

CABINET TWO FILE.

Correspondence from Jim Speer MP on
MARITIME DEFENCE - THE CAPE ROUTE
including his meeting with the PM on Feb 1981
about the CAPE ROUTE and NATO
PROCUREMENT.

PRIME MINISTER

FEBRUARY 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
20-2-81							
15-3-81							
<p>PREM 19/565</p>							



PM
(2)

10 DOWNING STREET

Prime Minister.

The position on evidence of
breaches is summarised in

^{page}
_A the attached report by the
Assessments Staff on the covering
minutes by Sir R. Ameshing.

Ameshing
no

16.3.87



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>565</i> (one piece/item number)	
Extract/Item details: <i>Minute from Armstrong to Alexander dated 13 March 1981, with attached report</i>	
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I have no evidence

(2)

of French & Italian



Prime Minister

The Assessment Staff

Foreign and Commonwealth Office

London SW1A 2AH

*breaches?
no*

*report is attached. The central
issues are those summarised in the final
para on this page. I doubt whether it
would be sensible to try to copy the*

13 March 1981

*I have added
a letter about
Marconi
MS*

Dear Michael, French & the Israelis.

Ant- 13/3

UN Arms Embargo Against South Africa

You will be receiving shortly the report by the Assessments Staff on allegations of French and Italian breaches of the arms embargo against South Africa requested in your letter of 20 February about the Prime Minister's discussion with Mr Spicer MP, and Mr Peyton MP. The Prime Minister may wish to have the Foreign and Commonwealth Secretary's comments on this report.

There seems little doubt that a certain amount of cheating is going on, with the French, amongst our allies, to the fore. Lord Carrington would not, however, accept the proposition that we apply the arms embargo more restrictively than any other government. Indeed we have taken a more permissive view than some others of the application of the embargo to dual purpose equipment (and incurred considerable international and domestic criticism for doing so). We do not seek to interfere with the supply of equipment, not primarily acquired for its military capability, to the South African armed forces or police, as for example current US legislation does. There is no evidence of any intention by the new US administration to change their legislation or to disregard the obligation to observe the embargo.

The embargo, imposed by a mandatory resolution of the Security Council, is legally binding on all UN member states and there are provisions in British law to ensure that effect can be given to it domestically as well. The Government could not encourage British companies or individuals to act incompatibly with Britain's international legal obligations and with our own law. Indeed if any such contravention came to the Government's notice we should be obliged to take action against whoever was responsible for it.

Apart from the legal considerations, there are practical arguments which would make it difficult to depart from our present policy. There is more zealous interest in Parliament and the press in these matters in our open society than in many other countries where evasions may take place. French public and parliamentary opinion is remarkably indifferent. Contraventions of the embargo by British companies would be quickly detected and publicised here, exposing the

/Government

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Government to serious political embarrassment both internationally and at home. This could put at risk our substantial (and growing) commercial and economic interests in Africa and elsewhere. Thus the cost to Britain might greatly exceed the value of potential orders lost by our observance of the embargo. For example, we are at present bidding for three major arms contracts in Nigeria which could be worth some £450 million.

Thus, although Lord Carrington shares the Prime Minister's dissatisfaction at a situation in which some others seem able to evade their obligations while we observe our own, he believes that a change in our position could incur risks out of all proportion to the additional benefits we might be able to expect.

I am writing separately about Marconi, and sending copies of this letter to David Omand (MOD), Stuart Hampson (DOT) and David Wright (Cabinet Office).

yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON
SW1



Prime Minister

②

h.s. Lyne

Foreign and Commonwealth Office

London SW1A 2AH

13 March 1981

This note has already been
in to you but there is no
indication that you have actually
seen it.

Dear Michael,

Lyne
25/3

mb

UN Arms Embargo Against South Africa: Marconi

In your letter of 20 February you asked for a report on the Marconi contract mentioned to the Prime Minister by Mr Jim Spicer, MP.

I enclose a note accordingly. The South Africans want the equipment to control both civil and military aircraft in the air space of South Africa, Botswana, Lesotho and Swaziland, and also to help to control aircraft in part of the air space of Mozambique and Zimbabwe.

Ministers in the Ministry of Defence, Department of Trade and Foreign and Commonwealth Office will need to consider Marconi's application when they seek an export licence formally. However, to judge from the information so far available, the application seems likely to fall within the guidelines which the Prime Minister agreed last year. If this is so, the Foreign and Commonwealth Secretary expects to recommend that Marconi should receive an export licence on the basis that the equipment has a clear civil application and is not required primarily for military purposes.

A decision to license this sale would probably incur criticism at the UN and perhaps at home, as being contrary to the spirit (and, on a broader interpretation than ours, to the letter) of the arms embargo resolution. The resulting argument might also strengthen the hands of those African governments which are pressing for the Security Council to extend the arms embargo and to define it more strictly, thus increasing the risk of our being forced to veto a resolution to that effect in the Council (probably in company with the Americans and perhaps the French). But we would expect to have a firm basis for rebutting criticism; and the question of action in the Security Council may already have been resolved by the time that a decision on Marconi has been taken and become publicly known.

