

PREM 19/1446

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PE 1: SEPTEMBER 1985

PE 5: JANUARY 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PREM 19/1446

PART 5 ends:-

CDP to MOD 25/10/85

PART 6 begins:-

CDP to MOD 4/11/85.

SECRET

(No)

(76)

EA

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10 DOWNING STREET

From the Private Secretary

25 October 1985

MSE

I had a brief word with Mr. McFarlane, the President's National Security Adviser, about MSE last night. McFarlane said that a review of the comparative costs of the two bids had been put out by Secretary Weinberger to private audit. The result had been that the Plessey/Rockwell bid was still substantially more expensive. (I am not sure how up to date this information is.) The papers were now back on Secretary Weinberger's desk and he thought a decision, of one sort or another, would be inevitable in the next ten days. He could see no way in which this decision could be in our favour. The best we could hope for was that the Pentagon would decide to call for a further and final round of bids on the basis of more precisely stated requirements. I made the obvious point that this would be much better than awarding the contract to the French. I hoped that the White House would put its weight behind such a solution if there was really no better alternative. McFarlane seemed to think that this was the more likely result.

You will have noted that the matter was also raised by the Prime Minister with the President with no clear outcome.

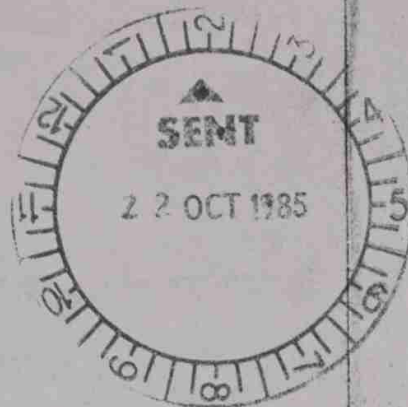
I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), Rachel Lomax (Treasury) and Michael Stark (Cabinet Office).

(Charles Powell)

Richard Mottram, Esq.,
Ministry of Defence.

SECRET

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FOR PS/SOS

MY TELEGRAM OF 21 OCTOBER TO MODUK: OBSERVER STORY ON TORNADO

1. KING FAHD'S PRIVATE SECRETARY TELEPHONED ME AT 10.00 ON 22 OCTOBER TO ASK ME TO CONVEY THE FOLLOWING PERSONAL MESSAGE TO THE PRIME MINISTER AND THE SECRETARY OF STATE FOR DEFENCE.

BEGINS

HIS MAJESTY WOULD LIKE TO EXTEND HIS THANKS AND APPRECIATION TO HER EXCELLENCY THE PRIME MINISTER AND HIS EXCELLENCY THE MINISTER OF DEFENCE, AS WELL AS THE BRITISH GOVERNMENT, CONCERNING THE SITUATION THAT OCCURRED RECENTLY. HE ALSO WOULD LIKE TO ASSURE THEM THAT HE WILL NOT PERMIT ANY SIDE, WHETHER IT IS GOVERNMENTS OR THE NEWS MEDIA OR THE INDIVIDUAL, TO TRY TO INTERFERE OR AFFECT THE GOOD RELATIONS BETWEEN OUR TWO COUNTRIES. FINALLY, HIS MAJESTY HOPES THAT WE CONTINUE OUR CO-ORDINATION IN FACING SUCH EVENTS OR PROBLEMS IN THE FUTURE.

ENDS

2. I THANKS MUHAMMAD SOLIMAN WARMLY FOR THIS MESSAGE, AND UNDERTOOK TO CONVEY IT AT ONCE. HE EXPRESSED APPRECIATION FOR THE WAY IN WHICH WE HAD KEPT CLOSELY IN TOUCH OVER THE PAST TWO DAYS.

3. FROM COMMENTS WHICH A NUMBER OF SAUDIS (INCLUDING PRINCE BANDAR BIN SULTAN AND PRINCE SALMAN BIN ABDUL AZIZ) HAVE MADE TO ME OVER THE PAST TWO DAYS, I SUSPECT THAT THE REFERENCE TO **GOVERNMENTS** IN THE KING'S MESSAGE REFERS TO STRONG SAUDI SUSPICIONS THAT THE OBSERVER STORY MAY BE THE RESULT OF



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

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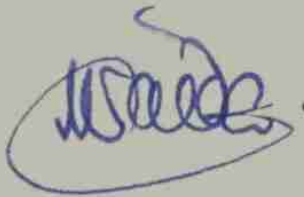
PQ 3036

22nd October 1985

Dear Nicky,

You asked earlier this morning for a briefing on the article, which appeared in Sunday's Observer, on the sale of Tornado to Saudi Arabia.

A background to the sale was included in the briefing sent over on 16th October (PQ 3009) on arms sales to the Middle East. The attached copy of a letter sent by the Secretary of State yesterday to Christopher Murphy MP provides a definitive line to take on the question of a "pay off".

Yours,


(MIRANDA KINGDON-BUTCHER)
Parliamentary Clerk

Miss N Roche
Parliamentary Clerk
10 Downing Street

010
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Foreign and Commonwealth Office

London SW1A 2AH

10 October 1985

CDP
B/K

Dear Charles,

Saudi Arabia: Tornado/Hawk

/ You may like to have for information the attached note summarising an article from the October issue of the aperiodical Arabic-language news sheet "Sourakia", published in London, on commissions payable on the Tornado/Hawk deal with Saudi Arabia. It is clearly possible that the content will be picked up by the British or continental (?French) press before long. We suggest MOD, who handle press queries about the contract, should simply refuse all comment.

I am sending a copy of this letter and enclosure to Richard Mottram, MOD.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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Reference.....

Mr Egeston
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Mr Boyce
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SOURAKIA ARTICLE ON TORNADO DEAL

1. We spoke. A summary account of the relevant parts of the Sourakia article follows.

2. The article names the beneficiaries of the deal as Akram Ojje, "the arms dealer"; Prince Bandar Bin Sultan, the Saudi Ambassador in Washington; Muhammad Wafiq Rida Saeed and his "partner"; and Abdul Aziz al Ibrahim and his brother. The article claims that five per cent of the bill for the British equipment to be purchased by Saudi Arabia is to be paid for in cash, with the rest being paid for in oil. It says that this is because "the arms dealer" (Ojje, presumably) would not wish to take his commission in oil, as he would then be compelled in his turn to pay commissions in order to sell his share on the oil market. It goes on "and then behind the deal was more than one dealer, and more than one beneficiary." The article goes on to feign surprise at having discovered the name of Prince Bandar Bin Sultan on the list of beneficiaries. It continues "We say we were surprised, because we know the man to be a glittering diplomat and not an arms dealer, but our informant, who is reliable in respect of the extent of his information, reminded us that the diplomat Prince spent ten years studying at the British and American military colleges," before he became his country's Ambassador in Washington. Prince Bandar also benefitted from his studies in International Relations at Hopkins University in the USA, and this blend of studies in military matters and international relations helped him to promote the arms deal. According to the article, Sourakia asked its informant why, as Saudi Ambassador in Washington, Prince Bandar was involved in a deal with the UK. The informant said that this was because of the need for an American "green light" for the deal, and Bandar "had this in his gift."

3. As to Muhammad Wafiq Rida Saeed, the article says nothing more than that he and his partner (not named) were compelled under "specific high-level pressure" to accept two new partners, Abdul Aziz al Ibrahim and his brother (not named), on condition that the percentage commission was increased from five to twenty per cent. According to the article, this means that "the four cavaliers" will take the sum of £600,000,000, in five unequal shares, one of £200,000,000 and four smaller shares summing to £400,000,000. The article gives no more details about the role played by the various beneficiaries than are set out above. It does not, for example, even hint at a link between Ojje on the one hand and Saeed and Al Ibrahim on the other, or give the reader any idea of the benefit which Prince Bandar is supposed to have derived from the deal.

Congress of the United States
Washington, DC 20515

October 9, 1985

The Right Honorable Margaret Thatcher
Prime Minister of Great Britain
10 Downing Street
London, England

Dear Mrs. Thatcher,

As members of the United States Congress, we write to express our grave concern about recent British government decisions affecting the Middle East. Our two nations have a common interest in bringing peace to this turbulent region, but it is clear to us that these recent decisions by your government will undermine the already slim chances of success for the fragile peace process that our government is now attempting to encourage. With so much riding on the renewed hope for peace, it would be counter-productive for your government to pursue these policies.

First, your government's sale of Tornado fighter aircraft and Hawk trainers to Saudi Arabia is most unfortunate. It rewards Saudi Arabia before it has taken positive steps to contribute to the peace process, and it provides no incentive for that government to participate in lessening tensions in the region.

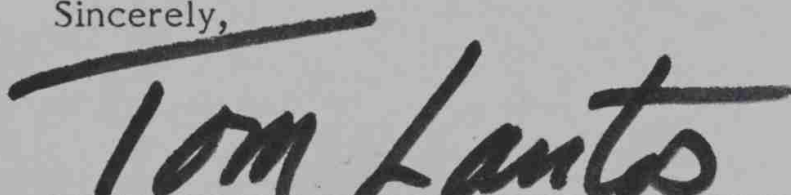
Furthermore, this sale will bring about a new escalation of the regional arms race. It is the Saudi intention to base these offensive aircraft only 100 miles from Israel but 800 miles from the Saudi oil fields they are ostensibly protecting. Without a resolution of outstanding issues between Israel on one-hand and Saudi Arabia and Jordan on the other, your government's arms sale will simply increase the level of violence.

It is also of concern to us that the government of Great Britain has maintained an embargo, in effect, on the sale of arms to Israel for well over a decade now, but you are willing to sell massive quantities of sophisticated offensive weapons to Israel's enemies.

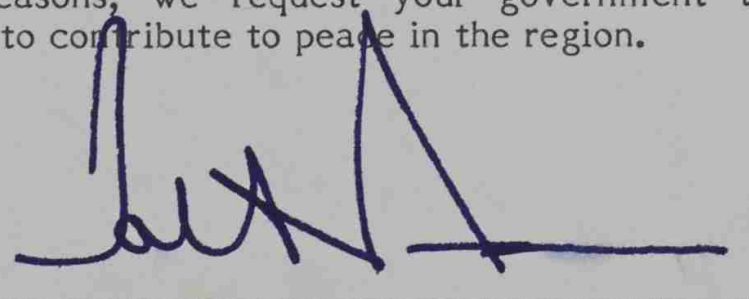
Second, we are also most concerned with the recent statement by your government that high-level British officials will meet with representatives of the Palestine Liberation Organization. The PLO has not accepted Israel's right to exist and it has been the principal source of terrorism and instability in the Middle East. Until the PLO is willing to contribute to peace in the region, such a meeting with British officials will only frustrate and delay peace efforts. Combined with the expressed intention to supply aircraft to Saudi Arabia, this meeting sends the wrong signal to moderate Arab nations. We strongly urge that this meeting not take place.

For these urgent and compelling reasons, we request your government to reconsider these unfortunate policies in order to contribute to peace in the region.

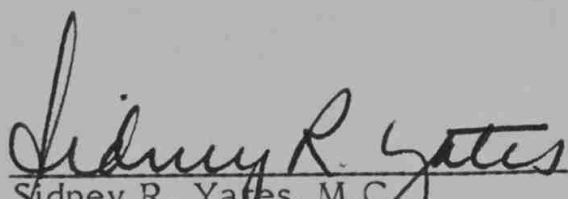
Sincerely,

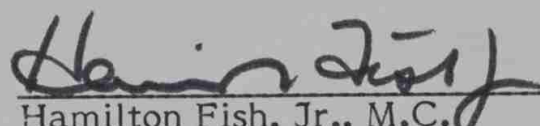


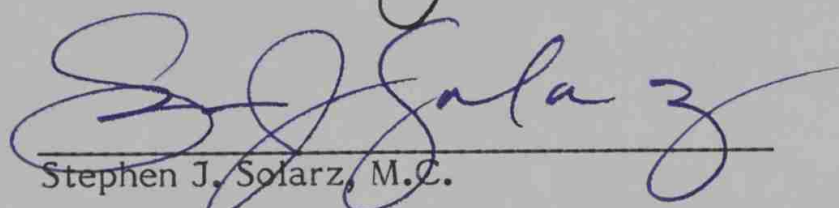
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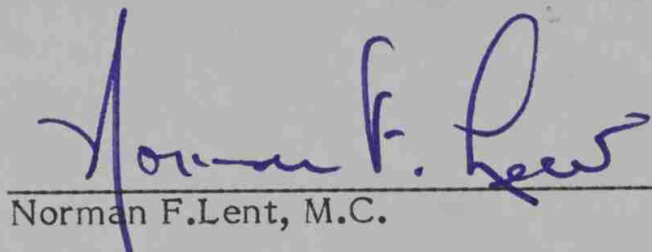


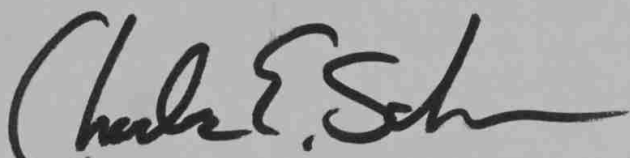
John Edward Porter, M.C.

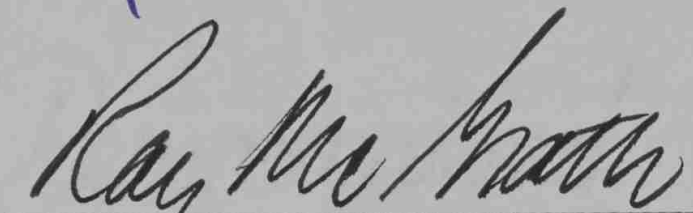

Sidney R. Yates, M.C.


Hamilton Fish, Jr., M.C.


Stephen J. Solarz, M.C.

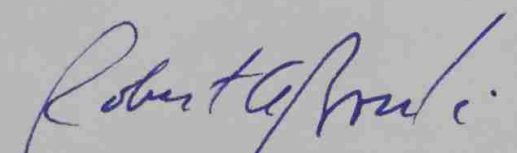

Norman F. Lent, M.C.

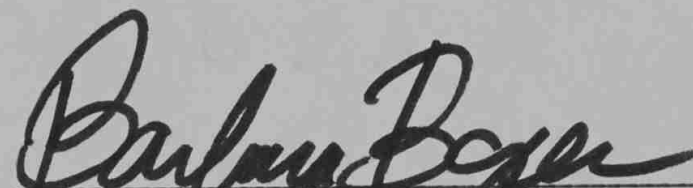

Charles E. Schumer, M.C.

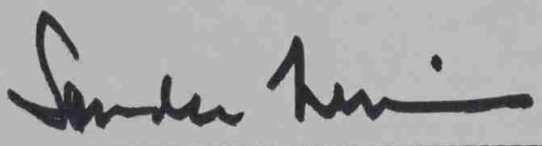

Raymond J. McGrath, M.C.



Robert Garcia, M.C.



Robert J. Mrazek, M.C.


Robert A. Borski, M.C.

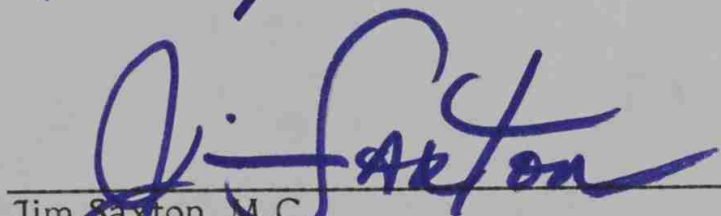

Barbara Boxer, M.C.

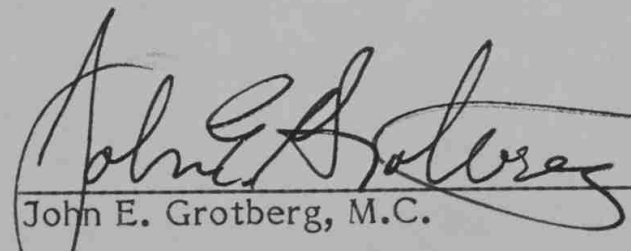

Sander Levin, M.C.

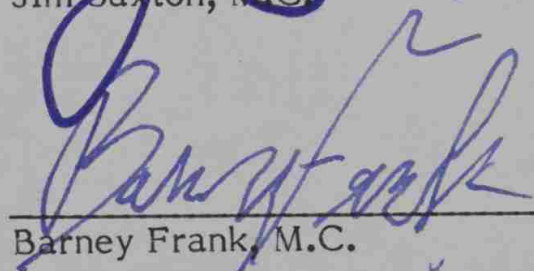

Thomas J. Manton, M.C.

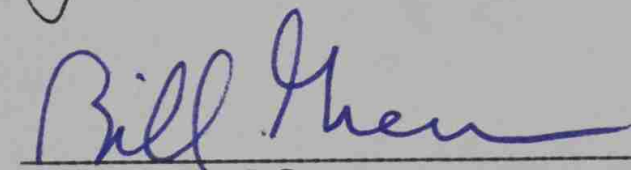

Gerry Sikorski, M.C.

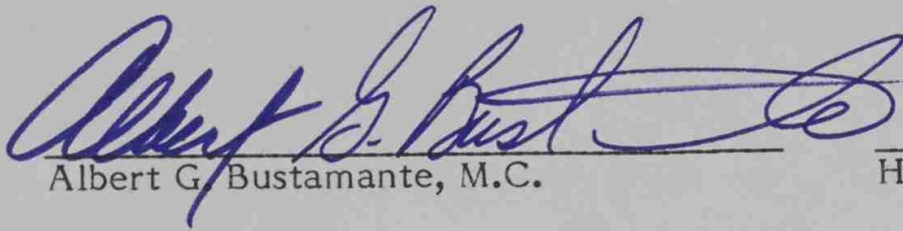

Ben Erdreich, M.C.

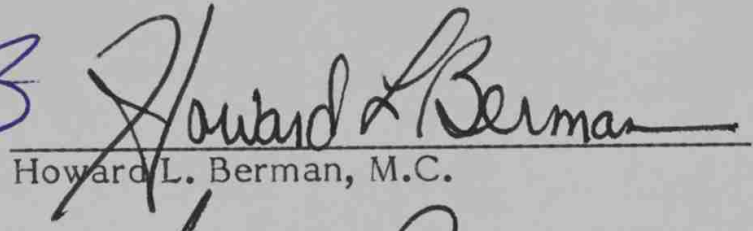

Jim Saxton, M.C.

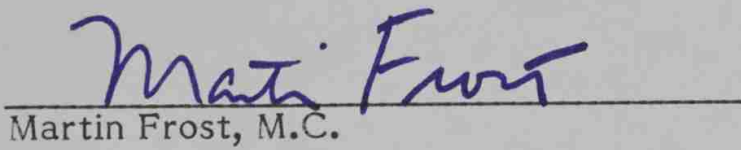

John E. Grotberg, M.C.

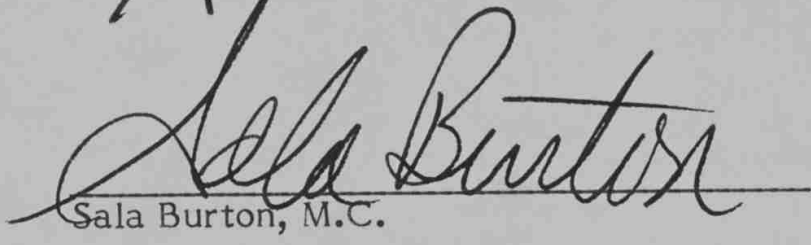

Barney Frank, M.C.

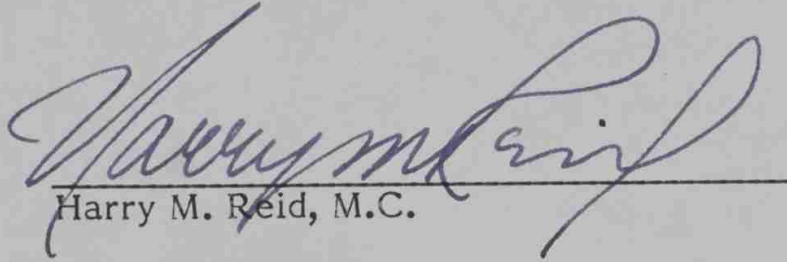

Bill Green, M.C.

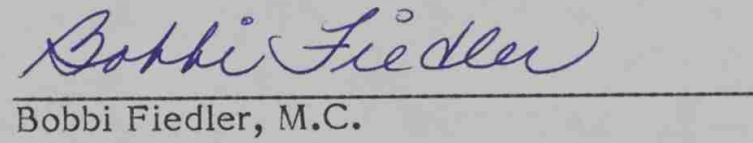

Albert G. Bustamante, M.C.

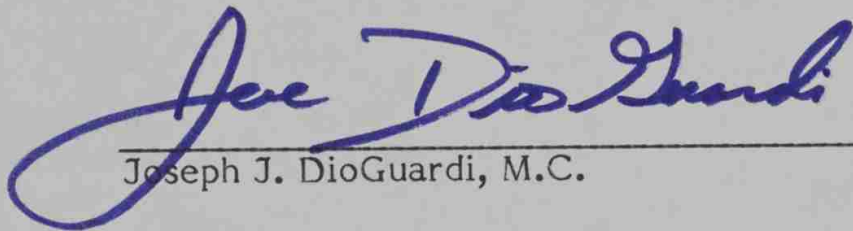

Howard L. Berman, M.C.


Martin Frost, M.C.

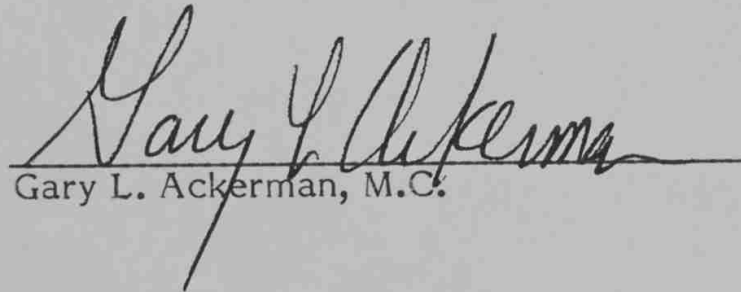

Sala Burton, M.C.

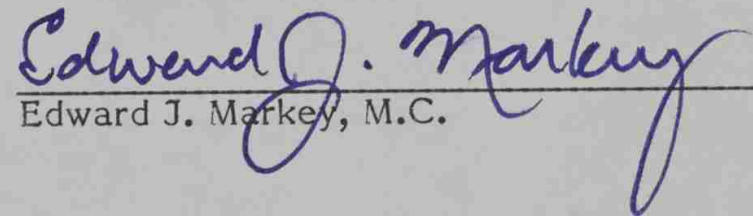

Harry M. Reid, M.C.

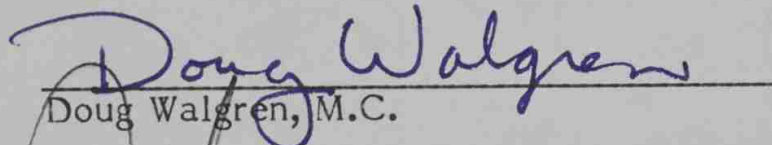

Bobbi Fiedler, M.C.


Joseph J. DioGuardi, M.C.

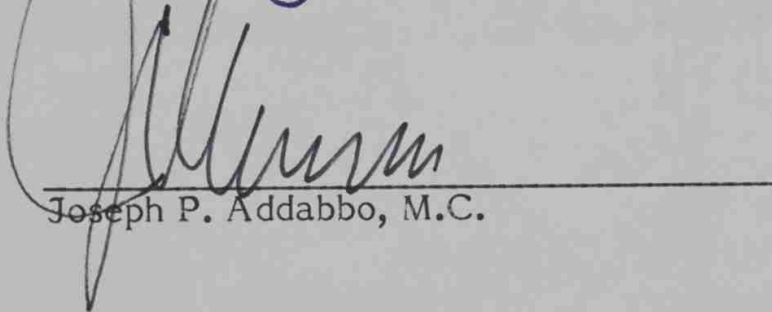

Jim Moody, M.C.

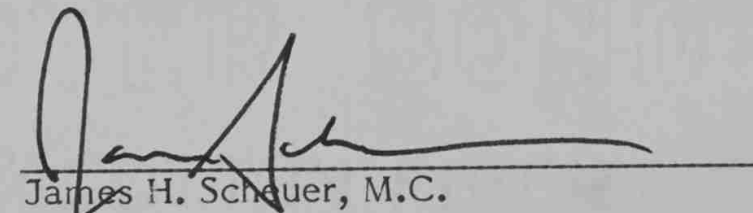

Gary L. Ackerman, M.C.

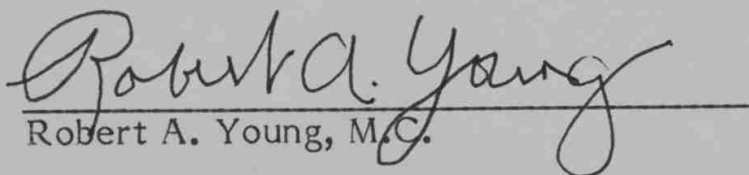

Edward J. Markey, M.C.

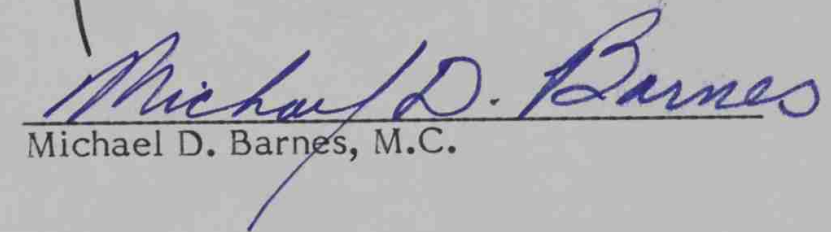

Doug Walgren, M.C.


Cardiss Collins, M.C.

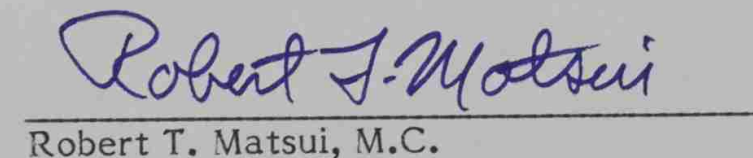

Joseph P. Addabbo, M.C.



James H. Scheuer, M.C.


Robert A. Young, M.C.

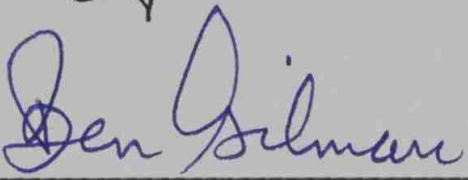

Michael D. Barnes, M.C.

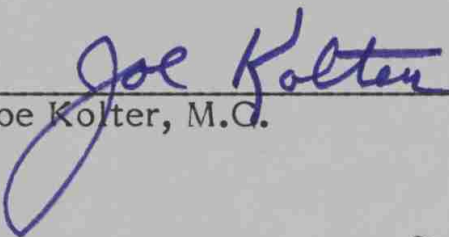

Les AuCoin, M.C.

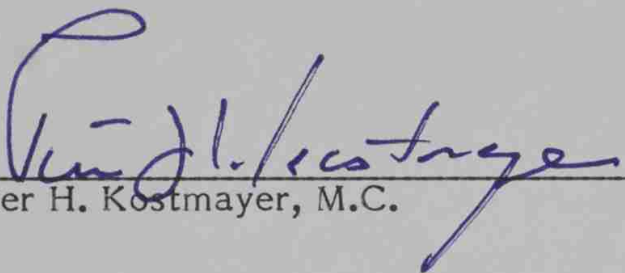

Robert T. Matsui, M.C.

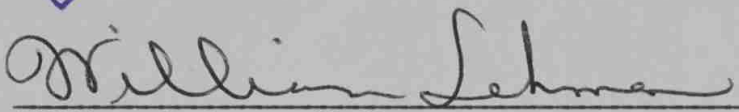

Lawrence Coughlin, M.C.



Richard J. Durbin, M.C.

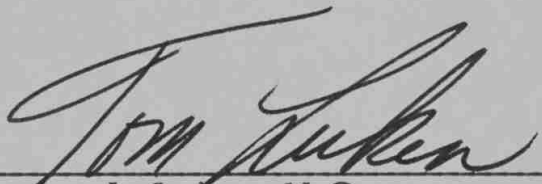

Benjamin A. Gilman, M.C.

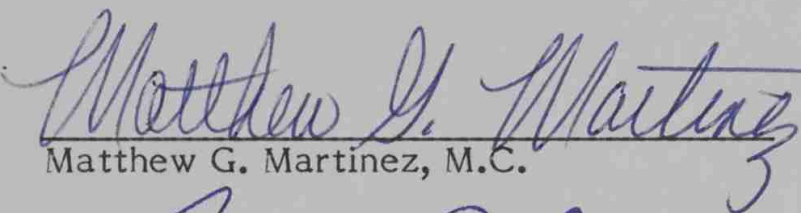

Joe Kolter, M.C.

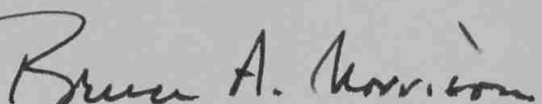

Peter H. Kostmayer, M.C.

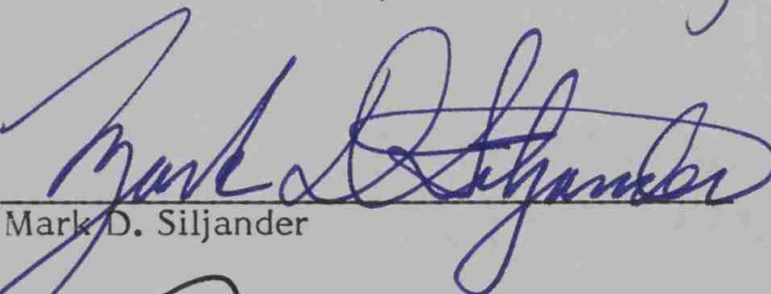

William Lehman, M.C.

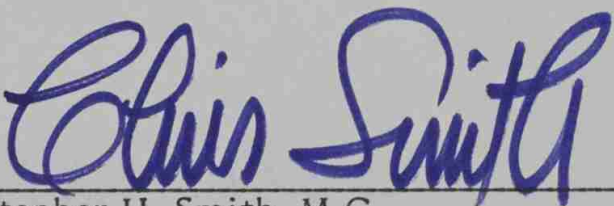

Mel Levine, M.C.


Thomas A. Luken, M.C.


Matthew G. Martinez, M.C.


Bruce A. Morrison, M.C.


Mark D. Siljander


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Bob Edgar, M.C.

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01-218 9000 (Switchboard)

MO 26/8/2

1st October 1985

Dear Charles,

Prime Minister
CDP
1/x

The Defence Secretary, who is in Oman, asked that I should send you copies of an exchange of telegrams with him on the subject of Ptarmigan which may be of interest. I // attach the two telegrams concerned.

yours ever,
Jeremy Wright

(J S WRIGHT)

C Powell Esq
No 10 Downing Street

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FOR CYR

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MSE

PAGE 2 RBDWC A0334 C O N F I D E N T I A L
FROM: PS/SECRETARY OF STATE FOR DEFENCE

FOR: CHANDLER, HDES, MOD

1 THE DEFENCE SECRETARY HAS ASKED FOR CONFIRMATION THAT ROCKWELL
HAVE APPROACHED PENTAGON AT HIGHEST LEVEL THAT THEY WILL MATCH
GTE PRICE. HE WOULD ALSO LIKE TO KNOW OUR EVIDENCE THAT
THEY HAVE DONE IT, BEYOND ROCKWELL'S VERBAL ASSURANCES.

SLATER
BT

DISTRIBUTION Z99

Z
CAJ 1 HDS ACTION (CYR 1 RESIDENT CLERK) ✓

C O N F I D E N T I A L

CAE054 30/1853 273A3989

FOR CAJ

IMMEDIATE 301930Z SEP 85

FROM MODUK
TO BRITEMB MUSCAT



1004
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CIRCULATE

① COPY TO: PS/S&S

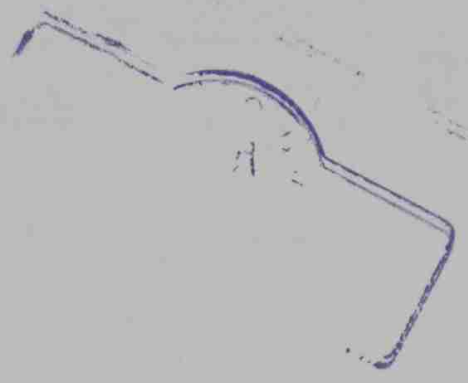
C O N F I D E N T I A L
SIC ACA/ZMC

FOR HMA FROM HDES. SUBJECT MSE.

1. PLEASE INFORM PS/SECRETARY OF STATE THAT ROCKWELL HAVE UNDERTAKEN TO GET A MESSAGE TO WEINBERGER AND MACFARLANE THAT GIVEN EQUAL SPECIFICATIONS THEY COULD MATCH THE GTE BID. THEY WILL CONFIRM TO US IN WRITING THAT THEY HAVE DONE THIS
BT

DISTRIBUTION ZMC

C
CAJ 1 HDES ACTION (CYR 1 Res Clerk)





KILL

LR

10 DOWNING STREET

THE PRIME MINISTER

30 September 1985

My dear Ambassador

I very much enjoyed your splendid dinner last Friday evening in honour of His Royal Highness Prince Saud. It both set the seal on a highly successful visit and heralded a new chapter of even closer co-operation between Britain and Saudi Arabia.

Thank you very much for your hospitality. With my warm best wishes,

Yours sincerely
Margaret Thatcher

His Excellency Nasser H. Almanqour, G.C.V.O.

RM

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



مِنَّا وَاللَّيْلِ وَالنَّجْمِ وَالسَّيْرِ
لَسَدَانَا

Prime Minister

A thank you letter
from Prince ~~and~~
Sultan
COP
3079.

Royal Embassy of
Saudi Arabia
London

Your Excellency.

MT

On the eve of my departure from London, it gives me great pleasure to convey to Your Excellency, and through you to both your Government and the friendly British people, my appreciation and gratitude for the warm welcome my delegation and I received during this memorable visit to the United Kingdom.

The talks that I have had the pleasure of having with Your Excellency and with the Right Honourable Secretary of State for Defence were most gratifying and satisfactory whether on the bilateral level or on the problems of our own. There is no doubt in my mind that this visit will go a long way in solidifying further the excellent relations between our two countries and especially between Your Excellency personally and His Majesty King Fahd.

I would like to take this opportunity to reconfirm to Your Excellency the value which His Majesty confers on

./Britain's

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Royal Embassy of
Saudi Arabia
London



مُتَقَدِّمًا إِلَى الْمَلِكِ عَبْدِ الرَّحْمَنِ بْنِ عَبْدِ الْعَزِيزِ
السُّعُودِيِّ
لِتَسَلِّمًا

-- 2 --

Britain's role in achieving a just and durable peace in the Middle East and in furthering and strengthening European and Arab relations.

Please accept, Your Excellency, my very best and warmest regards.

Sultan bin Abdul Aziz Al Saud

The Rt. Hon. Mrs. Margaret Thatcher, PC. MP.
Prime Minister and First Lord of the Treasury.
10 Downing Street.
LONDON. S.W. 1.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



المملكة العربية السعودية

مكتب النائب الثاني لرئيس مجلس الوزراء
وزیر الدفاع والطيران والفضاء العام

الرقم ١٨٨ ع
التاريخ ١٩٦٦/١١/١٤

يا صاحبه الدوله

من دواعي سروري الكبير عشيهِ مغادرتي لندن ان انقل لدولتك وعبرك الى حكومتك وللشعب
البريطاني الصديق امتناني وشكري للحفاوه الحاره التي لقيتها واعضاء وفدي خلال هذه
الزياره التذكاريه للمملكه المتحده .

لقد كانت المحادثات التي اجريتها بسرور مع دولتك ومع معالي وزير الدفاع مرضيه للغاية
سواء على صعيد العلاقات الثنائيه او فيما يتعلق بمشاكل المنطقه وليس لى ادنى شك
بان هذه الزياره ستسهم كثيرًا في زياده تدعيم العلاقات الممتازه القائمه بين بلدينا
وبصوره خاصه بين دولتك و جلاله الملك فهـد .

ويسرنى ان انتهز هذه الفرصه لاوكد لدولتك من جديد ما يوليه جلالته من اهميه
بالنسبه لدور بريطانيا في تحقيق سلام عادل ودائم في الشرق الاوسط وفي تطوير وتعزيز
العلاقات الاوربيه - العربيه .

وارجوان تتقبلي يا صاحبه الدوله اطيب واحر تحياتي ،،،،

سلطان بن عبدالعزيز آل سعود

دوله السيده / ماجريبت تاتشر

رئيسه وزراء المملكه المتحده

١٠ داونج ستريت - لندن



cc FCO ✓

10 DOWNING STREET

From the Private Secretary

30 September 1985

I enclose a copy of a thank you letter from Prince Saud to the Prime Minister following his visit to the United Kingdom.

I am copying this letter and enclosure to Peter Ricketts in the Foreign and Commonwealth Office.

(C D POWELL)

Richard Mottram, Esq.,
Ministry of Defence.

6

ERE IS UK EYES ALPFA UNDER THE SAME AUTHENTICATION
OSCAR CHARLIE



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WRLNAN 2584 ORWRAN 2372
SECRET
OO FCOLN
OO MODLN
FM WASHI TO FCOLN
GRS 450

IMMEDIATE
ADVANCE COPY

(X9)

Mr Powell No 10 DS
Mr Mottram MOD
NAD
DEF D
News P
Sp in medicine
Mr Woodall
Mr TAUNT
David Thomas
RC

SECRET UK EYES ALPHA
FM WASHINGTON

TO IMMEDIATE FCO
TELNO 2712
OF 271850Z SEPTEMBER 85
AND TO MODUK (FOR PRIVATE SECRETARY AND HEAD OF DEFENCE
EXPORT SERVICES)

INFO PRIORITY OTTAWA (FOR PRIVATE SECRETARY)
MY TELNO 2689: MSE

1. THE CURRENT EXPECTATION HERE IS THAT THERE WILL NOW BE NO MSE ANNOUNCEMENT BEFORE 4 OCTOBER.
2. THE QUESTIONS PUT TO THE ARMY AT TAFT'S MEETING ON 23 SEPTEMBER APPEAR TO HAVE BEEN SUBSTANTIVE, RATHER THAN MERELY PRESENTATIONAL. THIS WAS A SETBACK FOR GTE (WHO EXPECTED THAT A WIN FOR RITA WOULD BE ANNOUNCED ON 25 SEPTEMBER, AND HAD SET UP CELEBRATIONS). BUT THE ARMY'S ANSWERS TO TAFT, DUE TO REACH HIM TODAY, ARE RUMOURED TO REFLECT NO CHANGE OF HEART, AND THEREFORE STILL TO FAVOUR RITA.
3. SOME OF OUR US INTERLOCUTORS HAVE ARGUED THAT A SECOND ROUND OF BEST AND FINAL OFFERS WOULD NOT BE FEASIBLE SINCE BOTH US PRIME CONTRACTORS FACE CHARGES OF MALFEASANCE. ROCKWELL HAVE IN FACT NOW SETTLED OUT OF COURT IN THEIR CASE, CONCEDED RESPONSIBILITY FOR OVER-CHARGING (OF SOME DOLLARS 0.2 MILLION) ON A PREVIOUS ORDER, RATHER THAN RISKING SUSPENSION BY GOING TO COURT. THE CHARGES TO WHICH GTE PLED GUILTY ARE OF COURSE MUCH MORE SERIOUS. ROCKWELL'S SETTLEMENT WILL NOT BE ANNOUNCED BEFORE 27 OCTOBER. HDES HAS MORE DETAILS ON THESE CASES.
4. ALTHOUGH THE WHITE HOUSE/NSC WILL NO DOUBT CONTINUE TO TRY TO DISTANCE THE PRESIDENT FROM THE MSE DECISION, AND MAINTAIN THAT THE RESPONSIBILITY IS WEINBERGER'S ALONE, MCFARLANE, AND TO A LESSER EXTENT, REGAN, ARE IN PRACTICE INVOLVED. STEPS HAVE BEEN TAKEN TO BRIEF REGAN. THE PRIME MINISTER'S MEETING WITH MCFARLANE TOMORROW PROVIDES THE IDEAL OPPORTUNITY TO KEEP UP OUR PRESSURE ON MCFARLANE.
5. MY ADVICE IS STILL THAT THE PRIME MINISTER SHOULD SAY THAT IF PTARMIGAN CANNOT BE SELECTED STRAIGHT AWAY, THE BEST AND FAIREST COURSE WOULD PRESUMABLY BE FOR THE COMPETITION TO BE POSTPONED, RE-BID AND RE-EVALUATED, ON A BASIS OF PROPER COMPARABILITY.
6. PLEASE PASS ADVANCE COPIES TO POWELL, NO 10 AND MOTTRAM, MOD.

WRIGHT

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1446</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Powell to Mottram dated 26 September 1985</i>	
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PIECE/ITEM <i>49</i>
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SAUDI ARMS DEAL

JOHN:

Britain and Saudi Arabia have this morning in London formally initialled an agreement for ^a huge arms deal worth three thousand million pounds. Under the contract Britain will supply the Saudis with 132 aircraft, including 48 Tornado fighter bombers produced by British Aerospace in partnership with Italy and West Germany. And that of course is immensely good news for Britain's aircraft industry. But the competition for the Saudi contract has been quite ferocious. The French were contenders. And but for the intervention of the powerful Israeli lobby the deal might have been wrapped up by the United States. I've been talking to Anthony Sampson, author of The Arms Bazaar and editor of the Sampson Letter. How important are arms sales to countries like Britain and France and the United States.

TAPE;

IN:

DUR:

OUT:

ANTHONY SAMPSON - ARMS DEALS

SAMPSON: I'm afraid they've become a crucial part of the economy of Western Europe, because particularly in a time of high unemployment and of desperate need for this type of technological job. It's the arms sales that really provide extra employment and extra revenue which governments increasingly are determined to get. So the competition gets much greater, and role in the economy gets greater.

JOHN: So we can imagine some fairly desperate months behind the scenes while this was being fought out?

SAMPSON: This particular deal has perhaps been the most desperate of all on both sides. The French and British have been determined to get it. Of course the British are in partnership with the Italians and the Germans on this Tornado deal, but the British have made the running. The French were desperately trying to sell the Mirage and the competition, both in terms of official bargains and official offers, and in terms of unofficial commissions and arrangements behind the scenes, has been probably more intense than for any other big deal in the Middle East, which says quite a lot.

JOHN: Unofficial arrangements behind the scenes. What do you mean by that?

SAMPSON: Well, what's happening more and more of course, particularly in Saudi Arabia and the big spenders, is that the commissions

that go with the arms deals have taken over a life of their own. So that very often the big deals are not really so much about hardware, they're about the commissions that go with them, and in the case of Saudi Arabia there's not doubt that the size and the scale of the commissions is very close to being out of hand

JOHN: That would be, making a few guesses? And who gets it?

SAMPSON: Well, the problem is that who gets it seems to be very close to the Royal Family, and so the actual power centre is more and more involved in the commissions, and it gets more and more difficult to cut down the arms spending as a result.

JOHN: Where are the richest pickings in arms deals these days? The Middle East still?

SAMPSON: The Middle East still remains by far the biggest region for this kind of Third World arms deal. It's the superpowers who are the biggest spenders of all, but in terms of the actual buyers of other peoples weapons the Middle East remains the biggest picking. And Saudi Arabia is now the most important of all. They took over from Iran really after the Iranian Revolution. But of course there are other big spenders: the Iran/Iraq war has been a tremendous boom for the arms business and has created a totally new kind of market and Iraq only this week made clear they were going to buy some French Mirage fighters, which is some kind of compensation.

But that war has been of course the greatest boom of all.

JOHN: How much does one arms deal like this with the Saudis provoke another, because the Israelis have already been complaining about the deal?

SAMPSON: Well, of course, it's part of the whole technique of arms selling. You build up this danger round both sides. You go to each side and look at what the other's doing so that you can escalate the whole business in a very profitable way. This has been happening for some time in the Middle East. But in fact when you look at it the real perceived danger for these countries doesn't look like having much relationship to the kind of arms buying which is why the arms commissions are so obviously important. It is very difficult I believe, to understand how the Saudis can, in fact, deploy those 48 Tornados, let alone another 24 that they're now talking about in a really effective way and exactly what kind of enemy they have in mind. Deals have much more to do with national prestige in the first place and the desire to spend in this direction, than they do with a serious military danger.

JOHN: And outside the Middle East in the developing world. What's the picture there?

AMPSON: Well, of course the Middle East has set a sort of pace for other countries. That's certainly true, including poor countries in Africa which really cannot afford it all and where their capacity to use the weaponry is very limited. The real wars of course still tend to be fought with conventional weapons, with rifles, machine guns and the traditional form of man-to-man fighting. So that a lot of this fancy weaponry, over which they've spent most money is very often entirely unused, as is quite clear, of course, after the Iranian Revolution, where all the weapons that the Shah bought tended to be useless in terms of his own survival as a Head of State.

ENDS



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

*DN no note
to details of
the oil trading
scheme in
Annex. Agreed*

MO 5/3/3V

26th September 1985

*with Dg En.
CDP.
27/9.*

Dear Charles

SALE OF AIRCRAFT TO SAUDI ARABIA

Further to my letter of 25th September enclosing briefing for the Prime Minister's meeting with Prince Sultan, I can now confirm that, as I told you over the telephone, a formal Understanding was signed at lunchtime for the sale of 48 Tornado IDS aircraft, 24 Tornado ADV aircraft, 30 Hawk aircraft and 30 PC9 trainers.

The Saudis introduced at a very late stage the question of offset. I attach the record of the Defence Secretary's meeting this morning which covers this point. I am also attaching a copy of the letter he is sending to Prince Sultan which is couched in very general terms.

