has seen your letter of 31 January to Brian Fall.

He notes that in addition to the £5 million subsidy now proposed, the Government would directly or indirectly have to meet the cost of the Rolls Royce price subsidy, since Rolls Royce is 100 per cent Government owned; and that there must be a risk that the Portuguese will treat such an offer as an opening bid to be negotiated upwards.

We can make
it plain that
it is not.
A.J.C. 11.
2

If, on reconsideration, the Foreign Secretary or the Defence Secretary decides to meet the Portuguese request from within their existing programmes, he would be content. However, while he accepts the force of the political arguments here, he doubts whether they are as compelling as in some other cases like the Falklands, Yugoslavia, and Namibia, and does not think they justify an addition to programmes.

I am sending copies of this letter to Brian Fall and Richard Mottram.

Yours sincerely

J. Gieve

JOHN GIEVE
Private Secretary

CONFIDENTIAL

Defence: Defence Subs Pt 3



Treasury Chamber, Parliament Street, SW1P 3AG



COMMUNICATIONS
LONDON

010
F E R Butler Esq

John Coler ✓



*With
the Compliments of
C A Whitmore
Permanent Under-Secretary of State*

MINISTRY OF DEFENCE
SW1A 2HB

Defence

Courtesy Translation

Federal Minister of Defence
State Secretary Dr. Ruehl

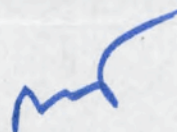
Bonn, 3 February 1983

Mr. Clive Whitmore
Permanent Under Secretary of State
Ministry of Defence
Main Building, Whitehall
London SW1A 2HB

Prime Minister

*The former agree to the sale of
Tornado to India.*

A.S.C. 9/2.



Dear Mr. Whitmore,

During his last visit to Bonn on 13 December 1982, Lord Trenchard has already been informed by Herr Jung, Parliamentary State Secretary, that the Federal Security Council has agreed to the exportation of the trilaterally developed Tornado engine RB 199 by Great Britain to India under the same conditions as in the case of Yugoslavia.

I would like to confirm this advance information in writing and refer to the conditions which were the basis for the agreement to supply the engines from British production and for the advance information of the Indian Forces.

- Supply of engines with the technical standard of 1980, excluding the further developments for the cooperating partners,
- Successive transmission of engine data at the latest possible date in each case,
- Supply of prototype engines with a development standard of 1980 only after 1987 and only in such small numbers as are

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N A T O C O N F I D E N T I A L

NATO 2 - CONFIDENTIAL

absolutely necessary for the flight trials; in particular supply of replacement engines only against the return of the damaged engine,

- Supply of serial engines with a development standard of 1980 only after the beginning of the nineties,
- The handing over of information and hardware requires in each case the approval of the trilateral MRCA Security Classification Working Group,
- India has to give Great Britain the guarantee that the engines will remain in India.

In its resolution the Federal Security Council expressly mentioned the generally valid "clausula rebus sic stantibus".

I hope that by this decision another step has been made towards the continuation of the successful Anglo-German co-operation on the armaments sector.

sgnd. L. Ruehl

NATO CONFIDENTIAL

FEB 1955



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HULT

HL



DEFENCE -

10 DOWNING STREET

From the Private Secretary

31 January 1983

Frigates for Portugal

The Prime Minister has seen your letter of 24 January.

Mrs. Thatcher has noted that the Foreign and Commonwealth Secretary and the Defence Secretary are disposed to send a negative reply to the Portuguese requests for aid to fund the purchase of three helicopters and/or to subsidise the high fuel consumption of Rolls Royce engines for some frigates.

The Prime Minister has asked that this matter should be re-examined. She believes that we ought to help Portugal both for its own sake and in the interests of NATO and the European Economic Community. She regards the political considerations as much weightier than the £5 million which would be necessary to subsidise the package for Rolls Royce engines described on the final page of your letter.

I am copying this letter to Richard Mottram (Ministry of Defence) and also, in the light of the Prime Minister's views, to John Kerr (H.M. Treasury).

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



10 DOWNING STREET

Prime Minister

I think you did not have
time to complete your reading
of this.

A. S. C. 27/11

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4



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3 (Direct Dialling)

01-218 9000 (Switchboard)

MO 26/9

25th January 1983

Dear John,

ms

Prime Minister

A.J.C. $\frac{26}{1}$

ARMS SALES

In his letter to you of 13th January, John Holmes said that we would separately submit details of arms supplies from European countries to Israel. I attach a list of those sales which are known to MOD. Clearly there may be others of which we have no knowledge.

Yours ever,
Jane Ridley
(J E RIDLEY)(MISS)

A J Coles Esq

CONFIDENTIAL

SALES OF DEFENCE EQUIPMENT TO ISRAEL BY EC COUNTRIES (KNOWN TO MOD)

<u>DATE</u>		<u>EQUIPMENT</u>	<u>VALUE</u>
<u>UNITED KINGDOM</u>			
1974	NK	84mm Carl Gustav Anti-Tank Weapons)	
1974-75	10	Islander Aircraft)	
1974-80	-	RDX and Nitro Granidine Explosives)	
1975-76	10	Cymbeline Mortar Locating Radars)	NOT KNOWN
1977	150	40mm Bofors AA Guns)	
1977	3	Blowpipe Missile Launcher)	
1978	-	Centurion Tank Spares)	
1980-81	-	Submarine spares	£500K
1981	-	Explosives	£100K
1981	-	"Wheelbarrow" Mk 7	£ 28K
1981	-	Night Vision Test Sets	£ 20K
1981	-	Pratt & Whitney Aero Engine	£600K
1981-82	-	Close Range Weapon Spares	£120K
1981-82	-	Cymbeline Spares	£500K(see note1)
1982	-	AFV Spares	£1M (see note2)
<u>FRANCE</u>			
1966-68	10	Super Frelon Helicopters	
1967-68	100+	Magister Jet Trainers	
1968	6	Saar II Class Patrol Boats	
1969	6	Saar III Class Patrol Boats	
<u>FRANCE/GERMANY</u>			
1974	600	Milan Anti-Tank Launchers	
onwards	9000	Milan Anti-Tank Missiles	
<u>AUSTRIA</u>			
1981	2	S.65A Helicopters (US produced but purchased second hand)	
<u>BELGIUM</u>			
1981-82	10	Magister Jet Trainers (Produced in France, purchased second hand)	

Note 1 - Partially delivered £400K outstanding

Note 2 - Partially delivered £0.8M outstanding

Defence
Sales, P43

28 JAN 1983

11 12 13 14
15 16 17 18
19 20 21 22



Foreign and Commonwealth Office

London SW1A 2AH

24 January 1983

Prime Minister

Content that the Portuguese
request should be turned
down?