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

Yours ever
Roatic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St



SALE OF RADAR EQUIPMENT TO SOUTH AFRICA

Background

1. Marconi sold South Africa 4 radar sets in 1964 before the mandatory United Nations arms embargo. South Africa wants to replace this equipment and buy one more as a spare. The South Africans are seriously interested in the Marconi equipment, provided that Marconi can get an export licence.

2. Marconi asked about the export licence requirements on 28 January. The Department of Trade asked them for more information which Marconi are now assembling.

Value of Contract

3. The contract is worth £3.9 million. The equipment is based on what Marconi had hoped to sell to the UK Civil Aviation Authority.

Dual Purpose Nature of Equipment

4. The UN Civil Aviation Authority have been advising South Africa's neighbours how to improve civil aviation safety in Southern Africa. They confirm the need to replace South Africa's existing equipment for general safety reasons. The Marconi equipment is of no specific military application because it has no height-finding capability. However like similar systems elsewhere it can be used to control aircraft, whether civil or military.

5. The South African customer will be Marconi (South Africa) and the operator will be Air Space Control Ltd, a civilian organisation.

SUBJECT

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File 115
Prime Minister

10 DOWNING STREET

From the Private Secretary

20 February 1981

THE UN ARMS EMBARGO ON SOUTH AFRICA

Mr. Jim Spicer, M.P., and Mr. John Peyton, M.P., called on the Prime Minister yesterday evening as arranged.

Mr. Spicer spoke to the memorandum enclosed with my letter to you of 9 February. He described the present situation at Vospers. He said they had been losing business steadily and might, if this continued, go to the wall. Potentially their most promising market was the South African Government. The difficulty was, of course, the arms embargo. Mr. Spicer said that he himself accepted the embargo. Unfortunately, HMG were the only Government which "played it straight". A colleague of his had recently been to Namibia and had seen that the South Africans were openly using French and Italian helicopters there in their operations against SWAPO. Similarly, frigates originally bought from this country were being openly re-equipped in Simonstown with French radar and French guns. All this equipment appeared to be being supplied through third parties. Why could we here not act in the same way? If some means could be found to circumvent the embargo, Vospers would shortly have an off-shore patrol boat available which would suit South African requirements ideally. He was confident that the South Africans would be interested in this craft.

However, it would be necessary to thrash out the issue in the next month or two. In Mr. Spicer's view it was only a matter of time before the Americans, under the new Administration in Washington, began to take over the South African market.

Mr. Spicer also mentioned a different problem. He said that the civilian radar system in South Africa, which had been originally installed by Marconi, was coming up for renewal. The South Africans would like to buy from Marconi again. Marconis themselves were faced with the need for retrenchment in this country and might soon have to cut some 1400 jobs. Mr. Spicer hoped, therefore, that the minimum of bureaucratic red tape would be placed in the path of a Marconi tender.

/The Prime Minister

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The Prime Minister said that she found it unacceptable that the French and Italians should apparently be able, with impunity, to supply South Africa with military equipment through third parties. She would commission an urgent report on the facts. If we were able to substantiate what Mr. Spicer had said, she would consider the implications for our own trading relations with South Africa. As regards a Marconi tender for the South African radar network, she would ensure that Mr. Spicer's point was followed up immediately. (1)

At one point in the discussion, Mr. Peyton said that he was thinking of going out to South Africa to enquire into the facts in regard to arms supplies there. The Prime Minister said that she thought this would be very useful.

I should be grateful if you, and those to whom I am copying this letter, could arrange for me to receive as soon as possible reports on:-

- (2)
- (a) Supplies of French and Italian military equipment to the South African Government; and
 - (b) the possibility of a tender by Marconi for the replacement of the South African radar network.

Copies of this letter go to David Omand (Ministry of Defence) and, together with the memorandum enclosed with my letter of 9 February, to Stuart Hampson (Department of Trade) and David Wright (Cabinet Office).

no comment

*liaised
with FCO*

M. O'D. B. ALEXANDER

Francis N. Richards, Esq.,
Foreign and Commonwealth Office.

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LB

COVERING SECRET



Foreign and Commonwealth Office

London SW1A 2AH

18 February 1981

Dear Michael,

As requested in your letter of 9 December, I enclose a brief for the Prime Minister's meeting with Jim Spicer MP and John Peyton MP on Thursday 19 February.

Since time is now short, I am sending the brief to you unseen by Ministers here. The Lord Privy Seal will see it tonight, and if he has any comments we shall pass them on as early as possible tomorrow.

At FCO Question Time this afternoon, Mr Luce answered a question about the strategic importance of and military collaboration with South Africa on the following general lines:-

- (i) he agreed with the strategic importance of the Cape Route, as well as the South Atlantic and the Indian Ocean;
- (ii) but we were bound by our obligations under the mandatory UN Arms Embargo; and
- (iii) there were contingency arrangements whereby NATO nations would co-ordinate to provide naval control and protection of friendly merchant shipping outside the NATO area, including in the South Atlantic, in times of tension or war.