Finally, I should record that we have put proposals to the Saudis on payment methods (copy attached), which have been agreed at official level with the Department of Energy.

I am copying this letter and the attachments to the Private Secretaries to the Lord President of the Council, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Secretary of State for Energy, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment and the Secretary of the Cabinet.

Yours etc.

Richard Mottram

(R C MOTTRAM)

C Powell Esq
No 10 Downing Street

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A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i>	Date and sign
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CSFC ①



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~936 7022~~ 218 2111/3

MO 26/8/2V

24th September 1985

*On Prime Minister
Your tentative conclusion
was let, if you were to
ring anyone, it should be
Don Regan. I don't think
it
right to
do so
today;
you might
like me
to check
how matters
stand in
Washington
tomorrow;
we must
miss COP
to
best. 24/9*

Dear Charles,

MSE

We spoke on the telephone about the Prime Minister speaking to President Reagan about MSE, for the reasons set out in the Defence Secretary's message sent to you in Amman.

I attach a background note on where matters now stand. You will see that the cost gap could now be down to \$100 million, although we cannot be sure about this and it should not be referred to directly in any conversation. We have asked Rockwell to make it clear to Weinberger's office that the consortium is confident of closing any small price gap.

The Prime Minister will no doubt have her own ideas about how best to put over what represents our final approach. We assume that it would be inappropriate to attempt, with the President, to go into detail about technical issues. The Defence Secretary suggests therefore that the Prime Minister might develop the following themes:

- I explained in my earlier message to you why the British Government attaches so much importance to this contract. I understand a decision may be taken shortly. Interest here is very high and it is assumed that the final decision will rest with you.
- The technicalities need not concern us because there is no doubt that the British Ptarmigan system is superior.
- We believe that there is now nothing in the price. I have taken the initiative in pressing both Rockwell as the lead contractor and Plessey the main British contractor to make adjustments which would save your government more than \$1 billion.
- The point I wanted to emphasise is that I shall be placed in an impossible position politically in this country if you opt for the French-based system. People here are only too aware of the way in which the French behave towards you across the range of defence and foreign policy questions. I am criticised all the time by the Opposition about the

C Powell Esq
No 10 Downing Street



Government's pro-American stance. I can defend this while I can show that there are tangible benefits as well as the perceived drawbacks - that we enjoy a genuine partnership. If we fail to win this contract it will be an enormous boost to Mr Kinnock. He will no doubt claim that if the British Government pursued his policies of kicking out American bases and so on - just as the French have done over the years - we would be likely to be better treated.

I am copying this letter to Colin Budd (FCO).

Yours ever

Richard Mottram

(R C MOTTRAM)

D/HDES/5/82

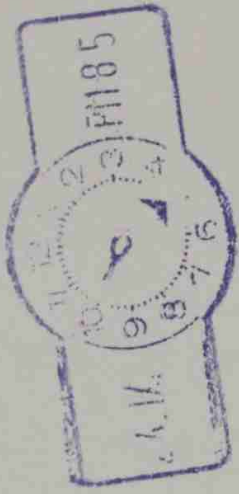
MSE: BACKGROUND

1. Following the interventions of the Secretary of State and the Prime Minister, it became clear that the political implications, domestic and international, of this project had not, until then, been appreciated by Weinberger.
2. Without these interventions and with two seemingly compliant bids, the project would have been awarded to GTE/Thomson-CSF whose tender cost was in the region of 20% lower than that of Rockwell/Plessey - a difference of the order of \$1Bn in this \$5Bn project.
3. Weinberger then ordered an assessment of the project in political and cost terms. For the former the Rockwell/Plessey team should have the advantage domestically and internationally. For the cost area, a separate Cost Evaluation Group (CEG) has been assessing the rival bids.
4. In the political area, we believe, with a fair degree of confidence, that Reagan's advisers have taken a decision to keep the President out of the final selection.
5. Confidential, but unsubstantiated, information we have about the work of the CEG is that the difference in cost has narrowed to around \$100M, in favour of GTE/Thomson-CSF. We have to assume that this takes account of the \$1Bn approximately reduction in the Rockwell/Plessey bid advised by Rockwell to the Pentagon and by HMA to Weinberger but we are not sure if this current small difference (less than 2%) covers just the capital cost of the system or whether it takes into account life cycle costs where the higher standard of maintainability of the Ptarmigan system would give us an added advantage. At this critical stage, we have to assume that this advantage has been taken into account.
6. The next steps are believed to be for the results of the work of the CEG to be put to Taft (Weinberger's deputy) on Tuesday, 24 September and for a combination of the cost and political evaluation to be put to Weinberger on Wednesday, 25 September. We also understand that an approach will be made on Tuesday, 24 September, to the White House Chief of Staff about the domestic political advantages of success for Rockwell together with a scenario for choosing Rockwell and withstanding the subsequent political pressures. An announcement is thought to be likely on Friday, 27 September.
7. Weinberger would have basically four choices:
 - a. To award the project to GTE/Thomson-CSF.
 - b. To admit the revised Rockwell/Plessey bid within the current tendering process.
 - c. To order a further best and final offer.
 - d. To re-assess the whole project, question its need and scope and go out to open tender again. (This is probably unlikely but is an option).
8. Our prime objective has to be to win now (ie b. above) using our political position with the United States and arguing for the revised Rockwell/Plessey bid to be admitted.

9. If that fails, our secondary objective is to have the project be the subject of second best and final offers. The arguments under 6. above will assist this process combined with efforts being made by friendly Congressmen to have brought into question GTEs illegal access to confidential papers and their relevance to the MSE project.

10. Despite the arguments that are being deployed (6. above) it is realistic to appreciate that a decision this week in favour of either bid would be a very difficult one for either Weinberger or Reagan to make. The high public profile given to the project must have created problems and to seek a further best and final offer may be the way out for the White House particularly bearing in mind the emphasis placed in the United States on the competitive process.

11. With the timing described in 6. above, it is recommended that the Prime Minister telephones President Reagan today, 24 September.

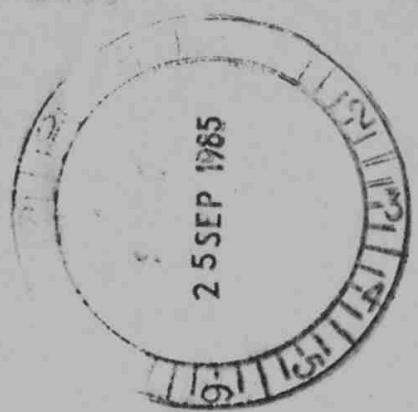


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11

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ZCIC
WRLMAN 2384 ORVRAN 2493
SECRET
OO FCOLN
FM WASHI TO FCOLN
241830Z SEP
GRB 350



Mr Powley No 10 D.Sr.
Mr MOTTAM MOD.
H/O DEF D
Mr DANNT
Mr GOODALL

SECRET

UK EYES ALPHA
FM WASHINGTON
TO IMMEDIATE FCO
TELNO 2689
OF 241830Z SEP 85
AND TO MODUK (FOR PRIVATE SECRETARY AND HEAD OF DEFENCE (EXPORT SERVICES)
INFO IMMEDIATE UKMIS NEW YORK (FOR PRIVATE SECRETARY)
NY TELNO 2614: MSE

1. THE PACE ON MSE IS AGAIN QUICKENING. WE HEAR FROM TWO SOURCES THAT THE PENTAGON NOW PLAN AN ANNOUNCEMENT ON 25 OR 26 SEPTEMBER.
2. THE OMENS ARE NOT GOOD. WE KNOW THAT DEPUTY SECRETARY TAFT HELD A MEETING LATE ON 23 SEPTEMBER WITH ARMY UNDER SECRETARY AMBROSE TO DISCUSS THE REPORT OF THE INDEPENDENT COST EVALUATION GROUP, WHICH HAS, WE BELIEVE, SUBSTANTIALLY REDUCED THE COST GAP. WE DO NOT YET KNOW THE OUTCOME OF THE MEETING; ONLY THAT THE ARMY WERE ASKED TO DO SOME FURTHER WORK (CONCEIVABLY THIS COULD HAVE CONCERNED THE ANNOUNCEMENT). BUT WE HAVE PRETTY FIRM INTELLIGENCE THAT AMBROSE PLANNED TO STICK TO HIS GUNS AND INSIST THAT THE ARMY WOULD PREFER THE GTE SYSTEM. GIVEN HIS POSITION, IT IS LIKELY THAT, IF A CLEAR RECOMMENDATION TO WEINBERGER EMERGED, IT WENT AGAINST PTARMIGAN.

3. I HAVE PURSUED THE NSC TODAY, REINFORCING MY MESSAGE OF 20 SEPTEMBER, AND HOPING TO SECURE A REACTION FROM MACFARLANE. BUT ALL I GOT (FROM POINDEXTER) WAS CONFIRMATION THAT THE NSC/WHITE HOUSE STILL HOPE TO LEAVE THE DECISION TO WEINBERGER, AND THAT A REPLY TO THE PRIME MINISTER'S 30 AUGUST MESSAGE HAS BEEN CONSTRUCTED. (I WOULD GUESS THAT THE PLAN IS TO REPLY SHORTLY BEFORE AN ANNOUNCEMENT).

4. ROCKWELL MEANWHILE ARE STRESSING TO THE WHITE HOUSE THAT BACKING PTARMIGAN WOULD FAVOUR REPUBLICAN INCUMBANTS IN NEXT YEAR'S MID TERM ELECTION, WHEREAS GTE'S DOMESTIC POLITICAL SUPPORT IS CONCENTRATED IN DEMOCRATIC CONSTITUENCIES. BUT ROCKWELL SHOW SIGNS OF INCREASING DESPONDENCY.

5. AGAINST THIS BACKGROUND, ANY NEW UK POLITICAL MOVE HAD BEST BE MADE QUICKLY. I UNDERSTAND THAT THE PRIME MINISTER MAY BE CONTEMPLATING A TELEPHONE CALL TO DON REGAN AT THE WHITE HOUSE. I FAVOUR THIS. I STILL THINK OUR BEST TACTIC IS TO ARGUE FOR A CALL FOR RERIDDING, PERMITTING DOD TO COMPARE LIKE WITH LIKE.

6. PLEASE PASS ADVANCE COPIES TO POWELL, NO 10 AND MOTTRAM, MOD.

WRIGHT

YYYY

ORWBAN 2493

NNNN

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1446</i> (one piece/item number)	Date and sign
Extract/Item details: <i>MOD to PM dated 24 September 1985</i>	
CLOSED FOR YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	<i>J. Gray</i> <i>3/12/13</i>
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
MISSING	
NUMBER NOT USED	

Instructions for completion of Dummy Card

Use **Black Pen** to complete form

Use the card for one piece/item number only

Enter the Department, Series and Piece/Item references clearly
e.g.

DEPARTMENT/SERIES	GRA 168
PIECE/ITEM	49
(ONE PIECE/ITEM NUMBER ONLY)			

Please Sign and Date in the box adjacent to the description that applies to the document being replaced by the Dummy Card

If the document is Closed under a FOI exemption, enter the number of years closed. See the TNA guidance *Preparation of records for transfer to The National Archives*, section 18.2

The box described as 'Missing' is for TNA use only (it will apply to a document that is not in its proper place after it has been transferred to TNA)

DEPARTMENT/SERIES <p style="text-align: center;"><i>PREM 19</i></p> PIECE/ITEM (one piece/item number)	Date and sign
Extract/Item details: <p style="text-align: center;"><i>Fittall to Budel dated 24 September 1985</i></p>	
CLOSED FOR YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	<i>8/7/2014</i> <i>S. Gray</i>
MISSING AT TRANSFER	
MISSING	
NUMBER NOT USED	

Instructions for completion of Dummy Card

Use **Black Pen** to complete form

Use the card for one piece/item number only

Enter the Department, Series and Piece/Item references clearly
e.g.

DEPARTMENT/SERIES
PIECE/ITEM <i>GRA 168</i>
(ONE PIECE/ITEM NUMBER ONLY) <i>49</i>

Please Sign and Date in the box adjacent to the description that applies to the document being replaced by the Dummy Card

If the document is Closed under a FOI exemption, enter the number of years closed. See the TNA guidance *Preparation of records for transfer to The National Archives*, section 18.2

The box described as 'Missing' is for TNA use only (it will apply to a document that is not in its proper place after it has been transferred to TNA)

CONFIDENTIAL

System to Home
Office.
CDP
23/9

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

23 September 1985

Dear Richard

VISIT OF PRINCE SULTAN

with MEA or CDP

Thank you for your letter of 18 September about the visit to this country between 25 and 28 September of Prince Sultan, the Saudi Defence Minister.

We are fully aware of the purpose of this visit and its very great importance. Nevertheless, the Saudis' request that one of Prince Sultan's bodyguards should be allowed to carry a firearm throughout the visit does raise difficulties. As you know the security of visiting dignitaries is the responsibility of the UK authorities, and protection is provided to those who need it. Visiting protection officers are accordingly not generally permitted by the police to carry firearms - and it is the chief officer of police, in this case the Commissioner, who has the statutory responsibility in these matters. The Commissioner has agreed in principle to limited exceptional circumstances in which he would be prepared to grant the necessary firearm certificates, and as a result of consultations between the Prime Minister, the Foreign and Commonwealth Secretary and the Home Secretary, the Commissioner agreed last year to make exceptions in suitable cases but only in respect of security personnel accompanying Heads of State or Heads of Government from countries which allow reciprocal facilities.

The operational reasons for limiting exceptions to the minimum are strong. Visiting security personnel will not necessarily be familiar with our law or practice. There are no doubt attractions, in terms of relations with those concerned, if an exception were to be made: but an incident involving the questionable use of a firearm by a visitor would attract, at the very least, criticism which would be harmful to our relations. The involvement of armed visitors can make the job of Metropolitan Police Special Branch, whose responsibility is it to provide protection, considerably more complicated. Members of the MPSB protection teams train together and learn the same techniques and methods, and the same responses to difficult situations. It does not assist the safety of the visiting dignitary, or of the general public here, to add to the risk of confusion or misunderstanding in the event of a real incident or a false alarm.

It is to take account of the existing policy, and the statutory responsibilities of the police in these matters, that we find it helpful (as agreed in the recent correspondence about Prince Bandar) that requests with regard to protection should be routed through the Protocol Department of the Foreign and Commonwealth Office, who liaise with the Metropolitan Police on protection for visiting dignitaries, bringing us in as necessary. That procedure ensures that the question whether protection should be provided is considered on the basis of a threat assessment, as well as any other relevant factors. The threat against Prince Sultan is not in fact assessed by the Metropolitan Police Special Branch as being such as to justify providing him with personal protection. Nevertheless, I am confident that in the special circumstances of this visit they will be willing exceptionally to do so.

R C Mottram, Esq

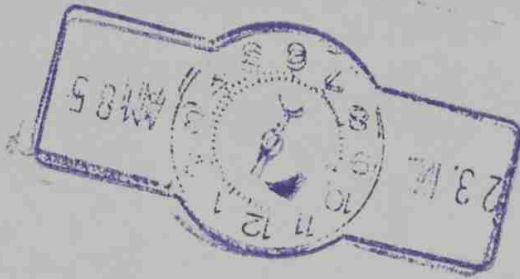
CONFIDENTIAL

You will see from what I have said above, however, the reasons why the Home Secretary would be reluctant to go further and ask the Commissioner to agree to issue a firearm certificate in a case well outside the policy so recently agreed. In the circumstances, the Home Secretary hopes that urgent steps will now be taken, perhaps in the context of a discussion with the Saudis about security arrangements which will enable us to underline how carefully he will be looked after, to try to persuade them to withdraw their request. The Home Secretary would himself be willing to see the Saudi Arabian ambassador, whom he knows, if that would be helpful.

I am sending a copy of this letter to Mark Addison at No 10 and to Len Appleyard in the FCO.

Yours sincerely
W R Fittall

W R FITTALL



ZCZC
HPLNBN 0885 JBHPAN 0580
RESTRICTED
OO MODHP
PP FCOLN
FM JEDDA TO MODHP
230525Z SEP
GRS 280

IMM
230525Z SEP 85
FROM COMMCEN HSP
TO MODUK

RESTRICTED
SIC BYX

IMMEDIATE
ADVANCE COPY

RC

(x5)

PS / NO 10 DOWNING ST

MR DAUNT

MR EGERTON

HD MET

DefD

RESTRICTED

FM JEDDA

TO IMMEDIATE MODUK

TELNO EYX

OF 230525Z SEPTEMBER 85

AND TO PRIORITY FCO, RIYADH.

FOR WHITEHEAD, ACPR (P AND F).

1. THE NAMES OF PRINCE SULTAN'S DELEGATION TO LONDON AS PROMISED IN RIYADH TELNO 104 ARE AS FOLLOWS :-

1. HRH PRINCE SULTAN BIN ABDULAZIZ

2. GEN ABDULLAH KHALIFAH

3. COL. ABDULAZIZ SAIF AL-SAIF

4. CAPT MANIE M AL-KHELEWY

5. MR MOHAMED A AL-SHETHRY

6. MR FAISAL BIN MANDEIL

7. MR MANSOUR BIN JOMA'H
LATEC

8. DR SAID AYOUB

9. MR NASER BIN GHNAIM

10. MR MOHAME BIN TWAIM

11. MR AODULLAH AL-SHIHRY

12. MR MOHAMAD BIN MISFER

13. MR ABDULLAH BIN MOWINE

14. MR AZHARI M. SH. IDREES

15. MR KHADIM HUSAIN ALI

16. CAPT MANSOUR AL-MOHAIZE

17. MR RJA AL-DOSARY

18. MR MOHAMED AL-ATOUBY

19. MR ABDULLAH AL-OTAIBY

20. MR SAAD AL-ROGY

21. MR NASIR AL-SHEHRY

22. MR MOHAMED BIN KHALED

2. WE DO NOT KNOW WHICH OF THE ABOVE ARE THE TEN JOURNALISTS REFERRED TO IN YOUR EYX 201250Z SEP AND HAVE BEEN UNABLE TO FIND OUT FROM OUR MODA CONTACTS (22 SEPTEMBER). WE WILL TRY TOMORROW. IT MIGHT BE EASIER HOWEVER, FOR YOU TO TELL US THE NAMES YOU HAVE AND WILL THEN SEEK TO IDENTIFY THEIR PAPERS. WE WOULD BE SURPRISED HOWEVER, IF ANY OF THOSE IN THE DELEGATION ABOVE TURN OUT TO BE JOURNALISTS. IT IS UNUSUAL FOR MEDIA REPRESENTATIVES TO ACCOMPANY SUCH VISITS ACW IF THEY DO THEY ARE USUALLY SENIOR EDITORS. NONE OF THE DELEGATION LISTED ABOVE FALLS INTO THIS CATEGORY.

3. WE WONDER THEREFORE, WHETHER THE NAMES YOU HAVE ARE THOSE OF THE MEMBERS OF A SEPARATE DELEGATION OF SAUDI EDITORS IN CHIEF

NO WILL BE VISITING BRITAIN BETWEEN 23 AND 29 SEPTEMBER ON
A SPONSORED VISIT ORGANIZED BY THE FCO AND BRITISH CALEDONIAN.
THE DELEGATION INCLUDES FIVE OF THE MOST IMPORTANT EDITORS IN
SAUDI ARABIA AND HAS BEEN ORGANIZED IN ORDER TO GIVE THEM AN
INSIGHT INTO THE WORKINGS OF THE BRITISH MEDIA AND ITS RELATIONS
WITH GOVERNMENT. THE TIMING OF THIS VISIT AND PRINCE SULTAN'S IS
ENTIRELY COINCIDENTAL. WE THINK HOWEVER THAT IT WOULD BE VERY
USEFUL FOR PUBLICITY HERE IF THE TWO PROGRAMMES WERE LINKED
IN SOME WAY IF POSSIBLE. WE KNOW THAT THE EDITORS WOULD BE
EXTREMELY PLEASED AND IMPRESSED IF THEY COULD BE INCLUDED IN
THE INITIAL COURTESIES OF THE MEETINGS BETWEEN THE PRIME
MINISTER, MR HESELTINE AND PRINCE SULTAN. WE WOULD NOT OF
COURSE SEEK TO HAVE THEM INVOLVED IN ANY WORKING SESSIONS OR
FORMAL ENTERTAINING.

4. MED, FCO ARE AWARE OF OUR PROPOSAL. YOU MIGHT LIKE TO
DISCUSS THE POSSIBILITIES WITH TIM HANSON (233 3982) WHO HAS
THE DETAILS FOR BOTH PROGRAMMES. A POSSIBLE TIME AT WHICH THEY
MIGHT BE LINKED IS THURSDAY 26 SEPTEMBER.

5. PLEASE PASS TO NO 10.

LAYDEN

BT

PRIME MINISTER

VISIT OF PRINCE SULTAN

This is an interim report on progress during the weekend:

- a. Mr. Heseltine will meet Prince Sultan on arrival;
- b. The Guard of Honour will be a large one from a Guards regiment with a band;
- c. The Minister in Attendance for the visit to Warton will be Mr. Tebbit. On reflection, I think this is all right: he was Secretary of State for Trade and Industry during most of the negotiations;
- d. the Red Arrows will perform at Warton;
- e. a call on a member of the Royal Family is more difficult. The Saudis have made clear that they are interested only in The Queen and The Prince of Wales. We are looking into the possibility of persuading the latter to reshuffle his engagements (MOD believe that he has gone back up to Balmoral);
- f. there will be no problem about starting the Saudi return dinner at 2045 hrs if you decide to go; *Agree to go? Yes*
- g. I attach a provisional draft guest list, to which we should add on Monday morning, for your dinner. *MS*

EDP

Saudi

21 September, 1985

MR. POWELL

A note to update you on progress with arrangements for the Saudi visit next week.

- 1) MOD have supplied a list based on the assumption that we shall have to invite 11 on that side. The Saudis are being asked to name 12. In addition, there will be the Prime Minister and Mr. Thatcher and, of course, you. That will make 26 in all.
- 2) The invitations are now being printed. The dinner will be hosted by the Prime Minister and DT, in honour of Prince Sultan. Dress - black tie/national.
- 3) MOD have made contingency plans to shorten the visit to Poole.
- 4) For the Friday, MOD are aware that the Prime Minister will not be able to join the return dinner. I have lined up the Lord President, and Lord Young (whose brother Stuart Young is apparently well known to, and has good relations with, the Saudis.) MOD will be approaching their private offices to confirm times etc. and arranging for them to be put on the Saudis' invitation list.

ACTION

You need to:

- i) Let Vanessa know who from the MOD list should be sent an invitation;
- ii) Get the Saudi names from MOD;
- iii) Ask Vanessa to arrange despatch of the invitations etc.

MBA

Mark Addison

20 September 1985



MO 5/3/3

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

20th September 1985

Dear MAM,

PRIME MINISTER'S DINNER FOR PRINCE SULTAN

We spoke on the telephone about the Prime Minister's dinner next Thursday for Prince Sultan and you told me that the guest list on the British side, excluding the Prime Minister's party, would be limited to 11.

Could I suggest the following, together with some reserves:

1. Defence Secretary
2. Mr Denis Healey
3. Sir Humphrey Atkins or Sir Anthony Kershaw
4. Air Chief Marshal Sir Keith Williamson, Chief of the Air Staff
5. Mr Colin Chandler, Head of Defence Export Services, MOD
6. Sir Patrick Wright, British Ambassador to Saudi Arabia
7. Sir Antony Acland or Mr Egerton
8. Sir Ray Lygo, Chief Executive, British Aerospace
9. Mr R Robbins, Managing Director, Rolls Royce
10. Sir James Craig (former British Ambassador to Saudi Arabia)
11. Sir James Blyth (former Head of Defence Sales, joining Plessey)
12. Sir Adam Thomson, British Caledonian
13. Representative of the British media eg Andrew Knight of the Economist, Geoffrey Owen of the Financial Times or Stuart Young, BBC
14. Mr Dick Evans, British Aerospace

M Addison Esq
10 Downing Street



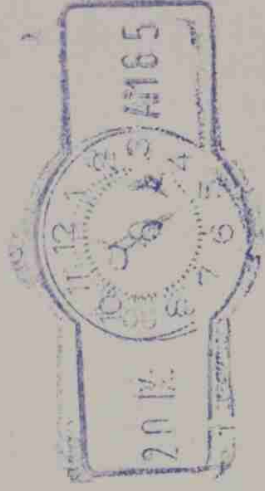
We are in touch with the Saudis about their allocation of 12 places.

Yours etc,

Richard Mottram

(R C MOTTRAM)

P.S I have not approached any of the shore





10 DOWNING STREET

From the Private Secretary

19 September 1985

As you know the Prime Minister is at present abroad, but I will ensure she sees a copy of your letter of 18 September on her return. I know she will be very grateful to you for writing.

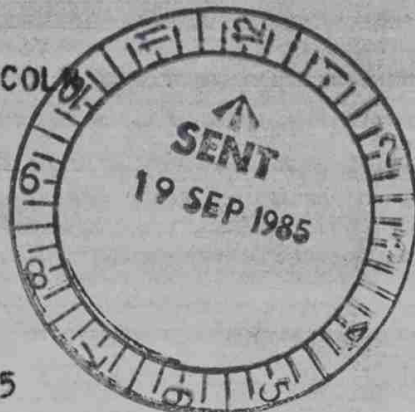
Mark Addison

Sir Raymond Lygo, KCB.

ADVANCE COPY

PN

M
ZCZC
HPLNBN 0778 JBHPAN 0528 REJBAN 0018
CONFIDENTIAL
DD 191200Z FCOLN
DD 191200Z MODLN
RR JEDDA
FM RIYAD TO FCOLN
190815Z SEP
GRS 450



IMM
190815Z SEP 85
FROM COMMCEN HSP
TO MODUK

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CONFIDENTIAL UK COMMS ONLY
SIC A3A

CONFIDENTIAL
FM RIYADH
TO DESKBY 191200Z FCO
TELNO 104
OF 190815Z SEPTEMBER 85
AND TO DESKBY 191200Z MODUK
INFO ROUTINE JEDDAH

TORNADO DEAL

SUMMARY

1. FAVOURABLE REACTION HERE. OUTLINE PROGRAMME FOR PRINCE SULTAN'S VISIT TO LONDON 25 - 28 SEPTEMBER SATISFACTORY.

DETAIL

2. THE REACTION OF SENIOR OFFICERS AND OFFICIALS HERE HAS BEEN DISTINCTLY FAVOURABLE. FOR EXAMPLE, PRINCE KHALID BIN SULTAN, DEPUTY COMMANDER OF THE ROYAL AIR DEFENCE COMMAND, CONGRATULATED THE AIR ATTACHE ON THE SALE. HE REMARKED THAT THE DEAL WAS VERY MUCH IN THE INTERESTS OF BOTH COUNTRIES AND IMPLIED THAT IT WAS HIGH TIME THE SAUDIS MADE A MAJOR PURCHASE FROM BRITAIN. HE WAS PARTICULARLY HAPPY WITH THE PROPOSED ARRANGEMENTS FOR DELIVERY. OTHER SENIOR OFFICERS HAVE ECHOED THIS REACTION, SOME ADDING NOTES OF DISENCHANTMENT WITH THE US CONGRESS OR THE FRENCH. THE HEAD OF WESTERN DEPARTMENT IN THE MFA ALSO INDICATED TO ME HIS PLEASURE AT THE NEWS.

3. I UNDERSTAND THAT THE TERMS OF THE MOU ARE CURRENTLY BEING REVIEWED BY SENIOR OFFICIALS HERE. GEN BAHAIY, DIRECTOR OF OPERATIONS, IS EXPECTED TO RETURN TO LONDON EARLY NEXT WEEK.

OPERATIONS, IS EXPECTED TO RETURN TO LONDON EARLY NEXT WEEK.

4. AIR ATTACHE HAS DISCUSSED WITH PRINCE SULTAN'S DIRECTOR OF PROTOCOL THE OUTLINE PROGRAMME FOR SULTAN'S VISIT CONTAINED IN MODUK SIGNAL 161410Z. KHELEWY, WHO HAD CONSULTED THE PRINCE, CONFIRMED THAT THE PROPOSED ARRANGEMENTS FOR THE VISIT WERE BROADLY SATISFACTORY. IN OUTLINE THE PROGRAMME NOW LOOKS AS FOLLOWS:-

25 SEPTEMBER

1500 HRS ARRIVE HEATHROW, ACCOMPANIED BY 21 (NAMES TO FOLLOW), NINE WILL BE ARMED. SAUDIS WELCOMED THE SUGGESTION THAT MR HESELTINE SHOULD MEET SULTAN ON ARRIVAL. REMAINDER OF THE DAY FREE. (SULTAN WILL SPEND THE EVENING PRIVATELY WITH THE SAUDI EMBASSY).

26 SEPTEMBER

THE SAUDIS ACCEPT A WORKING CALL ON MR HESELTINE FOLLOWED BY LUNCH WHICH LATTER WILL HOST. THEY HOPE THAT FIVE OR SIX OF THEIR PARTY WILL BE INCLUDED. PRINCE SULTAN NATURALLY WELCOMES THE PROPOSED DINNER AT NO 10. IF POSSIBLE HE WOULD PREFER HIS CALL ON THE PRIME MINISTER TO TAKE PLACE IMMEDIATELY BEFORE DINNER RATHER THAN IN THE AFTERNOON (ALLOWING PERHAPS 45 MINUTES FOR THE PURPOSE). HE WOULD LIKE THE AFTERNOON FREE.

27 SEPTEMBER

A VISIT TO BRITISH AEROSPACE IS AGREED. WITH A FLIGHT DEMONSTRATION OF TORNADO BY PRINCE BANDAR IN THE MORNING FOLLOWED BY LUNCH. PRINCE SULTAN WOULD LIKE TO LEAVE AT 1400 HRS. TO ALLOW HIM TO GIVE A RECEPTION AT THE SAUDI EMBASSY THAT EVENING FOLLOWED BY A PRIVATE DINNER AT THE AMBASSADOR'S RESIDENCE.

28 SEPTEMBER

1400 HRS DEPART HEATHROW FOR NEW YORK.

5. SAUDI DEFENCE ATTACHE IN LONDON IS BRIEFED TO HANDLE THE DETAILED ARRANGEMENTS. (HE WILL LEAVE US TO TAKE THE INITIATIVE ON GIFTS IF WE SO WISH BUT WOULD LIKE ADVANCE NOTICE).

6. FCO PSE PASS TO NO 10.

GREEN

YYYY

REJBAN 0018

NNNN

ZCZC
HPALAN 0780 00 RBDWDFG
DE RBDWC 1451 2620945
ZNY CCCCC
O 190915Z SEP 85
FM MODUK
TO RBDWDFG/BRITEMB AMMAN
INFO RBDWDFA/FCO LONDON
BT
C O N F I D E N T I A L
SIC A2P
(DESKBY 1030Z)

FOR POWELL WITH PRIME MINISTERS PARTY. FROM MOTTRAM.
SUBJECT: GUESTS FOR DINNER WITH PRINCE SULTAN
1. WE ARE ASSUMING AROUND 30 GUESTS ON EACH SIDE. SUGGESTIONS
FOR THE BRITISH SIDE DIVIDED INTO GROUPS ARE AS FOLLOWS:
A. MOD MINISTERS
THE DEFENCE SECRETARY PLUS MR LAMONT
B. MOD OFFICIALS AND MILITARY

POW - call on

Franklin

Red Arrows

Antler is
After dinner

June
- Mike
- Gopping over
- Home (A)
- night

Beary -

Green -

Henry -

Lewis -

2. WE HAVE ESTABLISHED AVAILABILITY OF MOST OF THESE.
3. YOU WILL WISH TO ADVISE ON OTHER CABINET MINISTERS TO BE INVITED PLUS OPPOSITION REPRESENTATIVE (MR HEALEY QUES) AND MPS WITH SAUDI/AEROSPACE CONNECTIONS (SIR I GILMOUR) AND MR R ATKINS COME TO MIND) OR DEFENCE CONNECTIONS (E.G. SIR H ATKINS, CHAIRMAN OF THE HCDC, SIR A KERSHAW, CHAIRMAN OF FAC AND SIR A BUCK CONSERVATIVE BACKBENCH COMMITTEE)

BT

Jim Prior/Cree

Chair of
Trade Dudge

Chair of
CBI

- Baker
- Lawson
- Heselthorn
- Tibbitt

NNNN

Security Classification ----- 15 spaces ----->

CONFIDENTIAL UK EYES A

Message Instructions ----- 15 spaces ----->

**AMRAD
SIGNAL
MESSAGE
FORM**

Precedence: **ACTION/INFO**

IMMEDIATE / IMMEDIATE

DTG

191815 Z Month SEP 85

FROM

MODUK

*TO

BRITEMB AMMAN (DESK BY 200600Z)

*USE A
SEPARATE
LINE
FOR
EACH
ADDRESSEE

*INFO

- 3 -
spaces

BRITEMB WASHINGTON

FCO LONDON

Line Feed

TEXT Security Classification

CONFIDENTIAL UK EYES A

Special Handling Caveat Only

DIG(s) Only

~~DIG~~ SIC A2P

FROM: DEFENCE SECRETARY. FOR: PRIME MINISTER

SUBJECT: MSE

1. I EXPECT THAT YOU WILL HAVE BEEN AS CONCERNED AS I WAS BY THE INFORMATION IN WASHINGTON TELEGRAM NUMBER 2614 ABOUT MSE. I HAVE BEEN IN TOUCH WITH SIR OLIVER WRIGHT AND THE US AMBASSADOR IN LONDON, CHARLES PRICE, ABOUT THIS, AND ADDRESSED WHAT WE SHOULD DO NEXT WITH MY CLOSEST ADVISERS AND WITH PLESSEY.

2. THE LATEST ASSESSMENT, WITH ALL THE CAVEATS THAT I MUST STRESS ABOUT ITS POSSIBLE INACCURACY, IS THAT THE COST DIFFERENCE BETWEEN THE GTE/THOMSON CSF AND ROCKWELL/PLESSEY BIDS IS NOW \$100 MILLION. I HAVE ASKED COLIN CHANDLER

Special Distribution See note 9

File Reference

DRAFTER'S NAME (Block letters)

Extension Branch

RELEASING OFFICER'S Signature

Page of Pages

Have you referred to a classified message? (Answer YES or NO in box)

Grade/Rank

Name (Block letters)

Security Classification

CONFIDENTIAL

TO APPROACH THE COMPANIES TO INVITE THEM, IF THAT IS THEIR COMMERCIAL JUDGEMENT, TO PUT FORWARD PROPOSALS TO BRIDGE THE PRICE GAP. I WOULD HOPE TO HAVE ADVICE ON THIS SHORTLY. IT MAY ALSO BE RELEVANT THAT CHARLIE PRICE, IN HIS CONVERSATION WITH ME, GAVE THE IMPRESSION THAT WE MAY HOLD THE ADVANTAGE ON THROUGH-LIFE COSTS BECAUSE OUR APPROACH ON SUPPORT IS MORE ECONOMICAL FOR THE US ARMY.

3. I HAVE PAID PARTICULAR ATTENTION TO THE SUGGESTION IN PARAGRAPH 5 OF SIR O WRIGHT'S TELEGRAM THAT THE WHITE HOUSE MAY HAVE TAKEN A POLICY DECISION TO KEEP THE PRESIDENT OUT OF THE FINAL DECISION. WE HAVE CHECKED THIS AGAIN AND IT WOULD APPEAR - SURPRISING THOUGH IT MAY SEEM - TO BE TRUE. IN MY CONVERSATION WITH CHARLIE PRICE, I INDICATED TO HIM THAT THERE WERE RUMOURS TO THIS EFFECT AND THAT, WERE THIS THE CASE, IT WOULD BE A VERY GRAVE ERROR OF JUDGEMENT. HE CLEARLY TOOK THE POINT ON BOARD. THIS REINFORCED A SEPARATE MEETING I HAD WITH HIM TWO DAYS AGO IN WHICH I AGAIN STRESSED IN UNMISTAKEABLE TERMS THE CRUCIAL POLITICAL DIMENSION TO THE MSE DECISION.

4. I HAVE OF COURSE CONSIDERED WHETHER THERE IS ANYTHING MORE THAT WE CAN REASONABLY DO. OUR LATEST INFORMATION IS THAT A FINAL RECOMMENDATION WILL GO TO MR TAFT, WEINBERGER'S DEPUTY, NEXT TUESDAY. I BELIEVE THAT THE ONLY CARD LEFT TO US WORTH CONSIDERING IS THAT YOU MIGHT YOURSELF PHONE THE PRESIDENT ON MONDAY. IT IS, I BELIEVE, IMPERATIVE THAT WE SHOULD CONTINUE TO DEPLOY TO THE END OF THE COMPETITION THE IMPORTANCE WE ATTACH TO THIS DEAL AND ITS POLITICAL IMPLICATIONS. YOU ALONE CAN DO THAT. I REALISE THAT I HAVE ALREADY ADVISED YOU TO WRITE TO PRESIDENT REAGAN, THAT THAT APPROACH WAS LEAKED, AND THAT THE POLITICAL STAKES WERE THEREBY RAISED.

Special Distribution See note 9		File Reference
		DRAFTER'S NAME (Block letters)
		Extension Branch
		RELEASING OFFICER'S Signature
Page..... ofPages	Have you referred to a classified message? (Answer YES or NO in box)	Grade/ Rank Name (Block letters)

PRECEDENCE— Action / Info	SECURITY CLASSIFICATION	DATE—TIME—GROUP	MOD FORM 140A (continuation sheet)
IMMEDIATE / IMMEDIATE	CONFIDENTIAL UK EYES A	191815Z SEP 85	

ON MY ADVICE

I STILL BELIEVE THAT THE DECISION YOU TOOK WAS THE RIGHT ONE, AND THAT, NOW WE HAVE GONE DOWN THIS ROAD, FURTHER ACTION WILL LEAVE US NO WORSE OFF OR MORE EXPOSED. WE ARE IN THIS MATTER TO WIN.

5. I WOULD HOPE THAT I MIGHT HAVE A WORD WITH YOU ON MONDAY, BEFORE A FINAL DECISION IS REACHED.

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

Special Distribution See note 9	File Reference	Mo 26/8/2	
	DRAFTER'S NAME (Block letters)	R C MOTTRAM	
	Extension	2111/3	Branch S OF S
	RELEASING OFFICER'S Signature		
Page 3 of 3 Pages	Have you referred to a classified message? (Answer YES or NO in box)	<input type="checkbox"/> YES	Grade/Rank AS Name (Block letters) R C MOTTRAM

Security Classification CONFIDENTIAL UK EYES A

CONFIDENTIAL

CP
CE P J Kitcraft
HM Treasury

GRS 600
CONFIDENTIAL
UK EYES ALFA
FM WASHINGTON
TO IMMEDIATE FCO
TELNO 2614

OF 181920Z SEPTEMBER 1985
INFO IMMEDIATE AMMAN (FOR PM'S PARTY), MODUK
INFO PRIORITY UKDEL NATO, PARIS
MSE

1. IT MAY BE HELPFUL IF I SET OUT THE CURRENT POSITION ON THE MSE DECISION.
2. NO ANNOUNCEMENT OF THE PTARMIGAN/RITA CHOICE HAS BEEN MADE, NOR HAS A DECISION BEEN TAKEN. WHAT HAS HAPPENED IS THAT, PROBABLY AS A RESULT OF THE INTERVENTIONS BY THE PRIME MINISTER AND THE SECRETARY OF STATE FOR DEFENCE, AN INDEPENDENT COST EVALUATION GROUP HAVE BEEN CHARGED WITH REVIEWING THE ARMY'S ASSESSMENT OF THE TWO BIDS. WE KNOW THAT THE ARMY ORIGINALLY OPTED FOR THE GTE/THOMSON CSF BID ON GROUNDS OF COST, (THE COST DIFFERENCE BEING SOMETHING OVER DOLLARS ONE BILLION, MUCH OF IT APPARENTLY ARISING FROM THE DIFFERENCE IN THE CAPABILITY (NUMBER OF NODES) OF THE COMPETING EQUIPMENT.)
3. WEINBERGER TOLD THE MINISTER OF STATE FOR THE ARMED FORCES ON 17 SEPTEMBER THAT HE REGRETTED THAT THE PRIME MINISTER'S MESSAGE TO THE PRESIDENT HAD BECOME PUBLIC KNOWLEDGE. HE ALSO CONFIRMED THAT THE INDEPENDENT COST ASSESSMENT WAS IN TRAIN, AND THAT IT WOULD TAKE ACCOUNT OF THE POINTS MADE IN MR HESELTINE'S MESSAGE IE GUARANTEES ON EXCHANGE RATE, A CAP ON INFLATION, AND A REDUCED NUMBER OF NODES.
4. THE COST EVALUATION GROUP IN FACT COMPLETED ITS WORK ON 17 SEPTEMBER; ITS CONCLUSIONS AND RECOMMENDATIONS ARE BEING TIGHTLY HELD, BUT THE RUMOUR MILL SUGGESTS THAT THEY ARE UNFAVOURABLE TO US.
5. WE HAVE ALSO LEARNED FROM TWO USUALLY RELIABLE SOURCES THAT THE WHITE HOUSE HAS TAKEN A POLICY DECISION TO KEEP OUT OF THE DECISION TAKING PROCESS. WEINBERGER HAS, IT IS SAID, BEEN TOLD TO MAKE HIS MIND UP WITHOUT REFERENCE TO THE PRESIDENT. (PRESUMABLY THE INTENTION IS TO TRY TO REDUCE THE RISK OF DAMAGING THE PRESIDENT'S RELATIONS WITH EITHER THE PRIME MINISTER OR MITTERRAND.)
6. SHULTZ TOO APPEARS TO HAVE CONFIRMED TO WEINBERGER THIS WEEK THAT HE DOES NOT WISH TO INTERVENE IN THE DECISION.
7. WE HAVE, WITH ROCKWELL, CONTINUED OUR LOBBYING EFFORT; SENATORS WARNER, HATCH AND HAWKINS HAVE THIS WEEK CONTACTED WEINBERGER ON PTARMIGAN'S BEHALF. THE ROCKWELL/PLESSEY AIM NOW IS TO PERSUADE DEPARTMENT OF DEFENSE TO CALL FOR A SECOND BEST AND FINAL OFFER; AN ACTION FOR WHICH THERE ARE NUMEROUS PRECEDENTS. THE PRESIDENT OF ROCKWELL WROTE ON 17 SEPTEMBER TO THE DOD ASKING THEM TO REOPEN NEGOTIATIONS ON THE BASIS OF APPLES FOR APPLES.

18.

CONFIDENTIAL

CONFIDENTIAL

3. WE KNOW THAT THE PENTAGON PLANNED TO MAKE AN ANNOUNCEMENT ON 20 SEPTEMBER. SOME OF OUR SOURCES HOWEVER MAINTAIN THAT THEY WILL NOT BE ABLE TO MEET THIS DEADLINE, AND THAT THE MIDDLE OF NEXT WEEK IS NOW A BETTER BET.

WRIGHT

LIMITED
NAD
DEFENCE .D
NEWS .D
SIR W HARDING
MR GOODALL
MR DAUNT
MR DAVID THOMAS



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-930 7022

MO 5/3/3

18th September 1985

EMD 24/E

Dear Mark,

VISIT TO THE UNITED KINGDOM BY PRINCE SULTAN

We spoke on the telephone about the arrangements for the visit next week of Prince Sultan. In the nature of things with Saudi Arabia these are likely to remain somewhat fluid but we now have an agreed framework, a copy of which is attached.

You will see that it is now envisaged that on 26th September there will be a meeting between the Defence Secretary and Prince Sultan followed by lunch hosted by the Defence Secretary. The Prime Minister's involvement that day would be accepting a call by Prince Sultan and hosting a dinner in the evening. The Saudis have asked whether it would be possible for the call on the Prime Minister to take place just prior to the dinner rather than separately in the afternoon. This seems sensible. We would envisage a call of say 45 minutes duration. If this approach appeals to the Prime Minister, we now need to firm up the timings of firstly the call and then the dinner, on which I should welcome your early advice. (The programme is due to go to press tomorrow).

I will provide further advice shortly on the suggested guest list for the dinner.

Could I also draw your attention to the programme on 27th September which involves a visit to BAe Warton and in the evening a dinner given by Prince Sultan. Unfortunately, the Defence Secretary is committed to leaving that day for Oman and, given Omani sensitivities, we have concluded that it would not be right to alter his plans: the Saudis are aware of this difficulty. We are therefore planning that Mr Lamont will accompany Prince Sultan. I should mention that the Saudis, on an unofficial channel, have enquired whether the Prime Minister would wish to take part in the visit to Warton - I assume she

Mark Addison Esq
 10 Downing Street

CONFIDENTIAL



would not. They have also, on an official channel, enquired about her availability for the dinner that evening - again I would assume that she would not wish to do this but I wonder whether we should not seek to depute an appropriately senior Cabinet Minister?

I should be most grateful for your early guidance.

I am copying this letter to Len Appleyard (FCO).

Yours etc.

Richard Mottram

(R C MOTTRAM)

CONFIDENTIAL

PROGRAMME

WEDNESDAY, 25 SEPTEMBER 1985

Dress: Non-Ceremonial Day Uniform.

1400(?) Arrive London Heathrow Airport by Special Flight
from Riyadh , Southside Suite.

Met by the Secretary of State for Defence, The Right
Honourable Michael Heseltine MP.

Leave the Airport by car.

Arrive at the hotel.

No official engagements for the remainder of the day.

THURSDAY, 26 SEPTEMBER

Dress: Non-Ceremonial Day Uniform.