A.J.C. 25/1

*We must lead
a hand to Portugal
both for their needs and
for NATO's
The politics of it are
more important than
£5m. - a lot more
to consider please
and*

Dear John,

Frigates for Portugal

You will recall that, when the then Portuguese Vice-Prime Minister called on the Prime Minister on 10 November, Professor Freitas do Amaral repeated the long-standing Portuguese request for military aid for the NATO programme to supply three frigates for the Portuguese Navy. The Foreign and Commonwealth Secretary has been in close consultation with the Defence Secretary about this request. He has concluded with great reluctance that it should be turned down. The Prime Minister may wish to be informed of the background to Mr Pym's conclusions and the options which were considered. The terms of this letter have been agreed with the Ministry of Defence.

Background

The programme for supplying modern frigates for the Portuguese Navy has been under discussion in NATO for several years. Because Portugal cannot afford the full cost of the frigates, the programme envisages that aid would be given by those countries supplying the equipment purchased by the Portuguese. Many members of the Alliance, notably the US, FRG and the Netherlands have promised substantial grants or credits. The UK, as a matter of longstanding policy, has no programme of financial military aid but was involved in the discussions from the start as a result of Rolls Royce's interest in providing main propulsion engines. (Although Rolls Royce had offered engines at less than cost price, their offer was not subsidised by any form of military aid or public funds, apart from ECGD credit cover on favourable terms.) HMG's involvement was therefore limited to providing good offices and encouraging the Portuguese to take up Rolls Royce's offer. However, last May the Portuguese made it known that they had opted for a combination of US and German engines, the Rolls Royce offer having lapsed earlier in the year.

/Portuguese

A J Coles Esq
Private Secretary
10 Downing Street



Portuguese Requests

Having turned down Rolls Royce's offer, the Portuguese subsequently showed an interest in buying Lynx helicopters for the frigates, provided they had financial assistance from the UK. Professor Freitas do Amaral left two proposals with Mr Nott during his call on 10 November. The first was for HMG to provide \$48 m. to fund the purchase of three helicopters and a number of other items. The second proposal was for the UK to subsidise what the Portuguese claimed to be the relatively high fuel consumption of Rolls Royce engines. This subsidy would amount to about \$52 m. over the 22 year life of the frigates. The Portuguese appeared to assume, in addition, that the lapsed Rolls Royce offer for engines would be revived.

Options

Since we have no military aid programme, the Ministry of Defence has from the beginning done nothing to raise Portuguese expectations of financial assistance (apart from ECGD credit cover, together with good offices and possible training assistance) in the provision of British equipment. In view of the political and operational support which the Portuguese gave us over the Falklands operation, however, Mr Pym felt that the possibility that we could go some way to meet the Portuguese request should be re-examined sympathetically. In addition to the political arguments in favour of helping our oldest ally, there appeared in Mr Pym's view, to be good defence reasons to do so: the programme is in the defence interest of NATO and of the UK in particular because of our major maritime role in the Eastern Atlantic. If we did nothing to help, the Portuguese could become unco-operative over our use of military facilities in Portugal.

Against this background, Mr Pym and Mr Nott carefully considered the possible options. It was agreed at the outset that any financial assistance to Portugal would require new funds to be made available since none were available in either the FCO or Defence Votes. In Mr Nott's view there was no defence case for financial support for the project: access to Portuguese facilities during the Falklands campaign had been useful, but no more than we might reasonably expect from an ally, and if it were now to be withdrawn (in response to the UK not making a grant to the frigate programme, for example) it would still be possible to sustain operations in the South Atlantic. Moreover, there were important considerations of precedent. Not only would other allies look to the UK for similar

/assistance

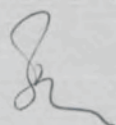


assistance, but UK defence equipment firms might expect their overseas sales to be similarly subsidised by MOD. In the circumstances he was not prepared to allow Defence Votes to be used for this purpose even if new funds were available. Mr Nott was however prepared to support an approach by Mr Pym to the Chancellor for additional funds, primarily on foreign policy grounds, in support of a specific package for Rolls Royce engines involving a Government subsidy of £5 m. and subject to a Portuguese acceptance of a new Rolls Royce offer (which the firm said would be rather less generous than the one they had previously turned down). Mr Pym considers however that it would not be practicable for a defence-related package of this kind to be administered through the FCO vote; nor would it be right for the FCO to ask for new funds on the FCO vote for such a purpose. In these circumstances he has reluctantly concluded that the Portuguese request must be turned down.

In the light of this conclusion, the next step must be to inform the Portuguese finally that, as a result of our long-standing policy that we have no military aid programme, we are unable to meet their request. Further delay in answering the Portuguese request is likely to raise false hopes. If, however, the Portuguese show an interest in buying equipment on a commercial basis, I understand that the MOD Defence Sales Fund may be able to help in the provision of training. This would be mentioned in the reply.

The Defence Secretary would propose to write to his Portuguese counterpart on these lines as soon as possible. The impact of this negative response may be slightly softened by the delivery to Portugal last month of a gift of surplus UK military equipment, including Ferret Scout Cars, tank ammunition and aircraft spares, worth about £700,000, and by the MOD's determination urgently to refurbish a number of armoured cars included in an earlier gift.

I am copying this letter to Richard Mottram in the Ministry of Defence.

Yours ever,


(B J P Fall)
Private Secretary

24 JAN 1963

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Defence
Key

10 DOWNING STREET

From the Private Secretary

17 January, 1983

ARMS SALES

Thank you for your letter of 13 January, the contents of which the Prime Minister has noted.

I am copying this letter to Richard Mottram (Ministry of Defence).

A. J. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office

Prime Minister



You asked some time ago whether it would be practicable to persuade our Nato allies not to conclude new arms contracts with a country which had committed aggression. This is the F.C.O. reply.

Foreign and Commonwealth Office

London SW1A 2AH

13 January 1983

A.J.C. 14/1

Dear John,

Arms Sales

In your letter of 26 November you asked for further advice in due course about points arising from a discussion between the Prime Minister and Mr Pym in the context of the controversy over French and German arms sales to Argentina.

This is an issue of importance to our relations with our allies. The particular case of arms sales to Argentina highlighted the unsatisfactory way in which such questions have to be handled in present circumstances. We have therefore considered carefully whether it would be in our interests to raise them as a matter of principle within the Alliance.