Mr Luce has suggested that you may wish to keep an eye out for the relevant Hansard entry when it appears tomorrow, in case the Prime Minister wishes to use a similar formulation.

Yours ever,

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

COVERING SECRET

PRIME MINISTER'S MEETING WITH JIM SPICER MP AND
JOHN PEYTON MP ON 19 FEBRUARY

MARITIME DEFENCE - THE CAPE ROUTE

POINTS TO MAKE

STRATEGIC IMPORTANCE OF CAPE ROUTE

1. We recognise importance of Cape Route for Western shipping, and of South Africa as a source of raw materials.
2. In time of East/West war, we would expect South African air and naval bases to be available to the West and denied to the Eastern Europeans.

STRATEGIC IMPORTANCE OF REST OF AFRICA

3. But in East/West confrontation, the support of other African states for the West would also be important. Essential to have good relations with Kenya, Nigeria, Ghana and Sierra Leone. Recognise strategic importance of rest of Africa.

UN ARMS EMBARGO

4. HMG is committed to the UN Arms Embargo. The consequences of flouting a mandatory resolution which we accepted in 1977 would be serious. African states already critical of our interpretation of the Embargo under which we have sold dual purpose equipment to South Africa. This is an even more relaxed position than the Americans who ban the sale of any civilian or military goods to the South African Defence Forces. African states have made recommendations to strengthen the present Embargo and HMG has placed reservations in the Security Council on all these recommendations. The Government therefore keeps the position under review. Present practice is that Ministers consider prospective orders for dual purpose equipment on a case by case basis and would, for example, be willing to consider a contract to supply ships or aircraft for humanitarian rather than military purposes.

UN AND SOUTH AFRICA

5. African states are pressing the UN to increase sanctions against South Africa. Unilateral action to supply ships to South Africa at this time would maximise risk that African states retaliate against the UK. It would encourage those in South Africa who see no need for further domestic progress; be widely represented as an endorsement of apartheid; lose us our already limited influence for change in South Africa and would not contribute to peace or stability

/in

in the area.

SOVIET INTERESTS AND REST OF AFRICA

6. Resumption of arms sales to South Africa would lead to escalation of arms purchases in the region and to further penetration of Southern Africa by the Soviet Union and its allies.

BALANCE OF INTERESTS IN AFRICA

7. Acknowledge potential value of South African orders (perhaps several hundred million pounds, if UK were to get all orders). But important trade with other African countries would then be put at risk. In 1980 UK exports to OAU countries were worth £3.275 million, of which £1,204 million went to Nigeria alone. UK exports to South Africa in 1980 were worth £1,002 million. UK could not afford to put our exports to other African countries at risk even if we won a percentage of orders for the equipment listed in memorandum.

EMPLOYMENT IMPLICATIONS

8. Aware of need to maintain employment prospects in shipyards. We sustain a substantial naval shipbuilding programme and attach great importance to defence sales. But as regards South Africa we are bound by UN Arms Embargo.

US/UK DISCUSSIONS ON SOUTH AFRICA

9. Will have the considerations which you raise very much in mind when we discuss Southern African issues with President Reagan in Washington.

BACKGROUNDGENERAL

1. The Vice-Chairman of the Conservative Party Parliamentary Defence Committee and the Chairman of the Conservative Party Parliamentary Foreign and Commonwealth Committee have written to Lord Carrington and Mr Nott (copied to the Prime Minister), asking for a more flexible government approach to the sale of defensive equipment to South Africa. Lord Carrington will be replying agreeing to take into account the Committees' recommendations in discussions in Washington but pointing out the economic and strategic importance of the rest of Africa. Mr Spicer and Mr Peyton are not members of either committee. Mr Spicer has previously raised the issue of relaxing the arms embargo with Mr Nott when he was Trade Secretary.

2. Growing public interest in the importance of the Cape Route has been stimulated by a press campaign by the South African government designed to increase support in the west against sanctions against South Africa. The attached pamphlet (Annex A) is factually correct but overlooks British interests elsewhere in Africa.

STRATEGIC IMPORTANCE OF THE CAPE ROUTE

3. This is set out in the attached note (Annex B). The conclusion that FCO and MOD ministers have reached is that at the present time the political damage that would be caused to our interests in black Africa and the Third World and our relations with our European partners would significantly outweigh the potential benefits of any defence collaboration with South Africa. Domestic public opinion could certainly not be persuaded to accept the supply of ships to South Africa on employment grounds (as the memorandum argues) if the employment advantages were seen to be outweighed by the loss of potential orders from elsewhere. It is unlikely in any case that international public opinion would accept the supply of ships as being justified on strategic grounds. The UK would be identified with the apartheid policies of the Southern African government and we would lose any leverage over them on internal reform or the Namibian question.