- 1115 Leave the hotel.
- 1130 Arrive Ministry of Defence, Horseguards Avenue entrance.
Met by the Secretary of State for Defence, The Right Honourable Michael Heseltine MP.
Received by a Guard of Honour found by

with the Regimental Colour, the Corps of Drums of the Battalion and the Band of the
- 1135 Photo-call in the office of the Secretary of State for Defence.
- 1140 Plenary discussions.
- 1245 Leave Ministry of Defence.
- 1300 Arrive Lancaster House, St James's SW1.
- 1300 Luncheon given by Her Majesty's Government.
for
1315 Host: The Secretary of State for Defence, The Right Honourable Michael Heseltine MP.
- 1430 Leave Lancaster House.
- [] Arrive 10 Downing Street.
Call on the Prime Minister, The Right Honourable Margaret Thatcher MP.
~~Leave 10 Downing Street.~~
~~Arrive at the hotel.~~
~~Leave the hotel.~~
~~Arrive 10 Downing Street.~~
- [] Dinner given by Her Majesty's Government.
Host: The Prime Minister, The Right Honourable Margaret Thatcher :
↓ Leave 10 Downing Street.

FRIDAY, 27 SEPTEMBER

Dress: Non-Ceremonial Day Uniform.

0930 Leave the hotel.

0955 Arrive Royal Air Force Station Northolt.

1000 Depart by HS 146 Aircraft.

1100 Arrive British Aerospace Airfield Warton.
Met by Group Chairman, Sir Austin Pearce.

1105 Visit the Saudi Arabian Support Department.

1200 Visit Tornado Production Facility and static aircraft display.

1300 Luncheon
Host: Group Chairman, Sir Austin Pearce.

1430 Depart British Aerospace Airfield Warton.

1530 Arrive Royal Air Force Station Northolt.

1535 Leave RAF Northolt by car.

1600 Arrive at the hotel.

1815 Leave the hotel.

1830 Arrive at the

Reception given by His Excellency Sheikh Nasser H Almanqour,
Saudi Arabian Ambassador, London.

2030 Arrive Residence of His Excellency the Ambassador of Saudi
Arabia.

Dinner given by His Royal Highness Prince Sultan Bin Abdula
Aziz Al Saud.

Dress:

SATURDAY, 28 SEPTEMBER

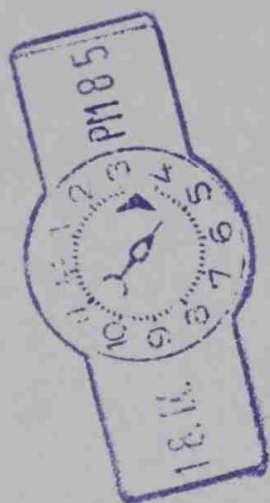
Leave the hotel.

1400 or
1500

Arrive London Heathrow Airport, Southside Suite.

Board Special Flight departing
at hours for New York.

The Minister of State for Defence Procurement, Mr Norman
Lamont MP, will bid farewell.





MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~8367825~~ 218 2111/3

MO 5/3/3V

18th September 1985

New Hugh

VISIT OF PRINCE SULTAN

You will be aware of the visit to this country between 25th and 28th September of Prince Sultan, the Saudi Defence Minister, to sign an agreement for the purchase by Saudi Arabia of Tornado and Hawk military aircraft and associated equipment.

We are currently putting together a programme for the visit and tying up the administrative details including the security provision for Prince Sultan. He will be arriving here with a full retinue of armed bodyguards. The Saudis have requested, most insistently, that quite apart from the protection that will be provided by the Special Branch, one of the Saudi bodyguards should be allowed to retain his firearm throughout the visit; the remainder would surrender their weapons on arrival and retrieve them immediately before departure. The party will travel on to the United States where President Reagan has approved the carrying of firearms by the whole of the bodyguard.

TEMPORARILY RETAINED. J. Gray 8/7/2014

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I am not sure of the precise arrangements for obtaining approvals of this kind but the Defence Secretary would be most grateful for the Home Secretary's help in securing a satisfactory outcome on this - very special - occasion. I might add that the Prime Minister has directed that every effort must be made to ensure that the visit is a success.

H Taylor Esq
Home Office

CONFIDENTIAL



I am copying this letter to Mark Addison (No 10) and Len Appleyard (FCO).

Yours etc,

Richard Mottram

(R C MOTTRAM)

British Aerospace

Sir Raymond Lygo, KCB
Managing Director

18th September 1985

Dear Prime Minister,

Just a short thank you note
for all your good work on our
behalf in Saudi.

It is all most splendid news
and could not have been achieved
without your support.

Thank you,

Ray Lygo

P.S. On, on, on!

SECRET

PRIME MINISTER

TORNADO FOR SAUDI ARABIA

12
Spoken to ROD.
PM has agreed to
give a lunch on
25 September if the
negotiations are far
advanced. ROD will
make a
recommendation
OP

Prince Sultan is planning to come here on 25/26 September to sign the Tornado contract (though this is unconfirmed). You said that you would want to give him a meal in these circumstances. The diary would allow you to do either lunch or dinner on 25 September. Dinner might be better.

Agree that we can offer dinner on 25 September if appropriate?

CDP

(CHARLES POWELL)

*Is this suitable for
SAS? I assume
the negotiations are going well?
me*

11 September 1985

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PM No 10

FILE

Already sent
to non
an

NO: 1449-85-09-11 14:50

REF

TO: RT HON. MARGARET THATCHER-PRIME MINISTER
FROM: JOHN A. EDWARDS- CONSORTIA CONSULTANT
URGENT COMMERCIAL INFORMATION
RESTRICTED
COMMERCIAL-IN-CONFIDENCE

SUBJECT: US DEFENCE SECRETARY, FORTHCOMING VOTE- PTARMIGAN PLESSEY
CONTRACT.

INFORMED SOURCES INDICATE PTARMIGAN MAY NOW BE SELECTED: FOLLOWING YOUR KIND PERSONAL INTERVENTION. HOWEVER AS YOU MAY BE AWARE AT AND T (USA) ARE POISED TO BUY OUT THE PLESSEY GROUP IMMEDIATELY AND AT AND T'S PLANS FOR PLESSEY WHICH ARE VERY ADVANCED: MAY CONFLICT WITH LEON BRITTANS EVOLVING STRATEGY AND WOULD CERTAINLY GIVE CAUSE FOR CONCERN TO LORD YOUNG.

WITH REGARDS TO THE FRENCH RITA SYSTEM, IT WOULD APPEAR THAT THEIR MINISTRY OF DEFENCE ARE TESTING A SMALL RITA SYSTEM IN THEIR CURRENT PACIFIC NUCLEAR TEST PROGRAM.

I BELIEVE THIS IS BECAUSE RITA IS VERY VUNERABLE TO ELECTRO-MAGNETIC PULSE DAMAGE WITHIN 10 MILES FROM GROUND ZERO. A NOTE WORTHY POINT IS THAT THE U.S. ARE AWARE OF RITA'S EMP RISK AND THE FRENCH TESTS ARE CLEARLY AN OPPERTUNITY TO REVIEW THIS WEAKNESS.

THE CLEAR IMPROVED EMP IMMUNITY OF PTARMIGAN BASED ON FAR GREATER MECHANICAL PARMETERS CLEARLY PUT PLESSEY AHEAD IN THIS FINAL RECONSIDERATION.

I DO HOPE THIS INTERMATION IS OF INTEREST AND APPLAUDE YOUR PERSONAL EFFORTS TO SECURE THIS VITAL EXPORT CONTRACT.

KIND REGARDS
JOHN A. EDWARDS
OFFICE 01-573-1209/1114
RESIDENCE (0202) 885707
77582 CABOFF G

CONFIDENTIAL

ce 40



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6666 (Direct Dialling)

01-218 9000 (Switchboard)

NBRM
CDL 6/9

PARLIAMENTARY UNDER-SECRETARY OF STATE
FOR DEFENCE PROCUREMENT

US of S(DP)25/2/3

5 September 1985

Dear Lee

your request of requirements

Your predecessor sent Michael Heseltine a copy of his letter of 16 July to Norman Tebbit.

I have now also seen the replies from Geoffrey Howe and Paul Channon. I share their disappointment at the cautious figure of £50M that has been proposed. Although I recognise the uncertainties on the Turkish scene, there is very good business to be done there, and much of it would give help to sections of the Defence industry that are currently in some difficulty. Certainly demand for cover for Defence Sales is no less buoyant than in other areas and adequate credit arrangements are proving critical to the successful completion of business. It is I think also important to remember the pressure we are under from our NATO colleagues to assist the weaker partners on the Southern flank, and helpful credit terms provide a comparatively painless way of responding.

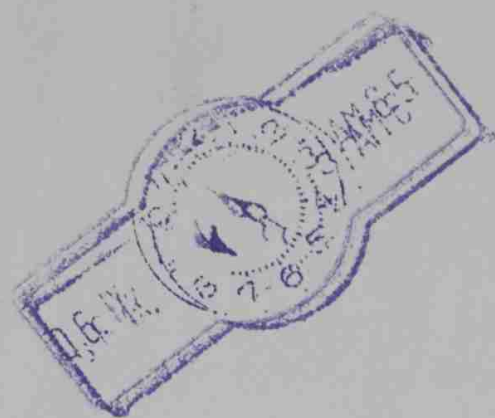
While therefore I am content to agree, for the short term, the increase proposed and the method of allocation suggested by Paul Channon, I share Geoffrey Howe's view that we should keep the position under consideration to ensure that we do not fall behind our major competitors, and more specifically that officials should come back to us in two or three months' time with a review of the position. However should in the meantime any project arise which was of particular importance, either for our Defence relations with Turkey or for industrial reasons here, I would not rule out seeking exceptional provision of the sort which it has proved possible to provide for recent civil projects.

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

as to the request
Even Lee
(JOHN LEE)

John R R MacGregor Esq OBE MP
Chief Secretary to the Treasury
Parliament Street
LONDON SW1P 3AG

CONFIDENTIAL





10 DOWNING STREET

From the Private Secretary

Prime Minister

Parmigan / MSE.

We've heard unofficially that,
following your message to the
President, a White House task
force is being established to
review all the implications of
the decision. No announcement is
therefore expected this week.
But this is unconfirmed.

C D P 2/9

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1446</i> (one piece/item number)	Date and sign
Extract/Item details: <i>T 155B/85 PM to US President dated August 1985 & drafts</i>	
CLOSED FOR YEARS UNDER FOI EXEMPTION	
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Use **Black Pen** to complete form

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 <i>GRA 168</i>
PIECE/ITEM
 <i>49</i>
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cc/c

D10



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~8307822~~ 218 2111/3

MO 26/8/2L

30th August 1985

*Seen by the
Prime Minister
30/8*

Dear Mark,

*Prime Minister.
Agree to send a message to
President Reagan, as drafted?
MEA 30/8*

MSE

The Prime Minister has taken a close personal interest in the competition for the US Army's order for Mobile Subscriber Equipment in which Plessey are teamed with Rockwell competing against GTE/Thomson CSF.

The competition has now reached a crucial stage and a decision is imminent. The Army has completed its evaluation of the two bids and our understanding is that the Rockwell/Plessey bid has come out considerably more expensive, perhaps as much as \$1 billion. The precise reasons for this are not clear: indeed, in the nature of a secret competitive process of this kind, at this stage we are having to rely on an element of speculation and on the use of informed sources within the US Administration. But a significant element would appear to be that the two bids have not been made against a single, tightly drawn specification. Instead each contractor was allowed within limits to specify his own system and Rockwell have offered one significantly more capable - we believe, for instance, that their system has 44 nodes compared to 36 for the GTE alternative and that the vehicle which is used is more sophisticated. While the Rockwell/Plessey bid was almost certainly graded superior technically and operationally by the Army, they appear to have chosen the GTE solution as offering better value for money.

When the Defence Secretary heard of the latest position on his return from holiday, he telephoned Mr Weinberger who confirmed that a decision would be taken shortly, that those who had carried out the evaluation were pleased with the effectiveness of both contenders for the contract, and that the cost of our contender was "considerably higher". The Defence Secretary emphasised the importance of making comparisons on a like-for-like basis and Mr Weinberger agreed to look into this. We have just heard that it is planned for Mr Weinberger to reach a final decision next Tuesday afternoon and for that decision to be announced at 1600 (Washington time) on Wednesday.

Unless we are able to secure a new round of bidding on a common basis which narrows substantially the price gap, it seems

M Addison Esq
No 10 Downing Street



almost inevitable that we shall not succeed in winning this contract. As part of our last effort, the Defence Secretary has himself written to Mr Weinberger as in the attachment. He believes that the Prime Minister will also wish to consider contacting the President in the hope that the White House will call for further evaluations. I attach the text of a message which might be used for this purpose, which the Defence Secretary recommends the Prime Minister might send. We have considered the alternative of suggesting a telephone call, but this would disturb the President while on holiday: I recognise, however, that this is very much a matter for the Prime Minister's personal judgement. If we are to maximise the opportunity for those in the White House sympathetic to our position to bring pressure to bear on the Pentagon, it would be helpful if this message could be despatched as soon as possible.

I am copying this letter and the attachments to Len Appleyard (FCO) and Richard Hatfield (Cabinet Office).

*Yours ever,
Denis*

(D BRENNAN)

**MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB**

TELEPHONE 01-218 9000

MO 26/8/2L

DIRECT DIALLING 01-234 1113
30th August 1985MOBILE SUBSCRIBER EQUIPMENT

As you know from your conversations with the Prime Minister and with me during our visits to Washington in July, the British Government attaches great importance to the Rockwell/Plessey bid to meet the US Army's requirement for Mobile Subscriber Equipment, which is based upon our own highly successful Ptarmigan system. I found our conversation on the telephone about this on Tuesday most helpful and I was grateful to you for explaining so clearly where matters stand. I thought I would write to follow up our conversation.

I was in particular most grateful for your agreement to check that the offers that have been evaluated are for comparable systems. To illustrate my concern, I have heard that the Rockwell/Plessey bid, based on their understanding of the US Army's wishes, includes a greater number of nodes than the alternative, which in itself could account for a large measure

The Honorable Caspar Weinberger



of the cost differential which we understand to exist. It may be - and in the British context I should be the first to understand this - that the US Army to keep costs down is happy to accept a specification somewhat below what we had regarded to be the minimum requirement. If that is the case, I wonder whether it would be possible for each of the contenders to be allowed to quote for an identical system in terms of the number of nodes and of related equipment such as vehicles and radios?

On further reflection, it also occurred to me that problems over forecasting exchange rates could also be a factor in any cost differences. From my own experience in assessing overseas bids for programmes stretching over a number of years, I know how difficult this is. Because of our own considerable purchases from the United States, the Ministry of Defence has a large continuing requirement for dollars. I am sure that it would be possible for us to find some arrangement with the companies which would give greater stability to your forward exchange position on this contract. If we can make a useful contribution in this way, perhaps you would let me know.

As we have discussed, the size and visibility of this programme will mean that your decision will have considerable political significance within Britain and more widely within the Alliance. Speaking very frankly, in the run-up to the next general election (which is already beginning!) defence will be a major issue between the parties with the Government under fire



for the closeness of its defence links with the United States and for the cost - and particularly the dollar cost - of the Trident programme. We need to be able to show that the two-way street is equitable and that integration within NATO has its rewards. More widely, I believe that a decision in favour of the Rockwell/Plessey bid would help strengthen the efforts we are both making towards achieving greater armaments co-operation not just within Europe but on a transatlantic basis, in order to enhance NATO's military capability. A decision the other way would be seen in Europe as a signal that nations can, so to speak, afford to dine a la carte within the Alliance - to pick up the rewards when they are available but to contribute and to be supportive only when it suits them.

The political implications then are I believe very great. If the Rockwell/Plessey bid is to succeed, of course it must be competitive in terms of capability and price. I ask only that, in the light of the wider implications, the competitors are looked at on a truly like for like basis, and I feel able to ask this since it is as much in your interest as in mine.

I know that you will forgive me for writing in such an open way. I stand ready to help in any way that I can.

Michael Heseltine

Defence: Sales



The following information is provided for your reference. It is intended to be a general overview of the current market conditions and the performance of our sales team. The data is based on the most recent available figures and is subject to change as more information becomes available.

Our sales performance has been strong over the past quarter, with a significant increase in revenue compared to the same period last year. This is primarily due to the successful launch of our new product line and the continued growth of our existing customer base. We have also seen a steady increase in the number of new customers acquired, which is a positive indicator of our marketing efforts.

The market for our products remains competitive, with several key players vying for market share. However, our focus on customer service and product quality has allowed us to maintain a strong position. We continue to invest in research and development to stay ahead of the curve and meet the evolving needs of our customers.

In the future, we anticipate continued growth and success. We are committed to providing our customers with the highest quality products and services, and we are confident that our sales team is well-equipped to handle the challenges and opportunities ahead.

17

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OF 270515Z AUGUST 85

YOUR TELNO 374 : MESSAGE TO KING FAHD AND PRINCE SULTAN.

1. I GAVE THE TEXTS OF THE MESSAGES, TOGETHER WITH TRANSLATIONS, TO THE CHIEF OF ROYAL PROTOCOL AND THE HEAD OF PROTOCOL AT THE MINISTRY OF DEFENCE AND AVIATION RESPECTIVELY ON 26 AUGUST. BOTH SAYYID AHMED ABDUL WAHHAB AND SAYYID ABDUL RAHMAN AL ABBAD UNDERTOOK TO DELIVER THEM TO THE ADDRESSEES IN MECCA LATER THE SAME DAY.

LAYDEN

LIMITED
HD/MED
PS
MR EGERTON

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HEAD OF DEFENCE SALES, M.O.D.

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16

File

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TO DESKBY 250600Z JEDDA
TELNO 374
OF 251428Z AUGUST 85

TORNADO AND HAWK

1. MY TWO IMMEDIATELY FOLLOWING TELEGRAMS CONTAIN THE TEXT OF LETTERS FROM THE PRIME MINISTER TO THE KING AND PRINCE SULTAN. HDS HANDED THE ORIGINALS PERSONALLY TO PRINCE BANDAR ON 24 AUGUST. ALTHOUGH WE EXPECT PRINCE BANDAR TO PASS ON THE MESSAGES QUICKLY WE WISH TO BE DOUBLY SURE. YOU SHOULD THEREFORE SEEK APPOINTMENTS AS SOON AS POSSIBLE WITH WHOEVER IS MOST LIKELY TO BE ABLE TO GET COPIES OF THE LETTERS AND TRANSLATIONS RAPIDLY TO THE KING AND PRINCE SULTAN. WE RECOGNISE THAT THIS WILL BE DIFFICULT OVER THE 'ID AND YOU WILL HAVE TO USE WHATEVER METHOD YOU THINK BEST TO ENSURE THE MESSAGES REACH THEIR DESTINATION.

YOUNG

LIMITED.

HD / MED
PS
MR EGERTON

COPIES TO:
PS / 10 DOWNING ST
HEAD OF DEFENCE SALES, MOD.

15A

Charley Farrell - for information
This note was dictated to
Chapman last week following the
report from Colin Chandler
MBA 2/5

PRIME MINISTER

AN UPDATE AFTER THE PRINCE'S VISIT

The Defence Sales people have reported to me on the meeting with the Prince this morning.

MoD say it went very well. The mood was friendly, and the discussions constructive. It lasted 1½ hours.

On the letters the Prince was very pleased they were so positive. He is delighted to take them on to the Kingdom. He thought the paragraph on the peace process particularly important: it was very useful to see the UK position set out so clearly in that way. He was impressed with the line we are taking; he thinks it most important you pursue that line, as your letter suggested, with President Reagan; and the letter would help the Saudis guide their own policy towards the US.

At the meeting, the Prince indicated that, particularly in view of our willingness there might be further UK orders in connection with the construction work for the bases, etc.

On the Prince's movements, he is due to fly back to the Kingdom any time now (1430). He expects to be back in the UK on Tuesday or Wednesday. He is not seeking at this stage a further meeting with you, so he would be delighted to see you if you wished to arrange that. He will however be seeing Mr. Heseltine on his return here.

MoD are now pursuing with his team further detailed discussions.

TEMPORARILY RETAINED. J. Gray 8/7/2014

Suzanne

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PP MARK ADDISON
24 August 1985

File 15

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241420Z AUG
GRS 701

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DEYOU
FM FCO
TO DESKBY 2500600Z JEDDA
TELNO 376
OF 241420Z AUGUST 85

MY TWO PRECEDING TELEGRAMS: TORNADO AND HAWK

1. FOLLOWING IS TEXT OF LETTER FROM THE PRIME MINISTER TO
PRINCE SULTAN.

BEGINS.

YOUR ROYAL HIGHNESS, I AM DELIGHTED TO HAVE THIS OPPORTUNITY TO
WRITE TO YOUR ROYAL HIGHNESS. HIS ROYAL HIGHNESS PRINCE
BANDAR CALLED ON ME IN AUSTRIA ON 17 AUGUST TO DELIVER A
LETTER FROM HIS MAJESTY KING FAHD, CONFIRMING THE WISH OF THE
SAUDI AUTHORITIES TO START DETAILED NEGOTIATIONS ON THE PURCHASE
OF 48 TORNADO AND 30 HAWK AIRCRAFT. I AM MOST GRATEFUL THAT,
IN RESPONSE TO OUR INVITATION AND IN CONSEQUENCE OF YOUR ROYAL
HIGHNESS' INSTRUCTIONS, AN RSAF STUDY TEAM IS ALREADY WITH
US IN LONDON. WE ARE GIVING THEM FULL ACCESS TO ALL FACILITIES,
SO THAT THEY MAY SUCCESSFULLY AND SPEEDILY COMPLETE THEIR
MISSION.

WE CONSIDER THIS AN EXTREMELY IMPORTANT ORDER FOR BRITAIN,
BOTH FOR THE BRITISH ECONOMY AS A WHOLE, AND AS AN ACKNOWLEDGMENT
OF THE EXCELLENCE OF OUR AIRCRAFT INDUSTRY. I ALSO BELIEVE
THAT THE TORNADO PURCHASE IS PARTICULARLY APPROPRIATE AND A
WISE CHOICE BY THE SAUDI AUTHORITIES. IT IS MILITARILY AND
TECHNICALLY THE PROVEN BEST, AND WILL PROVIDE A STRONG

1

SECRET DEYOU

DETERRENT

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OF THE PUBLIC RECORDS ACT

SECRET DEYOU

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4231 - 2

DETERRENT AT THE PRESENT TIME WHEN THERE ARE REAL THREATS TO SECURITY IN THE ARABIAN PENINSULA. I SHALL BE TAKING A PERSONAL INTEREST IN THE CONDUCT AND SUCCESS OF THESE NEGOTIATIONS.

AS I HAVE EXPLAINED IN A SEPARATE LETTER TO HIS MAJESTY, I AM NOT AWARE OF ANY OBSTACLES IN THE WAY OF BRINGING THESE NEGOTIATIONS TO A QUICK AND SUCCESSFUL CONCLUSION. I THINK WE SHOULD AIM TO FINALISE OUR DISCUSSIONS IN A MATTER OF WEEKS, SO THAT CONTRACTS MAY BE SIGNED BY THE END OF SEPTEMBER AT THE LATEST.

ON THE SPECIFIC POINTS WHICH HIS MAJESTY RAISED IN HIS LETTER TO ME, I HAVE THE FOLLOWING COMMENTS.

(A) HIS MAJESTY PROPOSED THAT THE CONTRACT AGREEMENT SHOULD BE BETWEEN OUR TWO GOVERNMENTS. I WARMLY SUPPORT THIS PROPOSAL WHICH I SEE AS OFFERING THE OPPORTUNITY TO DEVELOP STILL CLOSER RELATIONS BETWEEN OUR TWO COUNTRIES AT GOVERNMENTAL LEVEL. IT IS PERSONAL CONTACTS WHICH COUNT, AND THESE WILL SERVE TO CLEAR UP ANY MISUNDERSTANDINGS BETWEEN US.

(B) I CAN ASSURE YOUR ROYAL HIGHNESS THAT I QUITE UNDERSTAND HIS MAJESTY'S WISH THAT BOTH AIRCRAFT SHOULD BE FITTED WITH THE LATEST AMMUNITION, ELECTRONICS AND OTHER EQUIPMENT, AND THAT THE RSAF SHOULD BENEFIT FULLY FROM FUTURE IMPROVEMENTS AS THEY ARE MADE TO EACH AIRCRAFT. I ALSO FULLY UNDERSTAND HIS MAJESTY'S DESIRE TO DEAL WITH THE BRITISH GOVERNMENT ON ALL MATTERS CONNECTED WITH THE TORNADO PARTNERSHIP. OUR GOVERNMENT TO GOVERNMENT ARRANGEMENTS WILL ENSURE THAT THE TORNADO PROJECT IS ENTIRELY HANDLED BY OURSELVES, AND WE SHALL MAKE AVAILABLE TO IT ALL APPROPRIATE RESOURCES FROM THE BRITISH MINISTRY OF DEFENCE AND THE ROYAL AIR FORCE. AS YOUR ROYAL HIGHNESS KNOWS, THE HAWK IS A WHOLLY BRITISH PROJECT. IN SUM, THE BRITISH GOVERNMENT WILL BE COMMITTED FULLY TO SUPPORTING BOTH PROJECTS THROUGHOUT THE LIFE OF THE CONTRACT.

(C)

IT IS VITAL THAT THERE SHOULD BE NO PUBLICITY WHATSOEVER WHILE DISCUSSIONS BETWEEN US CONTINUE, AND YOUR ROYAL HIGHNESS

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4231 - 2

CAN BE SURE THERE WILL BE NO LEAKS FROM OFFICIAL SOURCES IN THIS COUNTRY. IF THE PRESENCE OF RSAF STUDY TEAMS IN BRITAIN CAUSES COMMENT FROM THE MEDIA, WE SHALL SIMPLY SAY THAT IT IS A MATTER OF CONTINUING CONTACTS BETWEEN OUR TWO COUNTRIES, WHICH HAVE LONG HAD LINKS IN MATTERS OF DEFENCE.

THIS CONTRACT IS ONE TO WHICH I ATTACH THE GREATEST IMPORTANCE, AS IT MARKS THE OPENING OF A NEW CHAPTER IN THE DEVELOPMENT OF THE UNITED KINGDOM'S RELATIONS WITH THE KINGDOM OF SAUDI ARABIA. I VERY MUCH HOPE THEREFORE THAT, ONCE THE NEGOTIATIONS ARE COMPLETED, YOUR ROYAL HIGHNESS WILL BE ABLE TO ACCEPT MR HESELTINE'S OUTSTANDING INVITATION TO YOU TO VISIT LONDON, SO THAT YOU MAY BE ABLE TO SIGN THE AGREEMENT AND ATTEND A DINNER WHICH I SHOULD LIKE TO GIVE IN YOUR HONOUR.

IN CONCLUSION, MAY I CONVEY TO YOUR ROYAL HIGHNESS MY BEST WISHES ON THE OCCASION OF ID AL-ADHA AND THE EXPRESSION OF MY RESPECT AND REGARD. YOURS SINCERELY MARGARET THATCHER ENDS.

YOUNG

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MR EGERTON

COPIES TO:
PS / 10 DOWNING ST
HEAD OF DEFENCE SALES, MOD.

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MIPT: TORNADO AND HAWK

1. FOLLOWING IS TEXT OF LETTER FROM THE PRIME MINISTER TO THE KING.

BEGINS. YOUR MAJESTY, I WAS VERY PLEASED INDEED TO RECEIVE YOUR MAJESTY'S LETTER OF 17 AUGUST, AND GRATEFUL FOR THE TROUBLE WHICH HRH PRINCE BANDAR TOOK IN DELIVERING IT TO ME PERSONALLY IN AUSTRIA. YOUR MAJESTY'S DECISION TO START DETAILED DISCUSSIONS ON THE PURCHASE OF 48 TORNADO AND 30 HAWK AIRCRAFT IS EXTREMELY IMPORTANT FOR BRITAIN SEMI-COLON IT WILL BE A BOOST FOR THE ECONOMY AS A WHOLE AND RECOGNITION OF THE EXCELLENCE OF THE BRITISH AIRCRAFT INDUSTRY. FURTHERMORE, THE TORNADO IS A SINGULARLY APPROPRIATE AIRCRAFT FOR THE PURPOSES WHICH YOUR MAJESTY HAS IN MIND. IT IS DEMONSTRABLY THE BEST FIGHTER AIRCRAFT OF THE NEW GENERATION, AND WILL PROVIDE A STRONG DETERRENT AT A TIME WHEN THERE ARE REAL THREATS TO SECURITY IN THE ARABIAN PENINSULA.

WE HAVE ALREADY BEEN IN TOUCH WITH HRH PRINCE SULTAN ABOUT THE VISIT OF A SPECIALIST TEAM FROM THE ROYAL SAUDI AIR FORCE, WHO I AM GLAD TO SAY ARE ALREADY IN BRITAIN AND ARE BEING GIVEN ALL FACILITIES TO DEEPEN THEIR KNOWLEDGE OF THE TWO AIRCRAFT, AND ALL MATTERS CONCERNED WITH THEIR SUPPORT.

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1 AM

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OF THE PUBLIC RECORDS ACT

SECRET DEYOU

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4233 - 1

I AM REMINDING HIS ROYAL HIGHNESS OF MR HESELTINE'S HOPE THAT PRINCE SULTAN WILL BE ABLE TO TAKE UP HIS OUTSTANDING INVITATION TO VISIT LONDON SOON. PERHAPS HE MIGHT CONSIDER COMING TO CELEBRATE THE SUCCESSFUL CONCLUSION OF THE TORNADO/HAWK NEGOTIATIONS WHICH WE TRUST WILL BE IN A MATTER OF WEEKS. I SHALL TAKE A PERSONAL INTEREST IN THE CONDUCT AND SUCCESS OF THOSE NEGOTIATIONS.

ON THE SPECIFIC POINTS WHICH YOUR MAJESTY RAISED, I SEE NO DIFFICULTIES. LET ME TAKE EACH OF THEM IN TURN.

- (A) YOUR MAJESTY PROPOSED THAT THE CONTRACT AGREEMENT SHOULD BE BETWEEN OUR TWO GOVERNMENTS. I WARMLY SUPPORT THIS PROPOSAL WHICH I SEE AS OFFERING THE OPPORTUNITY TO DEVELOP STILL CLOSER RELATIONS BETWEEN OUR TWO COUNTRIES AT GOVERNMENTAL LEVEL. IT IS PERSONAL CONTACTS WHICH COUNT, AND THESE WILL SERVE TO CLEAR UP ANY MISUNDERSTANDINGS BETWEEN US.
- (B) I CAN ASSURE YOUR MAJESTY THAT I QUITE UNDERSTAND YOUR WISH THAT BOTH AIRCRAFT SHOULD BE FITTED WITH THE LATEST AMMUNITION, ELECTRONICS AND OTHER EQUIPMENT, AND THAT THE RSAF SHOULD BENEFIT FULLY FROM FUTURE IMPROVEMENTS AS THEY ARE MADE TO EACH AIRCRAFT. I ALSO FULLY UNDERSTAND YOUR MAJESTY'S DESIRE TO DEAL WITH THE BRITISH GOVERNMENT ON ALL MATTERS CONNECTED WITH THE TORNADO PARTNERSHIP. OUR GOVERNMENT-TO-GOVERNMENT ARRANGEMENTS WILL ENSURE THAT THE TORNADO PROJECT IS ENTIRELY HANDLED BY OURSELVES, AND WE SHALL MAKE AVAILABLE TO IT ALL APPROPRIATE RESOURCES FROM THE BRITISH MINISTRY OF DEFENCE AND THE ROYAL AIR FORCE. AS YOUR MAJESTY KNOWS, THE HAWK IS A WHOLLY BRITISH PROJECT. IN SUM, THE BRITISH GOVERNMENT WILL BE COMMITTED FULLY TO SUPPORTING BOTH PROJECTS THROUGHOUT THE LIFE OF THE CONTRACT.

(C)

I AGREE WITH PRINCE BANDAR THAT THERE SHOULD BE NO PUBLICITY WHATEVER WHILE DISCUSSIONS BETWEEN US CONTINUE, AND YOUR MAJESTY CAN BE SURE THAT THERE WILL BE NO LEAKS FROM

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OFFICIAL

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I ALSO MUCH APPRECIATED YOUR MAJESTY'S SETTING OUT SO FRANKLY YOUR THOUGHTS ON WAYS OF ACHIEVING PEACE IN THE MIDDLE EAST. YOUR MAJESTY KNOWS THE IMPORTANCE WHICH I ATTACH TO THE NEED TO MAKE PROGRESS SOON. I AM CONVINCED THAT WE HAVE AN OPPORTUNITY NOT TO BE MISSED FOR ACHIEVING A COMPREHENSIVE PEACE WHICH WILL SATISFY THE LEGITIMATE ASPIRATIONS OF THE PALESTINIANS WHILE GIVING ALL STATES IN THE REGION THE SECURITY THEY SEEK. I AM THEREFORE CONCERNED THAT THE COURAGEOUS INITIATIVE OF KING HUSSEIN IS LOSING MOMENTUM AND THAT TIME IS RUNNING OUT FOR ACHIEVING THE GOAL OF A START OF NEGOTIATIONS WITH ISRAEL THIS YEAR. PRESIDENT REAGAN HAS ASSURED ME THAT HE IS CONVINCED OF KING HUSSEIN'S UTTER SERIOUSNESS: AND THAT THE KING CAN RELY ON UNITED STATES SUPPORT AS HE CONTINUES TO TAKE RISKS FOR PEACE. BUT IT LOOKS AS IF A DEGREE OF MISUNDERSTANDING OF EACH OTHER'S GOALS HAS NOW DEVELOPED BETWEEN THE ADMINISTRATIONS IN WASHINGTON AND AMMAN. THIS HAS MEANT THAT, DESPITE THE ENDORSEMENT GIVEN TO THE 11 FEBRUARY AGREEMENT BY THE RECENT SUMMIT MEETING OF THE ARAB LEAGUE IN CASABLANCA, IT HAS STILL NOT PROVED POSSIBLE TO AGREE TERMS FOR A MEETING BETWEEN A US DELEGATION AND A JOINT JORDANIAN/ PALESTINIAN DELEGATION, AS THE FIRST STEP TOWARDS NEGOTIATIONS. IT ALSO SEEMS THAT MR PERES' POSITION WITHIN THE ISRAELI COALITION HAS WEAKENED SOMEWHAT, AND THAT THIS HAS INCREASED THE ABILITY OF THE LIKUD UNDER MR SHAMIR TO SLOW THE PACE OF ISRAELI RESPONSES TO ARAB GESTURES ALMOST TO A STOP. I ENTIRELY AGREE WITH YOUR MAJESTY THAT THE LIKUD MUST NOT APPEAR TO HAVE A POWER OF VETO. WE MUST BE ABLE TO SEE WHETHER MR PERES - LIKE KING HUSSEIN - IS WILLING TO TAKE RISKS IN ORDER TO KEEP THE PEACE PROCESS ALIVE. I CONTINUE TO BELIEVE THAT THE GRADUALIST APPROACH ADOPTED BY KING HUSSEIN REMAINS THE MOST REALISTIC WAY OF MAKING PROGRESS, BUT ALSO

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THAT HE MUST BE SEEN TO BE MAKING PROGRESS. I INTEND TO REMAIN IN CLOSE CONTACT WITH PRESIDENT REAGAN ON THIS AND OTHER QUESTIONS IN THE PERIOD LEADING UP TO HIS MEETING WITH MR GORBACHEV IN NOVEMBER, AND LOOK FORWARD TO DISCUSSING DURING MY VISITS TO EGYPT AND JORDAN NEXT MONTH WAYS IN WHICH WE CAN HELP BRING THE PARTIES CLOSER TOGETHER. YOUR MAJESTY'S FURTHER VIEWS ON WHAT SHOULD BE DONE WOULD BE MOST WELCOME.

IN CONVEYING MY WARMEST RESPECTS AND REGARDS TO YOUR MAJESTY ON THE OCCASION OF ID AL-ADHA, MAY I AGAIN REMIND YOU OF MY HOPE THAT WE MAY BE ABLE TO MEET AGAIN BEFORE LONG, SO THAT WE MAY TAKE FURTHER OUR DISCUSSIONS ON THE MANY QUESTIONS WHICH CONCERN BOTH OUR GOVERNMENTS AT THIS CRITICAL TIME. YOURS SINCERELY MARGARET THATCHER. ENDS.

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MR EGERTON

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10 DOWNING STREET

THE PRIME MINISTER

23 August 1985

Your Royal Highness

I am delighted to have this opportunity to write to Your Royal Highness. His Royal Highness Prince Bandar called on me in Austria on 17 August to deliver a letter from His Majesty King Fahd, confirming the wish of the Saudi authorities to start detailed negotiations on the purchase of 48 Tornado and 30 Hawk aircraft. I am most grateful that, in response to our invitation and in consequence of Your Royal Highness' instructions, an RSAF study team is already with us in London. We are giving them full access to all facilities, so that they may successfully and speedily complete their mission.

We consider this an extremely important order for Britain, both for the British economy as a whole, and as an acknowledgment of the excellence of our aircraft industry. I also believe that the Tornado purchase is particularly appropriate and a wise choice by the Saudi authorities. It is militarily and technically the proven best, and will provide a strong deterrent at the present time when there are real threats to security in the Arabian Peninsula. I shall be taking a personal interest in the conduct and success of these negotiations.

As I have explained in a separate letter to His Majesty, I am not aware of any obstacles in the way of bringing these

negotiations to a quick and successful conclusion. I think we should aim to finalise our discussions in a matter of weeks, so that contracts may be signed by the end of September at the latest.

On the specific points which His Majesty raised in his letter to me, I have the following comments.

(a) His Majesty proposed that the contract agreement should be between our two governments. I warmly support this proposal which I see as offering the opportunity to develop still closer relations between our two countries at governmental level. It is personal contacts which count, and these will serve to clear up any misunderstandings between us.

(b) I can assure Your Royal Highness that I quite understand His Majesty's wish that both aircraft should be fitted with the latest ammunition, electronics and other equipment, and that the RSAF should benefit fully from future improvements as they are made to each aircraft. I also fully understand His Majesty's desire to deal with the British Government on all matters connected with the Tornado partnership. Our government to government arrangements will ensure that the Tornado project is entirely handled by ourselves, and we shall make available to it all appropriate resources from the British Ministry of Defence and the Royal Air Force. As Your Royal Highness knows, the Hawk is a wholly British project. In sum, the British Government will be committed fully to supporting both projects throughout the life of the contract.

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TEMPORARILY
RETAINED
J. Gray
8/7/2014

It is vital that there should be no publicity whatsoever while discussions between us continue, and Your Royal Highness can be sure there will be no leaks from official sources in this country. If the presence of RSAF study teams

in Britain causes comment from the media, we shall simply say that it is a matter of continuing contacts between our two countries, which have long had links in matters of defence.

This contract is one to which I attach the greatest importance, as it marks the opening of a new chapter in the development of the United Kingdom's relations with the Kingdom of Saudi Arabia. I very much hope therefore that, once the negotiations are completed, Your Royal Highness will be able to accept Mr. Heseltine's outstanding invitation to you to visit London, so that you may be able to sign the agreement and attend a dinner which I should like to give in your honour.

In conclusion, may I convey to Your Royal Highness my best wishes on the occasion of Id al-Adha and the expression of my respect and regard.

Yours sincerely

Margaret Thatcher

His Royal Highness Prince Sultan bin Abdulaziz Al Saud



10 DOWNING STREET

THE PRIME MINISTER

23 August 1985

File SUBJECT
cc MASTER
ops. ECH
cc FCO
MOD
MEA

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 153/85

Your Majesty,

I was very pleased indeed to receive Your Majesty's letter of 17 August, and grateful for the trouble which H.R.H. Prince Bandar took in delivering it to me personally in Austria. Your Majesty's decision to start detailed discussions on the purchase of 48 Tornado and 30 Hawk aircraft is extremely important for Britain; it will be a boost for the economy as a whole and recognition of the excellence of the British aircraft industry. Furthermore, the Tornado is a singularly appropriate aircraft for the purposes which Your Majesty has in mind. It is demonstrably the best fighter aircraft of the new generation, and will provide a strong deterrent at a time when there are real threats to security in the Arabian Peninsula.

We have already been in touch with H.R.H. Prince Sultan about the visit of a specialist team from the Royal Saudi Air Force, who I am glad to say are already in Britain and are being given all facilities to deepen their knowledge of the two aircraft, and all matters concerned with their support. I am reminding His Royal Highness of Mr. Heseltine's hope that Prince Sultan will be able to take up his outstanding invitation to visit London soon. Perhaps he might consider coming to celebrate the successful conclusion of the Tornado/Hawk negotiations which we trust will be in a matter of weeks. I shall take a personal interest in the conduct and success of those negotiations.

88

On the specific points which Your Majesty raised, I see no difficulties. Let me take each of them in turn.

- (a) Your Majesty proposed that the contract agreement should be between our two governments. I warmly support this proposal which I see as offering the opportunity to develop still closer relations between our two countries at governmental level. It is personal contacts which count, and these will serve to clear up any misunderstandings between us.
- (b) I can assure Your Majesty that I quite understand your wish that both aircraft should be fitted with the latest ammunition, electronics and other equipment, and that the R.S.A.F. should benefit fully from future improvements as they are made to each aircraft. I also fully understand Your Majesty's desire to deal with the British Government on all matters connected with the Tornado partnership. Our government-to-government arrangements will ensure that the Tornado project is entirely handled by ourselves, and we shall make available to it all appropriate resources from the British Ministry of Defence and the Royal Air Force. As Your Majesty knows, the Hawk is a wholly British project. In sum, the British Government will be committed fully to supporting both projects throughout the life of the contract.

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TEMPORARILY RETAINED

S. Gray
4/7/2014

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OF THE PUBLIC RECORDS ACT

I agreed with Prince Bandar that there should be no publicity whatever while discussions between us continue, and Your Majesty can be sure that there will be no leaks from official sources in this country. If the presence of R.S.A.F. study teams in Britain causes comment from the media, we shall simply say that it is a matter of continuing contacts between our two countries, which have long had links in matters of defence.

I also much appreciated Your Majesty's setting out so frankly your thoughts on ways of achieving peace in the Middle East. Your Majesty knows the importance which I attach to the need to make progress soon. I am convinced that we have an opportunity not to be missed for achieving a comprehensive peace which will satisfy the legitimate aspirations of the Palestinians while giving all states in the region the security they seek. I am therefore concerned that the courageous initiative of King Hussein is losing momentum and that time is running out for achieving the goal of a start of negotiations with Israel this year. President Reagan has assured me that he is convinced of King Hussein's utter seriousness: and that the King can rely on United States support as he continues to take risks for peace. But it looks as if a degree of misunderstanding of each other's goals has now developed between the Administrations in Washington and Amman. This has meant that, despite the endorsement given to the 11 February agreement by the recent summit meeting of the Arab League in Casablanca, it has still not proved possible to agree terms for a meeting between a US delegation and a joint Jordanian/Palestinian delegation, as the first step towards negotiations. It also seems that Mr. Peres' position within the Israeli Coalition has weakened somewhat, and that this has increased the ability of the Likud under Mr. Shamir to slow the pace of Israeli responses to Arab gestures almost to a stop. I entirely agree with Your Majesty that the Likud must not appear to have a power of veto. We must be able to see whether Mr. Peres - like King Hussein - is willing to take risks in order to keep the peace process alive. I continue to believe that the gradualist approach adopted by King Hussein remains the most realistic way of making progress, but also that he must be seen to be making progress. I intend to remain in close contact with President Reagan on this and other questions in the period leading up to his meeting with Mr. Gorbachev in November, and look forward to discussing during my visits to Egypt and Jordan next month ways in which we can help bring the parties closer together. Your Majesty's further views on

what should be done would be most welcome.

In conveying my warmest respects and regards to Your Majesty on the occasion of Id al-Adha, may I again remind you of my hope that we may be able to meet again before long, so that we may take further our discussions on the many questions which concern both our governments at this critical time.

Yours sincerely
Nargant Khalifa

His Majesty King Fahd Bin Abdulaziz Al Saud



Foreign and Commonwealth Office

London SW1A 2AH

23 August 1985

*Dear Mark,*Tornado/Hawk for Saudi Arabia

As directed by the Prime Minister at her meeting this morning, we have recast the two draft letters to King Fahd and the Saudi Minister of Defence. Fresh versions of these, agreed carefully with the Head of Defence Sales (HDS), are attached, and are I think self-explanatory.

We now understand that Concorde, on which Prince Bandar is travelling, will not reach Heathrow until 2200 this evening at the earliest. HDS plans to see the Prince tomorrow for talks with him and the head of the RSAF study mission. That might be an occasion for the signed copies of the two letters to be handed over to the Prince, unless the Prime Minister wishes to do this herself (? at Chequers) later in the day. Our Resident Clerk will have by him a "trigger" telegram so that copies of the messages, as approved, can be sent to our Charge d'Affaires for delivery as soon as possible to the Saudi principals. We think this is an important double-check in case Prince Bandar is delayed again en route.

I am copying this letter and enclosures to Denis Brennan at the Ministry of Defence, and to Head of Defence Sales.

*Yours Sincerely,
Colin Budd*

(C R Budd)
Private Secretary

Mark Addison Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

The Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

~~Top Secret~~

Secret

~~Confidential~~

Restricted

~~Unclassified~~

His Majesty
King Fahd bin Abdulaziz
Jedda

Copies to:

AML

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

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We have already been in touch with HRH Prince Sultan about the visit of a specialist team from the Royal Saudi Air Force, who I am glad to say are already in Britain and are being given all facilities to deepen their knowledge of the two aircraft, and all matters concerned with their support. I am reminding His Royal Highness of Mr Heseltine's hope that Prince Sultan will be able to take up his outstanding invitation to visit London soon, if God wills, to celebrate the successful conclusion of the Tornado/Hawk negotiations which we hope will be in a matter of weeks. I shall

Enclosures—flag(s).....