There are no existing agreements between the member countries of NATO relevant to the question of arms sales as such. But in the event of an attack by an outside aggressor on the territory of a NATO country as defined in the North Atlantic Treaty we would expect no difficulty in getting agreement that members of NATO should refrain from selling arms to the aggressor (depending on circumstances, of course, such an act of aggression could call for joint action going far beyond the field of arms deliveries.) The problem, however, is that the mutual security commitment in the NATO Treaty is explicitly confined to territories north of the Tropic of Cancer. It was of course for this reason that we were not able to claim that the invasion of the Falklands was an armed attack against a member state as defined in the Treaty.

In areas South of the Tropic of Cancer, it would in our judgement be extremely difficult to reach agreement in the Alliance in advance on effective principles or rules to govern arms sales. Quite apart from the difficulty of defining aggression for this purpose, many of our Allies are very sensitive indeed to anything which can be regarded as an attempt to extend the formal responsibilities of NATO beyond the area defined in the Treaty. There are no existing agreements on joint action of any kind in relation to incidents outside the NATO area, and the continuing debate on the Rapid Deployment Force has shown how difficult such issues are to deal with in the NATO context. The extent to which France distances herself from military cooperation within NATO is a further complication. Moreover competition between Allies over arms sales, particularly in the Third World, is very keen. Wider efforts to limit conventional arms transfers have never got very far, particularly

/since



since neither the Russians nor the Americans seem very interested. Our belief is therefore that, except in an extremely grave crisis, NATO is unlikely to agree to anything going beyond a loose coordination of policy leading to parallel action by countries acting individually; and that there is little or nothing to be gained by our raising the issue as a matter of principle.

The Ten is likely to be a more profitable forum in which to raise matters of this kind than the Alliance (although some members of the Ten, particularly the Irish, are very attached to the principle that political cooperation does not cover military matters). It was of course in the Ten that the national embargoes against Argentina, as well as that on Israel, were agreed. These decisions were important and establish useful precedents. But the temporary nature of the Argentine embargo, despite clear-cut Argentine aggression, is a good indication of the difficulties of this sort of action. We share the concern implicit in your letter that while the Ten are not selling arms to Israel, which invaded Lebanon, they are prepared to sell to Argentina, which invaded a dependent territory of one of the Ten and refuses to accept a definitive cessation of hostilities. Argentina is of course no longer in occupation of the Falklands, while Israeli forces have not yet moved. But it may also be the case that if the national interests of some members of the Ten had been so little affected over Argentina as over Israel, the Argentine embargo might still be in force.

Where a specific crisis does flare up, whether involving our dependent territories or independent countries where we have major interests, eg Belize, it should always be possible swiftly to engage the process of political cooperation in order to try to get the action we want. But in Mr Pym's view, we are unlikely to get far with an attempt to agree principles in advance. Member states are bound to be wary of commitments which might conflict with both their commercial interests and their political objectives and to prefer to leave themselves the flexibility to judge each instance on its merits. Nor should we perhaps forget that there may be instances in which we would wish to avoid advance commitments ourselves (eg concerning French policy in their overseas territories). Action is therefore likely to need to continue to be ad hoc.

Mr Pym is aware that these conclusions amount to an endorsement of the status quo, which is far from satisfactory. But in present circumstances he believes this the best course. Any initiative by us, either in the Ten or in NATO, would be only

/too likely



too likely to get bogged down very quickly in procedural difficulties and discussion of side issues. A failure to achieve agreement in principle is likely to make it even more difficult to secure action from our partners and allies if a practical case arises. However he will be happy to discuss this further with the Prime Minister if she wishes.

I am copying this to Richard Mottram (MOD), who I understand will be writing separately in response to your question about the details of arms supplies from European countries to Israel.

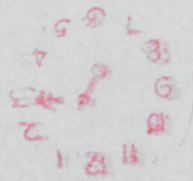
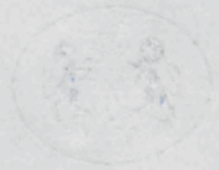
Yours ever

Jan Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Regence, Sales, Pt. 3



11 3 JAN 1983

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

26 November 1982

ARMS SALES

There was some discussion of this question when the Foreign and Commonwealth Secretary called on the Prime Minister this morning.

The Prime Minister said that the recent controversy over French and German arms sales to Argentina raised an important question of principle. When could one legitimately expect our NATO allies to refrain from selling arms to a country which had been guilty of aggression against one of the NATO countries? It was agreed that we should conduct an internal exercise to establish whether we could persuade our NATO allies not to conclude new contracts with a country which had committed aggression. It might be that there were Middle East precedents. We should consider whether the attitude which European arms suppliers had taken with regard to Israel provided a helpful precedent for dealing with Argentina (in this connection, the Prime Minister would be grateful for details of arms supplies from European countries to Israel - which countries now sent arms and when did the others cease to do so).

B.F. I should be grateful for further advice on these points in due course.

I am copying this letter to Richard Mottram (Ministry of Defence).

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Telegrams: Britair London Telex Telex: 24353

British Aerospace

PUBLIC LIMITED COMPANY

100 PALL MALL LONDON SW1Y 5HR

TELEPHONE 01-930 1020

From the Managing Director,
SIR RAYMOND LYGO, KCB

The Rt Hon Margaret Thatcher MP
Prime Minister
No 10 Downing Street
LONDON SW1

22nd November 1982

Dear Prime Minister,

Just a short note to thank you for your involvement in our success in selling the Sea Dart weapon system to China. We very much appreciate your support. This will help to secure jobs in Bristol, Hatfield and Lostock at Bolton in Lancashire.

Our next major target must be to sell the 146 to Japan. That will be a real triumph.

Yours sincerely
Ray Lygo

Lee Munster

OT

24/11

ms

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Defence

10 DOWNING STREET

From the Private Secretary

22 November, 1982

@

Defence Sales - Quarterly Report:
July-September, 1982

The Prime Minister has noted the contents of your letter of 15 November.

A. J. COLES

Miss J. E. Ridley,
Ministry of Defence

Papers attached to S/S MOD to S/S Trade

52

RESTRICTED

9.283

put in box 10/2



5/20

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Nott MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2HB

15 November 1982

Dear John,

SALE OF TORNADO TO GREECE

51 - Arthur Cockfield sent Geoffrey Howe a copy of his letter of 4 November about credit terms for the proposed sale of Tornado aircraft to Greece.

I agree that in the absence of competitors offering better terms there is no justification for providing a larger proportion of cover than already offered. I am however quite content for ECGD to hold the 11 per cent interest rate until the end of the year and for the exporter to provide finance for a further 10 per cent of the purchase price, provided that this is funded from commercial sources at market rates without any official support or ECGD cover.