/UN ARMS EMBARGO

UN ARMS EMBARGO

4. The UK voted for Security Council resolution 418 (1977) which imposed a mandatory arms embargo against South Africa. The terms of the resolution are vague - it bans the sale of arms and related materiel without defining either term - and African states have criticised the UK for interpreting it more loosely than they or the Americans who ban the sale of any goods to the South African military or para-military forces. The Confidential UK internal guidelines (which the Prime Minister agreed in 1980) enable us to sell dual purpose equipment unless it is 'clear that it is required primarily for its military capability'. There are moves in the Security Council to tighten up the arms embargo to ban inter alia the supply of all dual-purpose equipment to South Africa and any goods to the South African defence forces. The African group delayed putting resolutions to the Security Council until after the Pre-implementation Meeting in Geneva on Namibia. They may table them at any time, although the Americans are seeking to dissuade them from doing so. Should we be faced with a Resolution, we hope to persuade the US and France to veto with us.

BALANCE OF INTERESTS IN AFRICA

5. The risks to our interests in the rest of Africa, including the risk of driving African states to look to the Eastern bloc argue decisively against a breach of our international obligations under the mandatory UN Arms Embargo. In Nigeria alone British investment amounts to about £2 billion. Nigeria is our tenth largest overseas market. The Nigerians have warned that they might take action against countries which support the apartheid regime. Any weakening of our commitment to the UN arms embargo such as the memorandum purposes could trigger off Nigerian retaliation.

VALUE OF SOUTH AFRICAN/OTHER AFRICAN DEFENCE SALES

6. The value of the South African shopping list would be:

Sea King Helicopters (squadron of 9)	£30M
4 Frigates	£240-480M
4+ coastal minesweepers	£20-80M
3 submarines	£240M
	<u>£530M-£830M</u>

EMPLOYMENT IMPLICATIONS

7. The potential employment implications would be considerable, if we were prepared to sell, and the South Africans decided to buy British. But even if British industry was able to meet all these requirements the value of the orders would be considerably less than the defence sales potential in Black Africa, which was recently estimated to total some £1,800 million. In Nigeria alone (a country most likely to react adversely to the resumption of arms sales to South Africa), there are potential orders worth £500 million and it is for this reason that the MOD's Head of Defence Sales is accompanying Lord Carrington on his visit to Nigeria this week.

US POSITION

8. The US have told us in confidence that they would veto any sanctions resolutions. There have been reports from Washington that the Reagan administration is 'rethinking' its policy under the UN arms embargo to enable them to resume sales and relax their existing very strict interpretation of SCR 418 but there has been no confirmation that they intend to do so.

UK POLICY ON SALE OF SHIPS FOR COASTAL PATROL TO SOUTH AFRICA

9. The South Africans have not recently raised with us the possibility of purchasing frigates or coastal minesweepers. They recognise this would be a breach of the UN embargo. In 1979 the South Africans made tentative enquiries about purchasing from British aerospace a 'Coastguarder' aircraft for air-sea search. We regard this aircraft as having a dual purpose (i.e. it could be converted to military purposes) but have not totally ruled out its export to South Africa. We are waiting for the South African government to complete its internal study as to whether it wants to proceed with the Coastguarder.