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As I have explained in a separate letter to His Majesty, I am not aware of any obstacles in the way of bringing these negotiations to a quick and successful conclusion. I think we should aim to finalise our discussions in a matter of weeks, so that contracts may be signed by the end of September at the latest.

On the specific points which His Majesty raised in his letter to me, I have the following comments.

- (a) His Majesty proposed that the contract agreement should be between our two governments. I warmly support this proposal which I see as offering the opportunity to develop still closer relations between our two countries at governmental level. It is personal contacts which count, and these will serve to clear up any misunderstandings between us.
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S E C R E T

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S E C R E T

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DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

The Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

SRWATTO

Your Reference

~~Top Secret~~

Secret

~~Confidential~~

Restricted

~~Unclassified~~

His Royal Highness
Prince Sultan bin Abdulaziz
Second Deputy Prime Minister and
Minister of Defence
Jedda

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

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Enclosures—flag(s).....

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It is vital that there should be no publicity whatsoever while discussions between us continue, and Your Royal Highness can be sure there will be no leaks from official sources in this country. If the presence of RSAF study teams in Britain causes comment from the media, we shall simply say that it is a matter of continuing contacts between our two countries, which have long had links in matters of defence.

This contract is one to which I attach the greatest importance, as it marks the opening of a new chapter in the development of the United Kingdom's relations with the Kingdom of Saudi Arabia.

I very much hope therefore that, once the negotiations are completed, Your Royal Highness will be able to accept Mr Heseltine's outstanding invitation to you to visit London, so that you may be able to sign the agreement and attend a dinner which I should like to give in your honour.

In conclusion, may I convey to Your Royal Highness my best wishes on the occasion of Id al-Adha and the expression of my respect and regard.



Foreign and Commonwealth Office

London SW1A 2AH

22 August 1985

Dear Tim,

// During her meeting with Prince Bandar in Salzburg on 18 August, the Prime Minister agreed to write to Prince Sultan and to reply to the letter from King Fahd which Prince Bandar handed to her. Drafts of both letters, which have been seen by Sir P Wright, are enclosed. Mr Colin Chandler, Head of Defence Sales, has not himself seen either draft and may comment to you direct.

The Charge d'Affaires in Jedda has spoken to the Saudi Defence Minister. Prince Sultan confirmed that the decision to buy Tornado and Hawk had been taken (without specifying numbers), and that only the details needed to be worked out. It is not therefore necessary for the Prime Minister in her reply to the King to go into detail on the specific points that he raises, particularly on the means and method of payment, though of course we have covered His Majesty's points in general terms.

TEMPORARILY RETAINED. J. Gray. 8/7/2014

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OF THE PUBLIC RECORDS ACT

As to wider Middle East matters, the latest visit to the region by US Assistant Secretary of State, Mr Richard Murphy (13-18 August), did not produce any progress towards resolution of the issues blocking a meeting between the Americans and a joint Jordanian/Palestinian delegation. Mr Murphy made clear both to the Israelis and the Jordanians that he would only hold a meeting with a joint delegation if that led to direct negotiations involving Israel. King Hussein adhered firmly to the original Jordanian step by step scenario, making it clear that Jordan could not accept any arrangement involving direct contacts with the Israelis prior to the involvement in some way of the PLO, and to the holding of an international conference. The Americans told us

.../that



that they have not modified their conditions for engaging in a substantive dialogue with the PLO, and that they are still reviewing the list of seven Palestinian nominees for the joint delegation put forward by King Hussein. (Five of them have direct or indirect connection with the PLO.)

The Americans apparently believe that King Hussein understands their need for direct linkage between any meeting with a joint delegation and negotiations involving Israel. Nevertheless, they do not expect him to come up with any new ideas to break the impasse. In other words, they realise that the ball is in their court, and are now reviewing their options.

We do not yet have from Mr Coles a full account of King Hussein's reactions. But the Egyptians have told us that President Mubarak was very disappointed by what Mr Murphy told him about his talks in Jordan. The Egyptians have the impression that the Americans have "upped the ante" and that they have no intention of agreeing to meet the PLO.

In view of the lack of progress on King Hussein's initiative since the Prime Minister's message on 7 June to King Fahd, the Prime Minister may wish on this occasion to confine her remarks on Arab/Israel to general support for King Hussein's initiative and a reference to her continuing close contacts with President Reagan. It would also be appropriate to commend the endorsement by the Arab League Summit (7-9 August) of King Hussein's initiative. The Summit communique noted that the detailed explanation given by King Hussein and Arafat of the Jordanian/Palestinian plan was in conformity with the Fez plan of 1982.

When we have King Hussein's considered reaction to the present impasse, we may recommend that the Prime Minister send a further message to President Reagan. But it is clear that the Americans do not want all momentum to go out of the follow-up to the 11 February agreement, and may soon decide on a further initiative.

I am copying this letter and enclosure to Denis Brennan in the Ministry of Defence.

Yours Sincerely,
Colin Budd

(C R Budd)
Private Secretary

T Flesher Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: The Prime Minister

TEMPORARILY RETAINED
S. Gindy
8/7/2014

Reference

DEPARTMENT:

TEL. NO:

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RETAINED UNDER SECTION 3 (1)
OF THE PUBLIC RECORDS ACT

SECURITY CLASSIFICATION

TO:

Abdul Aziz Al
Saud

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Royal Highness
Prince Sultan bin Abdulaziz
Second Deputy Prime Minister and
Minister of Defence
JEDDA

Copies to:

PRIVACY MARKING

SUBJECT:

Actual language
ASD

.....In Confidence

I was delighted to learn from HRH Prince Bandar, when he called on me in Austria to deliver a letter from His Majesty King Fahd, that you have decided to start detailed negotiations over the purchase of 48 Tornado and 30 Hawk aircraft. I understand that the RSAF study team is already in London, and we are giving them every facility to study further the two aircraft and matters concerned with their support; and, if they wish, to fly the aeroplanes.

CAVEAT.....

As I have explained in a separate letter to His Majesty, there do not seem any major obstacles in the way of bringing these negotiations to a quick and successful conclusion. We fully accept the Saudi wishes that the agreement should be between governments without agents or commissions, and that we should provide support for both aircraft after delivery. I also told His Majesty that I understand your wishes that both aircraft should be fitted with the latest ammunition, electronics and other equipment, and that the Royal Saudi Air Force should benefit fully from future improvements.

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OF THE PUBLIC RECORDS ACT

Enclosures—flag(s).....

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SECRET

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RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

This contract is one to which I attach great importance, marking as it does the opening of a new chapter in the development of the United Kingdom's relations with the Kingdom of Saudi Arabia. I very much hope therefore that, once the negotiations are completed, Your Royal Highness will be able to accept Mr Heseltine's outstanding invitation to you to visit London, so that Your Royal Highness may be able to sign the agreement and attend a dinner which I should like to give in your honour.

In conclusion, may I convey to Your Royal Highness my best wishes on the occasion of Id al-Adha and the expression of my respect and regard.

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RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

TEMPORARILY RETAINED. J. Gray 8/7/2014

SECRET

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

The Prime Minister

DEPARTMENT:

TEL. NO:

saudi

SECURITY CLASSIFICATION

TO:

Abdul Aziz Al

Your Reference

His Majesty King Fahd bin Abdulaziz

Jedda

Copies to:

Your Majesty

~~Top Secret~~

Secret

~~Confidential~~

Restricted

~~Unclassified~~

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....E.....

my planned release
 I was ~~most grateful~~ to receive Your Majesty's letter
 last week, and *grateful* for the trouble which *H.R.H.* Prince Bandar took
 in delivering it to me personally in Austria. As I told
 Prince Bandar, I am delighted that you have decided to
 start detailed discussions on the purchase of 48 Tornado
 and 30 Hawk aircraft. *negative to UK available, and a request for assistance*
 We have already been in touch
 with *HRH* Prince Sultan about the visit of a specialist team
 from the Royal Saudi Air Force, who I am glad to say have
 already reached Britain, and are being given all
 facilities to deepen their knowledge of the two aircraft
 and matters concerned with their support. *shall remind* I ~~have reminded~~
 His Royal Highness of Mr Heseltine's hope that Prince
 Sultan will be able to take up his outstanding invitation
 to visit London soon, perhaps *in the context* of an early
 and successful conclusion of the Tornado/Hawk
 negotiations, *perhaps visit we welcome with helicopter and staff of units.*

Enclosures—flag(s).....

On the specific points which Your Majesty raised,
 I see no serious difficulties. Your Majesty has proposed
 /that

*Report
para
each*

that the contract agreement should be between our two governments. I warmly support this proposal which I see *as* offering the opportunity to develop still closer relations between our two countries at a governmental level. It will also, I believe, enable us to reach agreement quickly on all aspects of the contract, including the means and method of payments.

I can also assure you that I quite understand Your Majesty's wish that both aircraft should be fitted with the latest ammunition, electronics and other equipment, and that the Royal Saudi Air Force should benefit fully from future improvements. This is a matter which we can work on together as part of the support to which we shall be committing the British Government throughout the life of the contract.

I agreed with Prince Bandar that there should be no publicity whatever while discussions between us continue, and Your Majesty can be sure that there will be no leaks from official sources in this country.

I also much appreciated Your Majesty setting out so East. As I told Prince Bandar, I am concerned that the courageous initiative of King Hussein is losing momentum and that time is running out for achieving the goal of a start of negotiations with Israel this year. It is deeply disappointing that, despite the endorsement given to the

/11 February

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SECRET

TEMPORARILY RETAINED
J. Gray
8/7/2014

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One he
interview
on
interview
before

11 February agreement by the recent summit meeting of the Arab League in Casablanca, it has still not proved possible to agree terms for a meeting between a United States delegation and a joint Jordanian/Palestinian delegation as the first step towards negotiations for a comprehensive peace. Despite the difficulties which have arisen, I continue to believe that the gradualist approach adopted by King Hussein is the most realistic way of making progress. I intend to remain in close contact with President Reagan on this and other questions in the period leading up to his meeting with Mr Gorbachev in November, and look forward to discussing during my visits to Egypt and Jordan next month ways in which we can help bring the parties closer together. Your Majesty's further views on what should be done would be most welcome.

In conveying my warmest respects and regards to Your Majesty on the occasion of Id al-Adha, may I again remind you of my hope that we may be able to meet again before long, so that we may take further our discussions on the many questions which concern both our Governments at this critical time.

18/8/85

FOLLOWING FOR DUTY CLERK

① PLEASE PASS THISTELEX AND THE TWO SUBSEQUENT TELEXES TO THE RESIDENT CLERK AT THE FCO FOR THE IMMEDIATE ATTENTION OF MR EGERTON.

② PLEASE PASS THISTELEGRAM AND THE IMMEDIATELY FOLLOWING TELEGRAM TO THE DUTY CLERK AT THE MINISTRY OF DEFENCE FOR THE IMMEDIATE ATTENTION OF COLIN CHANDLER, HEAD OF DEFENCE SALES.

MEETING BETWEEN THE PRIME MINISTER AND PRINCE BANDAR

PRINCE BANDAR CALLED ON THE PRIME MINISTER YESTERDAY EVENING AT IMLAU, NEAR SALZBURG. HE HANDED THE PRIME MINISTER A LETTER FROM KING FAHD THE TEXT OF WHICH IS IN THE IMMEDIATELY FOLLOWING TELEX. THE SIGNED ORIGINAL WILL BE BROUGHT BACK TO LONDON BY THE PRIME MINISTER'S PARTY ON 22 AUGUST.

IN THEIR DISCUSSION THE PRIME MINISTER AND PRINCE BANDAR AGREED THAT:-

A SIR PATRICK WRIGHT SHOULD SEEK AN APPOINTMENT WITH PRINCE SULTAN ON MONDAY 19 AUGUST TO EXTEND AN INVITATION TO HIM TO SEND THE SPECIALIST TEAM REFERRED TO IN KING FAHD'S LETTER TO THE UNITED KINGDOM AS SOON AS POSSIBLE:

B A LETTER SHOULD GO TO PRINCE SULTAN FROM THE PRIME MINISTER AT THE END OF THIS COMING WEEK CONFIRMING THE INVITATION AND SUGGESTING THAT PRINCE SULTAN MIGHT WISH TO COME TO LONDON FOR A SIGNATURE CEREMONY ONCE THE DETAILED NEGOTIATION OF THE CONTRACT HAD BEEN COMPLETED. THE PRIME MINISTER WOULD HAVE IT IN MIND TO ARRANGE A DINNER IN HIS HONOUR AT NO 10:

C A FURTHER LETTER SHOULD GO ON APPROXIMATELY THE SAME TIMING FROM THE PRIME MINISTER TO KING FAHD THANKING HIM FOR HIS LETTER AND DEALING WITH BOTH THE AIRCRAFT SALE AND THE OTHER MATTERS RAISED IN HIS LETTER (SEE MY SECOND IMMEDIATELY FOLLOWING TELEX FOR THE DISCUSSION OF POLITICAL SUBJECTS BETWEEN THE PRIME MINISTER AND PRINCE BANDAR):

D THERE SHOULD BE NO PUBLICITY WHATEVER ABOUT THIS LATEST ADVANCE IN THE DISCUSSIONS BETWEEN THE TWO COUNTRIES ABOUT THE PROJECTED AIRCRAFT SALE.

PRINCE BANDAR TOLD THE PRIME MINISTER THAT THE SAUDI SPECIALIST TEAM WOULD CONSIST OF AIRFORCE EXPERTS WHOSE TASK WOULD BE TO GO INTO THE PROJECTED SALE IN DETAIL AND TO PREPARE THE CONTRACT. HE HIMSELF WOULD SUPERVISE THEIR WORK AND FOR THIS PURPOSE WOULD COMMUTE BETWEEN WASHINGTON AND THE UNITED KINGDOM. HE DID NOT WISH TO HAVE TO DEAL WITH THE OTHER MEMBERS OF THE CONSORTIUM ONLY WITH REPRESENTATIVES OF HMG. HE HOPED THAT IT WOULD BE POSSIBLE TO BUILD ON THE WORK DONE DURING THE NEGOTIATIONS ON THE PREVIOUS, ABORTIVE PACKAGE RATHER THAN STARTING FROM SCRATCH. HIS AIM WAS TO COMPLETE THE NEGOTIATIONS WITHIN A FEW WEEKS AND TO HAVE THE FINAL AGREEMENT SIGNED BEFORE THE END OF SEPTEMBER. HOWEVER KING FAHD WAS EXTREMELY ANXIOUS TO AVOID THE RISK OF SUBSEQUENT VARIATIONS IN THE CONTRACT. IT WOULD THEREFORE BE IMPORTANT TO ENSURE THAT THE AGREEMENT WHICH WAS SIGNED WAS COMPREHENSIVE. (PRINCE BANDAR EXPLAINED THE URGENCY OF HIS VISIT TO THE PRIME MINISTER ON HOLIDAY ON THE GROUNDS THAT KING FAHD WISHED TO BE IN A POSITION TO TELL THE FRENCH FOREIGN MINISTER, M. DUMAS, WHO IS IN RIYADH THIS WEEKEND THAT HE HAD ALREADY COMMUNICATED HIS INTENTION OF BUYING BRITISH TO HMG.)

THE PRIME MINISTER, HAVING EXPRESSED HER DELIGHT AT THE CONTENTS OF KING FAHD'S LETTER, TOLD PRINCE BANDAR THAT SHE WOULD ENSURE THAT THE SAUDI NEGOTIATING TEAM WAS ENABLED TO VISIT RAF SQUADRONS FLYING TORNADOS. THEY SHOULD SEE THE LATEST EQUIPMENT IN USE AND SHOULD BE COMPLETELY INVOLVED WITH THE DAY TO DAY OPERATION OF THE AIRCRAFT. THE SAUDI GOVERNMENT 'MUST HAVE EVERYTHING THEY WANT'. IT WAS ESSENTIAL THAT THE RIGHT APPROACH TO THE SALE SHOULD BE ADOPTED. IT WAS HER UNDERSTANDING THAT PRINCE BANDAR'S POINT ABOUT DEALING WITH THE UK AND NOT WITH OTHER MEMBERS OF THE CONSORTIUM HAD ALREADY BEEN ACCEPTED.

PRINCE BANDAR WELCOMED THE PRIME MINISTER'S REMARKS AND REITERATED THE POINT IN KING FAHD'S LETTER THAT THE SAUDI GOVERNMENT WOULD EXPECT TO HAVE IMPROVEMENTS MADE AVAILABLE TO THEM AS THE AIRCRAFT WAS 'STRETCHED' IN FUTURE. THE PRIME MINISTER SAID THAT SAUDI WISHES ON THIS POINT WERE UNDERSTOOD.

MESSAGE ENDS

V
V
DEAR MARGARET THATCHER,

GOOD GREETING AND RESPECT,

I WAS PLEASED TO RECEIVE YOUR EXCELLENCY'S LETTER DATED JUNE 7 1985 THAT WAS CARRIED BY PRINCE BANDAR.

I APPRECIATE THE EXPLANATION AND POINT OF VIEW YOUR EXCELLENCY HAD CONVEYED REGARDING PEACE IN THE MIDDLE EAST. I WOULD LIKE TO ASSURE YOU THAT I PERSONALLY AND MY GOVERNMENT FULLY SUPPORT THE ESTABLISHMENT OF A JUST AND COMPREHENSIVE PEACE BASED ON INTERNATIONAL LEGITIMACY WHICH WOULD LEAD TO GIVING THE NOBLE PALESTINIAN PEOPLE ALL THEIR LEGITIMATE RIGHTS AND THEIR RIGHT OF SELF DETERMINATION AND WHICH WOULD PROVIDE PEACE TO ALL STATES IN THE REGION.

WE THEREFORE ~~WE~~ APPRECIATE AND ENCOURAGE YOUR EXCELLENCY PERSONALLY AND THE BRITISH GOVERNMENT FOR YOUR STRONG EFFORT WITH ALL PARTIES TO ARRIVE AT A COMPREHENSIVE AND JUST PEACE, WHICH WILL SURELY HAVE A GREAT IMPACT ON WORLD PEACE AND ECONOMY, POSITIVELY OR NEGATIVELY. WE WOULD ALSO LIKE TO THANK YOUR EXCELLENCY FOR WHAT YOU HAD MENTIONED REGARDING YOUR CONTACT WITH PRESIDENT REAGAN. WHILST WE VALUE SUCH AN EFFORT, WE HOPE THAT YOU WILL CONTINUE TO URGE HIS EXCELLENCY TO PURSUE HIS CONSTRUCTIVE AND SERIOUS EFFORT TO ACHIEVE COMPREHENSIVE AND JUST PEACE IN THE MIDDLE EAST, IN ORDER TO DENY THE OPPORTUNITY TO GIVE INTERNATIONAL COMMUNISM THE CHANCE TO INFILTRATE THIS IMPORTANT REGION, WHICH IS SO IMPORTANT IN ITSELF STRATEGICALLY AND ECONOMICALLY TO THE FREE WORLD.

I AM HAPPY TO INFORM YOUR EXCELLENCY THAT WE HAVE DECIDED TO START THE DISCUSSIONS TO ACQUIRE 48 TORNADO BOMBERS AND 30 ^{aeroplanes} OF THE HAWK TYPE PROVIDED THAT THEY ARE EQUIPPED WITH ALL RELATED AMMUNITIONS AND ADVANCED ELECTRONICS AVAILABLE NOW AND THOSE IMPROVEMENTS WHICH WILL BE INTRODUCED IN THE FUTURE, IN AMMUNITIONS, EQUIPMENT AND THE AEROPLANE ITSELF.

WE WILL BE SENDING A SPECIALIST TEAM TO MEET WITH THEIR COUNTERPARTS FOR BRIEFING AND DETAILED STUDY OF LOGISTICS AND AEROPLANE SUPPORT.

I WOULD LIKE TO EMPHASISE THE IMPORTANCE THAT WE ATTACH TO YOUR UNDERTAKING THAT YOUR GOVERNMENT WILL BE COMMITTED TO THE SAUDI ARABIAN GOVERNMENT IN PROVIDING THE TECHNICAL AND LOGISTIC SUPPORT AND ALL THE ASSOCIATED ITEMS IN RESPECT OF THESE AEROPLANES.

AS TO THE MEANS AND METHOD OF PAYMENT, THIS WILL BE AS HAS BEEN AGREED ON AND WILL BE DEALT WITH THROUGH OUR AGENCY CONCERNED.

I WOULD ALSO LIKE TO INFORM YOUR EXCELLENCY THAT IT IS OUR DESIRE THAT THE CONTRACT AGREEMENT BE DIRECTLY BETWEEN OUR TWO GOVERNMENTS WITH NO AGENTS FROM EITHER SIDE AND WITH NO PAYMENT OF COMMISSIONS.

FINALLY I HOPE THAT WE REMAIN CONTINUOUSLY IN CONTACT TO EXCHANGE VIEWS REGARDING ALL ASPECTS WHICH WOULD SERVE THE INTERESTS OF BOTH OUR PEOPLE AND LEAD TO WORLD PEACE AND THE STABILITY OF INTERNATIONAL ECONOMY.

WITH MY BEST REGARDS

YOUR FRIEND

FAHAD BIN ABDULAZIZ AL SAUD

SECRET

MY TWO IMMEDIATELY PRECEDING TELEGRAMS

MIDDLE EAST

PRINCE BANDAR STRESSED THE IMPORTANCE OF THE PHRASE IN KING FAHD'S LETTER TO 'ALL STATES IN THE REGION'. HIS MAJESTY HAD USED THIS PHRASE ONLY IN CORRESPONDENCE WITH THE PRIME MINISTER AND PRESIDENT REAGAN. IT WAS A CLEAR INDICATION OF THE WISH OF THE SAUDI GOVERNMENT TO MAKE PROGRESS.

IT WAS, IN THE VIEW OF THE SAUDI GOVERNMENT, ESSENTIAL THAT IT SHOULD NOT APPEAR THAT MR SHAMIR HAD A VETO POWER. THE AMERICAN GOVERNMENT HAD IN THE PAST ALWAYS REFUSED TO GO INTO NEGOTIATIONS EXCEPT ON THE BASIS THAT THE OUTCOME WAS KNOWN IN ADVANCE. IF THIS CONTINUED TO BE THEIR POSITION, THEY WERE IN EFFECT ONCE MORE LAYING DOWN PRE-CONDITIONS. KING HUSSEIN HAD 'STUCK HIS NECK OUT'. IT WAS NOW ESSENTIAL ~~TO HIM~~ THAT THERE SHOULD BE SOME COUNTER-MOVEMENT FROM THE OTHER SIDE.

PERES MIGHT BE WILLING TO GO FURTHER. BUT FOR THIS TO BECOME POSSIBLE, HE WOULD HAVE TO BE ENCOURAGED BY WASHINGTON. HE COULD NOT RISK BEING ACCUSED BY HIS OPPONENTS INSIDE ISRAEL OF BEING WILLING TO ACCEPT THINGS THAT THE US WOULD NOT ACCEPT. THE ACCUSATION OF 'SELLING OUT' WOULD BE FATAL TO PERES. IF THE US INDICATED WILLINGNESS TO TAKE A STEP IN THE RIGHT DIRECTION, PERES WOULD FOLLOW THEM. FOR THE MOMENT THE US WAS BEING TOO ACCOMMODATING TO THE OPPOSITION IN ISRAEL. THEY SHOULD TAKE THE RISK OF GETTING A LITTLE WAY - BUT NOT TOO FAR - AHEAD OF THE ISRAELI GOVERNMENT.

DEAR
~~IDEA~~ THE PRIME MINISTER SAID THAT MR SHULTZ AND KING HUSSEIN HAD DIFFERENT PERCEPTIONS ABOUT THE NEXT STEPS. HER OWN IMPRESSION, LIKE KING HUSSEIN'S, HAD BEEN THAT THE JOINT DELEGATION, ONCE AGREED, WOULD ACTUALLY NEGOTIATE. HOWEVER THE US ADMINISTRATION SAW THE FIRST MEETING OF THE DELEGATION AS AN OCCASION TO GIVE THE ~~IDEA~~ RESPECTABILITY AND TO GAIN ACCEPTANCE FOR IT. THEREFORE THE PALESTINIAN MEMBERS OF THE DELEGATION WOULD HAVE TO BE 'ACCEPTABLE'. ONCE, IN THE AMERICAN VIEW, THE FIRST MEETING HAD TAKEN PLACE, AND ASSUMING THAT ARAFAT THEREAFTER ACCEPTED 242 AND RENOUNCED TERRORISM, THE NEGOTIATING DELEGATION COULD BE ASSEMBLED. THE PRIME MINISTER SAID THAT SHE HERSELF THOUGHT THAT TIME WAS RUNNING OUT, AND THAT THE FIRST DELEGATION WOULD BE A VERY 'DILUTED' BODY. SHE WAS CONCERNED ABOUT THIS. HOWEVER, MR MURPHY WAS EN ROUTE, AND IT SEEMED THAT THINGS WERE NOW BEGINNING TO HAPPEN.

PRINCE BANDAR SAID THAT HE SHARED THE PRIME MINISTER'S CONCERN. IT WAS A PITY THAT THE DELEGATION HAD NOT BEEN ABLE TO MEET BEFORE THE RECENT ARAB SUMMIT. HAD THEY DONE SO, AND HAD IT THEREFORE BEEN POSSIBLE FOR THE SUMMIT TO ACKNOWLEDGE PROGRESS, KING FAHD WOULD PROBABLY HAVE ATTENDED. PRINCE BANDAR ADDED THAT HE DID NOT UNDERSTAND THE RELUCTANCE OF A GOVERNMENT WHICH HAD BEEN WILLING TO TALK TO THE VIETCONG TO DEAL WITH THE PLO. MOREOVER, THE PLO WAS NOW SPLIT. THOSE WHO WERE INDICATING THEIR INTEREST IN PEACE MUST BE GIVEN ENCOURAGEMENT. THE EXTREMISTS MUST NOT BE PUT IN A POSITION WHERE THEY ~~CAN~~ CLAIM THAT MODERATION DOESN'T WORK. *had not* THE EXTREMISTS IN BOTH THE PALESTINIAN AND THE ISRAELI CAMPS WERE A DANGER FOR EVERYONE. KING FAHD WANTED A PEACEFUL SETTLEMENT. HOWEVER THIS WAS ONLY POSSIBLE ON THE BASIS THAT NO-ONE FELT CHEATED.

TEMPORARILY RETAINED. J. Gray 8/7/2014

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TRADE BETWEEN SAUDI ARABIA AND CHINA

PRINCE BANDAR - EMPHASISING THAT HE WAS SPEAKING IN CONFIDENCE - SAID THAT HE HAD BEEN CHARGED WITH PURSUING DISCUSSIONS WITH THE CHINESE GOVERNMENT, THROUGH THE CHINESE AMBASSADOR IN WASHINGTON, ABOUT SALES OF PETROCHEMICALS TO CHINA. SAUDI ARABIA HAD MADE MASSIVE INVESTMENTS IN THE PETROCHEMICAL INDUSTRY, BUT WERE ~~WERE~~ ^{WAS} ENCOUNTERING RELUCTANCE ON THE PART OF US AND EUROPEAN PURCHASERS TO TAKE THE PRODUCTS. SALES TO CHINA MIGHT EASE THE SITUATION AND MIGHT INDEED BE WELCOME, IN ONE SENSE, IN THE US AND EUROPE. THE CHINESE MARKET SEEMED TO BE LIMITLESS. IN REPLY TO A QUESTION FROM THE PRIME MINISTER, PRINCE BANDAR FREELY ADMITTED THAT IT WAS NOT YET CLEAR HOW THE CHINESE COULD PAY FOR ANY PURCHASES. HOWEVER, HE DID NOT SEEM UNDULY CONCERNED ABOUT THIS. THE SAUDI GOVERNMENT REGARDED A PETROCHEMICAL DEAL AS A POSSIBLE WAY INTO THE CHINESE MARKET, AND ALSO AS A WAY TO EARN LONG TERM GOODWILL IN PEKING. THEY WERE CONFIDENT THAT IN DUE COURSE THIS WOULD PROVE TO BE BANKABLE. GOODWILL

MESSAGE ENDS

Unofficial Translation

SUBJECT
cc Master
ops

2 MIFT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 152/85

IN THE NAME OF GOD THE MERCIFUL AND COMPASSIONATE

Dear Mrs. Margaret Thatcher, Prime Minister of the United Kingdom,

Good greeting and respect,

I was pleased to receive your excellency's letter dated June 7th 1985, that was carried by Prince Bandar.

I appreciate the explanation and point of view your Excellency had conveyed regarding peace in the Middle East. I would like to assure you that I personally and my government fully support the establishment of a just and comprehensive peace based on international legitimacy which would lead to giving the noble Palestinian people all their legitimate rights and their right of self determination and which would provide peace to all states in the region.

We therefore appreciate and encourage your Excellency personally and the British government for your strong effort with all parties to arrive at a comprehensive and just peace, which will surely have a great impact on world peace and economy, positively or negatively. We would also like to thank your Excellency for what you had mentioned regarding your contact with President Reagan. Whilst We value such an effort, we hope that you will continue to urge his Excellency to pursue his constructive and serious effort to achieve comprehensive and just peace in the Middle East, in order to deny the opportunity to give international communism the chance to infiltrate this important region, which is so important in itself strategically and economically to the free world.

Cont'd../2

Your Excellency Prime Minister,

I am happy to inform your Excellency that we have decided to start the discussions to acquire 48 Tornado Bombers and 30 aeroplanes of the Hawk type provided that they are equipped with all related amunitions and advanced electronics availabe now and those improvements which will be introduced in the future, in ammunitions, equipment and the aeroplane itself.

We will be sending a specialist team to meet with their counterparts for briefing and detailed study of logistics and aeroplane support.

I would like to emphasise the importance that we attach to your undertaking that your government will be committed to the Saudi Arabian government in providing the technical and logistic support and all the associated items in respect of these aeroplanes.

As to the means and method of payment, this will be as has been agreed on and will be dealt with through our agency concerned.

I would also like to inform your Excellency that it is our desire that the contract agreement be directly between our two governments with no agents from either side and with no payment of commissions.

Finally I hope that we remain continuously in contact to exchange views regarding all aspects which would serve the interests of both our people and lead to world peace and the stability of international economy.

With my best regards,

Your friend,(hand written)

FAHAD BIN ABDULAZIZ AL SAUD

Jeddah, 30 Tholkidah 1405 H
16 August, 1985. AD.

عزيزتي السيدة ماجريت تاتشر

رئيسة وزراء المملكة المتحدة

تحية طيبة وتقدير :

لقد سررت باستلام رسالتك المؤرخة في ٧ يونيو ١٩٨٥م التي حملها الامير بندر . وانني اقدر لدولتكم شرح وجهات نظركم فيما يخص السلام في الشرق الاوسط كما انني اود ان اؤكد لكم انني شخصيا وحكومتني نؤيد احلال السلام العادل الشامل المبني على الشرعية الدولية والذي يؤدي للوصول الى اعطاء الشعب الفلسطيني الكريمة جميع حقوقه المشروعة وحقه في تقرير مصيره ويوفر السلام لجميع دول المنطقة .

ولذا فاننا نقدر ونشجع دولتكم شخصيا والحكومة البريطانية على العمل القوي مع جميع الاطراف للوصول للسلام العادل الشامل .. والذي بالتاكيد له تأثير كبير على السلام والاقتصاد العالميين سلبا وايجابا . كما نشكر دولتكم على ما ذكرتموه عن اتصالكم مع فخامة الرئيس ريجان .. واننا اذ نقدر اهمية ذلك نأمل ان تستمروا في حث فخامتكم لمواصلة الجهد الجاد والبناء للاحلال السلام العادل الشامل بالشرق الاوسط .. لتفويت الفرص على الشيوعية العالمية من التغلغل في هذه المنطقة الهامة والتي لها اهميتها استراتيجيا واقتصاديا بالذات للعالم الحر .
دولة رئيس الوزراء :

انني سعيد ان ابلغ دولتكم باننا قررنا بدء البحث للحصول على (٤٨) ثمان واربعين طائرة من نوع (تورنيدو) القاذفة و(٣) ثلاثين طائره من نوع (هوك) على ان يكونوا مزودين بجميع الذخائر والاجهزة الالكترونية المتطورة حاليا وما يستجد مستقبلا من تطوير على

الذخائر والاجهزة الالكترونية او على الطائره نفسها.

وسوف نقوم بارسال بعثة مختصة للاتصال بنظر ائهمم للاطلاع ودراسة التفاصيل بما يختص بالتجهيزات ومساندة الطائرات .

كما اؤكد حرصنا على ما تعهدتم به بان المساندة وقطع الغيار وجميع ما يتعلق بالطائرة سوف تلتزم به حكومتكم تجاه الحكومة السعودية .

اما فيما يختص بطريقتة ووسيلة الدفع ، فسيتم حسب ما اتفق عليه وبواسطة الجهة المختصة لدينا .

كما اود ان اشعر دولتكم حرصنا على ان يكون العقد مباشرا بين حكومتينا دون وسطاء من الجانبين وبدون دفع اى عمولات .

وختاما ، ارجو ان تظل على اتصال مستمر لتبادل وجهات النظر في جميع الامور التي تخدم مصالح شعبينا وتؤدي للسلام العالمي والاستقرار الاقتصادي العالمي .

وتقبلوا تحياتي ..

صديقكم



فهد بن عبدالعزيز آل سعود

جده في ٣٠ ذوالقعدة ١٤٠٥ هـ

الموافق ١٦ أغسطس ١٩٨٥ م



MINISTER OF STATE FOR DEFENCE PROCUREMENT

D/MIN/AB/3/13

15th August 1985

Prime Minister

Paul Martin

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QUARTERLY REPORT ON DEFENCE SALES AND PROSPECTS
1ST APRIL TO 30TH JUNE 1985

13/8

In the Defence Secretary's absence on leave, I am providing the normal quarterly report on Defence Sales and Prospects.

2. In the second quarter of 1985 industry within the United Kingdom has reported defence export sales worth £439 million giving a year-to-date total of £573 million to the end of June 1985. The largest contracts reported in the quarter were for an ICI propellant plant for Thailand (£41M), Marconi radars for Oman (£37M), and Rolls Royce engines and British Aerospace development work for the US AV8B Harrier aircraft (£29M). The total excludes contributions from the £130 million SANGMED hospital management contract with Saudi Arabia and the confidential £45 million contract for Racal telecommunications equipment to Mexico which were both signed in the relevant period but as yet remain formally unreported. British Aerospace now seem very close to securing a £140 million contract to supply Turkey with a second tranche of Rapier missiles. A summary of contracts reported in the quarter is given at Annex A with details of the highest priority current sales prospects being listed at Annex B.

3. In the Middle East there are favourable trends despite the continuing general fall in oil revenues. The signature of the contract for the sale of 8 Tornado ADV aircraft to Oman was signed on 14th August for £274M and good progress is being made on a tri-service communications project (£90M), sale of two hovercraft (£46M), and on an ammunition supply contract (£35M). Saudi Arabia continues to receive a great deal of our attention, but Saudi government procedures are slow; Tornado and Hawk aircraft sales are still in prospect and for the SADAP project a further extension of the existing MOU to 6th February 1986 has been agreed. The success of the International Hospitals Group with the National Guard in Jeddah has now led to them negotiating, in co-operation with the current American operating company, for the £200 million contract to administer the Guard hospital in Riyadh. Although the current SANGMED project comes to an end this year, the Guard has made it clear that they wish the MOD team to stay on in the Kingdom with wider terms of reference. The trial of two Challenger and two MCV 80 armoured vehicles in the far south of Saudi Arabia will continue until late August, but a procurement decision is unlikely for some time. The International Military Services presentation in pursuit of a study contract for a joint operations centre for Abu Dhabi was well received, and bids for the consultancy for the new naval base, up to eight fast patrol boats, and Plessey 3-D radars are being evaluated. Also in the United Arab Emirates, the Sharjah authorities recently announced their intention to purchase £30 million worth of Stormer vehicles from Alvis.

4. In the remainder of the Gulf States, there have been no major developments since my previous report, but the importance of this regional market and the strength of competition in the area is illustrated by some notable successes reported by our competitors in the quarter. In Saudi Arabia, the United States secured two AWACS related contracts of \$850 million and \$330 million and Congressional approval is awaited on a \$450 million logistics system deal, whilst France secured a \$55 million contract for barracks and offices for the Saudi National Guard. In the Gulf, the American company Northrop finalised the sale of F5 fighter aircraft to Bahrain, where we had hoped to sell the British Aerospace Hawk trainer/ground attack aircraft, and an Australian company, in competition with Ferranti, won a \$34 million contract to supply Kuwait with a series of gunnery ranges. Some hard negotiation lies ahead to resolve a number of difficulties besetting the purchase of frigates by Pakistan (£400M). Vosper Thornycroft's concern over the effects of contingent liabilities on their imminent privatisation, changes of mind by the Pakistanis over the extent of MOD and Royal Navy support that they will require, and the Pakistani Navy's ambitions outstripping the finance available have combined to make progress slow.

5. At the very end of the quarter, negotiations with Jordan were successfully concluded with agreement in principle on terms for the supply of a package of defence equipment worth £270

million. The Memorandum of Understanding to be signed during your forthcoming visit to Amman should be followed by contracts with some 70 different British manufacturers. We have agreed to provide Jordan with credit on concessionary terms for this sale in recognition of her economic difficulties and to encourage her to purchase this equipment from the United Kingdom rather than from the Soviet Union. As with the Tornado sale to Oman, the cost of this credit subsidy is exceptionally being carried on the Defence Budget. This cost on defence export sales is not one we can continue to absorb and a resolution to the problem of how to finance the credit terms needed to win this type of business in future is now urgently required.

6. The hope expressed in my last report over use of the defence sales credit allocation in Egypt was not fulfilled. The Egyptians seem to have ignored warnings of our intention to reduce the credit allocation (to £150 million) if it was not used by 30th June and hold this available only until the end of 1985. Our efforts to encourage them to take early decisions on some of the many defence contracts which British firms have been chasing in Egypt appears to have resulted instead in an Egyptian Cabinet decision to seek to have £200 million of credit allocated for equipping a new tank factory in 2-3 years time. Every effort will be made to resolve these complications before your visit to Cairo in September. We do also see encouraging signs of progress in Egypt on one or two of the long delayed contracts of significant, if modest, value. Business with

Algeria has also been quiet during the quarter. We believe this is due to continuing problems within the Algerian administration in finalising the content of the new 5 year plan which must be approved before new expenditure can be authorised. But there is no reason to think that the delay poses any threat to our major sales prospects there, particularly Hawk, and we expect talks to resume in the autumn. The expected contract from Zimbabwe for W30 helicopters has been delayed by local concern over the price and, subsequently, the Westland Group's financial difficulties. A decision is now expected in September. The most notable success in the region during the quarter was the reported \$160 million sale of US M60 tanks to Egypt, with the Spanish also securing a \$86 million sale of basic jet trainers and transport aircraft to Jordan whilst the French secured a \$50 million helicopter contract with Angola.

7. Indian reassurance from both the Defence Minister, Mr Rao, and the Foreign Secretary, Mr Bhandari, that there are no Sikh related problems concerning defence equipment sales has been welcome. Nonetheless, there are still some problems, with finalisation of the £175 million follow-on purchase of Sea Harrier being delayed by continued negotiation on the related Sea Eagle missile project and with the Indians having asked all competitors for the artillery project to re-submit bids valid until the end of this year. The Indian Government has also terminated its Combat Engineering Tractor contract with IMS and requested negotiations direct with Royal Ordnance; these are

under way. Sri Lanka continues to seek immediate delivery of equipment despite the cease-fire. Negotiations over further Rapier sales to Indonesia continue, and interest in ex-Royal Navy Leander Class frigates may lead to negotiations there in August. Elsewhere in South-East Asia, we are pursuing prospects as previously reported, with our most notable success of the quarter being the \$41 million ICI propellant plant for Thailand, although the Americans overshadowed us in the same country with a \$320 million contract for F16 fighter aircraft where British Aerospace were offering cheaper ex-RAF Jaguar ground attack aircraft.

8. In the Far East, we continue to attempt to capitalise on our improved relationship with China. But prospects for a £100 million sale of Skyflash missiles have encountered an obstacle over the transfer of fuze technology, and it now appears that our best prospects lie with Tigerfish torpedoes and a submarine fire control system which may yield a £30 million contract later this year. Efforts to achieve major successes in Korea and Japan go as yet unrewarded, but prospects for Lynx helicopters with Sea Skua missiles and Harrier, Hawk, and Tornado aircraft remain. Development difficulties in the Australian A10 basic trainer aircraft programme have presented an opportunity for Shorts with their Tucano (with the Swiss Pilatus PC9 in competition). This prospect might go some way to compensate for Shorts loss of the portable surface-to-air missile system contract which the Australians awarded to the Swedish Bofors

company on largely technical grounds. Decisions on our other major prospects in Australia, such as future frigates and helicopter requirements, await the outcome of the current Australian study into their future defence strategy, structure, and defence sales policy.

9. The Mobile Subscriber Equipment competition in the USA, which could be worth over £1 billion to British industry, has reached a critical stage and your interventions with the President and George Bush will be an important factor in the decision expected in early September. You are aware of the position on UK participation in the Strategic Defence Initiative. In Canada, the main item of current interest is the requirement for a Tactical Command, Control and Communications System for which a number of UK software and hardware companies are in the running. In the last quarter, the Canadians were themselves successful in selling \$56 million worth of advanced training equipment to the US Air Force, balanced by their purchase of torpedoes worth \$55 million from the Americans.

10. British industry remains very active in Europe although no major contracts were signed by them in the region during the quarter. The prospects look good for co-operation with Sweden on an advanced version of the Skyflash missile for the 1990s, following my meeting in London with Mr Borg, the Swedish State Secretary for Defence. Rolls Royce lost the re-run competition to supply M41 tank engines for Danish

Centurions, but in the Netherlands significant progress has been made in talks with the Dutch MOD and it is hoped there will be an agreement leading to purchases of satellite communications terminals, towed sonar arrays, and vehicle driving simulators worth £22 million. In Spain, Marconi Underwater Systems have successfully delayed the Spanish lightweight torpedo decision (which was originally in favour of the US Company Honeywell), and a high level delegation will visit the United Kingdom in September for discussions with Marconi and Royal Navy experts on the merits of the Stingray torpedo. Vickers have also been selected on a short list of four in the Main Battle Tank competition. In Yugoslavia, British Aerospace have just been contracted to undertake the feasibility study, due to last six months, for the design of the Yugoslavs' light combat aircraft, and many British companies expect to get involved in the project. A significant further Yugoslav contract for BL755 Cluster bombs was signed following the end of the quarter, and in Turkey, British Aerospace are hopeful that a £140 million contract for the second tranche of Rapier could be followed by an order from the USAF for Rapiers to defend their bases in Turkey. In the quarter, the USA reported some major successes in Europe, with a \$210 million sale of further F16 aircraft to Denmark and a \$108 million sale of naval helicopters to Spain. A Swedish company was successful in selling \$53 million worth of anti-tank mines to Germany to add to the Swedish sale of second-hand Draken aircraft to Austria where the

re-furbished British Aerospace Lightnings, being both less expensive and preferred by the Austrian Air Force, were widely held to have lost out on political and offset grounds.

11. Despite difficulties with credit cover, the last quarter saw some notable successes in Latin America. Racal are pursuing other prospects in Mexico following their £45 million communications equipment sale in the quarter, and contracts for refurbishment of naval patrol craft and for stabilisers for locally built offshore patrol vessels were also secured by British industry in the same country. Prospects in Brazil seem to have quickened following the decision to purchase the Tucano trainer aircraft for the RAF, and future co-operation in the defence field was discussed when the Brazilian Defence Minister visited the United Kingdom in June. But prospects are constrained by limited ECGD cover. Vickers have signed an agreement with a Brazilian company to design a new self-propelled 155mm howitzer for local manufacture, but they are facing strong Austrian competition in their bid to secure a Brazilian order for the FH70 towed gun. Our competitors remain active in the region and in the quarter have reported some significant contracts. Spain sold \$35 million worth of transport aircraft to Mexico and the Swedes \$28 million worth of anti-aircraft guns and associated radars to Brazil. Italian efforts were rewarded with a contract of undisclosed value to supply an air defence system to Venezuela.

12. The reported sales figures for the second quarter of 1985 have recovered from the introduction of the new data collection system to reflect a steady performance. Several major prospects came to fruition in the period and activity on other important programmes is at a decisive stage. Nonetheless, it is apparent that in the latter half of 1985 we will need to see a satisfactory outcome in several of these awaited prospects and a considerable increase in reported contract values to avoid a disappointing year.