I am sending a copy of this letter to Arthur Cockfield.

John
Barney

BARNEY HAYHOE

RESTRICTED



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-~~8367802~~ 218 2111/3

MO 26/9/1A

15th November 1982

Prime Minister

To note.

MR ^{15.}/₁₁

Dear John.

DEFENCE SALES - QUARTERLY REPORT: JULY-SEPTEMBER 1982

The Prime Minister will wish to have the latest quarterly Defence Sales report which covers the period July to September 1982. A table showing major sales prospects is attached at Annex.

This quarter saw the biennial Society of British Aerospace Companies (SBAC) Air Show at Farnborough at the beginning of September. This year's show was the biggest so far with a new North Hall constructed to house a large number of additional stands and the provision of a further 20 chalets. As in previous years the DSO and SBAC jointly welcomed foreign visitors to the show and played host to a total of 85 ministers, senior servicemen and officials from 26 different countries.

The overall total value of contracts signed during the quarter showed a substantial increase over the previous one, £650M against £406M and compares with £323M in the same quarters in 1981. However, of this total some £443M (68%) is accounted for by sales to Saudi Arabia and more than half (£370M) is taken up by a single contract, the extension to the Memorandum of Understanding between the MOD and the Royal Saudi Air Force, governing the provision of BAe of training and support services. After difficult negotiations lasting over a year, the Head of Defence Sales eventually signed the new MOU with Prince Sultan on 3rd August. The extension covers a two year period to August 1984. Its signature should provide a good basis for renewed marketing activity of aerospace and other military equipment to the Saudi Armed Forces. We see good prospects over the next few years for sales of Nimrod AEW and Hawk and we are also working on a supply of Lynx to the new Saudi Army Air Wing. My Secretary of State discussed all these prospects during his visit to Saudi Arabia in September.

A J Coles Esq

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CONFIDENTIAL UK EYES B



The long drawn out negotiations for the supply of 72 FH70 guns to the Saudi Army were eventually concluded in July. The sale through IMS marks the first significant purchase of British equipment by the Saudi Army for some years and it could help establish a basis for further sales both for Saudi Arabia and elsewhere in the Gulf. An extensive officer training project for the Saudi Coastguard by the Royal Navy has recently been negotiated. National Guard interest remains active in the Challenger tank, though they may retain the hope of being able to acquire Leopard II from Germany. The National Guard hospital at Jedda managed under an MOU with MOD was formally opened by King Fahd in September. The hospital services are being built up on schedule by the British contractor and the Guard professes to be well satisfied with our performance.

Activity in the Gulf is currently concentrated on Abu Dhabi where the negotiations for the acquisition of 26 Hawk aircraft have now reached the final stage. Following Mr Hurd's visit to Abu Dhabi in September, the MOD has, at the Abu Dhabians request, conducted a review of BAe's prices and various other outstanding issues in the current negotiations. Assurances of HMG's strong backing for BAe's performance have been offered. It is hoped that negotiations will resume shortly and be soon concluded. A fresh challenge could be emerging from the French (Alphajet) and the Americans (F5G). Defence Sales are also actively involved in the promotion of the Joint Operations Centre, and integrated communications system projects for Abu Dhabi, where IMS are leading groups of British electronic firms, again against strong US and French challenge. A joint MOD/Industry presentation on Nimrod AEW has also been arranged in Abu Dhabi. The Abu Dhabians had a successful demonstration of Challenger in September and are showing firm interest in the tank. In Qatar, Plessey are in the final stages of negotiating a contract for a Joint Operations Centre. This project has had strong Defence Sales backing.

There are major defence equipment purchasing plans throughout the Gulf at present. In the case of Oman and Bahrain these are dependent on funding being made available by their partners in the Gulf Cooperation Council (GCC). Decisions on this, and also possibly over standardisation of equipment, may emerge from GCC meetings over the next few months. The Americans and French are evidently pressing their clients in the area, notably Saudi Arabia, to go for standardisation on existing equipment especially aircraft and air defence systems. We are aiming to counter this tactic for example by promoting the continued use of Rapier within the Gulf air defence system. It is particularly important that the Omanis, as the largest single user of British equipment, succeed in their efforts to retain discretion to procure equipment of their choice under the new joint funding arrangements; so far they have been taking a strong line on this. Integration of military planning and equipment within the Gulf states seems some way off yet. We are also keeping in touch over possible steps towards the development of a joint local armaments industry.



Business with Iraq has remained disappointingly low by recent standards during the quarter. There are indications however that Arab subventions have resumed which could directly benefit UK companies. At the end of the quarter a large number of tenders were issued for vast quantities of military clothing and general stores - areas where some UK firms have traditionally been successful. Since the end of the quarter, Scammell have signed a £51M contract (subject to ratification), the biggest single export contract in their history, for a further 300 heavy recovery vehicles. They have now sold over £100M worth of these vehicles to Iraq within the last 18 months. A team is now in Baghdad for further discussions on the Hawk project. BAe are submitting an offer for the direct supply of 24 Hawks (£150M) as the Iraqis are far from reaching a decision on the full local manufacture project. The Iraqis have made it clear, however, that BAe's chances of the Hawk project are related to the UK's willingness to sell Nimrods. There are three critical issues for the Nimrod deal which have recently been discussed by OD. These are diversion, bonds and guarantees, and supply of US components; the latter being the most difficult. The report of the further visit of the Nimrod team to Baghdad is awaited.

In late September the Head of Defence Sales paid a visit to Jordan and was able to develop good contacts with senior Jordanian personnel including Crown Prince Hassan and King Hussein. By way of follow-up, a joint British Aerospace, RAF and DSO team will visit Amman later this year for full discussions on the Agile Combat Aircraft (ACA) as well as AEW, EW and refurbishing the RJAF's F5E aircraft. If we can undertake the F5 package we may be able to hold off an early French or US advanced fighter purchase until the ACA is available. The Jordanians seemed generally pleased with their Khalid tanks and are happy with the measures taken to correct the problems encountered on the early tanks delivered. A potential constraint on what may be supplied - leaving aside funding questions - is the deteriorating security rating for Jordan as a result of the growing Soviet technical support. It remains to be seen how much closer Jordan gets to the USSR - but further Soviet sales and more 'advisers' in-country cannot be ruled out although Commander in Chief, Bin Shaker assured the Head of Defence Sales that he was well aware of the problem.