SOUTHERN AFRICAN DEPARTMENT

18 February 1981



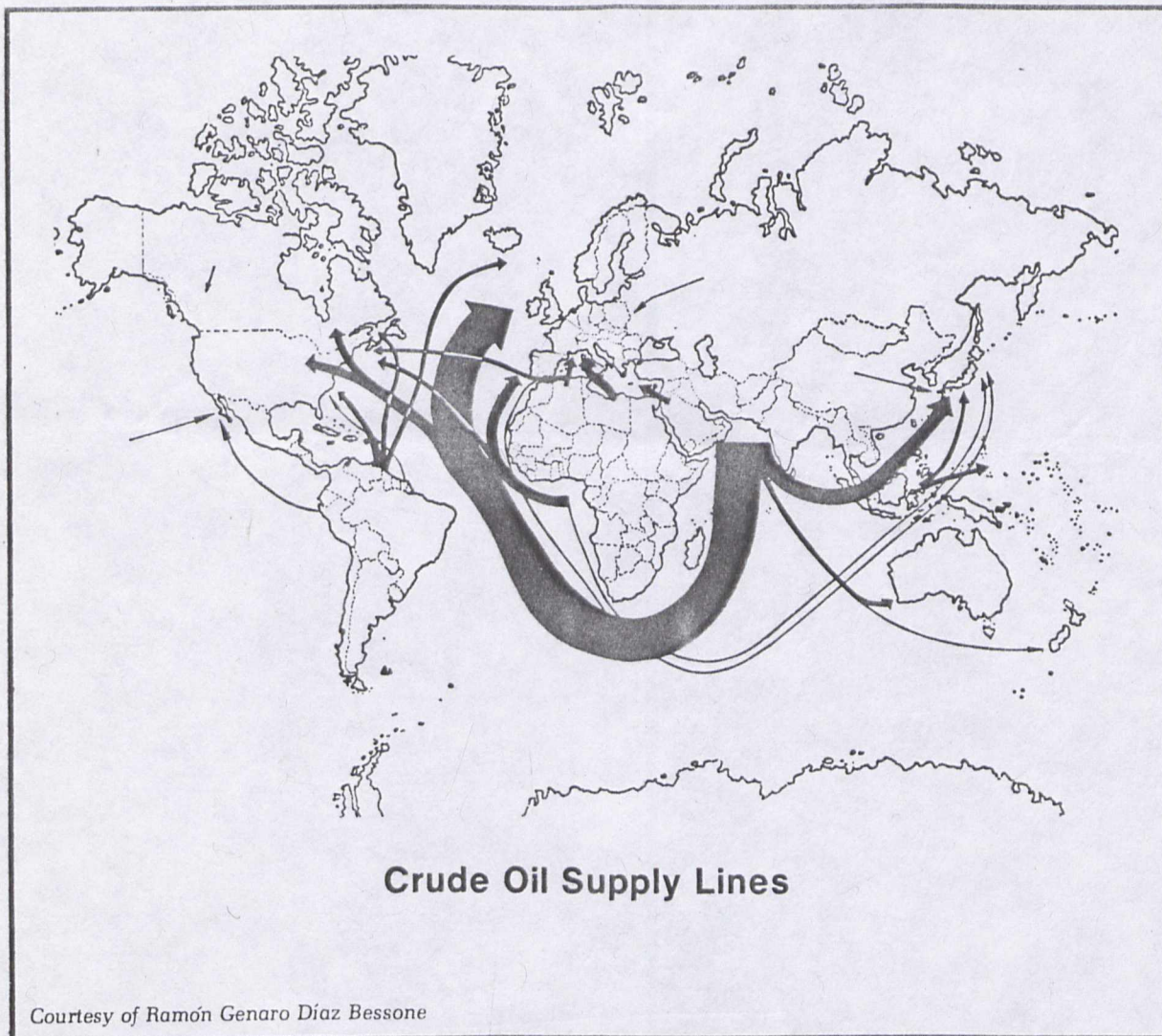
SOUTH AFRICA

STRATEGIC IMPORTANCE

*Backgrounder issued by the
Director of Information,
S.A. Embassy, Trafalgar Square, London W.C.2*

CAPE SEA ROUTE: STRATEGIC IMPORTANCE

During the past few years the Cape sea route has become increasingly important. Despite the cut-back in oil production by Arabic countries, more than 240 million tons of oil are shipped around the Cape annually. Approximately 90 per cent of this tonnage is destined for ports in Europe or those along the east coast of North America.



Map: Free World Security and the South Atlantic: Inter-American Symposium—1979.

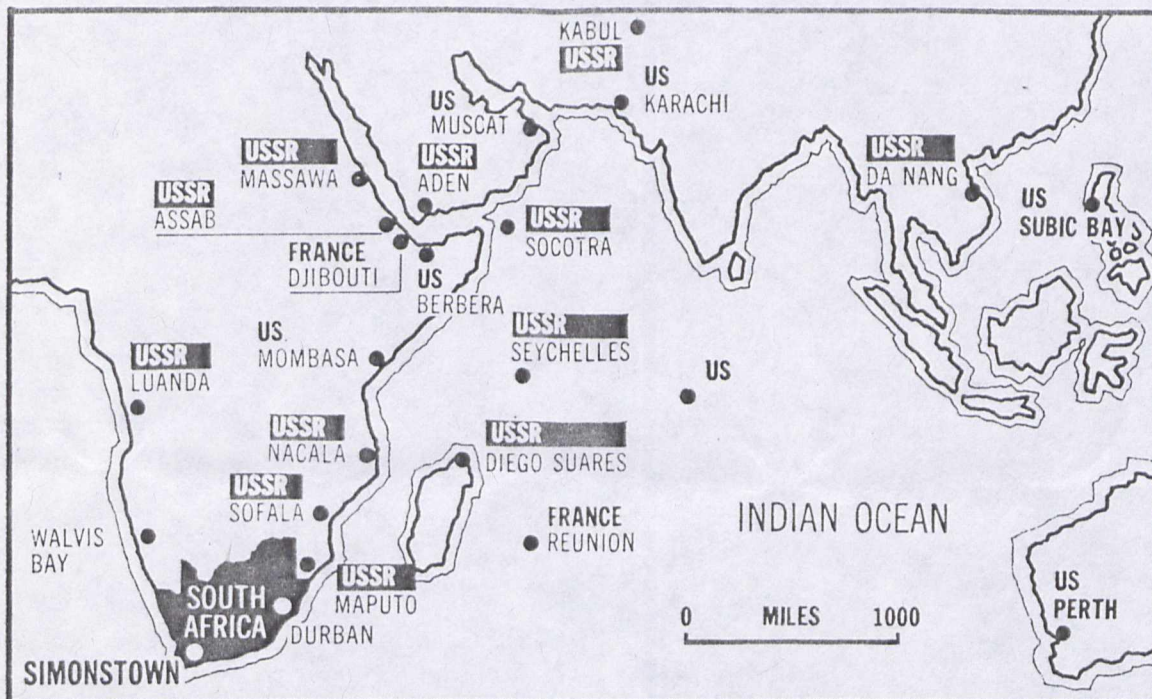
The strategic importance of the Cape sea route has a tradition which originated in the turmoil of war. During the First World War South Africa participated in the "war to end all wars". During the Second World War Great Britain could hardly have sustained hostilities toward the Axis powers in the Middle East, without control over the Cape sea route. Once the Germans blockaded the Mediterranean Sea, the Cape's role in the defence of the Allied fleets became even more pertinent. Experts estimated that four out of every five convoys of 1 million tons each bound for Europe, had to sail around the Cape. Had the German U-boats been able to prevent Allied ships from using the Cape sea route, this would have placed tremendous pressure on Britain and her allies and could, conceivably, have led to victory for Germany and the Axis powers. (Gann, L. H. & Duignan, Peter.)