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

Adam B. [Signature]

Ministry of Defence

ANNEX A - REPORTED CONTRACTS SUMMARY

COUNTRY	LAND SYSTEMS VALUE £m	AIR SYSTEMS VALUE £m	SEA SYSTEMS VALUE £m	TOTAL VALUE £m
ALGERIA	0.41	0.15	-	0.56
AUSTRALIA	3.92	0.67	0.26	4.85
AUSTRIA	0.25	0.27	-	0.52
BAHRAIN	0.57	-	-	0.57
BANGLADESH	0.17	-	-	0.17
BARBADOS	-	-	0.02	0.02
BELGIUM	0.68	0.28	-	0.96
BOLIVIA	-	0.02	-	0.02
BOTSWANA	0.13	-	-	0.13
BRAZIL	10.16	13.06	0.31	23.53
BRUNEI	0.13	-	-	0.13
CANADA	1.12	0.12	0.60	1.84
CHILE	-	0.08	3.19	3.27
CHINA (P.R.)	1.39	-	0.85	2.24
CYPRUS	0.35	-	-	0.35
CZECHOSLOVAKIA	0.09	-	-	0.09
DENMARK	0.47	-	0.22	0.69
ECUADOR	11.33	0.03	-	11.36
EGYPT	11.73	0.13	4.64	16.50
EIRE	0.18	-	-	0.18
FINLAND	-	2.63	-	2.63
FRANCE	4.59	1.28	0.35	6.22
GERMANY (WEST)	2.80	4.94	0.21	7.95
GREECE	7.02	-	-	7.02
INDIA	0.57	6.45	0.98	8.00
INDONESIA	-	2.08	0.11	2.19
IRAN	0.19	0.76	0.15	1.10
IRAQ	9.61	0.30	-	9.91
ITALY	0.21	1.59	0.21	2.01
IVORY COAST	-	0.07	-	0.07
JAPAN	10.07	0.20	3.11	13.38
JORDAN	10.55	0.01	-	10.56
KENYA	0.13	0.04	-	0.17
KOREA (SOUTH)	0.47	-	-	0.47
KUWAIT	0.14	0.10	-	0.24
LUXEMBOURG	-	0.20	-	0.20
MALAYSIA	0.15	0.36	-	0.51
MALDIVE ISLANDS	-	-	0.12	0.12
MOROCCO	0.21	-	-	0.21
NATO	0.44	-	-	0.44
NETHERLANDS	0.24	0.07	-	0.31
NEW ZEALAND	0.25	0.12	1.92	2.29
NIGERIA	4.60	-	0.97	5.57
NORWAY	0.51	0.15	-	0.66
OMAN	43.56	1.38	0.06	45.00
PAKISTAN	4.45	0.07	-	4.52
PERU	-	1.34	-	1.34
PORTUGAL	0.26	0.25	-	0.51

ANNEX A - REPORTED CONTRACTS SUMMARY

COUNTRY	LAND SYSTEMS VALUE £m	AIR SYSTEMS VALUE £m	SEA SYSTEMS VALUE £m	TOTAL VALUE £m
QATAR	0.33	-	-	0.33
SAUDI ARABIA	10.69	4.37	-	15.06
SINGAPORE	3.22	0.49	-	3.71
SPAIN	10.60	0.86	-	11.46
SWEDEN	-	1.40	-	1.40
SWITZERLAND	0.25	0.09	-	0.34
THAILAND	41.11	-	-	41.11
TUNISIA	0.30	-	-	0.30
TURKEY	2.22	-	-	2.22
UAE	0.96	4.74	-	5.70
UGANDA	1.27	-	-	1.27
USA	9.17	63.34	20.23	92.74
YUGOSLAVIA	0.25	0.95	-	1.20
ZIMBABWE	-	0.01	-	0.01
UNSPECIFIED	-	-	-	60.52
TOTALS	224.47	115.45	38.51	438.95

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>BELGIUM</u>	REMARKS: The Belgians require 683 flat-bodied 6x4, 129 flat-bodied 6x6 with cranes, 78 box-bodied 6x4, 131 6x6 tippers, 141 6x6 recovery lorries, and 40 6x4 light tank transporters, Tenders due 29 May 1985. Two trials vehicles to be supplied by August 1985 for three month test programme. Deliveries 300 per year after first order March 1986. Scammell are talking to Belgians about contract and offset requirements.
PRODUCT: HEAVY VEHICLE	
FIRM : SCAMMELL MOTORS	
VALUE :£m 150.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Sweden (Volvo), FRG (MAN/Mercedes), Neth (DAF), USA (Dshkosh)
2014 1986	
COUNTRY: <u>DENMARK</u>	REMARKS: Danish requirement is for 85 aiming units and 850 missiles. Shorts have submitted an initial proposal. Recommendation to Ministry of Procurement Sept 85. Danes visited PM and Shorts saw live firings at Manorbier May 1985. MGW4D visited Denmark end of May 1985.
PRODUCT: JAVELIN S15 SAM	
FIRM : SHORT BROS MISSILE DIVISION	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Sweden (RBS-70), France (Mistral), USA (Stinger)
1778 1986	
COUNTRY: <u>DENMARK</u>	REMARKS: The Danes have 8 Naval Lynx in service and are considering a follow-on order for Baltic surveillance. Westlands first choice, but money is not now available until 1988 at the earliest. Much may depend on whether Westlands can improve the reliability and spares support of the existing Lynx. Westland submitted quotes and delivery offers in March 85.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 15.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
456 1989	
COUNTRY: <u>FINLAND</u>	REMARKS: Finns require a SHORAD system, and will start their formal evaluation this year. Contract is expected in 1986 for ISD 1989. Finns are looking at European equipment (to preserve neutrality). We hope to interest them in optical Rapier initially, and perhaps Blindfire at the end of the 1980s.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France (Crotale), FRG (Roland), USSR.
1782 1986	

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>FINLAND</u>	REMARKS: A follow on order to the 3 Watchman ATC radars already bought by Finland. Much will depend on whether Plessey fulfil their earlier offset obligations.
PRODUCT: WATCHMAN ATC/AD RADARS	
FIRM : PLESSEY RADAR	
VALUE :£m 6.90	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1772 1985	COMPETITION:
COUNTRY: <u>FR GERMANY</u>	REMARKS: BAe have been trying to interest both the Bundesmarine and Luftwaffe in their ALARM missile in preference to the US HARM. The proposals submitted by BAe are believed to offer some technology sharing, and to be cheaper than the competition. However, German officials remain committed to HARM.
PRODUCT: ALARM	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m NK	MINISTERIAL: Both S of S and Min(DP) have written to their opposite numbers on several occasions over the past 2 years. Discussions with German Ministers have also taken place as opportunity has permitted.
REF NO CON.DATE 459 N.K.	COMPETITION: USA (HARM)
COUNTRY: <u>FR GERMANY</u>	REMARKS: To be used in conjunction with Seaspray radar. Contract for the development phase has already been placed involving 2 sets of helicopter installed equipment (option on further 20), test equipment, telemetry missiles and expendable dummies.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 35 1987	COMPETITION: France
COUNTRY: <u>FR GERMANY</u>	REMARKS: To be fitted to Sea King SAR helicopters, combined with Sea Skua missiles, to convert aircraft to dual role. The Seaspray will operate in a new 360 degree role. Two prototype sets for evaluation purposes have already been ordered.
PRODUCT: SEA SPRAY	
FIRM : FERRANTI RADAR SYSTEMS	
VALUE :£m 20.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 573 1987	COMPETITION: MEL (UK).

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>FRANCE</u>	REMARKS: France has a requirement for upto 4 AEW systems. Current options are US Boeing AWACS system, already evaluated, and a European solution involving GEC'S MSA with the A300 Airbus. GEC/BAe have submitted proposals. Evaluation flight took place in October 84 and a further flight will occur in Oct 85. If interest continues a full evaluation flight will take place in France in 86. A decision is expected late 85/early 86. Offset will be an important factor.
PRODUCT: AEW EQUIPMENT	
FIRM : GEC AVIONICS	
VALUE :£m 440.00	MINISTERIAL: During regular exchange with French, Ministers will be briefed to press the INVOLVEMENT: European solution on the French Air Force.
REF NO CON.DATE	COMPETITION: USA (AWACS)
188 1985	
COUNTRY: <u>ITALY</u>	REMARKS: The Italian carrier (Garibaldi) has been fitted to operate VSTOL aircraft, but this remains the subject of much debate within Italian military circles. According to Italian law, only the IAF can operate fixed wing aircraft, although attempts are being made to change this. Competition is the AV-8B, and McDonnell-Douglas have been very active in Italy. The RN remains willing to give assistance on operational aspects. Offset will be an important factor.
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 136.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (AV8B).
1623 N.K.	
COUNTRY: <u>NETHERLANDS</u>	REMARKS: Part of 2nd Anglo-NL equipment package. GEC leading - Ameeco sub contracting.
PRODUCT: TOWED ARRAY	
FIRM : VARIOUS	
VALUE :£m 7.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1878 1985	
COUNTRY: <u>NORWAY</u>	REMARKS: The Norwegians need a wet and dry bridging system. They have trialled MGB, and will trial the German S Bridge mid-year. RFP will follow, with contract in late 1985/early 1986. Trials for wet-bridging will start mid-86. Cost an important factor - and the German system is cheaper.
PRODUCT: MEDIUM GIRDER BRIDGE	
FIRM : FAIREY ENGINEERING	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG (S Bridge)
1937 1986	

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>SPAIN</u>	REMARKS: The Spanish Army have a requirement for a MANPAD system and are now in to the evaluation stage. Shorts have been included in the competition along with General Dynamics, Matra, and Bofors. A significant amount of industrial offset (30%) must be offered. Contract expected in the near future.
PRODUCT: JAVELIN	
FIRM : SHORT BROS MISSILE DIVISION	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (Stinger), France (Mistral), Sweden (RBS-70).
1855 1985	
COUNTRY: <u>SWEDEN</u>	REMARKS: Swedes require fire and forget medium range air-to-air missile for JAS-39. Collaboration with Britain to develop Skyflash 90 seems favoured option. Problems remain of lack of Swedish capital and uncertainty over UK standing on family of weapons MOU. Swedish decision expected late 1985.
PRODUCT: SKYFLASH 90	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 25.00	MINISTERIAL: Min (DP) met Mr Per Borg - swedish State Secretary for Defence on 12th June. INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Sweden
467 1988	
COUNTRY: <u>SWITZERLAND</u>	REMARKS: To replace Vampire FB-6/T-55 in trainer role. BAe submitted priced bid end June 1985. Swiss will short-list from 4 to 2 by Sept/Oct: the likelihood is that short-list will comprise the 2 most advanced aircraft rather than one advanced and one inexpensive. Final selection expected in 1987, financial approval 1988.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 90.00	MINISTERIAL: HDS plans to visit in Oct 1985. INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Italy (MB-339), Spain (CASA-101), FRG/France (Alpha-jet)
574 1989	
COUNTRY: <u>SWITZERLAND</u>	REMARKS: Land Rover was chosen in 1984 to meet Swiss requirement, but finance has been delayed. As a result of pressure from environmentalists and also from Steyr, Swiss Defence Minister has announced that competition will be re-opened between LR and Steyr and new trials and tenders will have to take account of new Swiss exhaust emission regulations.
PRODUCT: LAND ROVER	
FIRM : LAND ROVER LTD	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Austria (Steyr)
470 1988	

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>TURKEY</u>	REMARKS: The requirement is for Turkey's 15 new frigates, Racal have submitted a tender through NA Ankara. The Turks are thought to favour Racal's equipment. The first instalment is expected to be ordered in August 1985.
PRODUCT: ELECTRONIC WARFARE & ECM EQUIP	
FIRM : RACAL RADAR DEFENCE	
VALUE :£m 45.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Netherlands (Signaal).
1753 N.K.	
COUNTRY: <u>TURKEY</u>	REMARKS: BAe are actively promoting a second tranche buy of Rapier in the same quantity as the first tranche and a decision is expected shortly. Delivery will be consecutive with the first tranche and contractually will be an extension of the existing contract.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 150.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France/FRG (Roland); USA.
1755 N.K.	
COUNTRY: <u>TURKEY</u>	REMARKS: Leyland & Birmingham are negotiating a package for the S6 respirator. The package includes an initial buy from the UK, local assembly and manufacture under licence. To assist the sale the MOD has agreed to waive levy and licence fee. Competition comes from the FRG.
PRODUCT: S6 RESPIRATOR	
FIRM : LEYLAND & BIRMINGHAM RUBBER	
VALUE :£m 6.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG.
3475 N.K.	
COUNTRY: <u>TURKEY</u>	REMARKS: Cabinet refused to endorse necessary ECGD cover for sales of 40 a/c. BAe failed to obtain Turkish approval to a financial package covering only 20 aircraft and are again seeking credit support in Germany and Italy for the second 20.
PRODUCT: TORNADO IDS	
FIRM : PANAUIA	
VALUE :£m 573.00	MINISTERIAL: Both S of S and Min (DP) have approached FRG about possible use of FRG aid, INVOLVEMENT: but this proposal has been rejected.
REF NO CON.DATE	COMPETITION:
353 N.K.	

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>YUGOSLAVIA</u>	REMARKS: Dowty, Smiths Industries and Marconi all seek to collaborate with Yugoslavs on their LCA project. It is hoped that specific requirements will become clearer as the main airframe feasibility study progresses in the latter part of this year.
PRODUCT: AIRBORNE ELECTRONICS & OPTICS	
FIRM : VARIOUS	
VALUE :£m 10.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 2284 N.K.	COMPETITION:
COUNTRY: <u>YUGOSLAVIA</u>	REMARKS: Yugoslavs requested 1600 standard BL755 and 400 of the improved version. Security problems over release of the latter mean that delivery of improved BL755 cannot take place before 2nd quarter 1988. Huntings are informing Yugoslavs of likely delay. Problems over acceptability of improved BL755 within RAF mean that Huntings cannot now offer cheaper BL755 made from the 'spoil' obtained from uprating RAF stock of BL755 to improved BL755.
PRODUCT: BL 755 CLUSTER BOMB	
FIRM : HUNTING ENGINEERING	
VALUE :£m 28.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 662 1985	COMPETITION:
COUNTRY: <u>YUGOSLAVIA</u>	REMARKS: For the ORAD aircraft, Yugoslavia prefer Marconi, who have been asked to quote for 10/20/30. Initial order would be worth £3m but this could grow to £20m if the equipment is selected for their proposed light combat aircraft development. Yugoslavs considering Marconi's revised proposals and quotation.
PRODUCT: GUARDIAN RADAR WARNING REC'VER	
FIRM : MARCONI CCS	
VALUE :£m 3.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1895 1985	COMPETITION: Italy (Electronica)
COUNTRY: <u>YUGOSLAVIA</u>	REMARKS: Yugoslavs have signed an agreement with BAe for design feasibility study.
PRODUCT: LCA	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 75.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1822 N.K.	COMPETITION: France, USA.

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: <u>BAHRAIN</u>	REMARKS: BAe have excellent prospect to fit Sea Skua to BDF AB212s. BDF team visited 815 Sqn for general briefing and witnessed a very successful live Sea Skua firing at RAE Aberporth in June 1985.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 25.00	MINISTERIAL: Prime Minister and Minister (DP) (Mr Pattie) met The Amir of Bahrain 10-13 April 1984. Minister (DP) (Mr Butler) visited Bahrain October 1984. Mr Luce visited Bahrain Jan 85.
REF NO CON.DATE	COMPETITION: France (AS15TT)
42 1986	
COUNTRY: <u>EGYPT</u>	REMARKS: Egyptians have signed agreements with Dutch for the Tripartite class, but final negotiations are not progressing smoothly and Egyptians have agreed to consider an improved bid by VT. In an effort to make VT's proposals more attractive MOD has agreed to make an RN MCMV available on call to meet possible urgent Egyptian operational and training tasks prior to SRMH proposed delivery. Finance available from EGGD special credit reservation at 80% over 8.5 years.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 66.00	MINISTERIAL: Min(DP) agreed (Feb 1985) to assist EN on operational and training tasks subject to detailed agreement of conditions.
REF NO CON.DATE	COMPETITION: Netherlands/France/Belgium, Italy.
1787 1985	
COUNTRY: <u>JORDAN</u>	REMARKS: Series of negotiating meetings took place in May and June on the package, major elements of which are EW, ammunition, aircraft refurbishment, FPBs, B vehicle and engineering equipment. Special credit terms (£300m DML for 90% over 10 years at 9.5% including risk sharing with UK banks) agreed. IMS have appointed agents to manage the programme under umbrella of an agreed MOU which is expected to be initialled by end of July and signed in September.
PRODUCT: EQUIPMENT PACKAGE	
FIRM : VARIOUS	
VALUE :£m 270.00	MINISTERIAL: PM has discussed with King Hussein (Sept, Dec 84 & June, July 85). S of S visited Amman in Oct 84 and had further meetings with C-in-C in London in Dec 84 and with Finance Minister in June 85. PM to sign MOU during Sept 85 visit.
REF NO CON.DATE	COMPETITION: France.
579 1985	
COUNTRY: <u>KUWAIT</u>	REMARKS: Kuwait have requirement to equip 5 or 6 battalions with APCs. Infantry Committee impressed with MCV-80 during visit in April 1984 and GKN SanKey successfully demonstrated vehicle in Kuwait in August and September 1984. Strong political support will be required as major defence equipment purchases by Kuwait are invariably awarded in turn to major arms producing countries.
PRODUCT: APCs/IFVs	
FIRM : GKN SANKEY	
VALUE :£m 300.00	MINISTERIAL: S of S discussed with Shaikh Salim, Minister of Defence, in July 1983, and visited Kuwait in February 1984. Min(DP) (Mr Butler) visited October 1984. PM wrote letter of support to Kuwaiti PM 20 November 1984.
REF NO CON.DATE	COMPETITION: USA (Cadillac Gage); Brazil (Engesa); USSR (BMP-2).
206 1985	

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: <u>OMAN</u>	REMARKS: Tri-service requirement. Initial study by 2 senior British officers. LSP specialist helping run project. Ewbank Preece selected as consultants. Marconi have received ITP and hope to be awarded prime contractorship. Substantial civil works content expected to be awarded to UK company. Morgan Grenfell focal point for finance. To be designated under Defence Sales MOU. CDS visited Oman Feb 85. Contract negotiations well advanced.
PRODUCT: COMMUNICATIONS PROJECT	
FIRM : VARIOUS	MINISTERIAL: Mr Luce visited Oman Jan 85.
VALUE :£m 300.00	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
208 1985	
COUNTRY: <u>OMAN</u>	REMARKS: Oman has strong preference for Tornado ADV. 4 GR1s visited Oman Feb 84 in exercise Magic Carpet. Oman & BAe have agreed a draft contract. Contract signature expected end July/early August for 8 aircraft. Designated contract under Defence Sales MOU.
PRODUCT: TORNADO ADV	
FIRM : PANAUIA	MINISTERIAL: Min (AF) visited Oman Oct 84. Mr Luce visited Oman Jan 85. S of S raised credit issues with Dr Woerner at Anglo-FRG summit Jan 85. S of S has written letter of Comfort in July 1985.
VALUE :£m 274.00	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
49 1985	
COUNTRY: <u>QATAR</u>	REMARKS: Firm long-term requirement. French competition strong and assisted by warship visits. Qatar crew trained with RN in April 1985 following success of October 1984 MOD course for three officers. Final procurement decision will be on political, financial & delivery considerations. Political support essential RN expert visited Qatar Jan 85 to conduct MCM study.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	MINISTERIAL: Minister (DP) visited October 1984.
VALUE :£m 60.00	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France (CNM), FRG, Netherlands (Tripartite).
51 1985	
COUNTRY: <u>SAUDI ARABIA</u>	REMARKS: HQ RSAF sought BAe proposals for supply of 750 weapons in Sept 1984. They have since hastened the BAe response. Proposal document is now ready for dispatch. Meanwhile joint MOD/BAe discussions continue on necessary sanitisation and an acceptable delivery timescale. The Saudis have sought US Government agreement to BAe discussions with Northrop and McDonnell-Douglas on integrating the weapon on F-5 and F-15 aircraft.
PRODUCT: ALARM	
FIRM : BRITISH AEROSPACE AG	MINISTERIAL:
VALUE :£m 200.00	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (HARM) - but clearance to supply is doubtful.
1794 1986	

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: SAUDI ARABIA	REMARKS: The Saudis have requested proposals for an armoured brigade equipped with British equipment. Proposals including Challenger, MCV-80, GBT 155, Marksman and tank transporters submitted February 1985. An in-country trial is planned for July/August 1985. Both Challenger and MCV-80 were trialled in UAE July 81 when Saudi Army attended.
PRODUCT: ARMoured VEHICLES (TRACKED)	
FIRM : VARIOUS	
VALUE :£m NK	MINISTERIAL: HMG formally offered to sell Challenger to Saudi. Foreign Sec. raised subject with Prince Sultan 1983. S of S in January 1984. Discussed again during S of S visit November 1984.
REF NO CON.DATE	INVOLVEMENT:
61 N.K.	COMPETITION: USA, FRG (subject to political restraint)
COUNTRY: SAUDI ARABIA	REMARKS: Costed proposals, including a buy-back of BAe Strikemaster training aircraft were submitted to the Saudi Minister of Defence and Aviation in April 1984. A decision by the Saudi government promised in January 1985 is still awaited.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 125.00	MINISTERIAL: S of S discussed this prospect with his Saudi counterpart in Riyadh in January 1984, and has since written to him in support of the proposals.
REF NO CON.DATE	INVOLVEMENT:
56 1985	COMPETITION: France/FRG (Alpha-jet)
COUNTRY: SAUDI ARABIA	REMARKS: Overall value of £45m consists of £25m for operation and maintenance, £16m for communication equipment and building work, and £5m for National Guard training.
PRODUCT: SANGCOM	
FIRM : CABLE & WIRELESS	
VALUE :£m 45.00	MINISTERIAL:
REF NO CON.DATE	INVOLVEMENT:
1849 1985	COMPETITION:
COUNTRY: SAUDI ARABIA	REMARKS: Costed proposals, including a buy-back of Lightning aircraft were submitted to the Saudi Minister of Defence and Aviation in April 1984. A Saudi Air Force evaluation team visited the UK in July/August 1984 and their report on the aircraft was submitted to the Minister at the end of August. A decision by the Saudi government, originally promised in January 1985, has now been delayed for several months.
PRODUCT: TORNADO IDS	
FIRM : PANAUIA	
VALUE :£m 475.00	MINISTERIAL: Mr Heseltine sent a "hastener" to Prince Sultan on 18 October 1984 and followed this with a visit in November 1984. PM visited Riyadh April 1985.
REF NO CON.DATE	INVOLVEMENT:
64 1985	COMPETITION: USA (F-15 Enhanced Eagle), France (Mirage 2000).

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: <u>UAE</u>	REMARKS: Plessey proposals well regarded and linked to ADOC (PR1 Ref70). RAF ADAT visited Dec 84. Report presented to GHQ 19 Jan 85. Marconi now intend to bid for the business. GCC Committee visited Plessey October 1984.
PRODUCT: AR 3D RADAR	
FIRM : PLESSEY RADAR	
VALUE :£m 50.00	MINISTERIAL: PM, S of S and Min (DP) met Shaikh Khalifa Crown Prince & DSC Abu Dhabi 18-19
	INVOLVEMENT: July 1984. Min(DP) visited UAE in Oct 84 (Mr Butler).
REF NO CON.DATE	COMPETITION: France (Thomson CSF), USA (Hughes).
68 1985	
COUNTRY: <u>UAE</u>	REMARKS: MOD is giving full backing to an IMS led combination of British electronics firms. Interim JOC contract has not given IMS clear advantage for full contract. International competition is strong. UAE have been invited to send a team to visit UK Operations Centres. Proposals were submitted mid-May 1985. IMS led consortium gave presentation 8 July 1985.
PRODUCT: JOINT OPERATIONS CENTRE	
FIRM : IMS	
VALUE :£m 50.00	MINISTERIAL: PM, S of S and Min (DP) met Shaikh Khalifa Crown Prince & DSC Abu Dhabi 18-
	INVOLVEMENT: 19 July 1984. Min(DP) (Mr Butler) visited UAE in October 1984. S of S has written in support of IMS proposals.
REF NO CON.DATE	COMPETITION: USA, France, FRG.
71 1985	

END

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: AUSTRALIA	REMARKS: Following delays and cost over-runs with the Australian A-10 basic trainer aircraft project, the Australian government has invited Shorts (Tucano) and Pilatus (PC-9) to submit proposals for building their aircraft in Australia. Completion of the A-10 project will also be considered.
PRODUCT: SHORTS TUCANO	
FIRM : SHORT BROS AIRCRAFT	
VALUE :£m NK	MINISTERIAL: Possibility of collaboration with UK based on RAFs chosen basic trainer was
REF NO CON.DATE	INVOLVEMENT: raised informally by RAAF during Min(DP) February 85 visit.
1745 N.K.	COMPETITION: Switzerland (PC-9), Australia (Hawker de Havilland).
COUNTRY: AUSTRALIA	REMARKS: RAN has a requirement for 6 new frigates to be built in country. Work required to maintain shipbuilding programme at Williamstown Dockyard following completion of US designed FFG-7s in 1988. Yarrow's have offered Type 23 which broadly meets requirements. Project has now slipped one year whilst review of Australian defence strategy is carried out.
PRODUCT: TYPE 23 FRIGATE	
FIRM : YARROW SHIPBUILDERS	
VALUE :£m NK	MINISTERIAL: Min (DP) visited Feb 1985.
REF NO CON.DATE	INVOLVEMENT:
1843 1986	COMPETITION: FRG (Meko & Bremen), Holland.
COUNTRY: AUSTRALIA	REMARKS: 3 phased purchase of 36 helicopters planned for the RAAF; 12, 18 then a final 6. Westlands WG30, though cheaper than its US Blackhawk competitor, is handicapped by the fact that the RAN chose Seahawk in preference to Lynx and RAAF may elect to stay with Sikorsky. Westlands have offered to help establish Australian helicopter industry. RAAF evaluation team visited Westlands June 85!
PRODUCT: WESTLAND 30	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 50.00	MINISTERIAL: Min (DP) visited Feb 1985.
REF NO CON.DATE	INVOLVEMENT:
198 1985	COMPETITION: USA (Black Hawk).
COUNTRY: INDIA	REMARKS: IMS called to India to clarify proposals on 2 May 1985. Revised compliant bid was delivered 7 May 1985. Short list of 2 countries expected soon. Indian Government has now asked FRG to front the bid.
PRODUCT: FH70	
FIRM : VICKERS SEL	
VALUE :£m 600.00	MINISTERIAL: Min (DP) already written. S of S to write shortly to Indian Defence Minister
REF NO CON.DATE	INVOLVEMENT: in support of FH70.
8 1985	COMPETITION: France, Austria, Sweden.

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>INDIA</u>	REMARKS: BAe & Rolls Royce have concluded a contract and the price negotiations. Signature is dependent upon the resolution of problems over follow-on Sea Eagle contract. See Ref No 181.
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 175.00	MINISTERIAL: Min (DP) discussed during visit to India in May 1984.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
7 1985	
COUNTRY: <u>INDIA</u>	REMARKS: Indians will lead on the development of light combat aircraft. Bae competing with Marcel Dassault, MBB, and Dornier for collaboration consultancy. Rolls Royce negotiating on RB199. Ferranti and Marconi discussing radar proposals.
PRODUCT: LCA	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 300.00	MINISTERIAL: Min(DP) gave full support to proposal during visit in May 84.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG., France.
347 N.K.	
COUNTRY: <u>INDIA</u>	REMARKS: Second tranche of 24 Sea Eagles for Indian Navy from original contract due to be taken up in July 1985. Likely to be for Sea Harriers. Bae called to New Delhi in May to present proposal for Sea Eagle on Jaguar aircraft. I.N. have posed technical questions and require full answers before they will exercise the option. See Ref No 7.
PRODUCT: SEA EAGLE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 250.00	MINISTERIAL: Min(DP) discussed during visit to India in May 1984.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France.
181 N.K.	
COUNTRY: <u>INDIA</u>	REMARKS: CV12 engines completed road race against indigenous Karlosker engines. Some problems during trials. Indians now require 5 complete engine sets to undertake user trials. Other UK tank equipment under evaluation.
PRODUCT: VIJAYANTA REFIT	
FIRM : VARIOUS	
VALUE :£m 500.00	MINISTERIAL: Discussed by Minister (DP) in India.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG
473 1986	

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>INDONESIA</u>	REMARKS: Indonesia is still assessing their overall requirement; will be implemented in stages over 10-15 years. First stage likely to be air defence.
PRODUCT: C(CUBED) & INTEL SYSTEMS	
FIRM : VARIOUS	
VALUE :£m 50.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1798 N.K.	
COUNTRY: <u>INDONESIA</u>	REMARKS: The Indonesians have already procured 20 Hawk trainers and they have a requirement for a possible further 150-200 air defence variant, plus - possibly - some more Hawk trainers.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m NK	MINISTERIAL: US of S (DP) discussed during May and November visits. PM discussed during INVOLVEMENT: visit in April 1985.
REF NO CON.DATE	COMPETITION: USA (F-20 Tigershark)
1901 N.K.	
COUNTRY: <u>INDONESIA</u>	REMARKS: Discussions currently being held in Jakarta. Intermarine considered to be favourites.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 150.00	MINISTERIAL: US of S(DP) discussed during his visit in May 1984. INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG, Holland, Italy.
349 1985	
COUNTRY: <u>INDONESIA</u>	REMARKS: The Indonesians have signed (Dec 84) for 96 Rapier Systems and they have a requirement for a further 480 systems.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 750.00	MINISTERIAL: PM discussed during visit in April 1985. INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1900 N.K.	

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: JAPAN	REMARKS: Although LAW 80s elimination from the US competition for a LAW may adversely affect its chances in Japan, HEL seem confident that a sale can be achieved once firing trials are held in 1985, witnessed by JGSDF, and the weapon is accepted by the British Army in late 1985. An initial sale of 50 systems for evaluation is the anticipated outcome.
PRODUCT: LAW 80	
FIRM : HUNTING ENGINEERING	
VALUE :£m 25.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
449 1985	
COUNTRY: JAPAN	REMARKS: JMSDF are interested in SHAR for sea lane defence; and their operation from AEGIS type destroyers. SHAR unlikely to gain foothold in 86-90 MTDP but BAe hope to secure initial buy of 6-15 aircraft in late 1980s. Perhaps by offering to spread the cost.
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 150.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Japan (F-1, F-4), USA (F-16E, F-15E, FA-18)
450 1987	
COUNTRY: JAPAN	REMARKS: Tornado is a contender for JASDF requirement for FS-X fighter aircraft to replace F-1s and F-4 Phantoms in mid 1990s. Panavia active in lobbying military/political bodies. Prospects would improve if JASDF decide to purchase from abroad rather than develop indigenous design.
PRODUCT: TORNADO F2	
FIRM : PANAVIA	
VALUE :£m NK	MINISTERIAL: PM has written to Nakasone as have FRG and Italian heads of government. INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (McDonnell-Douglas-HarrierII), Japan (Mitsubishi).
597 N.K.	
COUNTRY: MALAYSIA	REMARKS: Malaysian Army have made their recommendation. A decision is awaited at Ministerial level. A substantial BA training package has been offered.
PRODUCT: FH70	
FIRM : VICKERS	
VALUE :£m 12.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Sweden, Austria (GC-45).
1744 1986	

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: MALAYSIA REMARKS: Formation of a 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 (initially 30 aircraft).

PRODUCT: LYNX

FIRM : WESTLAND HELICOPTERS

VALUE :£m 50.00 MINISTERIAL: PM discussed during visit in April 1985.
INVOLVEMENT:

REF NO CON.DATE
184 1986 COMPETITION: USA, France.

COUNTRY: MALAYSIA REMARKS: MoD training and support MOU forwarded in September 1984. Malaysian naval teams completed 3 month amendment in UK August 1984. Vickers 550 submarine is a strong contender.

PRODUCT: SUBMARINES

FIRM : VICKERS SEL

VALUE :£m 600.00 MINISTERIAL: PM discussed during visit in April 1985.
INVOLVEMENT:

REF NO CON.DATE
369 1986 COMPETITION: FRG.

COUNTRY: NEW ZEALAND REMARKS: Major modernisation of 22 A4 Skyhawk aircraft. GEC was well placed in competition with Lear Siegler until late April '85 when Lange directed that contract should be placed with Lear Siegler; it is thought, as a peace offering, following the argument over ship visits. GEC continue to fight, however, & are still in the running until contract signature.

PRODUCT: A4 SKYHAWK UPDATE

FIRM : GEC AVIONICS

VALUE :£m 50.00 MINISTERIAL: Min (DP) supported GEC Avionics during Feb 1985 visit.
INVOLVEMENT:

REF NO CON.DATE
576 1985 COMPETITION: USA (Lockheed, Lear Siegler)

COUNTRY: NEW ZEALAND REMARKS: RNZN carrying out a review of surface fleet requirement. Defence budget for 1985/6 raised by 31% as direct result of devaluation and recognition that NZ forces will need new equipment to be self-sufficient following ANZUS crisis. RNZN very keen on Type 23, or if constrained by budget, second-hand RN Type 21. Hall Russels OPV3 also popular with RNZN.

PRODUCT: SURFACE WARSHIPS

FIRM : VARIOUS

VALUE :£m 320.00 MINISTERIAL: Min (DP) visited NZ February 1985.
INVOLVEMENT:

REF NO CON.DATE
182 N.K. COMPETITION: Netherlands, FRG,

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>PAKISTAN</u>	REMARKS: VT proposals for 3 broadbeamed frigates (2 UK build, 1 local) submitted 8/82. Draft MOU submitted to PN July 1984 and now under discussion. Letter of Intent issued to VT Sept 1984. MOD appointed PN consultants for negotiation December 1984. Revised ECGD cover of £230m approved Dec 1984. Final contract negotiations commenced 1 April 1985. Contract signature expected September 1985.
PRODUCT: TYPE 21 FRIGATE	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 330.00	MINISTERIAL: PM's letter to Zia supporting offer 8/82 and 5/84. Zia letter 7/84 to PM
REF NO CON.DATE	INVOLVEMENT: confirms UK offer favoured. PM acknowledged 10/84.
2 1985	COMPETITION: France, FRG.
COUNTRY: <u>PAKISTAN</u>	REMARKS: Westlands were asked by the Pakistan CNS in February 1984 to quote for Lynx to operate from the proposed new build frigates. Presentation on Lynx 3 given at NHQ Islamabad July 1984. However current PN requirement is for modified Lynx 2, presentation on which given at NHQ Islamabad February 1985.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 30.00	MINISTERIAL:
REF NO CON.DATE	INVOLVEMENT:
1942 1985	COMPETITION: Italy (AB-212), France (SA-360F Dauphin)
COUNTRY: <u>PR CHINA</u>	REMARKS: A Marconi delegation visited Polytechnologies Inc. in Beijing during April 1985 to discuss Tigerfish torpedoes and their delivery systems. During the visit Marconi signed a letter of intent to provide technical specifications, quotations and a draft contract for upto 40 torpedoes, 7 turbine dischargers and 7 KAFS FCS. Marconi delivered the documentation in June 1985 and are expecting a Chinese delegation in the UK during August for final negotiations.
PRODUCT: MK24 TORPEDO	
FIRM : MARCONI UNDERWATER SYSTEMS	
VALUE :£m 35.00	MINISTERIAL:
REF NO CON.DATE	INVOLVEMENT:
2796 1985	COMPETITION:
COUNTRY: <u>PR CHINA</u>	REMARKS: Arising from PL4 discussions, China has expressed interest in Skyflash M. MOD security objections have been satisfied - particularly in so far as technology transfer is concerned. BAe are negotiating with CATIC and expect results one way or the other soon. Offer is based on supply of 200 AAMs. ECGD credit may be required.
PRODUCT: SKYFLASH M AIR-TO-AIR MISSILE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 100.00	MINISTERIAL:
REF NO CON.DATE	INVOLVEMENT:
720 1985	COMPETITION: USA, Italy (Selenia)

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>PR CHINA</u>	REMARKS: A Marconi delegation visited Polytechnologies Inc. in Beijing during April 85 and signed a letter of intent to provide technological specifications, quotations and a draft contract for upto 100 Stonefish mines. The documentation was delivered in June 1985 and a delegation from Ploytechnologies is due to visit the UK in July for further negotiations.
PRODUCT: STONEFISH MINE	
FIRM : MARCONI UNDERWATER SYSTEMS	
VALUE :£m 4.16	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 2795 1985	COMPETITION:
COUNTRY: <u>REPUBLIC OF KOREA</u>	REMARKS: BAe have submitted a draft contract for Sea Skua in association with the naval helicopter requirement. A decision has been deferred, for financial reasons, for contract in 1985. Sea Skua has been offered to South Korea on the Westland Lynx, Kaman Sea Sprite and Agusta 219 helicopters and may be offered on the Sikorsky S76, all competing for the ROK Navy contract.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 8.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 14 1985	COMPETITION: France.(AS15TT in a package with the Dauphin helicopter).
COUNTRY: <u>REPUBLIC OF KOREA</u>	REMARKS: ROK MND have initialled draft contracts with several companies for 10-12 shipborne helicopters. A decision is expected later this year with the selected firm likely to be invited to provide a helicopter for a 6 month trial in Korea in 1986. Contract would follow subject to evaluation. A credit package may be required as may RN support in training etc.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 55.00	MINISTERIAL: US of S(DP) has written. INVOLVEMENT:
REF NO CON.DATE 26 1986	COMPETITION: France(Dauphin), Italy (Agusta 219),USA(S76, Seasprite).
COUNTRY: <u>SINGAPORE</u>	REMARKS: Contract to follow aero-engine decision. GEC and Ferranti leading seperate UK consortia.
PRODUCT: A-4 SKYHAWK AVIONICS FIT	
FIRM : VARIOUS	
VALUE :£m 108.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 224 N.K.	COMPETITION:

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>SINGAPORE</u>	REMARKS: UK is currently assisting Singapore in determining its requirement. 1985 will see continuing support particularly with regard to linking and processing of data from airborne and ground based radars.
PRODUCT: C(CUBED) SYSTEMS	
FIRM : VARIOUS	
VALUE :£m 50.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1802 N.K.	COMPETITION:
COUNTRY: <u>SINGAPORE</u>	REMARKS: Three British firms interested: Vosper Thornycroft, Brooke Marine, & Hall Russell/Swan Hunter.
PRODUCT: FAST PATROL CRAFT	
FIRM : VARIOUS	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1800 1985	COMPETITION:
COUNTRY: <u>SINGAPORE</u>	REMARKS: Requirement in abeyance.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1799 1985	COMPETITION:
COUNTRY: <u>SINGAPORE</u>	REMARKS: Requirement is still unknown. This contract will follow fast patrol boats. We have offered naval assistance to assess requirements.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 200.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1801 1986	COMPETITION:

ANNEX B - PRIORITY ONE PROSPECTS - AFRICA

COUNTRY: ALGERIA REMARKS: In addition to the proposal for the Preliminary Phase of the Air Defence System submitted in October 1984, UK industry have submitted proposals for a coastal defence system and a package of EW equipment. Further discussions took place in March 1985 and "best and final" proposals submitted in early April. Algerian decision unlikely before Oct/Nov 85.

PRODUCT: AIR DEFENCE SCHEME (ACCORD)

FIRM : MARCONI PROJECTS

VALUE :£m 450.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
21 1986 COMPETITION: France.

COUNTRY: ALGERIA REMARKS: Following earlier presentations and discussions with VT the Algerian CNS asked for RN assistance in the evaluation of the VT Mk18 Frigate design. An initial appraisal was submitted in early February and the RN team visited Algeria in March 1985. Total requirement believed to be for 4 ships, 1 built in the UK and 3 in Algeria. VT rep. will visit in July to progress.

PRODUCT: FRIGATE

FIRM : VOSPER THORNEYCROFT

VALUE :£m 300.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
176 1986 COMPETITION: FRG, France, Italy, USSR.

COUNTRY: ALGERIA REMARKS: Contract designated under MOU, agreed November 1984 and loan agreement finalised in January 1985. Algerians demanded last minute changes to contract, i.e. increases in local assembly element and military industrial training. These have been agreed but ratification is still awaited. Last minute improvements to the credit terms being sought by the Algerians.

PRODUCT: GR 083 RADIO RELAY

FIRM : MARCONI SECURE RADIO SYSTEMS

VALUE :£m 50.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
581 1985 COMPETITION: France.

COUNTRY: ALGERIA REMARKS: Joint (Anglo-Algerian) study team established to consider co-operation in industrial aspects of Hawk assembly, establishment of aircraft and engine overhaul/repair facility and training. Credit will be required. Team reported in January 1985 and further clarification given in some areas following circulation of report within Algerian Air Force. Decision unlikely before Sept 85 at earliest.

PRODUCT: HAWK

FIRM : BRITISH AEROSPACE AG

VALUE :£m 200.00 MINISTERIAL: Algerian CAS called on PM and Minister (DP) during successful visit to UK in
INVOLVEMENT: March 84.

REF NO CON.DATE
22 1986 COMPETITION: France/FRG (Alpha-Jet).