Egypt has remained a minor market with no significant developments despite strenuous efforts to obtain commitments from the Egyptians. The special credit allocation agreed in November 1981 for the support of 6 Ramadan fast patrol craft has not yet been taken up. The Head of Defence Sales visited Cairo in early October to explain the position to the Defence Minister in the hope that an early conclusion can be reached. The discussions also covered in detail the extensive negotiations on co-production across a wide range of products with the ROFs. As ever fruition will be much more difficult than discussion.



Nigeria's financial problems continue and no significant orders were placed during the July-September quarter. Following the unexpected transfer of the Defence Minister to Trade and the Defence Portfolio to the President, defence expenditure is again under review and UK firms face a further period of uncertainty. The President has already told the Air Staffs to reduce the size of the Jaguar package to within a total budget of £400M and BAe are currently rewording their proposals on the basis of 18, rather than 36, aircraft plus training and other support to be accompanied by a commitment to buy a further 18 at a future specified date.

Further negotiations on the MOU with Algeria on defence co-operation took place in early October. Good progress was made and it is hoped that agreement can be reached before Christmas. The need for good credit terms is the only major issue to be resolved. A draft outline proposal for an air defence network (now called Project ACCORD) has been devised by an RAF team on loan to the Defence Sales Organisation and is being revised in consultation with the major electronic companies prior to presentation to the Algerians. In the naval sector, Brooke Marine won the follow-on order for four fast Patrol Boats to be built in Algeria. The first of the two UK-built boats was handed over on 30th July.

Elsewhere in Africa, Kenya's President Moi has asked for help in rescheduling Kenya's defence debts as a separate issue from assistance with their overall debt problem; Zimbabwe has asked for UK assistance in providing six ex-RAF Hunter aircraft and ground equipment following the explosion at Thornhill Air Base, and the Tunisian Ambassador in London has now informed us that as part of his country's policy of diversification they intend to buy naval equipment from UK, and military aircraft from France.

Sales in most Latin American countries continue to be affected by the South Atlantic conflict and its aftermath. In Peru a contract for a naval training simulator has been lost largely, it is suspected, on political grounds. In Venezuela, the Hawk contract continues to be in the doldrums and is probably lost. Against this, political sensitivities over the Falklands issue has not prevented the Brazilian Navy from signing a letter of intent to purchase £30M worth of Tigerfish torpedoes from Marconi (this is the first overseas sale of the equipment). In Colombia prospects for UK defence equipment now look stronger than they have done in the past. There has been renewed interest in Naval Lynx and a recent proposal that the Colombians take up a £60M line of credit for purchases of UK military equipment has been well received by the armed forces.

In the Far East, it has been a period of negotiation. No major contracts have been concluded during the quarter but significant progress has been made in a number of areas. The Prime Minister's visit to China provided fresh impetus to the flagging negotiations on Project 051 and following her departure, BAe and Vospers Thornycroft were called out to Peking for further negotiations. Vospers have now reached agreement with the Chinese. BAe are reported to have



reached agreement on price but a number of contractual issues remain to be resolved before a signature. Progress has also been made by Vickers in their negotiations with South Korea on the details for joint production of the SP155mm gun with Korean industry.

During my Secretary of State's visit to India, there was some discussion on setting up an Anglo-Indian Equipment Collaboration Committee, which would meet when required to discuss possible collaborative deals such as the Light Combat Aircraft and sales problems. Mr Nott has since instigated a review to consider the security aspects of our contacts with India. A contract for an additional 31 Jaguar aircraft is expected to be signed by November and the negotiations on Sea King are coming to a head. A decision is expected in November and Westlands Helicopters are hopeful of success although the French challenge remains strong. The Sea Harrier deal is in a similar state of abeyance.

The most significant sales to European countries during the quarter were the £14M contract with Belgium for AIM 9L Sidewinder missiles, and the £6M sale of Clansman to the German Government for UK forces in Germany. There are, however, some important sales prospects in the area. The Norwegians have reached a critical stage in their consideration of their guided missile requirements and a decision is expected shortly. Prospects for Rapier are thought to be excellent, following its performance in the South Atlantic, despite strong competition from US Improved Hawk and European Roland.

The major sales prospect in Europe remains Tornado for Greece. Panavia have been putting their detailed proposals on support, credit and offset etc to the Hellenic Air Force (HAF) and two RAF Tornados visited Greece during a training flight to Cyprus at the end of October. In parallel Controller Aircraft led a high-level trinational negotiating team to Greece in September to draw up an MOU for support services by NAMMA and the three partner Governments. A Greek decision is not now expected until early in 1983 and it is believed that a split buy to fulfil both air-to-air and air-to-ground roles is now the most likely solution. Such a decision would place Tornado IDS in a strong position as a contender for the air-to-ground role.

In the USA the scene is one of contrasting success and failure. On the credit side, Marconi Radar have been awarded a contract, initial value £5M, to supply degaussing equipment and spares for the US MCM programme. Also, but on a smaller scale, MILTRA, who were successful in the last quarter in obtaining a contract to produce Medium Girder Bridge models worth £.5M, have now secured the contract option to produce a further 39 models valued at £.8M.



Finally, and provided pressure from Congress can be overcome, one of two UK firms, Compton Webb or Remploy, could secure a contract valued at circa £7M for supply of 230,000 NBC suits to the USN. A major disappointment concerns a significant contract award for the US Marine Corps/US Army Light Armoured Vehicle programme. Despite considerable lobbying in the US and Ministerial support, Alvia/Martin Marietta have failed to secure this remunerative 5 year contract worth in the region of £300M for the production of 969 vehicles. The award has gone to GM of Canada with US companies supplying equipment amounting to about 60% of the cost of the GM vehicle. The longer term Mobile Protected Weapon System/ Mobile Protected Gun project will continue to be pursued by Alvis.

As regards major future prospects in USA, \$50M has been included in the FY83 Defence Appropriations Bill further to improve the air defence of USAF bases in Europe. The Bill recommends that this should be achieved by an extension of the use of Rapier, which the USAF decided to purchase last year for defence of certain UK bases. We are similarly encouraged by the inclusion of \$9.7M in the FY83 Authorisations as the start of a phased programme of procurement of Hawk aircraft. Congress has, however, expressed concern at the total cost of the programme and it will be necessary to continue to work closely with the US Administration to ensure the long term stability of the programme.

For Australia, the RAN finally decided not to proceed with the purchase of 2 Hunt Class MCMVs because of funding problems. It may be that the Hunts will be reconsidered in the RAN's re-examination of their future mine-sweeping capability. Discussions regarding the new aircraft carrier for the RAN are still continuing with a decision expected towards the end of this year. New Zealand, however, finally concluded their purchase of two ex-Royal Navy ships valued at over £18M with a further £20M in helicopters and associated equipment. In addition it is anticipated that New Zealand will spend a further £12m in UK on related commercial contracts.