Today the strategic importance of the Cape sea route is emphasised by Soviet Russia's build-up of power in the Indian Ocean. The Soviet Union, which already has at its disposal a chain of operational bases stretching along the east as well as the west coast of Africa (in countries such as Angola, Mozambique, South Yemen and Guinea), could control all shipping around the Cape during times of conflict.

"Until 1967 there were no Soviet ships in the Indian Ocean, but by the end of 1968 a small permanent naval presence had been established. By 1978 the Soviet Union had bases from Aden to Madagascar."

The Russians have 32 ships in the Indian Ocean, including 17 combatants. Its main bases are in the Red Sea area, at Aden in South Yemen and in the Dahlak archipelago off Ethiopia. They also have anchorages in Mozambique and Madagascar and, despite official denials, are believed to use the Seychelles island of Coetivy. There are also 11 Soviet ships in the South Atlantic."

(Sunday Times, London, 14th September, 1980.)



(By Courtesy of the Sunday Times)

"Simonstown is capable of being adapted to support ships of other friendly countries who may wish to join in the quest for stable growth in southern Africa and the security of the Western world."
(S.A. Prime Minister P. W. Botha.)

"Simonstown, halfway down the Cape peninsula, still bears the stamp of a century and a half as an African Portsmouth for the Royal Navy. It has the finest harbour of the African continent, large enough for 50 warships."

(Sunday Times, London, 14th September, 1980.)

The only viable harbour of which the West could avail itself to counterbalance Soviet influence is the modern naval base at Simonstown.

Simonstown, some 25 miles from Cape Town, is acknowledged by most countries to be the most important and one of the best-equipped naval stations in the southern hemisphere. This base has been developed to the point where it can fully support the South African Navy and provide most facilities for sophisticated visiting ships. The South African Navy also operates from advanced naval bases on the east and west coasts and has operational port facilities at the other commercial harbours.

At Silvermine, a few miles from the Simonstown naval base, is a vast underground maritime communications and surveillance centre. It is equipped with sophisticated electronics which chart the movements of every ship sailing the southern hemisphere. The system not only pinpoints the exact geographic position of ships, but also identifies them—the country of origin, type and armaments carried. Another aspect of Silvermine is its world-wide radio communications network which facilitates immediate contact with aircraft, ships and submarines from South America to the Indian Ocean and as far south as Antarctica.

South Africa is prepared to fulfil its role in protecting the Cape sea route. Nonetheless, the interest of the free world requires a stronger Western presence in this strategic area. Simonstown's naval facilities are available to the entire free world or to any other Western power that is interested in safeguarding the route around the Cape and in keeping the sea lanes of the Indian and South Atlantic Oceans secure.

CAPE ROUTE—ECONOMIC LIFELINE

The 13 nations comprising OPEC have 67 per cent of the world's oil reserves and account for 53 per cent of the world's oil production. Five of these countries—Saudi Arabia, Kuwait, Iran, Iraq and United Arab Emirates—have over 50 per cent of the world's reserves and produce 40 per cent of the world's supply.

Today a constant stream of supertankers leave the Persian Gulf for Europe, the United States and Japan. These oil tankers mostly cross the Indian Ocean or travel the Cape sea route.

The 1973 oil crisis highlighted the strategic value of the Cape route. Currently, an estimated 90 per cent of the European NATO nations' total oil consumption and 70 per cent of the strategic materials of the member nations of the alliance pass within a few miles of Cape Town.

The reopening of the Suez Canal has scarcely dented the Cape sea traffic. As a result of more sophisticated shipbuilding techniques, most oil tankers are too large to traverse Suez. Today the Canal can accommodate tankers of up to 245,000 deadweight tons and then only when filled with ballast. Loaded, tankers of 200,000 tons would run aground.

Oil is not the only commodity that is being shipped via the Cape. The Cape route offers the gateway to many of central and southern Africa's raw materials which have become vital to the survival of Western industrial stability and defence.

"If S.A. and her mineral riches were to fall into enemy hands, the West could be forced to its knees in six months."

(Mr. James D. Santin, Chairman of the U.S. House of Representatives Mining Sub-Committee.)

STRATEGIC MINERALS

As regards non-fuel-producing mineral resources, South Africa is one of the 6 most important countries in the world. At present the order of importance of these countries is as follows: 1. Russia; 2. America; 3. China; 4. Canada; 5. South Africa and 6. Australia. South Africa enjoys the distinction of possessing a remarkably large share of the mineral wealth of the West. Approximately 19 important mineral reserves, which are only found in 0.5 per cent of the earth's surface, are found in South Africa.