ANNEX B - PRIORITY ONE PROSPECTS - AFRICA

COUNTRY: <u>ALGERIA</u>	REMARKS: Support contract for Presidential Tri-Star engines.
PRODUCT: RB.211 ENGINE	
FIRM : ROLLS ROYCE CIVIL ENGINES	
VALUE :£m 8.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1961 1985	
COUNTRY: <u>CAMEROON</u>	REMARKS: Minister of Armed Forces visited UK in November 1984, when he met S of S and Min (DP), for discussions with companies and attended firepower/mobility demonstrations. Equipments include Scorpion, Land Rover, FPCs, Blowpipe, radars, Fox and small arms trainers. A draft "umbrella" MOU has been offered to Cameroon (April 1985) which includes credit arrangements. Action on some specific requirement expected as soon as MOU is signed.
PRODUCT: EQUIPMENT PACKAGE	
FIRM : VARIOUS	
VALUE :£m 120.00	MINISTERIAL: Minister of Armed Forces visited UK in November 1984. President Biya met Pm &
	INVOLVEMENT: Min (DP) in May 1985. Min (DP) expected to visit Cameroon to sign MOU in second half of 1985.
REF NO CON.DATE	COMPETITION: Various but France in particular.
1867 N.K.	
COUNTRY: <u>ZIMBABWE</u>	REMARKS: It had been hoped that a contract for the supply of 7 W30 helicopters to the Zimbabwe Air Force would be signed in May. The Zimbabweans have, however, reopened the competition and WHL have submitted their revised proposals. Results of the AFZ re-consideration are awaited.
PRODUCT: WESTLAND 30	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 26.00	MINISTERIAL: The subject was discussed during Minister of State (AF)'s visit to Harare in
	INVOLVEMENT: May 1984. Foreign Secretary raised the subject with Mr Mugabe in Jan 85. US of S (DP) discussed with Min of State in PM Office for Defence in May 85.
REF NO CON.DATE	COMPETITION: France, Italy, Yugoslavia.
1606 1985	

END

ANNEX B - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: CANADA	REMARKS: TCCS (Tactical Command, Control & Communication System), aims to replace by 2000, all section to theatre communications. PD stage will last 2 years and first RFP just issued. UK software houses in contention (Software Sciences & Easams). Likely outcome is contracts to 1 UK firm, 1 French, 1 on-shore if capable. In longer term, Plessey and possible Marconi in running for main hardware contract. Only phase 1 funded so far. Local manufacture & offset is key.
PRODUCT: TCCS	
FIRM : VARIOUS	
VALUE :£m 700.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 3426 N.K.	COMPETITION: France, Canada.
COUNTRY: USA	REMARKS: US Army has leased 20 L119 (short barrel) 105mm Light Guns for evaluation. RO has negotiated production/licence agreement with US, under which it will manufacture 100 complete guns, 75 guns less ordnance, 25 trial assemblies and £5m of spares. Thereafter US and UK will jointly manufacture US Army requirements upto a ceiling of 500 guns. House Armed Services sub-committee reported to be critical of the agreement.
PRODUCT: 105mm LIGHT GUN (UK)	
FIRM : ROYAL ORDNANCE	
VALUE :£m 85.00	MINISTERIAL: Minister (DP) INVOLVEMENT:
REF NO CON.DATE 1766 N.K.	COMPETITION: USA
COUNTRY: USA	REMARKS: Initial contract for US NACES (Naval Aircrew Common Ejection Seat) awarded to Martin Baker on 3 May 1985 value \$5.5m. Total value of design programme \$20m. Contract contains options for production of upto 734 seats, value \$50m. NACES programme contains about 40% US content. Martin Baker subcontractors are East West Industries (NY) Teledyne (CA) and EDM Corp. (VA). Potential to bid in open competition for further requirements upto \$100m.
PRODUCT: EJECTION SEATS	
FIRM : MARTIN BAKER	
VALUE :£m 32.50	MINISTERIAL: Minister (DP) INVOLVEMENT:
REF NO CON.DATE 749 1986	COMPETITION: USA(Stencel & McDonnell-Douglas)
COUNTRY: USA	REMARKS: GEC Avionics and BAe carrying out competitive studies for FLIR in GR5 and Tornado decision Aug/Sept 1985. US has agreed to apopt FLIR for AV8B. In parallel US designing moving map display which UK may apopt for GR5. Thereafter US/UK to share non-recurring development, integration and test costs on 60:40 basis. Supplement to AV8B/GR5 MOU embracing night attack under negotiation.
PRODUCT: FLIR FOR AV-8B	
FIRM : VARIOUS	
VALUE :£m 235.00	MINISTERIAL: Minister (DP) INVOLVEMENT:
REF NO CON.DATE 1768 1986	COMPETITION: USA

ANNEX B - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: <u>USA</u>	REMARKS: McDonnell Douglas have been awarded a contract by the USN, initiating full scale development of the T45 Hawk training system. Total cost of development is \$438m. Delivery of 300 production aircraft is due to run from 1989 to 1997. Total programme cost \$3.2 billion. BAe's share of aircraft design and production is around 18% of this sum. USG has asked for waiver of UK R&D levy on Hawk. Under consideration in the department.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 500.00	MINISTERIAL: Minister (DP), Secretary of State.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA.
77 1985	
COUNTRY: <u>USA</u>	REMARKS: USAF developing series of dispensing systems for airfield attack - DAACM (Direct Airfield Attack Combined Munition) and AGM-130B (Advanced Guided Munition) HEL's HB876 Area Denial Mine (JP233 subsystem) is prime candidate to complement USAFs BKEP (Boosted Kinetic Energy Projectile) for these programmes. HEL discussing teaming with potential US lead contractors on DAACM and AGM-130B for HB876 integration
PRODUCT: HB876 AREA-DENIAL MINE	
FIRM : HUNTING ENGINEER	
VALUE :£m 315.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA
1769 1986	
COUNTRY: <u>USA</u>	REMARKS: First contract signed 13.12.84 between Asst Sec US Army and Minister(DP). (FY 84 procurement). FY85 procurement contract signed April 1985 for 491 mortars and 350,000 bombs value \$35m. Congress has zeroed FY86 funds. DSO(W) to monitor situation.
PRODUCT: IMPROVED 81mm MORTAR	
FIRM : ROYAL ORDNANCE	
VALUE :£m 150.00	MINISTERIAL: Minister (DP)
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1915 1986	
COUNTRY: <u>USA</u>	REMARKS: Plessey/Rockwell/ITT have responded to US Army RFP for MSE. Total programme value \$4.3 billion. UK's share of business could total \$1.5 billion. Highly successful demonstration of Ptarmigan units in BAOR given to US WVIPs in April 1985. Request for best and final offer issued 13 July. Source selection end August. Contract award October 1985.
PRODUCT: PTARMIGAN FOR MSE	
FIRM : PLESSEY DEFENCE SYSTEMS	
VALUE :£m NK	MINISTERIAL: Minister (DP), Secretary of State, Prime Minister.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France/USA (Thomson-CSF & GTE offering RITA)
578 1985	

ANNEX B - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: <u>USA</u>	REMARKS: USAF have decided to use \$50m appropriated by Congress in FY83 to procure Rapier for deployment in its Turkish bases. The procurement will comprise 12 fire units. UK "assistance" will provide for a further 2 units, support, training and range facilities. Supplement to existing Rapier MDU under negotiation.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 44.00	MINISTERIAL: Minister (DP)
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (Ford Aerospace - Chapparral)
227 1985	
COUNTRY: <u>USA</u>	REMARKS: Rolls Royce has recently completed a 6 month study contract for the US Army into applications of the RTM-322 to the Sikorsky Blackhawk and Hughes Apache helicopters. US Army firmly intends to uprate these helicopters; potential for at least 1400 engines sales exist.
PRODUCT: RTM-322 TURBOSHAFT ENGINE	
FIRM : ROLLS-ROYCE	
VALUE :£m 620.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (GE-existing supplier to Sikorsky & Hughes)
1912 1990	
COUNTRY: <u>USA</u>	REMARKS: US/UK agreement for UK participation in Trident II (D5) weapon system program signed in April 1982. Approx 1500 UK firms briefed and around 300 "approved" as potential suppliers. Competition commenced mid 83 and expected to continue at least until late 86. No guaranteed offset sum. To date 104 awards (val £37m) made to UK industry but total value not known until competition complete. Unlikely to exceed single percentage figure of UK dollar outlay.
PRODUCT: TRIDENT II (D5) COMPONENTS	
FIRM : VARIOUS	
VALUE :£m NK	MINISTERIAL: Agreement (exchange of letters) signed by S of S. Both S of S and Min(DP)/US
	INVOLVEMENT: of S(DP) have been given briefs on progress of UK industry.
REF NO CON.DATE	COMPETITION: USA
1767 N.K.	
COUNTRY: <u>USA</u>	REMARKS: Plessey Radar teamed with US Co ITT Gilfillan to compete for:-
PRODUCT: WATCHMAN ATC/AD RADARS	1)USMC - MATCALs new air surveillance radar. 17 systems, value to Plessey £20m; RFP expected Autumn 1985.
FIRM : PLESSEY RADAR	2)USAF - MPN - XX rapidly deployable air traffic control requirement. 25 systems, value to Plessey £25-27m. Contract definition 1985. Full scale engineering development 1986/7. Op. test and evaluation 1988. Production contract 1989
VALUE :£m 47.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA
1913 1986	

END

ANNEX B - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: <u>BRAZIL</u>	REMARKS: Westlands are competing for two separate requirements; 16 aircraft for use by the Brazilian Navy on their new corvettes and 8 aircraft for use by the Marines in a troop carrying role. Credit cover will be required for this sale and its provision will be a problem.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France, Italy, USA.
196 1985	
COUNTRY: <u>BRAZIL</u>	REMARKS: Originally Brazil was to buy engine kits and components for the AMX tactical support aircraft from Italy, but it is now almost certain that they will buy direct from RR. An initial order worth about £16m is expected during 1985. Further large orders will follow. Brazil has sought credit for these purchases; and this is currently under discussion with the firm; a risk sharing arrangement will be essential if ECGD are to become involved.
PRODUCT: RB.168 SPEY ENGINE	
FIRM : ROLLS-ROYCE	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1712 1985	
COUNTRY: <u>BRAZIL</u>	REMARKS:
PRODUCT: VIDEO CAMERA & RECORDER	
FIRM : FERRANTI DEFENCE SYSTEMS	
VALUE :£m 5.50	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Fairchild; Teledyne; TRT.
2813 N.K.	
COUNTRY: <u>CHILE</u>	REMARKS: British Aerospace are preparing proposals for the refurbishment and supply of upto 6 RN T22 Canberra aircraft to the Chilean Navy. The aircraft will carry the Sea Eagle missile. Two B4 trainer aircraft and a PR9 aircraft are also required.
PRODUCT: CANBERRA	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 25.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1545 1986	

ANNEX B - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: CHILE	REMARKS: The Chilean Navy has a requirement for up to 200 Seacat missiles for its UK built vessels (2 County Class, 2 Almirante Class, & 2 Leanders). Whilst budgetary constraints preclude a once off buy, Shorts are hopeful that an initial contract for 40/50 missiles will be concluded by early 1986.
PRODUCT: SEACAT	
FIRM : SHORT BROS MISSILE DIVISION	
VALUE :£m 10.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1714 1985	
COUNTRY: CHILE	REMARKS: BAe have submitted proposals for 24 launching pallets plus missiles. Negotiations are continuing and BAe are hopeful of securing a contract in the near future but much depends on their proposals for financing the sale.
PRODUCT: SWINGFIRE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 10.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
604 1985	
COUNTRY: ECUADOR	REMARKS: BAe have a letter of intent from the Ecuadorean Air Force for the purchase of a single Jaguar plus spares and ancillary equipment to cover attrition losses. Ecuador is at present off ECGD cover and BAe are offering credit at their own risk. A follow on order for a further 6 Jaguar aircraft is also a possibility.
PRODUCT: JAGUAR	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 9.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
601 1985	
COUNTRY: ECUADOR	REMARKS: Ecuador's newly acquired Esmeralda class corvettes are fitted with helicopter platforms but no helicopters have yet been purchased. Westlands have successfully carried out a Naval Lynx landing on board these ships and are hopeful of achieving a sale. The requirement will be for 6-8 aircraft. Ecuador is currently off ECGD cover and there are therefore likely to be problems with any finance package.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 30.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France, Italy.
1716 1986	

30/07/85

CONFIDENTIAL UK EYES A - COMMERCIAL-IN-CONFIDENCE

D/MKTG/17/21

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ANNEX B - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: <u>ECUADOR</u>	REMARKS: BAe(DG) have Ecuadorian Letter of Intent for purchase of Rapier. But Ecuador is off ECGD cover and contract signature will depend on the firm's ability to present a suitable finance package which could involve counter trade. Firm made updated proposals in May.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 20.00	MINISTERIAL: Minister (AF) has cleared the early release of Blindfire, should this be INVOLVEMENT: necessary.
REF NO CON.DATE	COMPETITION: France (Crotale).
105 1985	

END

END OF RUN

CONFIDENTIAL UK EYES B - COMMERCIAL-IN-CONFIDENCE



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-930 7022

MO 5/3/3

9th August 1985

TEMPORARILY RETAINED. J. Gray 8/7/2014

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

Dear Tim,

SAUDI ARABIA - TORNADO

The Prime Minister has kindly agreed to see Prince Bandar Bin Sultan at 10am on Monday morning. The Prime Minister will recall that the Prince last saw her on 7th June on which occasion the Prime Minister handed to him her letter to King Fahd expressing positive support for the potential purchase of Tornado by Saudi Arabia.

I am afraid that the amount of information we have as to Prince Bandar's reasons for wishing to call upon the Prime Minister at such short notice is sketchy. We understand that he is going to deliver King Fahd's reply to the Prime Minister's letter; that this reply contains good news and that it will not require an immediate detailed answer. Our assumption (which cannot be guaranteed) is that the letter will confirm the Saudi intent to buy the Tornado (and probably also the Hawk) and that detailed arrangements between the two Governments will need to be worked out by officials.

If our reading of the intentions behind the Prince's call upon the Prime Minister is correct, the Prime Minister will no doubt wish to thank Prince Bandar for taking the trouble to deliver the King's letter personally; to express the satisfaction of HMG at the intention of Saudi Arabia to acquire the Tornado (and the Hawk); to emphasise the importance which we attach to this sale, and to say that we will do all that we can to assist in the early conclusion of a contract, and the successful introduction into service and operation of the aircraft.

I am sending a copy of this letter to Peter Ricketts (FCO).

Yours ever,

Dennis

(D BRENNAN)

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CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

17 July 1985

Prime

NBPM

COO

17/7'

Dear Charles,

Letters from King Hussein

I enclose for your records the signed originals of letters from King Hussein to the Prime Minister on the visit of a Jordanian/Palestinian delegation to London and the credit terms for the defence equipment package for Jordan.

Yr

ever,

Peter Ricketts

(P F Ricketts)

Charles Powell, Esq
Private Secretary
No 10 Downing Street

CONFIDENTIAL

GRS 170

SECRET

DESKBY 121500Z

FROM AMMAN 121347Z JUL 85
TO IMMEDIATE FCO
TELEGRAM NUMBER 318 OF 12 JULY
INFO IMMEDIATE MODUK

FCO FOR NENAD, INFO MODUK FOR RMD2
MIPT: JORDANIAN DEFENCE EQUIPMENT PACKAG

FOLLOWING IS TEXT OF KING HUSSEIN'S REPLY.

BEGINS

DEAR PRIME MINISTER,

I AM GRATEFUL FOR YOUR KIND MESSAGE DATED 10 JULY, 1985 REGARDING THE CREDIT TERMS FOR THE PACKAGE OF DEFENCE EQUIPMENT.

PLEASE ALLOW ME TO EXPRESS MY DEEP APPRECIATION AND SINCERE GRATITUDE FOR YOUR PERSONAL INTEREST IN THIS MATTER, WHICH I AM SURE WAS INSTRUMENTAL IN ARRIVING AT THIS MOST ACCEPTABLE AGREEMENT.

I ALSO WISH TO THANK YOU FOR YOUR CONTINUED SUPPORT AND DESIRE TO DO EVERYTHING POSSIBLE TO MAINTAIN AND FURTHER ENHANCE THE VERY CLOSE RELATIONS BETWEEN OUR TWO COUNTRIES. NEEDLESS TO SAY, I RECIPROCATE YOUR FEELINGS AND WILL CONTINUE, ON MY PART, TO DO ALL I CAN TO PRESERVE AND STRENGTHEN THE VERY STRONG TIES WHICH HAPPILY BIND US.

MY GOVERNMENT ACCEPTS THE TERMS OF AGREEMENT AS INCORPORATED IN THE MEMORANDUM OF UNDERSTANDING, AND IS READY TO SIGN THIS WHENEVER IT IS CONVENIENT FOR YOUR GOVERNMENT.

WITH MY BEST PERSONAL REGARDS AND GOOD WISHES, I LOOK FORWARD TO SEEING YOU NEXT FRIDAY.

I AM YOUR SINCERE FRIEND,

HUSSEIN

ENDS

VM

10

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No: T 135 B/85

a MASTER
OPJ

[Handwritten signature]

SECRET

British Aerospace

501

Sir Raymond Lygo, KCB
Managing Director

CF

20th July 1985

mr

118

Dear Prime Minister,

It was a pleasure to see both you and Denis in such robust form last winter. Please be assured that you have our fullest support.

Have a good rest and relax. Afterwards I would like to give you a personal update on our massive opportunities for

exporting our products - in particular
Tornadoe, Hawk and Rapier.

With very good wishes to you
both.

Your sincerely,
Ray Wro



Amman

11 July, 1985

Dear Prime Minister,

I am grateful for your kind message dated 10 July, 1985 regarding the credit terms for the package of defence equipment.

Please allow me to express my deep appreciation and sincere gratitude for your personal interest in this matter, which I am sure was instrumental in arriving at this most acceptable agreement.

I also wish to thank you for your continued support and desire to do everything possible to maintain and further enhance the very close relations between our two countries. Needless to say, I reciprocate your feelings and will continue, on my part, to do all I can to preserve and strengthen the very strong ties which happily bind us.

My Government accepts the Terms of Agreement as incorporated in the Memorandum of Understanding, and is ready to sign this whenever it is convenient for your Government.

With my best personal regards and good wishes, I look forward to seeing you next Friday.

I am

Your sincere friend,

The Rt. Hon. Margaret Thatcher
Prime Minister of Great Britain
and Northern Ireland
10 Downing Street
London SW1
England



010
Prime Minister
Not a very
promising outlook
CDD
12/7
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MO 26/9/1(A)

PRIME MINISTER

QUARTERLY REPORT ON DEFENCE SALES AND PROSPECTS

1ST JANUARY TO 31ST MARCH 1985

My previous report on Defence Sales and Prospects gave the 1984 achievement on the same basis as previous reports and indicated that a new and more comprehensive data collection scheme was being introduced to improve the accuracy of these figures. The new scheme's effectiveness has been demonstrated by a retrospective exercise which yields an annual total value of British defence export contracts secured in 1984 of some £2159 million as against the £1562 million recorded under the old system. Because this is the first quarterly report since the introduction of the new system I attach at Annex C a description of the new system in detail and the reasons for certain changes in the format of my report.

2. The lags within the new data collection system described in Annex C result in the low reported sales figure of £134 million for the three month period covered by this report. A summary of contracts reported in the quarter is given at Annex A with details of the highest priority current sales prospects being listed at Annex B.



3. There have been no major developments in the Middle East where the situation has continued to evolve, in many cases favourably, since my last report. Our political relations with Saudi Arabia remain good following your stop-off to see King Fahd, but the Saudis have given no indication as to when they will make up their minds over the prospective sale of Tornado and Hawk. The existing MOU covering the SADAP air defence contract has been extended to December 1985 to cover the period during which competitive tenders for the contract, now in four parts, will be sought from British industry. IHG, the contractor for the National Guard SANGMED project, has recently agreed a £130 million direct contract for two years operation of the King Khaled hospital. Challenger and MCV80 are undergoing an important trial in Saudi Arabia at present. Competing American, French, and Brazilian armoured equipment may also be trialled in 1985.

4. You are aware of the latest position on the sale of the Tornado Air Defence Variant to Oman where British Aerospace remain on course for contract signature later this month. In Kuwait the prospect of a sale of MCV80 remains good although Richard Luce received complaints from the Kuwaiti Defence Minister over our supply of spare parts for the 1975 Chieftain tank deal. These are under investigation and I believe there is a good prospect of a satisfactory outcome. International Military Services, with Plessey as the main supplier, have



submitted a proposal for the expanded United Arab Emirates Joint Operations Centre requirement, whilst Bahrain has shown a resurgence of interest in Sea Skua missiles which were successfully demonstrated here in June. A Qatari crew has been receiving Royal Navy training in the United Kingdom on mine countermeasures but the Qataris show no sign as yet of acquiring any of the necessary equipment. Negotiations for the sale of frigates to Pakistan continue slowly but steadily, with a Pakistani timetable that extends to September.

5. Negotiation on the potential Jordanian defence equipment package have been delayed by the change of Government there. However, the Jordanians reaffirmed their intention to proceed with the package at the end of April, since when a series of negotiations have taken place, the last towards the end of June. It is hoped that an agreement covering some £270 million of equipment will be signed in September. An ultimatum to the Egyptians that we will have to terminate the special defence sales credit reservation if they do not make use of it soon seems to have had the desired effect; negotiations on several long delayed contracts have been reactivated though Egyptian interest seems now to have switched to Army equipment rather than the Naval vessels previously talked about. It had been hoped that a contract for the sale of W30 helicopters to Zimbabwe (£30M) would be signed in May. At the request of the Zimbabweans however, Westlands have reviewed their proposals and submitted a revised offer.



6. The recent hiatus in activity following the elections in India seems to have come to an end with negotiations on the £175 million follow-on purchase of Sea Harrier recommencing and the £600 million gun and ammunition competition, in which FH70 is a contender, becoming active once again. It is hoped that the problems over the Westland 30 will have a minimal impact on military sales. Sri Lanka's internal problems are creating urgent equipment enquiries to which many UK companies are responding within the guidelines laid down. Your recent tour of South East Asia has considerably strengthened the relationship between the United Kingdom and the ASEAN nations, and has done much to increase interest in British defence equipment. In Indonesia negotiations over £150 million worth of further Rapier and spares are expected in the autumn. Dr Habibie visited the United Kingdom in July and the opportunity was used to further promote the substantial prospects for sales. The Malaysian Deputy Defence Minister's visit to the United Kingdom in May fostered their interest in submarines, helicopters and FH70. In Singapore the Skyhawk avionics update was awarded to a United States firm but some work should come to Ferranti, while Rolls-Royce have withdrawn from the re-engining aspect of the project because of delays. Tenders for the Singaporean fast patrol boat requirement have been invited and we appear well placed to secure a portion of the equipment fit. With Thailand



committed to buying US F16 aircraft, the possible sale of ex-RAF Jaguars has receded, but prospects remain for Hawk aircraft and helicopters whilst ICI have secured a £38 million contract for a propellant plant.

7. In the Far East our relationship with China continues to strengthen with the First Sea Lord's visit to China in May and visits to the United Kingdom in June by the Chinese Premier and by his Chief of Air Staff. The largest short term prospect is for £100 million worth of Skyflash air-to-air missiles. Success in South Korea remains elusive but, notwithstanding Skyvan's diminished prospects due to budgetary constraints, Naval Lynx equipped with Sea Skua missiles remains well placed for the £60 million small ship helicopter requirement and Hawk continues to be a long term prospect. Major long term prospects in Japan remain in aircraft, with Sea Harrier and now Tornado. Norman Tebbit's visit in April is the kind of high level political support which will be needed if we are to succeed in this market. Australia has delayed decisions on both the Air Force helicopter and frigate requirements where Westland and Yarrow respectively have interests. Vickers, with the T2400 submarine were not successful in being selected as one of the two proposals to proceed to the project definition phase, and the Plessey combat system was also rejected.



8. In the USA your intervention with the President and the successful April demonstration of Ptarmigan by BAOR to America VIPs, including the Under Secretary of the Army, James Ambrose, will be important factors in the Mobile Subscriber Equipment Competition which could be worth over £1 billion to United Kingdom industry. A decision is expected shortly. It has been announced that Martin Baker have won the £55 million US Naval Aircrew Common Ejection Seat Competition. In Canada the short-list for the low level air defence requirement has been announced, and does not include British Aerospace with Rapier or Shorts with Javelin. Despite the disappointment we will need to maintain a good relationship in the defence procurement field in the interests of future prospects such as helicopters, submarines and radio equipment.

9. In Europe, some of those prospects highlighted in the last report as nearing conclusion had disappointing results for British industry. The Dutch finally decided in favour of a purchase of Vertically Launched Sea Sparrow in preference to Vertically Launched Sea Wolf, and the Austrians selected the Saab Draken as their new interceptor aircraft rather than the BAe Lightning. Marconi were also unfortunate to lose the Dutch competition for an Integrated Communications System (ICS3). But on the positive side, an initial small order for medium girder bridging placed by Sweden could have an encouraging effect on Norway's choice of similar equipment. Efforts to interest the



Germans in the ALARM missile continue, but the Germans remain committed to its US competitor, HARM. The French have also shown an interest in ALARM and there are other European requirements for a defence suppression weapon of this kind. The Exchange of Letters with the Spanish Defence Ministry seems to be encouraging Spanish interest in United Kingdom equipment. Vickers have submitted proposals for the supply of tanks and MUSL are actively pursuing the Spanish Navy's requirement for a new lightweight torpedo. British Aerospace continue to travel hopefully in Turkey, principally with the prospects of a further sale of Rapier but also, despite the lack of ECGD credit, with a proposal for the sale of 20 Tornado aircraft.

10. Lack of credit cover and economic problems continue to cloud the sales picture in many countries in Latin America. However, Racal have signed a contract, which the Mexican authorities have requested to be kept confidential, valued at £45 million for the supply of communications equipment to Mexico and BAe are about to conclude a £12 million Jaguar package in Ecuador. The selection of the Tucano as the new basic trainer for the RAF should improve co-operation and sales prospects with Brazil, although arranging suitable financing for future sales may prove difficult.

11. The artificially low sales figures for the first quarter of 1985 cannot be compared with previous performance due to the introduction of the new data collection scheme. It is apparent, however, that activity in the quarter was sluggish with several



prospects being cancelled or deferred whilst progress on other very major projects, for which we remain optimistic, has not been as fast as we would wish. If 1985 sales are to exceed those of last year it is clear that some acceleration must occur.

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

A handwritten signature in blue ink, appearing to be "M. H. S.", written in a cursive style.

Ministry of Defence

11th July 1985

ANNEX A - REPORTED CONTRACTS SUMMARY

COUNTRY	LAND SYSTEMS VALUE £m	AIR SYSTEMS VALUE £m	SEA SYSTEMS VALUE £m	TOTAL VALUE £m
ALGERIA	0.23	-	0.20	0.43
AUSTRALIA	0.02	0.25	0.81	1.08
AUSTRIA	0.43	-	-	0.43
BAHRAIN	0.27	-	-	0.27
BELGIUM	1.84	-	-	1.84
BRAZIL	5.03	2.04	0.12	7.19
BURKINA	-	0.46	-	0.46
CANADA	0.42	0.22	0.09	0.73
CHILE	-	0.07	-	0.07
DENMARK	0.25	0.26	-	0.51
ECUADOR	-	0.09	-	0.09
EGYPT	2.53	0.01	0.30	2.84
FINLAND	0.83	0.89	2.91	4.63
FRANCE	0.72	1.44	0.15	2.31
GERMANY (WEST)	0.71	2.70	0.64	4.05
GHANA	0.09	-	-	0.09
GREECE	0.01	0.72	0.26	0.99
INDIA	7.21	1.90	0.22	9.33
INDONESIA	0.07	0.33	0.76	1.16
IRAN	0.08	0.15	-	0.23
IRAQ	0.09	-	-	0.09
ITALY	0.02	3.01	-	3.03
JAPAN	-	0.47	4.06	4.53
JORDAN	1.67	-	-	1.67
KENYA	0.05	0.12	0.03	0.20
KOREA (SOUTH)	0.79	-	-	0.79
KUWAIT	0.35	-	-	0.35
LUXEMBOURG	-	0.20	-	0.20
MALAYSIA	0.10	0.37	-	0.47
NATO	0.03	-	-	0.03
NETHERLANDS	-	0.29	0.55	0.84
NEW ZEALAND	-	0.03	0.09	0.12
NIGERIA	0.15	-	-	0.15
NORWAY	0.72	-	0.26	0.98
OMAN	1.05	3.17	0.29	4.51
PAKISTAN	-	0.26	-	0.26
PERU	-	0.03	-	0.03
P.R.CHINA	-	-	3.96	3.96
PORTUGAL	0.01	-	0.02	0.03
ROMANIA	-	0.21	-	0.21
SAUDI ARABIA	1.80	1.51	-	3.31
SINGAPORE	-	0.18	0.04	0.22
SPAIN	0.02	0.59	-	0.61
SRI LANKA	0.01	-	0.03	0.04
SWEDEN	1.53	0.79	-	2.32
SWITZERLAND	0.02	0.15	-	0.17
SYRIA	0.16	-	0.52	0.68
TUNISIA	-	0.64	-	0.64

ANNEX A - REPORTED CONTRACTS SUMMARY

COUNTRY	LAND SYSTEMS VALUE £m	AIR SYSTEMS VALUE £m	SEA SYSTEMS VALUE £m	TOTAL VALUE £m
TURKEY	0.58	-	1.40	1.98
UAE	0.18	0.87	-	1.05
UGANDA	0.40	-	-	0.40
URUGUAY	-	0.01	-	0.01
USA	6.52	24.56	12.02	43.10
YUGOSLAVIA	-	0.29	-	0.29
ZIMBABWE	0.27	0.03	-	0.30
UNSPECIFIED	-	-	-	18.18
TOTALS	37.26	49.31	29.73	134.48

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: BELGIUM REMARKS: The Belgians require 683 flat-bodied 6x4, 129 flat-bodied 6x6 with cranes, 78 box-bodied 6x4, 131 6x6 tippers, 141 6x6 recovery lorries, and 40 6x4 light tank transporters, Tenders due 29 May 1985. Two trials vehicles to be supplied by August 1985 for three month test programme. Deliveries 300 per year after first order March 1986. Scammell are talking to Belgians about contract and offset requirements.

PRODUCT: HEAVY VEHICLE

FIRM : SCAMMELL MOTORS

VALUE :£m 150.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
2014 1986

COMPETITION: Sweden (Volvo), FRG (MAN/Mercedes), Neth (DAF), USA (Oshkosh)

COUNTRY: DENMARK REMARKS: Danish requirement is for 85 aiming units and 850 missiles. Shorts have submitted an initial proposal. Recommendation to Ministry of Procurement Sept 85. Danes visited PM and Shorts saw live firings at Manorbier May 1985. MGW4D visited Denmark end of May 1985.

PRODUCT: JAVELIN S15 SAM

FIRM : SHORT BROS MISSILE DIVISION

VALUE :£m 30.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1778 1986

COMPETITION: Sweden (RBS-70), France (Mistral), USA (Stinger)

COUNTRY: DENMARK REMARKS: The Danes have 8 Naval Lynx in service and are considering a follow-on order for Baltic surveillance. Westlands first choice, but money is not now available until 1988 at the earliest. Much may depend on whether Westlands can improve the reliability and spares support of the existing Lynx. Westland submitted quotes and delivery offers in March 85.

PRODUCT: LYNX (NAVAL)

FIRM : WESTLAND HELICOPTERS

VALUE :£m 15.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
456 1988

COMPETITION:

COUNTRY: FINLAND REMARKS: Finns require a SHORAD system, and will start their formal evaluation this year. Contract is expected in 1986 for ISD 1989. Finns are looking at European equipment (to preserve neutrality). We hope to interest them in optical Rapier initially, and perhaps Blindfire at the end of the 1980s.

PRODUCT: RAPIER

FIRM : BRITISH AEROSPACE DG

VALUE :£m 100.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1782 1986

COMPETITION: France (Crotale), FRG (Roland), USSR.

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>FINLAND</u>	REMARKS: A follow on order to the 3 Watchman ATC radars already bought by Finland. Much will depend on whether Plessey fullfil their earlier offset obligations.
PRODUCT: WATCHMAN ATC/AD RADARS	
FIRM : PLESSEY RADAR	
VALUE :£m 6.90	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1772 1985	
COUNTRY: <u>FR GERMANY</u>	REMARKS: German officials remain committed to HARM although the Bundestag Defence Committee seem to see attractions in BAe's unsolicited proposals of mid-84. A meeting is to be held soon between the FMOD, BDC and UK and US officials to debate the merits of the competing systems.
PRODUCT: ALARM	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 100.00	MINISTERIAL: Both S of S and Min(DP) have written to their opposite numbers on several occasions over the past 2 years. Discussions with German Ministers have also taken place as opportunity has permitted.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (HARM)
459 N.K.	
COUNTRY: <u>FR GERMANY</u>	REMARKS: To be used in conjunction with Seaspray radar. Contract for the development phase has already been placed involving 2 sets of helicopter installed equipment (option on further 20), test equipment, telemetry missiles and expendable dummies.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 30.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France
35 1985	
COUNTRY: <u>FR GERMANY</u>	REMARKS: To be fitted to Sea King SAR helicopters, combined with Sea Skua missiles, to convert aircraft to dual role. The Seaspray will operate in a new 360 degree role. Two prototype sets have already been ordered.
PRODUCT: SEA SPRAY	
FIRM : FERRANTI RADAR SYSTEMS	
VALUE :£m 20.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: MEL (UK).
573 1985	

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: FRANCE REMARKS: France has a requirement for upto 4 AEW systems. Current options are US Boeing AWACS system, already evaluated, and a European solution involving Marconi's MSA with probably the A300 Airbus. Marconi and BAe have submitted proposals. Evaluation flight took place in October 84 and further flights will occur in 1985. A decision is expected in 1985. Offset will be an important factor.

PRODUCT: AEW EQUIPMENT

FIRM : GEC AVIONICS

VALUE :£m 300.00 MINISTERIAL: During regular exchange with French, Ministers will be briefed to press the INVOLVEMENT: European solution on the French Air Force.

REF NO CON.DATE

188 1985 COMPETITION: USA (AWACS)

COUNTRY: ITALY REMARKS: The Italian carrier (Garibaldi) has been fitted to operate VSTOL aircraft, but this remains the subject of much debate within Italian military circles. According to Italian law, only the IAF can operate fixed wing aircraft, although attempts are being made to change this. Competition is the AV-8B, and McDonnell-Douglas have been very active in Italy. The RN remains willing to give assistance on operational aspects. Offset will be an important factor.

PRODUCT: SEA HARRIER

FIRM : BRITISH AEROSPACE AG

VALUE :£m 136.00 MINISTERIAL: INVOLVEMENT:

REF NO CON.DATE

1623 N.K. COMPETITION: USA (AV8B).

COUNTRY: NETHERLANDS REMARKS: Part of 2nd Anglo-NL equipment package. GEC leading - Ameco sub contracting.

PRODUCT: TOWED ARRAY

FIRM : VARIOUS

VALUE :£m 7.00 MINISTERIAL: INVOLVEMENT:

REF NO CON.DATE

1878 1985 COMPETITION:

COUNTRY: NORWAY REMARKS: The Norwegians need a wet and dry bridging system. They have trialled MGB, and will trial the German S Bridge mid-year. RFQ will follow, with contract in late 1985/early 1986. Trials for wet-bridging will start mid-86. Cost an important factor - and the German system is cheaper.

PRODUCT: MEDIUM GIRDER BRIDGE

FIRM : FAIREY ENGINEERING

VALUE :£m 30.00 MINISTERIAL: INVOLVEMENT:

REF NO CON.DATE

1937 1986 COMPETITION: FRG (S Bridge)

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>SPAIN</u>	REMARKS: The Spanish Army have a requirement for a MANPAD system and are now in to the evaluation stage. Shorts have been included in the competition along with General Dynamics, Matra, and Bofors. A significant amount of industrial offset (30%) must be offered. Contract expected in the near future.
PRODUCT: JAVELIN	
FIRM : SHORT BROS MISSILE DIVISION	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (Stinger), France (Mistral), Sweden (RBS-70).
1855 1985	
COUNTRY: <u>SWEDEN</u>	REMARKS: Swedes require fire and forget medium range air-to-air missile for JAS-39. BAe have proposed private venture development of Skyflash. BAe and MCCS are involved in a limited concept study, and DSO will be closely involved in the promotion. Budgetary pressures may compromise Sweden's ability to take part in such a development, though, and compel them to update their RBS system.
PRODUCT: SKYFLASH 90	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 25.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Sweden
467 1988	
COUNTRY: <u>SWITZERLAND</u>	REMARKS: Land Rover was chosen in 1984 to meet Swiss requirement, but finance has been delayed. As a result of pressure from environmentalists and also from Steyr, Swiss Defence Minister has announced that competition will be re-opened between LR and Steyr and new trials and tenders will have to take account of new Swiss exhaust emission regulations.
PRODUCT: LAND ROVER	
FIRM : LAND ROVER LTD	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Austria (Steyr)
470 1988	
COUNTRY: <u>TURKEY</u>	REMARKS: The requirement is for Turkey's 15 new frigates. Racal have submitted a tender through NA Ankara. The Turks are thought to favour Racal's equipment. The first instalment is expected to be ordered in August 1985.
PRODUCT: ELECTRONIC WARFARE & ECM EQUIP	
FIRM : RACAL RADAR DEFENCE	
VALUE :£m 45.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Netherlands (Signaal).
1753 N.K.	

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: TURKEY REMARKS: BAe are actively promoting a second tranche buy of Rapier in the same quantity as the first tranche. Delivery will be consecutive with the first tranche and contractually will be negotiated as an extension of the existing supply contract.

PRODUCT: RAPIER

FIRM : BRITISH AEROSPACE DG

VALUE :£m 150.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1755 N.K. COMPETITION: France/FRG (Roland); USA.

COUNTRY: TURKEY REMARKS: Cabinet refused to endorse necessary ECGD cover for sales of 40 a/c. BAe have subsequently proposed a financial package, without ECGD support, for 20 a/c which is being considered by the Turkish MOD. A package for the further 20 Tornados would have to involve Italy and Germany.

PRODUCT: TORNADO IDS

FIRM : PANAIA

VALUE :£m 573.00 MINISTERIAL: Both S of S and Min (DP) have approached FRG about possible use of FRG aid,
INVOLVEMENT: but this proposal has been rejected.

REF NO CON.DATE
353 N.K. COMPETITION:

COUNTRY: YUGOSLAVIA REMARKS: Dowty, Smiths Industries and Marconi all seek to collaborate with Yugoslavs on their LCA project.

PRODUCT: AIRBORNE ELECTRONICS & OPTICS

FIRM : VARIOUS

VALUE :£m 10.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
2284 N.K. COMPETITION:

COUNTRY: YUGOSLAVIA REMARKS: A follow-on to a 1982 order. Yugoslavs requested 1600 standard BL755 and 400 of the improved version. Security problems over release of the latter mean that delivery of improved BL755 cannot take place before 2nd quarter 1988. Huntings are informing Yugoslavs of likely delay.

PRODUCT: BL 755 CLUSTER BOMB

FIRM : HUNTING ENGINEERING

VALUE :£m 28.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
662 1985 COMPETITION:

ANNEX B - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: YUGOSLAVIA REMARKS: For the ORAD aircraft. Yugoslavia prefer Marconi, who have been asked to quote for 10/20/30. Initial order would be worth £3m but this could grow to £20m if the equipment is selected for their proposed light combat aircraft development. Yugoslavs considering Marconi's revised proposals and quotation.

PRODUCT: GUARDIAN RADAR WARNING REC'VER

FIRM : MARCONI CCS

VALUE :£m 3.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE

1895 1985 COMPETITION: Italy (Electronica)

COUNTRY: YUGOSLAVIA REMARKS: BAe having discussions on TORs for feasibility study. This should give us information as to engine type, but negotiations are currently proving difficult as Yugoslavs make unacceptable demands on what should be included in the deal. BAe signed Preliminary Design Study contract early July 1985.

PRODUCT: LCA

FIRM : BRITISH AEROSPACE AG

VALUE :£m 75.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE

1822 N.K. COMPETITION: France, USA.

COUNTRY: YUGOSLAVIA REMARKS: Yugoslavs defining requirement for LCA. They are believed to favour Pratt & Witney engines.

PRODUCT: RB.199 ENGINE

FIRM : ROLLS ROYCE MILITARY ENGINES

VALUE :£m 275.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE

2283 N.K. COMPETITION: USA/Canada (Pratt & Witney)

END

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: <u>BAHRAIN</u>	REMARKS: BAe have excellent prospect to fit Sea Skua to BDF AB212s. BAe have invited C.O.S. to visit No 815 Squadron. Brig. Khalifa, COS, has expressed dissatisfaction at the BAe quote, believed to be heavily loaded. BDF have requested attendance at a live firing. BAe are responding.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 25.00	MINISTERIAL: Prime Minister and Minister (DP) (Mr Pattie) met The Amir of Bahrain 10-13 April 1984. Minister (DP) (Mr Butler) visited Bahrain October 1984. Mr Luce visited Bahrain Jan 85.
REF NO CON.DATE	COMPETITION: France (AS15TT)
42 1986	
COUNTRY: <u>EGYPT</u>	REMARKS: Egyptians have signed agreements with Dutch for the Tripartite class, but final negotiations are not progressing smoothly and Egyptians have agreed to consider an improved bid by VT. In an effort to make VT's proposals more attractive MOD has agreed to make an RN MCMV available on call to meet possible urgent Egyptian operational and training tasks prior to SRMH proposed delivery. Finance available from EGGD special credit reservation at 80% over 8.5 years.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 66.00	MINISTERIAL: Min(DP) agreed (Feb 1985) to assist EN on operational and training tasks subject to detailed agreement of conditions.
REF NO CON.DATE	COMPETITION: Netherlands/France/Belgium, Italy.
1787 1985	
COUNTRY: <u>JORDAN</u>	REMARKS: UK team visited Amman Feb 1985 and firm prices are now being obtained for the JAF requirement. Major elements include EW, ammunition, aircraft refurbishment, FPBs, B vehicle and engineering eqpt. IMS are co-ordinating under umbrella of MOU now under negotiation. Special credit terms (£300 DML for 85% over 10 years at 9.5%) agreed by OD. UK team visited Amman in May 85. IMS's role being re-examined as is Jordanian request for improved credit terms.
PRODUCT: EQUIPMENT PACKAGE	
FIRM : VARIOUS	
VALUE :£m 250.00	MINISTERIAL: PM has discussed with King Hussein (Sept and Dec 84). S of S visited Amman in Oct 84 and had a further meeting with C-in-C in London in Dec 84.
REF NO CON.DATE	COMPETITION: France.
579 1985	
COUNTRY: <u>KUWAIT</u>	REMARKS: Kuwait have requirement to equip 5 or 6 battalions with APCs. Infantry Committee impressed with MCV-80 during visit in April 1984 and GKN SanKey successfully demonstrated vehicle in Kuwait in August and September 1984. Strong political support will be required as major defence equipment purchases by Kuwait are invariably awarded in turn to major arms producing countries.
PRODUCT: APCs/IFVs	
FIRM : GKN SANKEY	
VALUE :£m 300.00	MINISTERIAL: S of S discussed with Shaikh Salim, Minister of Defence, in July 1983, and INVOVEMENT: visited Kuwait in February 1984. Min(DP) (Mr Butler) visited October 1984. PM wrote letter of support to Kuwaiti PM 20 November 1984.
REF NO CON.DATE	COMPETITION: USA (Cadillac Gage); Brazil (Engesa); USSR (BMP-2).
206 1985	

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: OMAN REMARKS: Tri-service requirement. Initial study by 2 senior British officers. LSP specialist helping run project. Ewbank Preece selected as consultants. Marconi have received ITP and hope to be awarded prime contractorship. Substantial civil works content expected to be awarded to UK company. Morgan Grenfell focal point for finance. Project will be subject to MOU. CDS visited Oman Feb 1985. Contract negotiations well advanced.

PRODUCT: COMMUNICATIONS PROJECT

FIRM : VARIOUS

VALUE :£m 300.00 MINISTERIAL: Mr Luce visited Oman Jan 85.
INVOLVEMENT:

REF NO	CON.DATE	COMPETITION:
208	1985	

COUNTRY: OMAN REMARKS: Oman has strong preference for Tornado ADV. 4 GR1s visited Oman Feb 84 in exercise Magic Carpet. Oman & BAe have agreed a draft contract. Contract signature expected end July/early August for 8 aircraft.

PRODUCT: TORNADO ADV

FIRM : PANAUIA

VALUE :£m 274.00 MINISTERIAL: Min (AF) visited Oman Oct 84. Mr Luce visited Oman Jan 85. S of S raised credit issues with Dr Woerner at Anglo-FRG summit Jan 85. S of S has written letter of Comfort in July 1985.
INVOLVEMENT:

REF NO	CON.DATE	COMPETITION:
49	1985	

COUNTRY: QATAR REMARKS: Firm long-term requirement. French competition strong and assisted by warship visits. Qatar crew to train with RN starting April 1985 following success of October 1984 MOD course for three officers. Final procurement decision will be on political, financial & delivery considerations. Political support essential. RN expert visited Qatar Jan 85 to conduct MCM study.

PRODUCT: MINEWARFARE SHIPS

FIRM : VOSPER THORNEYCROFT

VALUE :£m 60.00 MINISTERIAL: Minister (DP) visited October 1984.
INVOLVEMENT:

REF NO	CON.DATE	COMPETITION:
51	1985	France (CNM), FRG, Netherlands (Tripartite).

COUNTRY: SAUDI ARABIA REMARKS: A number of indications of keen RSAF interest in Alarm identified in 1984 were confirmed when Headquarters RSAF wrote to the Air Attache in Jeddah in September 1984 asking BAe (DG) to submit detailed proposals for the supply of 750 weapons. Joint MoD/BAe discussions are continuing to resolve questions of an acceptable delivery programme and the necessary sanitisation needed to satisfy an export order.

PRODUCT: ALARM

FIRM : BRITISH AEROSPACE AG

VALUE :£m 200.00 MINISTERIAL:
INVOLVEMENT:

REF NO	CON.DATE	COMPETITION:
1794	1986	USA (HARM) - but clearance to supply is doubtful.

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: SAUDI ARABIA	REMARKS: The Saudis have requested proposals for an armoured brigade equipped with British equipment. Proposals including Challenger, MCV-80, GBT 155, Marksman and tank transporters submitted February 1985. An in-country trial is planned for July/August 1985. Both Challenger and MCV-80 were trialled in UAE July 81 when Saudi Army attended.
PRODUCT: ARMoured VEHICLES (TRACKED)	
FIRM : VARIOUS	
VALUE :£m NK	MINISTERIAL: HMG formally offered to sell Challenger to Saudi. Foreign Sec. raised subject with Prince Sultan 1983. S of S in January 1984. Discussed again during S of S visit November 1984.
REF NO CON.DATE	INVOLVEMENT:
61 N.K.	COMPETITION: USA, FRG (subject to political restraint)
COUNTRY: SAUDI ARABIA	REMARKS: Costed proposals, including a buy-back of BAe Strikemaster training aircraft were submitted to the Saudi Minister of Defence and Aviation in April 1984. A decision by the Saudi government promised in January 1985 is still awaited.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 125.00	MINISTERIAL: S of S discussed this prospect with his Saudi counterpart in Riyadh in January 1984, and has since written to him in support of the proposals.
REF NO CON.DATE	INVOLVEMENT:
56 1985	COMPETITION: France/FRG (Alpha-jet)
COUNTRY: SAUDI ARABIA	REMARKS: Overall value of £45m consists of £25m for operation and maintenance, £16m for communication equipment and building work, and £5m for National Guard training.
PRODUCT: SANGCOM	
FIRM : CABLE & WIRELESS	
VALUE :£m 45.00	MINISTERIAL:
REF NO CON.DATE	INVOLVEMENT:
1849 1985	COMPETITION:
COUNTRY: SAUDI ARABIA	REMARKS: Costed proposals, including a buy-back of Lightning aircraft were submitted to the Saudi Minister of Defence and Aviation in April 1984. A Saudi Air Force evaluation team visited the UK in July/August 1984 and their report on the aircraft was submitted to the Minister at the end of August. A decision by the Saudi government, originally promised in January 1985, has now been delayed for several months.
PRODUCT: TORNADO IDS	
FIRM : PANAUIA	
VALUE :£m 475.00	MINISTERIAL: Mr Heseltine sent a "hastener" to Prince Sultan on 18 October 1984 and followed this with a visit in November 1984. PM visited Riyadh April 1985.
REF NO CON.DATE	INVOLVEMENT:
64 1985	COMPETITION: USA (F-15 Enhanced Eagle), France (Mirage 2000).

ANNEX B - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: <u>UAE</u>	REMARKS: Plessey proposals well regarded and linked to ADOC (PR1 Ref70). RAF ADAT visited Dec 84. Report presented to GHQ 19 Jan 85. Marconi now intend to bid for the business. GCC Committee visited Plessey October 1984.
PRODUCT: AR 3D RADAR	
FIRM : PLESSEY RADAR	
VALUE :£m 50.00	MINISTERIAL: PM, S of S and Min (DP) met Shaikh Khalifa Crown Prince & DSC Abu Dhabi 18-19 July 1984. Min(DP) visited UAE in Oct 84 (Mr Butler).
REF NO CON.DATE	INVOLVEMENT: July 1984. Min(DP) visited UAE in Oct 84 (Mr Butler).
68 1985	COMPETITION: France (Thomson CSF), USA (Hughes).
COUNTRY: <u>UAE</u>	REMARKS: MOD is giving full backing to an IMS led combination of British electronics firms. Interim JOC contract has not given IMS clear advantage for full contract. International competition is strong. UAE have been invited to send a team to visit UK Operations Centres. Proposals were submitted mid-May 1985. IMS led consortium gave presentation 8 July 1985.
PRODUCT: JOINT OPERATIONS CENTRE	
FIRM : IMS	
VALUE :£m 50.00	MINISTERIAL: PM, S of S and Min (DP) met Shaikh Khalifa Crown Prince & DSC Abu Dhabi 18-19 July 1984. Min(DP) (Mr Butler) visited UAE in October 1984.
REF NO CON.DATE	INVOLVEMENT: 19 July 1984. Min(DP) (Mr Butler) visited UAE in October 1984.
71 1985	COMPETITION: USA, France, FRG.

END

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: AUSTRALIA REMARKS: RAN intends to build 6 submarines in Australia to replace its existing Oberons. Vickers Type 23 & Plessey's combat system were excluded from the PDS announced in May '85. PDS will be between German IKL 2000 & Swedish Type 471 hulls, & USA Rockwell Int. & Dutch HSA combat systems. Vickers offer will remain open while hope remains that RAN may turn to UK for access to superior submarine technology & support.

PRODUCT: TYPE 2400 SUBMARINE

FIRM : VICKERS SEL

VALUE :£m NK MINISTERIAL: Minister (DP)

REF NO CON.DATE INVOLVEMENT:

4 1986 COMPETITION: USA, Holland, Germany, Sweden.

COUNTRY: AUSTRALIA REMARKS: RAN has a requirement for 6 new frigates to be built in country. Work required to maintain shipbuilding programme at Williamstown Dockyard following completion of US designed FFG-7s in 1988. Yarrows have offered Type 23 which broadly meets requirements. RAN team plan to visit UK, and Europe to examine weapon system integration. Project has now slipped one year whilst review of Australian defence strategy is carried out.

PRODUCT: TYPE 23 FRIGATE

FIRM : YARROW SHIPBUILDERS

VALUE :£m NK MINISTERIAL: Min (DP) visited Feb 1985.