In sum, therefore, it has been, generally, a successful quarter both in terms of sales achieved and progress towards new deals. BAe in particular have shown enterprise in capitalising most effectively on the success of their various equipments in the South Atlantic, and we hope to be able to continue the upward trend which has been a feature of sales so far this year.

Yours ever,

Jane Ridley

(J E RIDLEY)(MISS)

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PART I - STATISTICAL SUMMARY OF CONTRACTS SIGNED
DURING QUARTER ENDING 30 SEPTEMBER 1982

The value of new orders received (ie contracts signed) during the third quarter of 1982 amounted to £650.907M compared with £405.776M in the previous quarter and £322.927M in the third quarter of 1981. The two largest individual contracts both went to Saudi Arabia, with more than half the total value of the quarter's sales accounted for by the £370M extension to the SADAP MOU. Next in line is the £64M contract for FH70 guns and ammunition followed by New Zealand's £38M purchase of two ex-Royal Navy ships, helicopters and associated equipment.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Algeria	22.300	Algeria	4.500	Algeria	3.000
Brazil	0.250	Australia	0.137	Belgium	14.000
New Zealand	38.400	Brunei	0.447	Brazil	1.100
USA	6.499	Dubai	0.997	Chile	4.300
		Egypt	4.500	China	0.640
		Eire	0.416	Egypt	1.600
	67.449	Germany	6.000	Germany	0.100
		Iraq	12.330	Norway	4.500
		Jordan	13.802	Qatar	6.000
		Kuwait	6.200	Saudi Arabia	337.800
		Oman	0.231	Sweden	0.200
		Saudi Arabia	66.039	USA	34.897
		Sweden	0.600	Yugoslavia	8.902
		USA	5.220		
		Yugoslavia	5.000		
					457.039
			126.419		

Note: The figures are substantially correct but not completely comprehensive as not all private orders, particularly those of a minor nature, are known to the DSO. Orders worth less than £100,000 are not included in the report. The figures shown are basic costs and do not include escalation or interest on credit.

PART III MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Air defence scheme	200 +	1983	RAF outline proposals report is being revised in consultation with industry All 4 of these projects are dependent on signature of Defence Sales MOU currently under negotiation	US of S(DP) visited Aug 81	France, Sweden, Germany France, Italy, Czechoslovakia France Japan, Belgium, Spain
	Hawk (27) + airframe & maintenance facilities; refurbishment of Soviet-built aircraft	200	1982+			
	Sea King/Commando helicopters	100+	1982/3+			
	Dry dock at Mers el Kebir base	110-115	1982/3+			
EGYPT	Frigates/FPCs	240	1983 on	A protocol has been signed with Spain for a major arms package including frigates & FPCs but Egypt maintains that 6 Ramadans are still required and an attractive ECGD backed credit offer remains extant until November	EX is approving special ECGD backed credit offer	Spain, USA France Spain
	Main Battle Tanks (up to 500)	1000	late 1980s	Vickers Valiant now being evaluated in addition to Challenger		
LIBYA	Air Defence Package	150	N/K	Prospects good. Yugoslavia led consortium putting together package which included Martello and Tropospheric Scatter.		
NIGERIA	Jaguar	400	1982	Financial negotiations still continuing. Nigeria has accepted improved payment terms offered by BAe following request to SofS. Contract signature still imminent but delayed by Independence celebrations.	1. Nigerian Minister of Defence called on SofS during his visit to UK for Farnborough 82. 2. Nigerian Senate Committee on Defence called on Minister(DP) in Oct 82.	France France USSR
	Swingfire	65	1982	Signature still awaited although negotiations said to be completed.		
	Main Battle Tanks	50-60	1982+	Negotiations on this follow-on order not yet complete. Request for credit may be made.		
	Scorpion	15	1982+	Negotiations continuing on this follow on order.		
TUNISIA	2 Fast Patrol Craft (52 metre, Exocet armed)	52	1983	Negotiations well advanced and contract expected by Nov 82. Tunisian Ambassador has informed us that a decision has been taken that future Naval business will be with UK, but aircraft with France.		France

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 PART III-MAJOR DEFENCE SALES PROSPECTS

AFRICA - (contd)

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ZIMBABWE	Land Rovers 1000 various types Tactical Communications eqpt and local production of HF/VHF manpack and Vehicle transceivers	6-8 19	1982-83 1981-86	Firm order for initial quantity of 240 received late September. ZNA have purchased from Plessey 550 radios out of a total requirement of 6500. Negotiations still going on on balance which will be assembled locally under sub-contract.		France

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PART III-MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Sea Kings and Sea Harriers	380	N/K	Australia already has 8 Sea King helicopters and there are prospects for the sale of up to 6 Sea Kings and 20 Sea Harriers in association with a new aircraft carrier purchase. RAN appraisal team recently visited UK to evaluate Sea Harrier and USA to study AV8B.		USA
	Aircraft Carrier	300		Now that UK is to retain HMS Invincible RAN is considering purchase of a new carrier. UK options include a new Invincible -class carrier to either RN standards or with an RAN equipment fit, and VSEL commercial Helicopter Escort Carrier.		USA Spain Italy
CHINA	Project 051 - equipment fit for 2 new destroyers	150 (incl's Sea Dart & Support Svcs)	1984+	BAe believe that they now have agreement on price but contractual issues remain to be solved. Chinese want a signature on the BAe as soon as possible. VT(UK)Ltd are still negotiating on price.	Prime Minister's recent visit stimulated renewed activity on Project 051.	
INDIA	Sea King	200	1982	Westlands Helicopters called to Delhi 12 October for second round of negotiations MOU under consideration in MOD.	Secretary of State visited Delhi in September 1982	France
	Sea Harrier	110	1983	Negotiations in abeyance as same evaluation team also handling Sea Kings.		
	Light Combat Aircraft (LCA)	165	1983	RB199 still not cleared. SofS is considering sending a team led by CSA to discuss LCA.		France USSR
	FH70	360-700	1983	DA advises that requirements could be as high as 400 guns, but in order to obtain required delivery, two different systems may be bought. IMS expect to be called to India in November. Decision should be early 1983.		France Austria Sweden
	Jaguar	60	1982	GOI has announced purchase of 31 Jaguars. Team visiting Delhi to put forward offer. Contract expected by November.		
INDONESIA	Hawk (further 3)	15	1982	Revived interest in additional purchase during this FY.		