South Africa is the biggest supplier of gold, platinum, diamonds, chrome, vanadium, vermiculite and certain asbestos fibres in the Western world. South African platinum is used as an industrial catalyst. South Africa produces about 40 per cent of the world's vanadium, a metal used in strengthening steel.

South Africa's Share of World Reserves 1978 (Percentage)

Platinum group metals	75
Chrome ore	81
Vanadium	49
Manganese ore	78
Nickel	6
Fluorspar	35

South Africa's Share of World Production 1978 (Percentage)

	S.A.	Comecon	Rest
Platinum group metals	49	46	5
Chrome ore	34	24	42
Vanadium	40	29	31
Manganese ore	20	40	40
Nickel	4	29	67
Fluorspar	9	23	68

Note: Communist Economic Bloc more correctly termed CMEA (Council for Mutual Economic Assistance). It is erroneous to group all communist countries or so-called centrally-planned economies under Comecon. The correct grouping is as follows:

Comecon: Soviet Union, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, Mongolia, Viet Nam and Cuba.

Non-Aligned: (Included in "the Rest") Albania, China, Kampuchea, North Korea and Yugoslavia.

S.A. AS TRADING PARTNER

S.A. ranks among the 26 industrialised countries and among the foremost trading countries of the world. The U.K. is one of South Africa's most important trade partners.

Two-way trade between the UK and South Africa is expected to be close to R3000m (£1700m) in 1980 and slightly higher in 1981. The estimates were made by Mr. A. C. Briggs, Chairman of the South Africa Britain Trade Association. "It is clear that this two-way trade is extremely important and it is in both countries' interests that they be strong, both politically and economically," he said.

UNITED KINGDOM—SOUTH AFRICA TRADE

Total Annual Imports and Exports

	1975	1976	1977	1978	1979
U.K. Imports from S.A.	£630.5m	£612.4m	£875.8m	£764.3m	£533.7m
U.K. Exports to S.A.	£684.3m	£645.3m	£583.6m	£666.2m	£713.5m

U.K. Trade with S.A. by Products Groups (1979)

<i>Products Group</i>	<i>Imports £'000</i>	<i>Exports £'000</i>
Food and live animals, chiefly for food	140,048	6,897
Beverages and tobacco	6,711	15,743
Crude materials, inedible, except fuels	213,458	15,625
Mineral fuels, lubricants and related materials	2,865	5,788
Animal and vegetable oils, fats and waxes	2,276	959
Chemicals and related products, n.e.s.	5,563	120,992
Manufactured goods classified chiefly by material	116,910	93,977
Machinery and transport equipment	15,917	371,309
Miscellaneous manufactured articles	21,805	51,059
Commodities and transactions not classified elsewhere in the SITC	8,106	31,116

For further information, please write to:

**The Director of Information
South African Embassy
Trafalgar Square
London WC2N 5DP**

For trade information write to:

**The Minister (Commercial)
South African Embassy
Trafalgar Square
London WC2N 5DP**

THE CAPE TRADE ROUTE: STRATEGIC IMPORTANCE

1. The Cape remains an important trade route. Westbound ships not of the Soviet Bloc number about 140 a month. Most of them are owned or controlled by NATO countries, and in a time of tension would be placed under NATO naval control of shipping arrangements. Many are supertankers carrying oil from the Gulf. Although North Sea oil means that the UK is better placed than other NATO countries, it must be remembered that:

a) Light North Sea oil is complementary to the heavier and equally necessary oil from the Gulf;

b) Detailed estimates vary, but after the mid-1980's North Sea supplies will probably decrease and the UK will become increasingly dependent on imported oil, unless new sources are found in or near the UK;

c) Most of the oil for other NATO countries, excluding the USA, comes round the Cape.

2. If war or tension in the Middle East led to another closure of the Suez Canal, the Cape route would become even more important. The South African Maritime Forces have been reduced in recent years to a coastal protection force and their size and character do not make them capable of defending the Cape route should it be threatened. The South African Navy does maintain the capability to monitor shipping movements round the Cape and still provides the West with valuable intelligence. In time of tension or war the use of South African naval and air bases would greatly enhance the ability of NATO to secure the safety of shipping using this vital trade route. Of particular importance would be the use of a South African airfield capable of supporting intensive Maritime Patrol Aircraft (MPA) Operations. It would also be necessary to use other bases and hence relationships with countries such as Kenya, Nigeria, Ghana and Sierra Leone, which can offer good facilities, are important. The UK should take account of any facilities which French influence could make available to the West.

3. No HM ships have called at South African ports since 1974 (although there are infrequent visits by a Royal Fleet Auxiliary). The RN, does however, retain oil fuel stocks at Simonstown and Ysterplaats for use on a contingency basis. It could become necessary to use South African facilities in the event of evacuations from a number of Southern African countries.

SECRET

4. The UK is party to the NATO plan HULA BELL for the protection of shipping outside the NATO area, and a party (with Australia, New Zealand and the USA) to the Radford/Collins Agreement for the control and protection of shipping in the Pacific and Indian Oceans. These do not depend on the use of South African facilities.