REF NO CON.DATE INVOLVEMENT:

1843 1986 COMPETITION: FRG (Meko & Bremen), Holland.

COUNTRY: AUSTRALIA REMARKS: 3 phased purchase of 36 helicopters planned for the RAAF; 12,18 then a final 6. Westlands WG30, though cheaper than its US Blackhawk competitor, is handicapped by the fact that the RAN chose SeaHawk in preference to Lynx and RAAF may elect to stay with Sikorsky. Westlands have offered to help establish Australian helicopter industry. RAAF evaluation team visited Westlands June 85.

PRODUCT: WESTLAND 30

FIRM : WESTLAND HELICOPTERS

VALUE :£m 50.00 MINISTERIAL: Min (DP) visited Feb 1985.

REF NO CON.DATE INVOLVEMENT:

198 1985 COMPETITION: USA (Black Hawk).

COUNTRY: INDIA REMARKS: IMS called to India to clarify proposals on 2 May 1985. Revised compliant bid was delivered 7 May 1985. Short list of 2 countries expected soon. Indian Government has now asked FRG to front the bid.

PRODUCT: FH70

FIRM : VICKERS SEL

VALUE :£m 600.00 MINISTERIAL: Min (DP) already written. S of S to write shortly to Indian Defence Minister

REF NO CON.DATE INVOLVEMENT: in support of FH70.

8 1985 COMPETITION: France, Austria, Sweden.

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>INDIA</u>	REMARKS: BAe & Rolls Royce have concluded a contract and the price negotiations. Signature is dependent upon the resolution of problems over follow-on Sea Eagle contract. See Ref No 181.
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 175.00	MINISTERIAL: Min (DP) discussed during visit to India in May 1984.
REF NO	CON.DATE
7	1985
	INVOLVEMENT:
	COMPETITION:
COUNTRY: <u>INDIA</u>	REMARKS: Indians will lead on the development of light combat aircraft. Bae competing with Marcel Dassault, MBB, and Dornier for collaboration consultancy. Rolls Royce negotiating on RB199. Ferranti and Marconi discussing radar proposals.
PRODUCT: LCA	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 300.00	MINISTERIAL: Min(DP) gave full support to proposal during visit in May 84.
REF NO	CON.DATE
347	N.K.
	INVOLVEMENT:
	COMPETITION: FRG., France.
COUNTRY: <u>INDIA</u>	REMARKS: Second tranche of 24 Sea Eagles for Indian Navy from original contract due to be taken up in July 1985. Likely to be for Sea Harriers. Bae called to New Delhi in May to present proposal for Sea Eagle on Jaguar aircraft. I.N. have posed technical questions and require full answers before they will exercise the option. See Ref No 7.
PRODUCT: SEA EAGLE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 250.00	MINISTERIAL: Min(DP) discussed during visit to India in May 1984.
REF NO	CON.DATE
181	N.K.
	INVOLVEMENT:
	COMPETITION: France.
COUNTRY: <u>INDIA</u>	REMARKS: CV12 engines completed road race against indigenous Karlosker engines. Some problems during trials. Indians now require 5 complete engine sets to undertake user trials. Other UK tank equipment under evaluation.
PRODUCT: VIJAYANTA REFIT	
FIRM : VARIOUS	
VALUE :£m 500.00	MINISTERIAL: Discussed by Minister (DP) in India.
REF NO	CON.DATE
473	1986
	INVOLVEMENT:
	COMPETITION: FRG

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>INDONESIA</u>	REMARKS: Indonesia is still assessing their overall requirement; will be implemented in stages over 10-15 years. First stage likely to be air defence.
PRODUCT: C(CUBED) & INTEL SYSTEMS	
FIRM : VARIOUS	
VALUE :£m 50.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1798 N.K.	
COUNTRY: <u>INDONESIA</u>	REMARKS: The Indonesians have already procured 20 Hawk trainers and they have a requirement for a possible further 150-200 air defence variant, plus - possibly - some more Hawk trainers.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m NK	MINISTERIAL: US of S (DP) discussed during May and November visits. PM discussed during INVOLVEMENT: visit in April 1985.
REF NO CON.DATE	COMPETITION: USA (F-20 Tigershark)
1901 N.K.	
COUNTRY: <u>INDONESIA</u>	REMARKS: Discussions currently being held in Jakarta. Intermarine considered to be favourites.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 150.00	MINISTERIAL: US of S(DP) discussed during his visit in May 1984. INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG, Holland, Italy.
349 1985	
COUNTRY: <u>INDONESIA</u>	REMARKS: The Indonesians have signed (Dec 84) for 96 Rapiere Systems and they have a requirement for a further 480 systems.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 750.00	MINISTERIAL: PM discussed during visit in April 1985. INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1900 N.K.	

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>JAPAN</u>	REMARKS: Although LAW 80s elimination from the US competition for a LAW may adversely affect its chances in Japan, HEL seem confident that a sale can be achieved once firing trials are held in 1985, witnessed by JGSDF, and the weapon is accepted by the British Army in late 1985. An initial sale of 50 systems for evaluation is the anticipated outcome.
PRODUCT: LAW 80	
FIRM : HUNTING ENGINEERING	
VALUE :£m 25.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
449 1985	
COUNTRY: <u>JAPAN</u>	REMARKS: JMSDF are interested in SHAR for sea lane defence; and their operation from AEGIS type destroyers. SHAR unlikely to gain foothold in 86-90 MTDP but BAe hope to secure initial buy of 6-15 aircraft in late 1980s. Perhaps by offering to spread the cost.
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 150.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Japan (F-1, F-4), USA (F-16E, F-15E, FA-18)
450 1987	
COUNTRY: <u>JAPAN</u>	REMARKS: Tornado is a contender for JASDF requirement for FS-X fighter aircraft to replace F-1s and F-4 Phantoms in mid 1990s. Panavia active in lobbying military/political bodies. Prospects would improve if JASDF decide to purchase from abroad rather than develop indigenous design.
PRODUCT: TORNADO F2	
FIRM : PANAIA	
VALUE :£m NK	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (McDonnell-Douglas-HarrierII), Japan (Mitsubishi).
597 N.K.	
COUNTRY: <u>MALAYSIA</u>	REMARKS: Malaysian Army have made their recommendation. A decision is awaited at Ministerial level. A substantial BA training package has been offered.
PRODUCT: FH70	
FIRM : VICKERS	
VALUE :£m 12.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Sweden, Austria (GC-45).
1744 1986	

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>MALAYSIA</u>	REMARKS: Formation of a Fleet Air Arm a priority for RMN with procurement of up to 10 helicopters for ASW/ASU/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 (initially 30 aircraft).
PRODUCT: LYNX	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 50.00	MINISTERIAL: PM discussed during visit in April 1985.
REF NO CON.DATE	INVOLVEMENT:
184 1986	COMPETITION: USA, France.
COUNTRY: <u>MALAYSIA</u>	REMARKS: MoD training and support MOU forwarded in September 1984. Malaysian naval teams completed 3 month amendment in UK August 1984. Vickers 550 submarine is a strong contender.
PRODUCT: SUBMARINES	
FIRM : VICKERS SEL	
VALUE :£m 600.00	MINISTERIAL: PM discussed during visit in April 1985.
REF NO CON.DATE	INVOLVEMENT:
369 1986	COMPETITION: FRG.
COUNTRY: <u>NEW ZEALAND</u>	REMARKS: Major modernisation of 22 A4 Skyhawk aircraft. GEC was well placed in competition with Lear Siegler until late April '85 when Lange directed that contract should be placed with Lear Siegler; it is thought, as a peace offering, following the argument over ship visits. GEC continue to fight, however, & are still in the running until contract signature.
PRODUCT: A4 SKYHAWK UPDATE	
FIRM : GEC AVIONICS	
VALUE :£m 50.00	MINISTERIAL: Min (DP) supported GEC Avionics during Feb 1985 visit.
REF NO CON.DATE	INVOLVEMENT:
576 1985	COMPETITION: USA (Lockheed, Lear Siegler)
COUNTRY: <u>PAKISTAN</u>	REMARKS: VT proposals for 3 broadbeamed frigates (2 UK build, 1 local) submitted 8/82. Draft MOU submitted to PN July 1984 and now under discussion. Letter of Intent issued to VT Sept 1984. MOD appointed PN consultants for negotiation December 1984. Revised ECGD cover of £230m approved Dec 1984. Final contract negotiations commenced 1 April 1985. Contract signature expected August 1985.
PRODUCT: TYPE 21 FRIGATE	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 330.00	MINISTERIAL: PM's letter to Zia supporting offer 8/82 and 5/84. Zia letter 7/84 to PM
REF NO CON.DATE	INVOLVEMENT: confirms UK offer favoured. PM acknowledged 10/84.
2 1985	COMPETITION: France, FRG.

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>PAKISTAN</u>	REMARKS: Westlands were asked by the Pakistan CNS in February 1984 to quote for Lynx to operate from the proposed new build frigates. Presentation on Lynx 3 given at NHQ Islamabad July 1984. However current FN requirement is for modified Lynx 2, presentation on which given at NHQ Islamabad February 1985.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Italy (AB-212), France (SA-360F Dauphin)
1942 1985	
COUNTRY: <u>PR CHINA</u>	REMARKS: BAe have submitted proposals for the sale of upto 5 Interceptor Gamma fire control systems initially, followed by technology-transfer leading to full local manufacture. Third party sales will be a precondition to any contract.
PRODUCT: INTERCEPTOR GAMMA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 10.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France (Creusot Loire)
180 1985	
COUNTRY: <u>PR CHINA</u>	REMARKS: Arising from PL4 discussions, China has expressed interest in Skyflash M. MOD security objections have been satisfied - particularly in so far as technology transfer is concerned. BAe are negotiating with CATIC and expect results one way or the other soon. Offer is based on supply of 200 AAMs. ECGD credit may be required.
PRODUCT: SKYFLASH M AIR-TO-AIR MISSILE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA, Italy (Selenia)
720 1985	
COUNTRY: <u>REPUBLIC OF KOREA</u>	REMARKS: BAe have submitted a draft contract for Sea Skua in association with the naval helicopter requirement. A decision has been deferred, for financial reasons, for contract in 1985. Sea Skua has been offered to South Korea on the Westland Lynx, Kaman Sea Sprite and Agusta 219 helicopters and may be offered on the Sikorsky S76, all competing for the ROK Navy contract.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 8.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France.(AS15TT in a package with the Dauphin helicopter).
14 1985	

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>REPUBLIC OF KOREA</u>	REMARKS: ROK MND have initialled draft contracts with several companies for 10-12 shipborne helicopters. A decision is expected later this year with the selected firm likely to be invited to provide a helicopter for a 6 month trial in Korea in 1986. Contract would follow subject to evaluation. A credit package may be required as may RN support in training etc.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 55.00	MINISTERIAL: US of S(DP) has written.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France(Dauphin), Italy (Agusta 219),USA(S76, Seasprite).
26 1986	
COUNTRY: <u>SINGAPORE</u>	REMARKS: Contract to follow aero-engine decision. GEC and Ferranti leading seperate UK consortia.
PRODUCT: A-4 SKYHAWK AVIONICS FIT	
FIRM : VARIOUS	
VALUE :£m 108.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
224 N.K.	
COUNTRY: <u>SINGAPORE</u>	REMARKS: UK is currently assisting Singapore in determining its requirement. 1985 will see continuing support particularly with regard to linking and processing of data from airborne and ground based radars.
PRODUCT: C(CUBED) SYSTEMS	
FIRM : VARIOUS	
VALUE :£m 50.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1802 N.K.	
COUNTRY: <u>SINGAPORE</u>	REMARKS: Three British firms interested: Vosper Thornycroft, Brooke Marine,& Hall Russell/Swan Hunter.
PRODUCT: FAST PATROL CRAFT	
FIRM : VARIOUS	
VALUE :£m 100.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1800 1985	

ANNEX B - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>SINGAPORE</u>	REMARKS: Requirement in abeyance.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 100.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1799 1985	
COUNTRY: <u>SINGAPORE</u>	REMARKS: Requirement is still unknown. This contract will follow fast patrol boats. We have offered naval assistance to assess requirements.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 200.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1801 1986	
COUNTRY: <u>THAILAND</u>	REMARKS: Although HS 748 production line shortly due to close down BAe still actively pursuing since Thais already have this aircraft and require commonality.
PRODUCT: HS 748	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 44.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1795 1985	
COUNTRY: <u>THAILAND</u>	REMARKS: Vickers have tabled proposals for MK 3 to meet RTA requirements for 100 medium tanks for main defence. Spring trials went well. Vickers still optimistic, but finance unlikely to be available in near future.
PRODUCT: VICKERS MBT	
FIRM : VICKERS SEL	
VALUE :£m 250.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (M-60)
354 1985	

END

ANNEX B - PRIORITY ONE PROSPECTS - AFRICA

COUNTRY: ALGERIA REMARKS: In addition to the proposal for the Preliminary Phase of the Air Defence System submitted in October 1984, UK industry have submitted proposals for a coastal defence system and a package of EW equipment. Further discussions took place in March 1985 and "best and final" proposals submitted in early April. Algerian decision unlikely before Oct/Nov 85.

PRODUCT: AIR DEFENCE SCHEME (ACCORD)

FIRM : MARCONI PROJECTS

VALUE :£m 450.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
21 1986 COMPETITION: France.

COUNTRY: ALGERIA REMARKS: Following earlier presentations and discussions with VT the Algerian CNS asked for RN assistance in the evaluation of the VT MK18 Frigate design. An initial appraisal was submitted in early February and the RN team visited Algeria in March 1985. Total requirement believed to be for 4 ships, 1 built in the UK and 3 in Algeria.

PRODUCT: FRIGATE

FIRM : VOSPER THORNEYCROFT

VALUE :£m 300.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
176 1986 COMPETITION: FRG, France, Italy, USSR.

COUNTRY: ALGERIA REMARKS: Contract designated under MOU, agreed November 1984 and loan agreement finalised in January 1985. Algerians demanded last minute changes to contract, i.e. increases in local assembly element and military industrial training. These have been agreed but ratification is still awaited.

PRODUCT: GR 083 RADIO RELAY

FIRM : MARCONI SECURE RADIO SYSTEMS

VALUE :£m 50.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
581 1985 COMPETITION: France.

COUNTRY: ALGERIA REMARKS: Joint (Anglo-Algerian) study team established to consider co-operation in industrial aspects of Hawk assembly, establishment of aircraft and engine overhaul/repair facility and training. Credit will be required. Team reported in January 1985 and further clarification given in some areas following circulation of report within Algerian Air Force. Decision unlikely before mid July 85 at earliest.

PRODUCT: HAWK

FIRM : BRITISH AEROSPACE AG

VALUE :£m 200.00 MINISTERIAL: Algerian CAS called on PM and Minister (DP) during successful visit to UK in
INVOLVEMENT: March 84.

REF NO CON.DATE
22 1986 COMPETITION: France/FRG (Alpha-Jet).

ANNEX B - PRIORITY ONE PROSPECTS - AFRICA

COUNTRY: <u>ALGERIA</u>	REMARKS: Support contract for Presidential Tri-Star engines.
PRODUCT: RB.211 ENGINE	
FIRM : ROLLS ROYCE CIVIL ENGINES	
VALUE :£m 8.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1961 1985	
COUNTRY: <u>CAMEROON</u>	REMARKS: Minister of Armed Forces visited UK in November 1984, when he met S of S and Min (DP), for discussions with companies and attended firepower/mobility demonstrations. Equipments include Scorpion, Land Rover, FPCs, Blowpipe, radars, Fox and small arms trainers. A draft "umbrella" MOU has been offered to Cameroon (April 1985) which includes credit arrangements. Action on some specific requirement expected as soon as MOU is signed.
PRODUCT: EQUIPMENT PACKAGE	
FIRM : VARIOUS	
VALUE :£m 120.00	MINISTERIAL: Minister of Armed Forces visited UK in November 1984. President Biya met Pm & INVOLVEMENT: Min (DP) in May 1985. Min (DP) expected to visit Cameroon to sign MOU in second half of 1985.
REF NO CON.DATE	COMPETITION: Various but France in particular.
1867 N.K.	
COUNTRY: <u>GABON</u>	REMARKS: WHL and ROFs responded in 84 to requests to quote for Lynx helicopters and Fox/ Fox-Milan, and Panga vehicles respectively. Both companies held discussions with Gen.Ngari, the Gabonese Chief of Staff, during BAEE84, and the ROFs during a visit to Gabon in November 1984. BAe have made proposals for sale of Hawk to Presidential Guard Air Wing. Govt-Govt MOU was offered to the Gabonese authorities in May 85 to provide umbrella for defence procurement co-operation.
PRODUCT: EQUIPMENT PACKAGE	
FIRM : VARIOUS	
VALUE :£m 35.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Various but France in particular.
723 N.K.	
COUNTRY: <u>ZIMBABWE</u>	REMARKS: It had been hoped that a contract for the supply of 7 W30 helicopters to the Zimbabwe Air Force would be signed in May. The Zimbabweans have, however, asked WHL to review their proposals with a view to submitting a more attractive financial offer.
PRODUCT: WESTLAND 30	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 26.00	MINISTERIAL: The subject was discussed during Minister of State (AF)'s visit to Harare in INVOLVEMENT: May 1984. Foreign Secretary raised the subject with Mr Mugabe in Jan 85. US of S (DP) discussed with Min of State in PM Office for Defence in May 85.
REF NO CON.DATE	COMPETITION: France, Italy, Yugoslavia.
1606 1985	

END

ANNEX B - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: <u>CANADA</u>	REMARKS: Canada have been making efforts over the past two years to establish a helicopter design and manufacturing capability by encouraging established foreign manufactureres to set up such facilities in Canada. The Canadian forces have a requirement for approx 120 helicopters in the medium/heavy class in the 1990s, half for Air Force, half for the Navy. WHL and Agusta proposals to establish a helicopter industry in Canada under consideration by Canadian administration
PRODUCT: EH-101 HELICOPTER	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m NK	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 1834 N.K.	COMPETITION: USA (Sikorsky)
COUNTRY: <u>USA</u>	REMARKS: US Army has leased 20 L119 (short barrel) 105mm Light Guns for evaluation. RO has negotiated production/licence agreement with US, under which it will manufacture 100 complete guns, 75 guns less ordnance, 25 trial assemblies and £5m of spares. Thereafter US and UK will jointly manufacture US Army requirements upto a ceiling of 500 guns. House Armed Services sub-committee reported to be critical of the agreement.
PRODUCT: 105mm LIGHT GUN (UK)	
FIRM : ROYAL ORDNANCE	
VALUE :£m 85.00	MINISTERIAL: Minister (DP) INVOLVEMENT:
REF NO CON.DATE 1766 N.K.	COMPETITION: USA
COUNTRY: <u>USA</u>	REMARKS: US Navy has chosen Martin Baker to design and produce a Naval Aircrew Common Ejection Seat (NACES) for a number of aircraft, following ministerial assurances that UK will consider where appropriate the adoption of NACES for its own new aircraft and retrofit programmes, and that US manufacturer will be permitted to compete. When awarded contract could total \$50m design and \$20m production. In the long term, production orders could be worth \$150m.
PRODUCT: EJECTION SEATS	
FIRM : MARTIN BAKER	
VALUE :£m 55.00	MINISTERIAL: Minister (DP) INVOLVEMENT:
REF NO CON.DATE 749 1985	COMPETITION: USA(Stencel & McDonnell-Douglas)
COUNTRY: <u>USA</u>	REMARKS: GEC Avionics and BAe carrying out competitive studies for FLIR in GR5 and Tornado decision Aug/Sept 1985. US has agreed to apopt FLIR for AV8B. In parallel US designing moving map display which UK will provide for GR5. Thereafter US/UK to share non-recurring development, integration and test costs on 60:40 basis. Supplement to AV8B/GR5 MOU embracing night attack under negotiation.
PRODUCT: FLIR FOR AV-8B	
FIRM : VARIOUS	
VALUE :£m 235.00	MINISTERIAL: Minister (DP) INVOLVEMENT:
REF NO CON.DATE 1768 1986	COMPETITION: USA

ANNEX B - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: <u>USA</u>	REMARKS: McDonnell Douglas have been awarded a contract by the USN, initiating full scale development of the T45 Hawk training system. Total cost of development is \$438m. Delivery of 300 production aircraft is due to run from 1989 to 1997. Total programme cost \$3.2 billion. BAe's share of aircraft design and production is around 18% of this sum. The programme will continue to be closely monitored through DSO(Washington) in support of UK industrial interests.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 500.00	MINISTERIAL: Minister (DP), Secretary of State.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA.
77 1985	
COUNTRY: <u>USA</u>	REMARKS: USAF developing series of dispensing systems for airfield attack - DAACM (Direct Airfield Attack Combined Munition) and AGM-130B (Advanced Guided Munition) HEL's HB876 Area Denial Mine (JP233 subsystem) is prime candidate to complement USAFs BKEP (Boosted Kinetic Energy Projectile) for these programmes. HEL discussing teaming with potential US lead contractors on DAACM and AGM-130B for HB876 integration
PRODUCT: HB876 AREA-DENIAL MINE	
FIRM : HUNTING ENGINEER	
VALUE :£m 315.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA
1769 1986	
COUNTRY: <u>USA</u>	REMARKS: Initial contract signed 13.12.84 between Asst Sec US Army and Minister(DP). Agreement reached on FY85 procurement (491 mortars, 350,000 bombs, value \$35m) although congress (House Armed Services Sub Committee) has zero funded programme in FY86, which will delay signing of FY85 tranche. DSO(W) to monitor situation and take action as appropriate.
PRODUCT: IMPROVED 81mm MORTAR	
FIRM : ROYAL ORDNANCE	
VALUE :£m 200.00	MINISTERIAL: Minister (DP)
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1915 1985	
COUNTRY: <u>USA</u>	REMARKS: Plessey/Rockwell/ITT have responded to US Army RFP to MSE. Total programme value \$4.3 billion. UK's share of business could total \$1.5 billion. Highly successful demonstration of Ptarmigan units in BAOR given to US VWIPs in April 1985. (They also saw RITA system). Decision expected soon; contract award September 1985.
PRODUCT: PTARMIGAN FOR MSE	
FIRM : PLESSEY DEFENCE SYSTEMS	
VALUE :£m NK	MINISTERIAL: Minister (DP), Secretary of State.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France/USA (Thomson-CSF & GTE offering RITA)
578 1985	

ANNEX B - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: <u>USA</u>	REMARKS: USAF have decided to use \$50m appropriated by Congress in FY83 to procure Rapier for deployment in its Turkish bases. The procurement will comprise 12 fire units. UK "assistance" will provide for a further 2 units, support, training and range facilities. USAF has produced draft supplement to existing Rapier MOU. Formal negotiations will commence shortly.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 44.00	MINISTERIAL: Minister (DP)
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (Ford Aerospace - Chapparral)
227 1985	
COUNTRY: <u>USA</u>	REMARKS: Rolls Royce has recently completed a 6 month study contract for the US Army into applications of the RTM-322 to the Sikorsky Blackhawk and Hughes Apache helicopters. US Army firmly intends to uprate these helicopters; potential for at least 1400 engines sales exist.
PRODUCT: RTM-322 TURBOSHAFT ENGINE	
FIRM : ROLLS-ROYCE	
VALUE :£m 620.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (GE-existing supplier to Sikorsky & Hughes)
1912 1990	
COUNTRY: <u>USA</u>	REMARKS: US/UK agreement for UK participation in Trident II (D5) weapon system program signed in April 1982. Approx 1500 UK firms briefed and around 290 "approved" as potential suppliers. Competition commenced mid 83 and expected to continue at least until late 86. No guaranteed offset sum. To date 26 awards (value £11m) made to UK industry but total value not known until competition complete. Unlikely to exceed single percentage figure of UK dollar outlay.
PRODUCT: TRIDENT II (D5) COMPONENTS	
FIRM : VARIOUS	
VALUE :£m NK	MINISTERIAL: Agreement (exchange of letters) signed by S of S. Both S of S and Min(DP)/US
	INVOLVEMENT: of S(DP) have been given briefs on progress of UK industry.
REF NO CON.DATE	COMPETITION: USA
1767 N.K.	
COUNTRY: <u>USA</u>	REMARKS: Plessey Radar teamed with US Co ITT Gilfillan to compete for:-
PRODUCT: WATCHMAN ATC/AD RADARS	1)USMC - MATCALs new air surveillance radar. 17 systems, value to Plessey £20m RFP issued April 85 - contract award scheduled for Sept/Oct 85.
FIRM : PLESSEY RADAR	2)USAF - MPN - XX rapidly deployable air traffic control requirement. 255 systems, value to Plessey £25-27m. Contract definition 1985. Full scale engineering development 1986/7. Op. test and evaluation 1988. Production contract 1989
VALUE :£m 47.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA
1913 1985	

END

ANNEX B - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: BRAZIL REMARKS: Westlands are competing for two separate requirements; 16 aircraft for use by the Brazilian Navy on their new corvettes and 8 aircraft for use by the Marines in a troop carrying role. Credit cover will be required for this sale and its provision will be a problem.

PRODUCT: LYNX (NAVAL)

FIRM : WESTLAND HELICOPTERS

VALUE :£m 100.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
196 1985 COMPETITION: France, Italy, USA.

COUNTRY: BRAZIL REMARKS: Originally Brazil was to buy engine kits and components for the AMX tactical support aircraft from Italy, but it is now almost certain that they will buy direct from RR. An initial order worth about £16m is expected during 1985. Further large orders will follow. Brazil has sought credit for these purchases and this is currently under discussion with the firm; a risk sharing arrangement will be essential if ECGD are to become involved.

PRODUCT: RB.168 SPEY ENGINE

FIRM : ROLLS-ROYCE

VALUE :£m 100.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1712 1985 COMPETITION:

COUNTRY: BRAZIL REMARKS:

PRODUCT: VIDEO CAMERA & RECORDER

FIRM : FERRANTI DEFENCE SYSTEMS

VALUE :£m 5.50 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
2813 N.K. COMPETITION: Fairchild; Teledyne; TRT.

COUNTRY: CHILE REMARKS: British Aerospace are preparing proposals for the refurbishment and supply of upto 6 RN T22 Canberra aircraft to the Chilean Navy. The aircraft will carry the Sea Eagle missile. Two B4 trainer aircraft and a PR9 aircraft are also required.

PRODUCT: CANBERRA

FIRM : BRITISH AEROSPACE AG

VALUE :£m 25.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1545 1986 COMPETITION:

ANNEX B - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: <u>CHILE</u>	REMARKS: The Chilean Navy has a requirement for up to 200 Seacat missiles for its UK built vessels (2 County Class, 2 Almirante Class, & 2 Leanders). Whilst budgetary constraints preclude a once off buy, Shorts are hopeful that an initial contract for 40/50 missiles will be concluded by early 1986.
PRODUCT: SEACAT	
FIRM : SHORT BROS MISSILE DIVISION	
VALUE :£m 10.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1714 1985	
COUNTRY: <u>CHILE</u>	REMARKS: BAe have submitted proposals for 24 launching pallets plus missiles. Negotiations are continuing and BAe are hopeful of securing a contract in the near future but much depends on their proposals for financing the sale.
PRODUCT: SWINGFIRE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 10.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
604 1985	
COUNTRY: <u>ECUADOR</u>	REMARKS: BAe have a letter of intent from the Ecuadorean Air Force for the purchase of a single Jaguar plus spares and ancillary equipment to cover attrition losses. Ecuador is at present off ECGD cover and BAe are offering credit at their own risk. A follow on order for a further 6 Jaguar aircraft is also a possibility.
PRODUCT: JAGUAR	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 9.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
601 1985	
COUNTRY: <u>ECUADOR</u>	REMARKS: Ecuador's newly acquired Esmeralda class corvettes are fitted with helicopter platforms but no helicopters have yet been purchased. Westlands have successfully carried out a Naval Lynx landing on board these ships and are hopeful of achieving a sale. The requirement will be for 6-8 aircraft. Ecuador is currently off ECGD cover and there are therefore likely to be problems with any finance package.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France, Italy.
1716 1986	

ANNEX B - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: ECUADOR REMARKS: BAe(DG) have Ecuadorian Letter of Intent for purchase of Rapier. But Ecuador is off ECGD cover and contract signature will depend on the firm's ability to present a suitable finance package which could involve counter trade. Firm made updated proposals in May.

PRODUCT: RAPIER

FIRM : BRITISH AEROSPACE DG

VALUE :£m 20.00 MINISTERIAL: Minister (AF) has cleared the early release of Blindfire, should this be INVOLVEMENT: necessary.

REF NO	CON.DATE	COMPETITION:
105	1985	France (Crotale).

END

END OF RUN

CONFIDENTIAL UK EYES B - COMMERCIAL-IN-CONFIDENCE

ANNEX C

1. This is the first Quarterly Report since the introduction of a new DSO system for collecting information on UK defence exports. Previously, sales successes were reported through the network of bilateral contacts between the DSO and individual firms. This ensured that all major sales were recorded, but we were aware that many smaller and follow-on contracts were missed and that our coverage of some areas was patchy. With the full co-operation of our major defence Trade Associations and exporters, we have developed a new data collection system which takes the form of a quarterly survey of UK companies involved in defence exporting. The new survey was given Ministerial approval last year and is now in operation.

2. Under the new wholly voluntary procedures, individual firms report sales successes to a central DSO point using a simple pro forma. Over 700 firms were approached initially and nearly 450 are now providing substantive responses; many of the remainder proved to be outside the scope of the survey. In order to evaluate the new system, a retrospective exercise covering 1984 was carried out first.

3. In future, with improved data, the DSO will be much better placed to analyse the UK's true strengths and weaknesses in its defence export performance and will be able to allocate its resources accordingly.

4. The penalty for this improved coverage is a somewhat increased lag in response. Firms inevitably take time to assemble and submit comprehensive reports, while processing the much larger volume of information takes the DSO longer than before. Rather than delay my quarterly report until all the returns are in, I propose in future to continue to report soon after the end of each quarterly period highlighting significant contract successes achieved during the previous three months. Attached to my report will be an annex providing a statistical summary of all sales reported to us during that period.

5. There are two short-term consequences of the new data collection system. Firstly, the transition to a new reporting process means that the figure for reported sales in the first quarter of 1985 is artificially depressed and should not be taken at face value. Secondly, our previous practice of comparing quarterly sales with those in the same period of the previous year would be misleading during 1985, since we would not be comparing like with like. I therefore propose to drop the comparison until 1986, when it will once more become valid.



10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S

9 July 1985

PERSONAL MESSAGE

SERIAL No: T 133/85

a MASTER OPS

Your Majesty,

When we met on 7 June you asked me to consider what improvements we could make to the credit terms for the package of defence equipment under negotiation between our two countries. My colleagues and I gave very careful consideration to this and I am pleased to say that our respective negotiators have now found a solution which is entirely acceptable to us, and which I hope commends itself to Your Majesty. I understand that they have also agreed a timetable for repayment of the loan which is satisfactory to both sides. That the outcome is a considerable improvement on our original offer reflects our wish to do everything possible to maintain the very close relations between Britain and Jordan.

The precise terms agreed ad referendum between our representatives have been incorporated into a Memorandum of Understanding and I understand that Dr Odeh is submitting this to your Cabinet for their approval. I am pleased to confirm to Your Majesty that the British Government accepts the terms set out in the Memorandum of Understanding and that we are willing to sign this whenever the Jordanian Government is ready.

Yours sincerely
Margaret Thatcher

His Majesty King Hussein Bin Talal

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FILE

DA

bcp



10 DOWNING STREET

From the Private Secretary

9 July 1985

Dear Richard,

The Prime Minister has considered the Defence Secretary's minute of 8 July about defence sales to Jordan to which he attached a draft message to King Hussein.

The Prime Minister has approved the message in slightly amended form and I am sending the top copy to the Foreign and Commonwealth Office for despatch to Amman.

I am sending copies of this letter and enclosure to Colin Budd (Foreign and Commonwealth Office), to the Private Secretaries to the other members of OD, and to Richard Hatfield (Cabinet Office).

Yours sincerely,
Charles Powell

(Charles Powell)

Richard Mottram, Esq.,
Ministry of Defence.

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da

cc CO WCO
CAZ FCO
DTI
WPSO
WPO
HMT



MO 11/10/4

PRIME MINISTER

DEFENCE SALES TO JORDAN

In advance of the recent negotiations with the Jordanian team, colleagues agreed that the Defence allocation of credit cover for Jordan could be increased to a maximum liability of £326 million but no more. I am pleased to report that the Head of Defence Sales has successfully reached an agreement ad referendum with the Jordanian Minister of Finance and his team that provides for the sale of £270 million worth of defence equipment. We have been able to keep within the £326 million liability ceiling by sharing the risk with the Banks who I am glad to say responded extremely positively to the challenge this presented them.

2. The Jordanians were not entirely happy at the prospect of anything less than full Export Credits Guarantee Department backed credit and to get them to accept this it was necessary for our negotiators to offer to support up to 90% cover at a 9.5% interest rate (that is the limit you proposed we should be



prepared to go to). The Jordanians pressed hard for a grace period following delivery. We managed to resist this although we had to concede a somewhat slower timetable than we would have wished for the placing of contracts in order to ensure that the first repayment of the loan did not fall due until the beginning of 1989. The available ECGD cover has been used to guarantee £212.5 million (78.7%) of the loan with the Banks providing the other £57.7 million (21.3%) at their own risk with the subsidised 9.5% interest rate applying to 90% of the total.

3. I am satisfied that the concessions made were necessary to secure this important sale which in addition to benefiting the 70 defence manufacturers involved will further strengthen United Kingdom/Jordanian relations and prevent King Hussein turning again to the Soviet Union for equipment. I have agreed that the subsidy over and above the normal ECGD interest make up will be met from the Defence Budget, and I understand that at official level other Departments are content with the terms negotiated.

4. The terms of the agreement with the Jordanians have been incorporated into a Memorandum of Understanding (MOU). It has been suggested that it might be appropriate for you to sign this during your planned visit to Amman in September. A small ceremony might be arranged for simultaneous signature of the MOU, the Loan Agreement and the contract under which International Military Services Ltd will manage the procurement for the Jordanian Government. If you approve this HM Ambassador at Amman



will suggest this to the Jordanians. The delay in signature need not hold up matters. We could arrange for the Memorandum of Understanding to be initialled now as a safeguard against requests for further changes and the various activities which it provides for could then get under way.

5. You owe King Hussein a reply to his request on 7th June for an improvement in our credit terms. I attach a draft letter confirming what has now been agreed and our readiness to sign the Memorandum of Understanding.

6. I am sending copies of this minute to the other members of OD and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be "M. J. H.", is located above the typed text.

Ministry of Defence

8th July 1985

s/3ajg

DRAFT LETTER FROM THE PRIME MINISTER TO KING HUSSEIN

When we met on 7th June, you asked me to consider what improvements we could make to the credit terms for the package of defence equipment under negotiation between our two countries. My colleagues and I have ^{gave very careful consideration to} ~~looked at this question very carefully.~~

this and

I understand that a number of options have been discussed recently between Dr Hanna Odeh and our Head of Defence Sales, Mr Colin Chandler, and I am pleased to say that, ~~from the United Kingdom's point of view,~~ ^{our respective} ~~the negotiators have constructed a~~ ^{now found a} ~~package~~ ^{solution} which is entirely acceptable to us, and which I hope commends itself to Your Majesty. I also understand that they

negotiators have ^{also} ~~agreed~~ a mutually satisfactory timetable for repayment of the loan. ^{which is satisfactory to both sides.}

~~that outcome~~ ~~that outcome~~ ~~agreed~~ ~~agreed~~ ^{that the outcome is}

The new package is, I believe, a considerable improvement on our original offer. ^{and in} ~~We have been prepared, exceptionally, and in~~ ^{reflects our wish to do everything possible to maintain the} ~~the spirit of our already close relationships, to go this far in~~ ^{very close relations between Britain & Jordan.}

~~order to help Your Majesty's country to acquire the military equipment that you need for your defence.~~

The precise terms agreed ad referendum between ^{our} ~~Dr Odeh and~~
~~Mr Chandler~~ ^{representatives} have been incorporated into a Memorandum of
Understanding and I understand that Dr Odeh is submitting this to
your Cabinet for their approval. I am pleased to confirm to Your
Majesty that the British Government accepts the terms set out in
the Memorandum of Understanding and that we are willing to sign
this whenever the Jordanian Government is ready.

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celk
 Now see Defence
 Secretary; minute of
 8 July

Treasury Chambers, Parliament Street, SW1P 3AG

*Good
 8/7.*

Charles Powell Esq
 Private Secretary
 10 Downing Street
 London
 SW1

21 June 1985

Dear Charles

DEFENCE SALES TO JORDAN

Denis Brennan wrote to you on 18 June about the amount of credit that can be made available to support the proposed sale of defence equipment to Jordan following Maureen Dodsworth's letter of 14 June.

The Chief Secretary regrets that apparently through a misunderstanding the Jordanians have been given to understand that more ECGD credit would be made available for the purchase of UK defence equipment than had been agreed. This raises two problems. The first is how much ECGD credit, and on what terms, should be made available to the Jordanians for this business. The second is how to ensure that such misunderstandings do not recur.

As the Chief Secretary made clear in his minute of 5 June he thinks a ceiling on ECGD's exposure on Jordan under their national interest account of £495 million is the maximum which can be justified. He is reinforced in this view by the recent information that the Jordanian Ministry of Defence are now in arrears for over 3 months on payments of some £3 million on earlier business.

The ceiling of £495 million must of course cover both civil and military business in this market. Given the ceiling, cover for one type of business carries with it the price of a reduction in the amount of cover available for the other. The Chief Secretary's preference is to retain the cover necessary for prospective civil exports since they are commercially won and involve less subsidy. That said, his overriding concern is that total exposure should not exceed £495 million. The Jordanian request for an extended ordering period for this package means that there will be no certainty that the business will in the end be placed. Cover cannot, in the face of competing demands, be reserved for so long specifically for such business.

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Within the total amount of cover available for defence business in this market, the Chief Secretary would be content for the Defence Secretary to offer the option of the softer terms agreed in your letter of 10 June for less business, or credit for more business on less generous terms.

To ensure that misunderstandings over the availability of cover and on credit terms do not recur in this or other cases, the Chief Secretary wonders whether it might be preferable if ECGD were responsible for quoting terms of defence sales as they do for civil business. Where this is not possible the precise words used might be agreed beforehand with ECGD. The Chief Secretary hopes that the Defence Secretary and other Ministers concerned can consider following this procedure in future.

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

Yours sincerely
Richard

R J BROADBENT
Private Secretary

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Defunct Sales: DEFENCE PT5



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

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

Secretary of State for Trade and Industry

21 June 1985

C Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
London
SW1

Dear Charles,

DEFENCE SALES TO JORDAN

Dennis Brennan has copied to me his minute to you of 18 June. We spoke about this today. We accept that there are difficulties in securing risk sharing arrangements with the private sector at this stage. We hope that it will be possible to do so in due course and are pleased that MoD believe there are good prospects for this.

2. It has been agreed that ECGD's section 2 limit should be raised to £495 million. Given the prospects for the Jordanian economy, we do not believe any further increase can be justified. This leaves an uncommitted balance of £95 million. My Secretary of State expressed his concern that £75 million of cover should be maintained for civil project business in his minute of 7 June. We accept that the Yarmouk hospital project has been deferred for, say, 12 months. However civil exporters are pursuing a number of other opportunities. Prospects of new cover within the limit becoming available in the near future from the reduction of exposure on existing business are limited. MoD's minimum request for an ECGD allocation of £348 million would result in cover for civil exports, both of a traditional nature and those associated with project business, of £21 million on section 1 and £47 million on section 2. This would be quite inadequate in the light of the current level of civil applications with ECGD of some £160 million.

3. ECGD understand from MoD Defence Sales officials that current negotiations with the Jordanians on the defence business envisage that the orders will be placed in three tranches: £140 million by month 8, £110 million by months 16, and £50 million by month 30. However ECGD would not be willing to commit cover now on the final tranche, required 2½ years hence, particularly as the Jordanians will only specify the equipment they need nearer that time.

JH5BDO



4. We recognise the importance of being able to offer credit on the whole of the initial two tranches. We would therefore agree to an increase in the defence allocation from £320 million to £326 million to allow 85% of business worth £250 million to be covered within an unchanged overall section 2 limit of £495 million. Dennis Brennan advises that the private sector is in any event willing to provide finance for the balance of 15%. I hope that Defence Sales staff would be able to explain to the Jordanians the reasonableness of the UK's position in not being able to give a binding commitment for credit on the final tranche so far in advance of its being needed.

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

Yours ever
John Mogg

J F MOGG
Private Secretary

AK

MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-~~930 7022~~ ^{XXXXXX} 218 2111/3

MO 11/10/4

18th June 1985

*Dear Charles,*DEFENCE SALES TO JORDAN

Your letter of 10th June to Richard Mottram asked us to look urgently at the possibilities of the private sector taking a greater share of the risk involved in any extension of the credit for the Jordanian defence equipment package.

The private sector is, of course, already taking 15% of the risk on the sale since the Jordanians - as is quite common - are seeking a commercial loan for the balance of the cost beyond the Government backed credit. Discussions with the banks which are in negotiation with the Jordanians have confirmed that at least some of them would be prepared to accept a greater risk and improve their present terms in order to win this business. There are several different forms such risk sharing might take and it is difficult to be specific about what might be offered while so many issues remain open. Six banks are competing for the business and one of them is Jordanian. This makes it difficult to take them too far into our confidence at present and the bank that was prepared to be most helpful to us on risk sharing might not be the one the Jordanians would prefer on other grounds. Although in other cases it is normal to ask the main exporting company to join the bank in bearing any risk that ECGD cannot cover, this is difficult in the present case, where buyer credit is proposed and since the business is shared among some 70 firms. Nevertheless the possibility of International Military Services Ltd making some contribution is also being explored.

While there are thus good prospects of entering into some risk sharing arrangement in due course we cannot finalise this until we can come to a joint decision with the Jordanians on the choice of lead Bank. Our Defence Sales staff consider it would be best for the Prime Minister to delay replying to King Hussein until after our next round of negotiations with the Jordanians (next week); it might otherwise pre-empt our scope for negotiation. Thereafter the Prime Minister will be able either to write confirming that a satisfactory agreement has been reached or will need to underline that whatever is on the table then really does represent our final offer.

Charles Powell Esq
No 10 Downing Street



My Secretary of State's minute of 3rd June explained that the Jordanians believe they have been offered credit for orders up to £300 million (although they propose to order only £270 million, and then only if our terms are "affordable"). The sensitivity of this point is one of the impediments to full discussion of detail with the banks at this stage. On the terms we have offered so far - 85% cover at 9½% over 10 years from mean date of delivery - this would involve a theoretical maximum liability of £348 million against the maximum of £300 million agreed by OD last October. An extension to 90% cover against orders for £270 million would raise the maximum liability to £375 million. In practice orders may well not reach this level but Mr Heseltine's minute made clear his view that we cannot refuse to at least discuss orders up to this amount. This view has since been reinforced by advice from HM Ambassador in Amman that King Hussein would regard a refusal now to provide credit for orders of any more than £230 million as a direct snub and this would set back Anglo-Jordanian relations considerably at a most delicate time in Middle East affairs.

Regrettably, although perhaps not surprisingly given the complexity of the subject, there has been some confusion about the figures involved. The increase in ECGD's Section 2 limit for Jordan to £475 million proposed by the Secretary of State for Trade and Industry and the Chief Secretary could accommodate the £75 million additional cover needed in the "worst case" for defence sales and this is what we understood the Prime Minister had agreed to. But Maureen Dodsworth's (Department of Trade and Industry) letter to you of 14th June indicates that the DTI are continuing to insist that this £75 million be allocated to civil business, in particular to the Yarmouk hospital project even though British firms' chances of winning this are uncertain and advice from Amman is that the project has been deferred. The extra £20 million cover proposed by the Prime Minister is not on its own sufficient for £270 million of defence sales. £48 million would allow us to accept orders up to £270 million on the original terms and my Secretary of State would wish the first part of any new credit up to this amount to be applied in this way (or at least that we should give the Jordanians the choice between volume of business up to £270 million or less business at 90% cover). If, with an uplift of the Section 2 limit to £495 million, more can be allocated to defence sales then we would apply it to an improvement in terms with the aim of being able to offer 90% cover on £270 million of orders, while seeking to minimise the ECGD liability by maximum private sector participation.



But before our negotiators can take things much further with either the Jordanians or the Banks we do need to know the amount of negotiating cover Ministers are prepared to authorise on a contingency basis given that the interests of the civil and defence sectors - and hence DTI and this Department - are in conflict.

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

Yours ever,

Denis

(D BRENNAN)

Defence Sales; Defence
PES.

PC

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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SWITCHBOARD 01-215 7877

PS/

Secretary of State for Trade and Industry

14 June 1985

C D Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

CF
Please hold with
we see MOD's
reaction.
CDD

Dear Charles,

DEFENCE SALES TO JORDAN

Thank you for copying to John Mogg your minute to Richard Mottram of 10 June. Our understanding of the effect of what the Prime Minister has agreed is that the increase in ECGD's Section 2 limit to £495 million is to accommodate an increase of £20 million on the £300 million originally agreed by OD, so as to enable 90 per cent rather than 85 per cent of defence business worth £230 million to be covered. £75 million of cover will be retained for civil business as proposed by my Secretary of State. If there is an increase in the value of the defence package above £230 million, any corresponding increase in ECGD's exposure above £320 million is to be met by the private sector.

2 ECGD officials will be contacting MOD to initiate discussions on how private sector risk sharing arrangements can be introduced.