PART III - MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST (contd)

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN	FH70	50	1983-84	Rheinmetall (FRG) lead on the sale of 26 guns and negotiations for licenced manufacture of initially 150. IMS will lead discussions on ammunition.		
	Searchwater Radar	10+	1984+	JMSDF showing keen interest in Searchwater to equip F2Js, later possibly for P3Cs (75 on order).		
MALAYSIA	FH70 (excl ammunition)	12 (UK share about 4)	1983-85	VSEL have responded to invitation to tender. MOD free training package offered in support. Decision on initial buy may be early in 1983. Oto Melara also bidding.		Austria Italy Sweden
	FH70 ammunition	7	1983-85	Offer with IMS		
	Defence Operational Room (DOR) project	100-150	1982-84	Following completion of feasibility study EASAMS tender proposals submitted (Apr 82) for full turnkey project, together with letter of support from HDS.		FRG USA
PAKISTAN	Frigates	150	1982/83	Vospers proposals for 2 Type 21 Frigates submitted Aug 82, with offer of 100% credit (50% ECGD).	Ministerial agreement to 50% ECGD cover PM's letter to Zia in August	France Italy FRG
SOUTH KOREA	Skyvan	270	1983	Decision delayed by renewed evaluation of DHC Buffalo		
	Vickers	200	1984	Vickers have reached agreement with KHIC on joint development and production (Vickers turret, KHIC hull). Discussions with Korean MND due to start soon. FRG/Italian agreement will be required on ammunition.		

PART III - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Land Rovers	30	1983-8	Decision due shortly. Land Rover offering assembly in Belgium or production in UK with offset arrangements.		FRG France Italy
DENMARK	Sea Skua	5-10	1985/6	Danish Navy understood to have recommended procurement of Sea Skua in a report now under study by Central Defence Staff. Funding constraints remain critical.		
FRANCE	AEW Equipment	300+	1983	Marconi Avionics (MSA) fitted into either the Transall or Atlantique aircraft is under consideration along with Boeing E3A and Grumman E2c to meet French requirements for an AEW system. Arrangements are in hand for an "in UK" evaluation flight of an AEW Nimrod with French observers in attendance in Nov 82 followed by further in flight evaluation in France during 1983.		USA
GREECE	Tornado	1000+		A decision is still awaited on the choice of aircraft for the HAF. Information now being received indicates that Greece may opt for a 2 aircraft type solution; Air to Air and Air-to-Ground optimised. If this is so, Tornado IIS is a strong contender for the latter version. In addition to Panavia's negotiations, b-h-b-talks have recently started between the 3 partner nations and Greece with some significant offer being made for the integration of the HAF into existing Tornado training, supply and programme management arrangements. 2 two-seater Tornados visited Greece during October 82 and were well received. During the last quarter of 82 the Greeks will be studying the proposals of the companies involved. A decision is expected early 1983.		ISA/France
ITALY	Spey Aero Engines	100	1983 (Spring)	The RR Spey engine has been selected for the development programme for the Italian/Brazilian AMX fighter. A total of 260 aircraft are currently expected to be ordered. However due to the ponderous Italian procurement system the anticipated date for the acceptance of RR's proposals has now slipped from Autumn 82 to Spring 83. RR expect business in excess of £100M from this licensed manufacture order.		

PART III - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ITALY (Cont)	GEM Aero Engines	30-100	1983	The GEM engine has been selected for the flight development programme for the Agusta Al29 anti tank helicopter. RR have signed a collaborative agreement with Piaggio to satisfy Italian wishes for local manufacture. RR estimate total engine requirements at between 750 and 800 units.		
NETHERLANDS	Submarine Towed Array Sonar	5	1982	Negotiations continue. Firm hopeful of initial order shortly. MOU covers RN support for introduction of Type 2026 sonar into RNLN subs.		
NORWAY	Rapier	160+	1983/4	MOD/BAe team visited Oslo late August to give presentation of Rapier in the Falklands. Decision on Rapier/US Improved Hawk/European Roland is imminent.		USA France/FRG
SPAIN	Rapier	100-150	1982	Following reports that the Spanish had decided, in principal, in favour of the Chaparaal system, BAe submitted fresh proposals increasing the levels of local manufacture in an attempt to reverse the decision. The Spanish authorities now seem willing to consider these new proposals and a decision is expected before the end of the year.		USA France

PART III - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	10	1982	Early contract signature may be likely following successful use of the system in the Falklands conflict, if satisfactory credit arrangements can be made.		
	Mk 24 Torpedo	30	NK	Letter of intent to purchase Tigerfish signed. Detailed contract negotiations take place Oct/Nov 82.		
	ASW package	50	late 1982	Embraer are developing a twin engined turbo prop aircraft for maritime patrol. Ferranti and Marconi Radar have prepared separate proposals worth approx £50M for anti submarine equipment for these aircraft. A decision on the project is expected later this year.		
CHILE	Rapier	100+	1983/4	Both the Chilean Army and Air Force are seriously interested in purchasing Rapier, Blindfire and tracked Rapier. Attractive credit terms are on offer. Successful use of the system in the Falklands will have enhanced sales prospects.		
	Navy Lynx (8+)	40-50	1983/4	The CN has a confirmed requirement for additional helicopters configured in an ASW role. CN team recently completed a very successful visit to WHL and RN stations where they saw Naval Lynx demonstrated.		
	Hunter Up-Date	14+	1982	Variety of UK firms including BAe, Ferranti, Marconi and Smiths have made proposals for update of Chilean Hunter avionics and communications. Decision expected soon.		
ECUADOR	Air Defence System Phase 2	21	1982	First phase signed in 1981. RAF specialist on loan to E.A.F. to advise on set up. To be funded outside Defence budget and final decision on purchase by end of the year.		USA/France