5. The South Africans would probably make available air and naval bases to the West in the event of an East/West confrontation. We should at least wish to see them denied to the enemy. There is some dispute about the real importance of South African facilities for Soviet interference with Western shipping when the Russians can operate more easily and safely at other points affecting the Cape route. The Soviet Indian Ocean squadron relies mainly on afloat support. It also has access to facilities in Aden and Ethiopia.

SECRET

3/15 18/2
9 February 1981

The Prime Minister has agreed to see Jim Spicer, MP and John Peyton, MP, on Thursday 19 February to discuss the enclosed memorandum, about the Cape Route and naval procurement in this country, forwarded to her by Mr. Spicer. I should be grateful if you could let me have a brief. It would be helpful if this could reach me by close of play on Wednesday 18 February.

I am sending a copy of this letter and its enclosure to David Omand (Ministry of Defence).

(SGD) MICHAEL ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

MR. ALEXANDER

The attached correspondence from Jim Spicer, M.P. is self-explanatory. I have arranged for him and Mr. Peyton to see the Prime Minister on Thursday week in the House. What sort of briefing shall I request from Defence?

9 February 1981



C.S.

10 DOWNING STREET

6th February, 1981

Thank you so much for your letter of 2nd February, and for the Memorandum about the Cape Route.

This I have shown to the Prime Minister.

The Prime Minister will be very pleased to discuss this with you and with John Peyton and Caroline Stephens will be in touch with you about the date.

Ian Gow

Jim Spicer, Esq., M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

Ian Gow MP

2nd February, 1981

Ian Gow,

You may remember that last Thursday, both in the Smoking Room, and at dinner, I exchanged a few thoughts with the Prime Minister on the vital subject of the defence of the Cape Route, and also the need to increase exports from our naval shipyards.

The Prime Minister will know only too well, the grievous state of our current naval order book, and will also know that unless some action is taken in the fairly near future, yards like Vospers will face closure.

She did say that she would be prepared to spare a few minutes to discuss this with me, and I have asked John Peyton to stand by as well. Naturally he has a major interest in the helicopter requirement for any maritime defence, and I know that he could usefully add some thoughts following consultation with Westlands.

Ian Gow



HOUSE OF COMMONS
LONDON SW1A 0AA

MARITIME DEFENCE - THE CAPE ROUTE

- A. Western Interest and Need. 45% of world shipping uses the Cape Route and in terms of oil supply 20% of U.S. requirement and 66% of European requirement comes round the Cape.
- B. No Role for S.A. Naval Forces. Following the Arms embargo on S.A. and the ending of the Simonstown Agreement all contacts on Naval matters have ceased and the S.A. Navy operates in complete isolation not only in terms of maritime surveillance but also in relation to sea rescue around her coasts. There are no joint naval exercises with Western Forces and no exchange of intelligence or individual training.
Inadequacy of Naval Forces. The S.A. Navy has not, since the early '60s, had any replacements for obsolete ships or aircraft.
- C. Russian Threat. The ever increasing strength and threat posed by the growth of the Russian "Blue Water" Navy is well known. One nuclear submarine launched in the U.S.S.R. every six weeks - double the N.A.T.O. effort.
- D. S.A. Naval Facilities. South Africa offers superb and under-used facilities, from Suldana Bay in the West to Richards Bay in the East. Simonstown at the top of the list but many others spring to mind. However, given the vast area of ocean which would require protection dozens of small ports with the back up of a network of airfields would be of vital importance, to protect the Cape Route.

E. U.K. Naval Shipbuilders. The original forecast for our Naval Shipbuilders was that 70% of production would be "domestic" and 30% export. There is a massive shortfall in both areas and unless new orders are found soon the great names in ship building like Vosper and Yarrow will be at risk. In order to modernise the S.A. Navy and make it capable of playing a major maritime defence role the following re-equipment is urgently required.

1 Sqn. Sea King Helicopters (Surveillance and Air/Sea
Rescue)

4 Frigates (each with Helicopter support)

4+ Coastal Minesweepers

Possibly longer term replacement for 3 French Daphne Class
Submarines.

CONCLUSION It would be quite unrealistic to envisage an early end to the present arms embargo against S.A. However, it could be that, given a lead from the United States, the maritime requirements of S.A. might be excluded in the interests of Western defence in a vital area. Even liberal views at home could accept the difference between Maritime defence and arms for internal use. Could not a united Western view on this also prevail in black African quarters as well? Finally the impact at home. Shipyard workers at Vospers, faced with a choice of S.A. contracts or the dole, would decide, as their fellow workers have done in Hamburg (Subs for Chile) to work. A Socialist M.P. would have a mighty struggle to choose between the Party line and the interests of his constituents. (Again Hamburg points this out. S.D.P. totally opposed to the order from Chile but all workers fully in favour.)

U.S. thinking of central importance. Even discounting revision of U.N. mandatory sanctions, there is major scope for reducing the Arms Embargo in the grey areas where at present the U.K. plays absolutely straight whilst others do not.