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PART III - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	Hawk	186+	1982	Despite eleventh hour problems, final negotiations are expected to resume shortly. HIS has written to Shk Khalifa.	PM secured agreement in principle in April 81. Mr Hurd visited Sep 82.	France
	Engineer Package	80	1983	IMS Tender under consideration. Now competition introduced but only IMS still offer complete package.		Various
	Electronic Warfare	100+	1983	UK tenders submitted and offer of UK MOD support made.		France, Italy, FRG, USA
	Tracked Rapier	100	1983	BAe are offering tracked Rapier to meet Abu Dhabi requirement for further battery of low level Air Defence missiles.		
	Blowpipe	30-50	N/K	Shorts are pursuing a firm prospect. Abu Dhabi have witnessed firings in UK.		
BAHRAIN	Sea Skua/Sea Spray	30-40	1982-83	BDF interested in fitting system to AB212 helicopters. Joint BAC-AB mod development almost complete. Subject to GCC funding.		
IRAQ	Hawk	2125	1983	BAe team visited in October 82 for final discussions, Iraqis now due to select preferred aircraft. Contract, which will also cover local manufacture could be signed in early 1983. BAe are offering off-the-shelf buy of 24 aircraft (£150M)	Inter-ministerial correspondence over, interalia, ECGD attempt to limit ECGD cover for Iraq	France, Italy
	Nimrod AEW Mk 3	1300	1982	DSO/BAe team visited in late October 82 for further discussions. Subject to Ministerial approval, a Govt-to-Govt sale will be offered under an MOU with two RAF aircraft being diverted to meet early Iraqi delivery requirements in return for an Iraqi waiver of performance bonds and guarantees on this and future BAe sales.		SofS and PM to consider diversion. Dr Vaughan to raise during Nov 82 trip to Baghdad.
	FH70	Up to 2000	1983	Budgetary offer for 100 guns submitted. IMS preparing full offer for 480 guns with support and massive quantities of ammunition. Post-war supply, subject to German and Italian agreement.		USSR France Austria
	Light Gun	400	1983	Revised IMS offer, reflecting greatly increased Iraqi requirements to be submitted this quarter. Post-war supply.		Italy USSR France

PART III MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST (CONTD)

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAQ	Challenger MBT	600+	1984	Offer for 300-500 Challenger being prepared by IMS for submission this quarter. Post-war supply.		USSR France
JORDAN	Hawk	100	1983-84	Hawk favoured to replace ageing F5Bs in advanced jet trainer role. Decision could be delayed if RJAF refurbish existing F5Es.		France, Italy USA
	ACA	NK	Mid 1980s	Following Farnborough 82 and HDS' trip to Jordan in September RJAF interest in P110 family of aircraft has been revived. A detailed briefing on ACA is scheduled for early November.	PM offered Tornado & P110 to King Hussein in 1981	USA France
KUWAIT	MBT	250+	1983	Strong interest in Challenger which was demonstrated in Feb 82. Requirement also exists to retrofit existing Chieftans with computerised fire control system.		FRG USA USSR
	Armoured Vehicles	30-40	N/K	Scorpoin has good long term prospect of replacing Saladins due to be phased out.		France Brazil Austria
OMAN	Communications Network	80+	Mid 1980s	US Firm awarded design study for replacement of existing tri-service network but UK firms have good prospects of securing equipment contracts.		US
QATAR	JOC & AOC	99	1982	Plessey selected as prime contractor 2 LSPIL country to oversee project. Contract signature delayed until Plessey have resolved teething troubles on radar order.		
	JOC Communications Package	20	1982	Proposal under preparation by IAL in concert with Plessey.		
	Rapier	20	1982-83	Split of first battery recommended - this would entail provision of extra 4 fire units.		
		150+	1983	Good prospect for 2 further batteries if first is successfully installed.		
	Air Defence Radars	40+	1982-83	Two radars ordered 1981 are now being installed. Good prospect for sale of further three to complete coverage.		

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PART III - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA	FH70 (Army) Ancillary equipment and support.	35	1982-83	Contract for gun and ammunition signed in July 82. Contract negotiations on ancillary equipment etc expected to commence in Nov 82.	S of S sent 2 personal letters to Prince Sultan on FH70.	
	Lynx Helicopters	60-80	1983	Presentation and costed proposals given by Westlands Feb 82. Decision now unlikely before mid 83.	S of S raised subject with Prince Sultan in Sept 82.	USA FRG
	Artillery Equipment	6	1982-83	Negotiations with artillery director commenced Aug 82.		
	Engineer Equipment	120	1982-83	Discussions with Engineer director expected to commence shortly.		
	RN Training for Ministry of Interior Coastguard	3.4	1982-83	RN proposals for training programme over 3½ years agreed in principle. Contract for first batch of students signed Sep 82 - £600K.		
	Nimrod AEW	150	1984	Although now committed to AWACS there is still a good possibility that the Saudi's will take a small number of NIMROD AEW aircraft to supplement AWACS and allow the Saudi's a full range of AEW operating options.	S of S discussed with Prince Sultan in Sept 82 in Jeddah	USA
	Hawk	120	1985-86	Good prospect that Hawk will augment or replace existing Strikemaster when King Faisal Air Academy is re-sited in mid-1980s.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	France Italy Spain
Air Base Security Systems	80-90	1982	Shorrock Security Systems are in strong position to win contract for provision of security systems for RSAF airfields. RSAF Director of Air Intelligence visited Shorrock factory after Farnborough.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	USA	
SAUDI ARABIA (National Guard)	FH70	20	1983	Presentation given in Jan 82. Possible contract in mid 83 but US have improved delivery offer.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	USA
	SANGMED	250+	1983	Current LOA expires in May 1983. Discussions on 2nd LOA for further operation of Jeddah hospital will begin late 1982.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	USA
	Challenger MBT	approx 50	1982-83	We have responded positively to SANG request for a firm "commitment to supply" and await further developments. It is hoped a SANG team will visit UK for a demonstration next year.		USA FRG

PART III - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SYRIA	Tank Laser Sights	30	1982-83	Successful in-country demonstration Sept 82. Vickers Instruments will follow up with commercial discussions later this quarter.		
	Tank Transporters	100	1982	Improved credit terms being sought from ECGD although Mercedes (FRG) is well placed for a follow on order.	FCS to raise during Oct 82 trip to Syria.	FRG France Italy

PART III - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Patrol Frigate Programme	N/K	1983	Contract definition studies placed with Canadian companies. Number of UK companies are hopeful of major sub contracts, notably for propulsion machinery, radar and communications equipment.		International
USA	Medium Girder Bridge and Link Reinforcement Sets	30	1983	US Army/USMC procurements to be single sourced. Contract on Fairey to include 23 MGBs and 11 LRS in FY 83.		
	Improved 81 mm mortar	200-550	1983	Prospects good but procurement funding might be restricted for FY 84.		
	Integrated Communications System (ICS 3)	50-100	1982	System under evaluation by USN.		USA
	Searchwater Radar	100	1983	RAF Officer assisting USN with evaluation.	US of S (DP)	USA
	Hawk	500	1987	Funding of £8M approved for commencement of a phased programme.	US of S (DP)	USA France

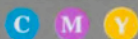
PART 2 ends:-

FCS to S/S MOD (FCS/82/172) 29/10

PART 3 begins:-

MOD to ASE + att 15/11/82

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