3 I am copying this letter to the Private Secretaries of OD and to PS/Sir Robert Armstrong.

Yours sincerely,
Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

JH4BDZ

R 14/6



file
BSM AP2

10 DOWNING STREET

From the Private Secretary

10 June 1985

DEFENCE SALES TO JORDAN

The Prime Minister has considered the Defence Secretary's minute of 3 June proposing some further relaxation in the already favourable credit terms offered to Jordan for arms purchases from the United Kingdom. As you know, the matter was raised with the Prime Minister by King Hussein.

The Prime Minister is clear that we cannot accede to King Hussein's request for a further reduction in the interest rate. She does, however, believe that we should be able to offer some marginal improvement in the terms on offer, and hopes that the private sector will be persuaded to play a part in this.

The Prime Minister notes that the Trade and Industry Secretary and the Chief Secretary are prepared to envisage an increase in ECGD's Section 2 exposure to a total of £475 million. She proposes that in addition we should offer to increase the contract cover from 85 per cent to 90 per cent, provided that the private sector are also ready to take a greater share of the risk. This would have the effect of increasing ECGD's exposure to some £495 million.

BSM
The Prime Minister hopes that the Defence Secretary will discuss this urgently with the companies so that a reply can be sent promptly to King Hussein.

I am copying this letter to the Private Secretaries to members of OD and to Sir Robert Armstrong.

(C.D. Powell)

Richard Mottram, Esq.,
Ministry of Defence

PRIME MINISTER

DEFENCE SALES TO JORDAN

King Hussein raised with you today the possibility of some improvements in the terms on offer to Jordan for defence sales.

- A You saw the Defence Secretary's proposals for this.
B His suggestions have been supported by the Foreign Secretary
C but opposed rather firmly by the Chief Secretary and by Norman
D Tebbit. This leaves you with a very difficult situation.

The King put the emphasis on a reduction in the interest rate but I really cannot see that we can agree to that and Michael Heseltine did not suggest it. The possibilities are therefore:

- an increase in the credit cover to 90 per cent
- a further year's grace
- an increase in the country limit.

The Chief Secretary and Norman Tebbit are prepared to envisage some increase in the country limit. It might be possible to persuade the private sector to take some additional risk and an extension of the grace period would probably be what the Jordanians would appreciate most (apart of course from a reduction in the interest rate). Michael Heseltine is prepared to take the cost of improved terms on to his budget.

If you agree I can explore next week whether there was likely to be a consensus on some modest improvements covering these elements. But if this fails, you would have to hold a meeting.

C.D.P.

The grace period seems
the best bet. me

(C.D. POWELL)

7 June 1985



CONFIDENTIAL

JU616

PRIME MINISTER

DEFENCE SALES TO JORDAN

*in lang Hussein
meeting folder*
↓

I refer to Michael Heseltine's minute to you of 3 June which seeks an increase from £300 to £375 million in ECGD's maximum liability agreed in OD last October for defence sales to Jordan, and an improvement in the credit terms.

2 You have instructed ECGD to be more rigorous in its approach to country risk. ECGD's present potential exposure on Jordan, on both its commercial and national interest accounts, is £520 million. There are grounds for caution about the future performance of the economy.

3 Cover for civil exports is already under considerable pressure as a result of the existing commitment of £300 million to this defence sale. I would be willing to propose a modest increase of £30 million in ECGD's section 2 exposure to £475 million (including £25 million from Section 1 subject to the approval of ECGD's Advisory Council). This would be sufficient to enable an indication of cover to be maintained on the Yarmouk University Teaching Hospital project. However, an increase in £75 million in the defence commitment would result in there being no ECGD cover



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for civil project business, including Yarmouk and a number of medium sized contracts which UK exporters are actively pursuing, and only limited cover for traditional exports.

4 In OD I was invited to review, in consultation with Michael Heseltine and Peter Rees, the arrangements for meeting the large credit requirements arising on major defence sales. There are no easy answers to this problem but the topic is covered in the Review of the Management and Organisation of ECGD due to be published next week. The implications of that review will be dealt with, together with the financial outlook for ECGD, at the E(A) meeting scheduled towards the end of July. Pending the outcome of this discussion, I cannot agree that ECGD's normal operations should be distorted by an increase in exposure beyond £550 million or that continuing civil project prospects should be brought to an immediate halt.

5 I understand that discussions have not yet been held with the private sector to establish whether it would be able to take the risk over and above the £300 million already agreed. While this may offer a potential solution I appreciate time does not permit this option to be explored before your meeting with King Hussain on 7 June.

6 I would be opposed to the improvements on the generous credit terms agreed in OD which are being sought by Michael Heseltine. These improvements are not only reflected in part in his request



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for an increase in ECGD exposure, but would be contrary to well established principles that apply to civil business under the Consensus (limiting credit cover to 85% and linking grace periods to delivery) and which are generally applied by ourselves and other OECD countries on defence business. While I appreciate that Michael Heseltine is willing to accept the further subsidy consequences on his budget, I am concerned that precedents would be established which could be used against us on civil exports elsewhere.

7 I am copying this minute to members of OD and to Sir Robert Armstrong.

N T

7 June 1985

Department of Trade and Industry

Defence; Sales.

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26 JAN 1952

cc NO C



FROM: CHIEF SECRETARY

DATE: 5 June 1985

PRIME MINISTER

with CAP?
DEFENCE SALES TO JORDAN

Michael Heseltine sent me a copy of his minute to you of 3 June. Officials met on 4 June (in the Export Guarantees Committee, under Treasury chairmanship) to consider this case.

2 There are two issues: the proposed increase in the cover limit, and the softening of the terms for the loan.

3 On the first issue, Michael proposes an increase to a level of £375 million; but this is only for defence sales. The total would in fact be about £550 million. This is far more than I can contemplate in a market as risky, in the long term, as Jordan is. However stable the regime, the resources of the economy are not really enough to sustain debt service commitments on this scale. We should in practice be relying upon the willingness of Jordan's Arab neighbours to provide support. I am prepared to consider a more modest increase, to a total of £475 million (including £25 million to be transferred from the section 1 account, if ECGD's City Advisory Council so recommend). I do this because I recognise the political imperative of having something to offer King Hussein during his visit later this week. If the private sector (banks or contractors) were prepared to carry some of the additional risks themselves, this would obviously allow a larger volume of sales to be covered.

4 I see no justification for further softening of the terms, which are already extremely generous. Michael offers to meet the additional interest costs from the defence budget, but since most of these would arise in years for which there is no agreed defence budget, that is of little help. In any case, I am more concerned about the dangerous precedent

this would set for arms, and indeed civilian, sales in other markets. The generous terms earlier offered to Jordan have already spread to Oman. The UK interest must lie in attempting to curtail the credit race, not by accelerating it. I therefore suggest that no further concessions be offered.

5 I hope very much that, on reflection, Michael will accept these suggestions. If not, I fear there is no alternative but for Ministers to meet urgently to consider the case before the King's visit. Meanwhile, I hope he will ensure that his sales team in Jordan does not enter into any fresh commitments and that he can find ways of improving the procedures by which such cases are brought to Ministers in future. I am copying this letter to Michael Heseltine, other Members of OD and Sir Robert Armstrong.

PR

PETER REES

5 JUN 1985

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COMPLETED

cc PC B

PM/85/56PRIME MINISTER*with CAP?*Defence Sales to Jordan

1. I have seen a copy of the Defence Secretary's minute to you on 3 June about the negotiations now underway on the major defence equipment package for Jordan.

2. I agree that there is probably an element of negotiating tactics in the Jordanian attitude. The Jordanian misinterpretation of the original credit package is unfortunate. But I agree with the proposals in paragraph 6 of the Defence Secretary's minute. We should avoid any interruption in the negotiations with the Jordanians, which are now well under way. I am also conscious of the need to develop our commercial links with Jordan as a means of demonstrating support for King Hussein and the stability of Jordan, especially at this delicate stage in the King's efforts to get peace negotiations on the Arab/Israel dispute started.

3. I am sending copies of this minute to other members of OD and to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office
5 June, 1985

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1986 JUN 25



CC PC ① A

Prime Minister

MO 26/9/19

Charles - look at the 'green' period. I hope it had gone for 14 months to 3 years. That is what we are talking about.

Defence Secretary is prepared to take the risk on his budget.

PRIME MINISTER

DEFENCE SALES TO JORDAN

Agree to improved terms if necessary?
CDP
3/6

Although the Jordanians were slow to begin talks on the major package of defence equipment on which we have offered credit of £300 million, active negotiations are now underway as foreshadowed in my last Quarterly Report. Indeed the Jordanians now seem very keen to conclude the business and are talking of an intergovernmental MOU being signed by the end of June with contracts soon after.

2. Perhaps not surprisingly the Jordanian negotiators have emphasised their straitened economic circumstances and have indicated that the cost of our equipment, together with the other credit charges, will make substantial purchases from us under the existing terms difficult. They have not claimed that the French have offered anything better, but have pointed again to the very advantageous Russian terms which remain on the table and the fact that they may have to turn to them again for much of the equipment they were hoping to buy from us.

3. There is no doubt an element of negotiating tactics in all this. Nevertheless the risk that the Jordanians will turn to the



Soviet Union is a real one which will not be in the Western interest nor to our economic advantage. I have no doubt the King will be giving the same message during his trip to Washington in the hope of securing a favourable American package which will put us under more pressure. I am not suggesting any reduction in the 9.5% interest rate which we have offered, which is generous by our normal standards and in any case would have an unfortunate knock-on effect in our dealings with Oman. But if necessary I believe we should be prepared to extend the credit cover to a full 90% and to give a further year's grace for the starting date of repayments beyond the 18 months from date of contract effectively offered at present. Both these should help to meet the Jordanians' main problem of particular pressure on their budgets in the early years and we shall continue to talk with the banks about other measures which may help.

*I thought
this had
gone to
3 years*

4. The original credit package which we agreed was for a maximum ECGD liability of £300 million which, taking into account interest, would allow equipment purchases of some £230 million. Unfortunately the Jordanians have, deliberately or otherwise, misinterpreted the figures and believe they have full contract coverage for £300 million. They are now talking about orders up to £270 million which at the rates and cover we are proposing would involve a maximum ECGD liability of about £375 million. I think it unlikely that the Jordanians will in fact reach this figure with us; but I am unwilling to see the momentum of these negotiations break down now that they have started so



successfully and I believe that, given the background to our offer, we cannot refuse to at least discuss orders up to the level that the Jordanians are now putting forward.

5. I am aware that the ECGD country limit for Jordan is under pressure and that the extra £75 million likely to be available is earmarked for the Yamouk University Teaching Hospital. We shall do our best during discussions to keep within reasonable limits our exposure in the country on this defence deal, although much of this business is important to us with some seventy different British manufacturers involved. Nevertheless there is a contingent risk beyond the current £300 million currently agreed for which we need to have cover to continue our present discussions.

6. You know that exceptionally in this case (and in the case of Oman - my minute of 24th May) I have accepted that defence resources will meet the consequences of subsidising the interest rate, and I am prepared also to accept the increases arising from these improved terms for Jordan. I therefore hope that you will be able to agree that we may offer, if necessary, increased cover up to 90% and a one year extension to the grace period for repayment; and that a potential increase in the country limit to £375 million can be accepted.

7. A sales team is leaving for Jordan on 5th June, and I understand you are yourself seeing the King on 7th June so an



early indication of colleagues' agreement to what is proposed would be helpful.

8. I am sending copies of this minute to other members of OD and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be "R. A. Armstrong".

Ministry of Defence
3rd June 1985



F3 JUN 1951

11 12 1 2 3
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C/R

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

Telephone (Direct dialling) 01-215)
GTN 215) 5147
(Switchboard) 215 7877

From the Minister of State
for Industry and Information Technology

GEOFFREY PATTIE MP

F. Hasler
N

Rt Hon Peter Rees QC MP
Chief Secretary to the
Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

28 May 1985

Dear Chief Secretary,

TORNADOS FOR OMAN

I am writing in the absence of Norman Tebbit and Paul Channon on the need for further improvements to the finance package for this contract.

I agree fully with the comments in Michael Heseltine's letter of 16 May and Geoffrey Howe's letter of 20 May on the importance of this order for our overall trade relationship with Oman. UK civil engineering contractors have been given favoured treatment in their pursuit of major project business in Oman which has become their most important market in the Middle East. While the Sultan has cut back on a number of projects, the market will offer significant opportunities in the medium term.

As you and colleagues are already aware, the workforce at British Aerospace's factory at Warton is faced with severe contraction from the end of 1987 if the company is unable to secure further orders for Tornado from the RAF or from export customers. You will recall from our recent deliberations on the EFA project that, on current projections, work on the new programme would not start until 1991 thereby leaving a potential production gap of four years. Although an order for eight aircraft would only go some way towards filling this gap, it would create an additional 8,500 man years of work for the UK aerospace industry of which some 1,300 man years would fall to the Warton workforce at the same time extending the production of Tornado into 1989. It would be the first export order for Tornado and would undoubtedly enhance its international reputation and should help to boost BAe's efforts to achieve further sales, including the vital sale to Saudi Arabia.

MY4/MY4AAD



ECGD has now been provided with a revised delivery programme by British Aerospace. Assuming a contract is agreed in June 1985, this would give rise to a grace period before repayments start of $4\frac{1}{2}$ years. While a repayment period of $8\frac{1}{2}$ years is the normal maximum for fighter aircraft, I am willing in the circumstances to agree to a 10 year repayment period. These revised elements when combined would give rise to a $14\frac{1}{2}$ year loan period. I hope that these are sufficiently close to the 15 year period sought by Michael Heseltine to be acceptable.

As you recognise in your letter of 22 May, support for an interest rate of 9.5% on both the UK and German elements raises difficult issues, given the implications for public expenditure. I am also concerned that the Omanis might seek to use any agreement to such a rate as a precedent for future civil business, although it should be distinguishable. However there are, as the correspondence has shown, strong arguments in favour of the sale. I accordingly hope Michael Heseltine will be willing to agree to your suggestion that, as a last resort, and on the basis that it is needed to win the order, the cost of the interest rate reduction should be borne by MOD programmes. I regret that the cash management position on DTI's budget is inconsistent with the acceptance of contingency risks of this kind. If the interest rate does create a precedent for future buyers of defence equipment in the Gulf I assume that Michael would be willing to provide support in the same way.

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

Yours sincerely

Timothy Abraham

GEOFFREY PATTIE

M12/M12AES

Djace PT 5
Sales

28 MAY 1985

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PRIME MINISTER

Now see further
letter from Defence
Secretary.
p.a. CDD
24/5.

TORNADO FOR OMAN

You saw Michael Heseltine's note (A) in which he proposed that we should offer Oman 'Jordanian' terms for the purchase of Tornado.

The Foreign Secretary strongly supports him (B).

But the Chief Secretary is opposed (C). He argues that

- (a) *for business* the concessional terms proposed would be a damaging precedent *in* the Gulf;
- (b) the UK should not be subsidising the German share of the contract;
- (c) BAe or the MOD should pay *for the concessions*.

You are seeing the Sultan next week. The subject will inevitably come up.

I have spoken to the Chief Secretary privately. In brief, he will not give way to the Foreign Secretary and Defence Secretary alone. But I have reason to think he would accept a ruling from you and would not insist on a meeting if you ruled that 'Jordanian' terms should be offered.

You could have a quick word at the end of Cabinet, to see whether the Defence Secretary can be persuaded to produce some of the money or squeeze the Germans harder. But in the end I think you will have to rule.

C.D.P.

(C.D. Powell)

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

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

22 May 1985

A handwritten signature in dark ink, appearing to read 'John Michael'.

TORNADOS FOR OMAN

You wrote to the Chancellor on 16 May seeking his agreement to make further concessions to the Omanis on this contract.

The issues you raise are, of course, for Norman Tebbit to consider in the first instance. However, although I fully appreciate the political and trade arguments which lead you to put forward the proposals, they raise serious difficulties both of principle and of cost. They would involve an increase of 300 per cent in the amount of subsidy necessary to win this contract and would involve additional public expenditure to provide inter alia support for the German component of Tornado that the German Government will not provide.

Your letter makes little mention of the concessions already made i.e. an increase in the amount of credit offered from 75 per cent to 85 per cent, a lengthening of the credit terms from 5 years to 8½ years, a reduction in ECGD's premium and an offer to guarantee (but not subsidise) the German portion of the contract. The further concessions which you seek seem likely to have very damaging consequences on the terms of future civil business in Oman itself, and on the terms of other arms sales in Oman, the Gulf and elsewhere. The fact that the Omanis are seeking a concessional interest rate of 9.5 per cent by direct analogy with the concessions we offered to Jordan is a clear demonstration of the damaging repercussions of such action. Each concession, but particularly the reduction in the interest rate, has an appreciable effect on public expenditure over a considerable time. The extra concessions you seek would add to public expenditure for the next 15 years with additional cost of some £7 million in the peak year.

I am also concerned about your suggestion that UK public expenditure should be used to subsidise the German element of these aircraft. I know that you have made efforts to

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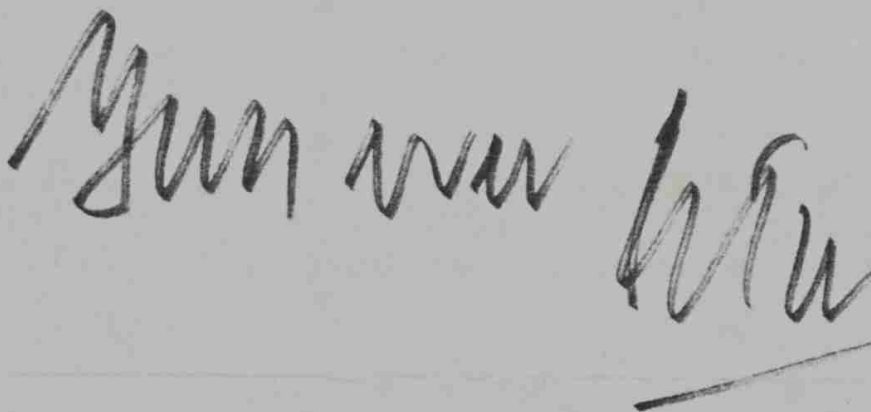
CONFIDENTIAL

persuade the German Government to provide support but so far these have been unsuccessful. Effectively therefore the UK taxpayer is being asked to foot the bill to subsidise German exports. Whether the cost falls on MOD or ECGD programmes, the principle is surely unacceptable. Moreover, although this is a subsidiary argument, the use of unsubsidised DM finance for the German portion will result in an effective reduction of the interest rate paid by the Omanis.

My own strong preference would therefore be to stick to the package now on offer with perhaps some marginal modifications to the delivery and credit periods.

If, however, you and others feel that the order is so important both for BAe in establishing Tornados export potential and for future business with the Omanis, the most appropriate course would seem to be for BAe rather than the Exchequer to bear those costs which go beyond those generally available i.e. the cost of subsidising the German component and the concessional interest rate. I am most reluctant to go beyond this and offer the 9½ per cent concessional interest rate from public funds without any assurance that further costly deterioration in credit terms could be avoided. In the last resort, if it has to be conceded, then, as with the Jordan case which has directly given rise to it, the cost of the interest rate reduction should fall on MOD programmes, subject of course to your being satisfied that this will help the overall UK defence effort and being prepared if necessary to defend the decision in public on that basis.

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

A handwritten signature in dark ink, appearing to read 'Peter Rees', written in a cursive style. The signature is positioned above a horizontal line.

PETER REES



FCS/85/143

CHANCELLOR OF THE EXCHEQUERTornado for Oman

1. I have seen Michael Heseltine's letter MO5/4 of 16 May and support his proposals for a credit package. If we can secure a first export order for Tornado to Oman, this may help us in our bid to sell the aircraft to Saudi Arabia. But the sale hangs on offering the Sultan credit terms that he can accept. Relations between Sultan Qaboos and King Hussein are indeed very close and I have no doubt the Omanis expect terms similar to those in the Jordanian offer.

2. Michael Heseltine makes a strong political case for the sale to Oman in his second paragraph. We certainly cannot take our special relationship with Oman for granted, both in view of our occasional own goals (to which he refers) and the growing competition from the Americans to our dominant role in Oman. It seems the Sultan has already given a commitment to buy American F16s, which will probably be offered on preferential terms. If we now fail to match the offer we have made to the Jordanians, we shall undoubtedly strengthen the hand of those of the Sultan's advisers who would prefer him to buy the F16 exclusively. The evidence suggests that the Americans are engaged in a long-term and potentially substantial build-up in the Gulf area and, with Saudi Arabia already compliant, Oman is the main target. I believe it is not only in the UK interest but also that of the West in general that the US defence industry should not lever us out of the position of Oman's leading defence supplier and adviser. The Americans have neither the subtlety nor the

/necessary

SPC (B)
C/

BT
Await Treasury
response
C/



necessary discretion, and a major incursion of US personnel such as would follow a large aircraft order could only make Sultan Qaboos and his government a target for anti-American and nationalistic emotions. I suspect there are not a few Americans in the State Department, aware of the Iranian precedent, who might privately support this view.

3. None of us could question the commercial importance to us of Oman. I have just seen the 1983 figures for our share of foreign countries' import markets. In Oman, we achieved a remarkable 27% of the market (fourth highest percentage in the world). This is without doubt a reflection of the fact that the Omanis often put business our way, both military and civil, on a negotiated basis, without going to tender. They discriminate consistently in our favour. They do so because they feel an historical affinity for Britain, because they see continuing links with us as serving their long-term interests and because they continue to have faith in the quality of British goods and services. But they expect the occasional quid pro quo. The Sultan has cut back a number of major projects and he will therefore be looking very closely at credit terms for this major purchase. It seems to me that this is an occasion where we should demonstrate a measure of self-interested generosity at the same time as securing an export deal which would be profitable in itself and will secure our dominant position in the Oman defence field.

4. The Sultan arrived in London over the weekend and will lunch at Chequers on 29 May. The Tornado sale is bound to be an important topic in the Prime Minister's talks.

5. On the financial point raised by Michael Heseltine, I have to say that there are simply no funds available in the small and overstretched FCO budget to enable me to bear any of the costs which the Treasury wishes to see allocated between the sponsoring department and the exporter, British Aerospace.

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6. I am sending copies of this letter to the Prime Minister, other members of OD and to Sir Robert Armstrong.

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

(GEOFFREY HOWE)

Foreign and Commonwealth Office
21 May 1985

CONFIDENTIAL

reference: Sales P+S

21 MAY 1985

11 2 3
0 1 4
9 8 7 6 5

(A) ✓ (C) (1)



CR2.

will wait - I am
hesitant to intervene - we
are desperately seeking
orders for Tornados and I
am very worried that we are
not getting enough jobs for
Pine Minister.
Exports. let M-H
pursue with the
Chancellor

16th May 1985

The defence secretary proposes the
offer of "Jordanian" Tornados. The
purchase of Tornados. The
Chancellor is likely to oppose
strongly. Do you wish to intervene
at this stage? Or wait
and arbitrate later? C.D.P. 15/5

TORNADO FOR OMAN

The Omanis have been considering for some time the purchase of the air defence variant (ADV) version of Tornado, and they have held fast to their intention in the face of pressure in favour of alternative aircraft from their Gulf Co-operation Council partners and from the Americans. British Aerospace has been engaging in continuing commercial discussions, but final negotiations are now approaching and we hope to have a contract signed later this year.

2. This contract is very important. It would be the first export order for Tornado and would help to establish the aircraft in the market where there is increasing interest. But it would also bring into focus the special relationship between Britain and Oman. At its most basic level this has resulted in a large amount of business, both civil and military, being placed in Britain as a deliberate act of policy. But the relationship is coming under strain. There was a spate of bad publicity for Britain in the Sultanate last year, and this was taken very seriously by the Sultan and his closest advisers: there is increasing Gulf Co-operation Council pressure to break away from traditional relationships; and American efforts to establish an influence through attractive proposals are becoming harder to ignore in Muscat. The Omanis have made it clear to our Ambassador and others



that they are looking to the deal for a demonstration of our belief in the traditional relationship: indeed they have said that the sale will not go ahead unless the financial terms are favourable. The Sultan is certainly under some financial pressure and has just conducted a stringent defence review; further, because of the close links between the ruling families, the Omanis are well aware of the terms of the offer to the Jordanians in our recent package and are seeking something equally good.

3. The concessions which I believe we should make to the Omanis are an extension of the grace period for loan repayment from 3½ to 5 years; the final repayment period to be increased from 11½ to 15 years; the provision of supported finance in United States dollars for the German element we have agreed to cover; and, most crucially, a reduction in the loan interest rate from 11.2% to 9.5% to match the offer to Jordan.

4. Officials have discussed these proposals but, apart from an increase in the credit from 80% to 85% of the total sale price, which we welcome, your officials have not agreed to any other concessions. While what I have proposed does indeed represent a considerable package, anything less will I believe cause the Omanis to drop Tornado. We cannot afford to lose this market or our influence in Oman and I should therefore be pleased to have your agreement to offer the full package.

5. We also need to settle the question of how the subsidy of interest rate is to be dealt with. Your officials are suggesting in this and other cases that the costs should fall to the sponsoring department, thus burdening the defence budget with the costs of achieving the national advantages from securing this sale as well as with the loss of military capability arising from the diversion to export of aircraft ordered for the Royal Air Force. I cannot accept this approach which seems to undermine much of the value and rationale of the ECGD scheme which we run. I know that we shall have an opportunity to discuss this issue in our later consideration of the wider

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ECGD issues on which papers are being prepared. But the Omani decision needs to be made quickly and we cannot wait for the more general discussion before making up our minds.

6. I am sending copies of this letter to the Prime Minister, other members of OD and to Sir Robert Armstrong.

95 lu
[Handwritten signature]

Michael Heseltine

SECRET

FEB 13 - 9



10 DOWNING STREET

From the Private Secretary

2 April 1985

Dear Len,

SAUDI ARABIA: TORNADO

The Prime Minister has seen Richard Mottram's letter of 2 April to me recording the Defence Secretary's conversation last night with Prince Bandar. The Prime Minister agrees that, in the light of this, she should visit Saudi Arabia on her way back from South East Asia and the arrangements set out in my letter of yesterday evening should therefore be implemented.

I should be grateful if instructions could be sent to HM Ambassador Jeddah to inform King Fahd that the Prime Minister would be delighted to stop briefly on her way back to meet him in Dhaharan on 14 April. At the same time, he should agree with Saudi officials the text of an announcement of the visit on the lines set out in my earlier letter. The essential point is that the statement must make clear that the invitation comes from The King. I suggest that we should aim to make the announcement tomorrow afternoon. This will give time for an explanatory message from the Prime Minister to the Sultan of Oman to be approved and despatched.

I should also be grateful if Protocol and Conference Department could put in hand the necessary arrangements for the Prime Minister's party to overnight in Delhi on 13/14 April.

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

Yours sincerely
C D Powell
C D POWELL

Len Appleyard Esq
Foreign and Commonwealth Office

SECRET



Foreign and Commonwealth Office

London SW1A 2AH

2 April 1985

*Dear Charles,*Prime Minister's Visit to Saudi Arabia

Thank you for your letters of 1 and 2 April on this subject. Instructions have been sent to Sir P Wright. I now enclose a brief covering foreign policy topics with the usual press line at the end, in case this is needed with journalists on the plane after the lunch at Dhahran. The Ministry of Defence will provide a brief on Tornado.

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

Yours ever,

(P F Ricketts)
Private Secretary

P F Ricketts

C D Powell Esq
No 10 Downing Street

PRIME MINISTER'S VISIT TO SAUDI ARABIA: 14 APRIL 1985

Our Objectives

- To ascertain how far Saudis are contemplating closer support for initiative of King Hussein and Yasser Arafat and what specific measures they may intend to take; to stress UK sympathy with both Saudi and Jordanian/Palestinian/Egyptian efforts;
- to make clear to Saudis our desire to see earliest possible end to Gulf conflict;
- to discover Saudi reaction to the UN Secretary-General's visit to the Gulf;
- to register continuing concern at deteriorating situation in Lebanon.

Our Arguments

- King Fahd's visit to Washington a success. Helped produce slightly more forthcoming US position. Have urged President Reagan to react positively. Hussein/Arafat agreement, though fragile, offers rare prospect of progress. If it fails, fresh scope for Russians, radicals. President Mubarak's ideas also interesting. How do Saudis see their role now?
- Our representative in New York in close touch with Secretary-General and other Security Council members to try to find common ground between Iran and Iraq;
- quiet diplomacy and step-by-step approach being pursued by the UN Secretary-General offers the best way forward;
- concerned at deterioration of situation in Lebanon. Horrifying cycle of violence (kidnappings); need for early, orderly and complete Israeli withdrawal. Saudi assessment of developments?

Their Objectives

- to press for greater UK efforts to persuade the US to respond positively to Arab initiatives; perhaps to avoid too close identification with specific Hussein/Mubarak ideas; to enquire why

the European Council did not issue more comprehensive statement on the Middle East;

- to call for tougher action by the Security Council on ending the Gulf conflict;
- possibly to press for further isolation of Iran and halt to UK supplies of military equipment to Iran;
- perhaps to criticise UK abstention of the Lebanon UNSC Resolution;
- perhaps to press for constraints on UKCS production and suggest UKCS tax prices be set artificially high following demise of BNOC.

Our Response

- Have made our views clear to President Reagan and urged European Council to give public support; meeting dealt with many complicated Community issues; agreement could not be reached on issue of conclusions; but Ten's pointers and messages clear and favourable;
- the UK has supported all moves in the Security Council aimed at reducing signs of conflict. Need to avoid alienating Iranians;
- our Interests Section's contacts with the Iranians are used to urge moderation. We supply no defence equipment to either Iran or Iraq which might significantly prolong or exacerbate the conflict;
- urgent need is for full Israeli withdrawal behind the border; resolution contains nothing to encourage this; not forward-looking; discussion useful and agree with much of draft, but abstention consistent with UK policy;
- HMG does not control the level of UKCS production. Matter for oil companies. Because up to £750 million needed before first barrel produced from new field, they would be disinclined to invest in the high capital cost North Sea if they thought production controls would be introduced. Especially important for the UK when UKCS production already at about its peak and likely to decline;

- we cannot assess tax on prices above the market level. Our tax treaties with other countries mean taxation must be based on actual proceeds. Nor do we see how this would help market stability.

Press Line

- Exchanged views on recent developments in the Arab/Israel dispute, in particular initiatives of King Hussein; expressed support for all efforts to achieve a just, peaceful and lasting settlement;

- share Saudi concern at recent escalation in the Gulf conflict: like them, wish to see the earliest possible end to the fighting;

- shared concern at tragic events in Lebanon, including kidnappings; called for early, orderly and complete Israeli withdrawal; urged all parties to facilitate restoration of Lebanese sovereignty, unity, territorial integrity and independence;

- (if discussed): took opportunity to exchange views on oil matters. We find informal discussions with other producers helpful.

Background

Political/Bilateral

1. Bilateral relations excellent: no major problems. King thinks highly of Prime Minister. Grateful for action in encouraging President Reagan to take fresh Middle East initiative.
2. Prime Minister met then-Crown Prince Fahd twice in 1981, in Riyadh and London. No subsequent meeting, but exchanges of letters November-February (resting with PM's letter of 27 February) on ~~Arab/Israel~~, Arab/Israel, two visits to Washington. (Texts at Annex A) King visited Washington 10-15 February. Invitation outstanding to King to visit United Kingdom.

Arab/Israel

3. Saudis urge pressure on US administration to react positively to King Hussein's initiatives, but remain themselves on the fence. Attached to principle of "Arab Unity", however discouraging the practice; do not wish to alienate Syrians and other radicals.
4. Jordan/PLO Agreement, signed by King Hussein and Arafat on 11 February includes important PLO concessions (territory for peace, confederation with Jordan and Joint Jordanian/Palestinian delegation at an international conference) albeit (deliberately) in framework which allows parties plenty of room for manoeuvre. Not necessarily in our interests to press for full clarity at this stage; important thing to maintain momentum. Agreement enjoys full support of Egypt, and tacit approval of other moderate Arab states though the longer it fails to elicit positive US and Israeli responses, the greater the danger of this evaporating. Only Syria, Libya, PDRY and the minority radical Palestinian Groups have rejected it. Israeli reactions have varied from scepticism (Peres) to rejection (Shamir) but overall have been less negative than might have been feared. Despite insistence on "clarification" of two clauses, no mainstream PLO leader has repudiated it. King Hussein has accepted two "clarifications" to appease the more hardline PLO opinion (a joint Arab - not Jordanian/Palestinian - delegation and clearer reference to full Israeli withdrawal).

5. President Mubarak has made additional proposals including US reception of a Jordanian/Palestinian delegation, widening dialogue to include Israel, and meetings between Jordanian/Palestinian and Israeli delegations in Cairo. First thought was part of King Hussein's strategy, but Mubarak's announcement not coordinated with him and caused embarrassment. Peres has welcomed idea of direct talks, provided no PLO members involved; senior Palestinian, Milhem, rejected idea. Hussein and Mubarak now concentrating on securing meeting between US and Jordanian/Palestinian delegation, which Mubarak claims sufficient to prompt Palestinian recognition of Israel's right to exist. US remain sceptical about Mubarak's proposal, sending Mr Murphy to the area to see if US meeting with acceptable Jordanian/Palestinian delegation could proceed. Israelis have dropped their objections to such a meeting.

6. The European Council meeting on 29/30 March issued press guidance (Annex B) in support of King Hussein's efforts. The French blocked the issue of formal "conclusions".

Lebanon

7. Since Israeli withdrawal from Sidon area on 16 February, increasing violence and reprisals between Israeli forces and Lebanese groups. Cycle of violence can only be broken by complete Israeli withdrawal. Split in the Christian community has blocked Syrian-led efforts to promote agreement on new power-sharing arrangements in Lebanon: serious challenge to President Gemayel's authority. Lebanese draft Security Council resolution was vetoed by the US on 12 March; Britain and Netherlands abstained, France voted in favour.

8. One Briton, abducted on 25 March, Alec Collett, remains captive. Apart from contacts with the Lebanese authorities and political/militia groups through our Ambassador in Beirut, we have also sought the cooperation of the Syrians and Iranians and are in close touch with France, the United States and the UN Secretariat.

Iran/Iraq

9. Saudis have said they hope international community, including Britain, will be more active in seeking a solution to the Gulf conflict, and have implicitly criticised our balanced approach to UN Security Council discussions. We regard one-sided condemnation of Iran as counter-productive.

10. Iraq has rejected proposals by the UN Secretary-General aimed at limiting scope of conflict: Iraqi policy now one of comprehensive war alongside readiness for moves towards a comprehensive peace.

Iran has not modified demand that Saddam Hussein be overthrown before peace negotiations. But Iranians support efforts aimed at:

- (i) stopping attacks on civilian targets;
- (ii) freedom of navigation in the Gulf;
- (iii) non-use of CW;
- (iv) ending threat to civil aviation.

11. The UN Secretary-General will have completed tour of Gulf states (30 March-8 April). Visited Riyadh 30 March-2 April; went on to Oman, Bahrain and Qatar. Would be prepared to visit Tehran and Baghdad if he were given an assurance on substantive discussions to bring about cessation of hostilities. As Tehran will not agree to this he is unlikely to visit Iran or Iraq.

Oil

12. Following demise of BNOC, Saudi attention has switched from UKCS prices to level of UKCS production: about 2.5 million barrels per day in 1984, likely to be slightly higher this year.

13. On 25 March BNOC made its pricing proposals for March (retaining \$28.65 per barrel price set for January and February) and the second quarter (market-related prices as BNOC runs down its operation). So far there has been no Saudi response, other than (from Yamani) a suggestion that following BNOC's abolition HMG should somehow fix taxation prices above current spot market levels.

MEETING WITH KING FAHD: TORNADO1. Our objective

To confirm King Fahd's personal commitment to proceed with purchase of Tornado (interdiction/strike) aircraft and Hawk training aircraft, and to establish when letter of intent will be handed over.

2. Arguments

a. Much valued our exchanges of messages in recent months and the opportunity to discuss issues arising with Prince Bandar.

b. Britain anxious to play a full part in affairs of the region and to develop our ties with our friends including in the field of defence.

c. Delighted to learn from Prince Bandar on 7th January that Your Majesty had decided to acquire Tornado for the Royal Saudi Air Force (RSAF). Tornado best aircraft of its kind in the world.

d. Understand the need to handle carefully timing of completion of purchase and for absolute confidentiality. Matter is of course one of keen interest in Britain. Hope we can finalise arrangements during my visit.

3. Tactical Arguments

a. RSAF has proved its defensive capability with F15 successes last June, shooting down at least 1 Iranian F4 over the Gulf. However, it must have ability to retaliate effectively if systematically attacked. Current examples in Iraq/Iran confrontation. Possession of a retaliatory capability itself a strong deterrent to enemy attack. The recent Bombing and Navigation Competition in US showed Tornado clearly superior in this role.

b. Hawk has shown its superior qualities with a number of air forces, and has now been selected by the US Navy.

c. Tornado is considerably cheaper than the American F15. The relative price fallen since agreed with Prince Sultan in May 1984 because of the relationship between the US Dollar and Sterling.

d. Britain can guarantee security of supply of spare parts etc under sole British control.

4. Saudi Objectives

These are not clear, but King Fahd could take the line that, while he is committed to the purchase, he cannot enter into a final commitment at this stage for budgetary reasons, and/or because of the need to handle matters delicately with Saudi Arabia's other friends (ie the US and France).

5. Your Response

a. Emphasise the main points of purchase agreed with Prince Sultan in May 1984 and matter now been subject to

exchanges at the highest level for some months.

b. We have carefully safeguarded confidentiality of exchanges over aircraft but mounting interest and speculation inevitable.

c. Offer to provide aircraft by diversion from RAF and fixed price set in May 1984 cannot be held open indefinitely.

6. Press Line

It is important to avoid, as far as possible, press comment, in view of past Saudi criticism of our apparent inability to maintain confidentiality.

TEMPORARILY RETAINED. J. Gray 8/7/2014

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OF THE PUBLIC RECORDS ACT



MO 6/13

PRIME MINISTERFRIGATES FOR PAKISTAN

Prime Minister
I hope that Zia
is not trying to
bounce us into
increasing the credit
offer. CDP 26/3

Following President Zia's comments during your meeting in Moscow, you may find it helpful to have a summary of the current position regarding the frigate sale to Pakistan.

2. The agreement which enabled the Royal Navy to act as consultants to the Pakistanis was established at the turn of the year, and discussions have proceeded on specification and price. The specification since defined by the Pakistanis has increased the price quite markedly, and a number of unattractive and costly conditions are now incorporated in their proposed contract. Both the consultants and the manufacturers are recommending savings on equipment, and the commercial conditions will be the subject of lengthy final negotiations commencing in April. However, ^{it} is probable that at the end of these negotiations the gap between overall price and credit will still have widened. Concurrent negotiations on a Memorandum of Understanding covering post-contract MOD support services have hit problems over legal status, but we expect these to be resolved shortly. President Zia's comment that the matter was settled seems somewhat premature, though nonetheless welcome. A realistic estimate for completion would be some two months hence. I will continue to take a close personal interest in ensuring that we are successful in obtaining this important contract.

3. President Zia also expressed the hope that Britain might sell more arms to India in order to reduce dependence on the Soviet Union. India is, of course, a very important defence market for us, and over the last 10 years sales have totalled some £1.5 billion.



British industry is working hard to capitalise on this base but Soviet competition is strong, supported by extensive soft credit loans. The UK cannot (and should not) attempt to match these credit offers, but we should still be able to build on the Indian wish for diversification and avoidance of over dependence on a superpower. Moreover, in some fields the UK is more willing than the Soviet Union to transfer technology to the Indians.

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

WJH

Ministry of Defence
25th March 1985



26 MAR 1985



CONFIDENTIAL



W. S. J.

*cc: P. Ricketts,
FCO*

10 DOWNING STREET

11 March 1985

From the Private Secretary

Quarterly Report on Defence Sales and Prospects

The Prime Minister has noted the Defence Secretary's minute of 5 March on the disappointing outturn for defence sales in 1984.

She also notes that there are a significant number of good prospects in the countries which she will be visiting at Easter, notably Indonesia, Singapore and Malaysia. I should be grateful if you could ensure that these are fully covered in the briefing being prepared for the Prime Minister's visit.

(C.D. Powell)

Richard Mottram, Esq.,
Ministry of Defence

CONFIDENTIAL

RW

MO 26/9/1A



PRIME MINISTER

Prime Minister.
Disappointing results in
1984. But some useful
prospects in the countries
you will be visiting at
Kester, particularly
Indonesia, Singapore &
Malaysia. CDP 7/3

QUARTERLY REPORT ON DEFENCE SALES AND PROSPECTS

1ST OCTOBER TO 31ST DECEMBER 1984

1. The last quarter of 1984 saw defence sales worth £448M reported by industry compared with £353M for the previous quarter and £636M for the corresponding quarter of 1983. This figure maintains the trend of my previous report, yielding an annual total value of defence export contracts secured in 1984 of £1562M, a 30% drop from 1983's record achievement.

2. The above figures have been compiled on the same basis as previous reports, but a new data collection scheme is being introduced which should reflect more accurately the true value of defence export contracts won by UK industry. We are currently collecting retrospective data on 1984 and I hope to be able to present a revised 1984 total in my next quarterly report. But on the figures available it is apparent, nonetheless, that 1984 was a disappointing year for the UK.

3. The largest contracts signed in the final quarter of 1984 were with Algeria for a Gendarmerie Barracks to be supplied by Baxter Fell (£132M), and with Indonesia for two Rapier batteries to be supplied by BAe (£100M). Other significant contracts included Hawk VTX Development for the USA (£63M), a BAe 146 aircraft for Indonesia (£15M) and Sea Skua missiles for Brazil (£15M). Details of all contracts reported in the quarter are given at Annexes A and B, whilst details of the highest priority current sales prospects are listed at Annex C.

4. In the middle East there continues to be nervousness over prospects for the price of oil. As you know, a Saudi decision on Tornado and Hawk is still awaited, the Saudis apparently looking at the potential advantages of a deal with ourselves or the French



who have redoubled their efforts to sell Mirage 2000. Encouragingly, the Saudis have agreed to a local trial of Challenger and possibly MCV80 for their armoured brigade requirement of some 120 tanks with supporting equipment, and a detailed commercial proposal has been presented to the Saudi Chief of Staff. The three major Saudi service contracts remain our major toe-hold in the country, and continue to require attention. The air defence project SADAP, due to expire in August 1985, is closely allied to the Tornado/Hawk deal; the National Guard hospital project, SANGMED, should change in May 1985 to see the UK MOD assume only an advisory role. The communications project SANGCOM is coming to the end of its present phase, and is regarded by the Guard as a lower priority than the imminent new contracts for the American and British hospital projects.

5. In the remaining Gulf States there have been few developments with the exception of Oman, where a defence sales MOU is about to be concluded which will cover all large defence contracts. The Tornado contract signature is expected within the next few months. Together with an ammunition supply and military communications project to follow, prospects in general look excellent with these three contracts worth around £500M. A decision on MCV 80 is still awaited from Kuwait, where Challenger and Tornado remain longer term prospects. Bahrain has also expressed interest in Challenger and a detailed proposal has been submitted. The Qataris are showing little disposition to take procurement decisions, but in the UAE, following Adam Butler's visit, a report by the Air Defence Advisory Team is being followed up to advance our prospects for the sale of radars and an air operations centre. Following LOA signature in December 1984, and satisfactory financing arrangements, the contract for three frigates for Pakistan is expected at the end of April; I continue to take a close personal interest in this sale. An MOU will be required to cover RN and MOD assistance to the Pakistani Navy during the building and commissioning phases.

6. Defence sales to Iran and Iraq remain severely restricted during their conflict, although Iraq is showing renewed interest in establishing



an indigenous aircraft industry based on licensed manufacture of the Hawk. Her economic problems could inhibit early progress which would allow time for the political problems such a sale would pose now, to diminish. Despite your further intervention with King Hussein and my own talks with the Jordanian Commander-in-Chief, the Jordanians decided to buy Soviet missiles rather than Javelin, largely on the grounds of price. However, a definitive list of other equipment has now been received, which they wish to buy against the credit offer made to them last October. The value seems likely to be around £250M. In Syria, the supply of Sea Dart has been refused but authorisation for industry to follow up interest in less controversial equipments has been given while reserving a final decision on supply. Despite considerable activity, Egypt has still not taken up any of the longstanding £300M special credit reservation and we have now told them that we cannot continue to reserve it all much longer. The Baxter Fell contract in Algeria was the first to be signed under the Defence Co-operation MOU and several others are expected to follow in 1985. In the rest of Africa there is optimism concerning a possible order for the Westland 30 by Zimbabwe (£30M), and a visit to the UK by the Cameroon Minister of Defence has laid a promising basis for opening up a modest market for UK defence exports to that country.

7. In India it is hoped that negotiations on several major prospects, including Sea Harrier and 155mm guns, can resume following the delays caused by the national elections and the spy scandal. Indeed there are indications that the Sea Harrier contract could be signed before the end of April. Thailand remains interested in ex-RAF Jaguars and ICI Nobel are well placed to win a £30M contract for a propellant plant as are Westlands with the Sea King (£30M), a decision on which is expected by the middle of 1985. Malaysia's decision on a 155mm gun system awaits their next financial plan commencing 1986, whereas Singapore's decisions concerning the RB199 engine and avionics update for Skyhawk aircraft (£150M) and fast patrol craft should be known by Spring 1985. Large additional sales of Rapier to Indonesia are expected to follow the initial £100M order, where the sale of Hawk aircraft, command, communications and intelligence equipment and



surplus RN frigates represent a very substantial long term market. The Korean decision concerning possible Lynx helicopter purchase is expected shortly. Japan's agreement to improve access for military attaches to its Defence Agency should improve our penetration of this difficult market and Lord Young's visit to China in conjunction with forthcoming visits by the Chinese Premier and the Chinese Chief of Air Staff are hoped to have a similar effect on the Chinese market. In Australia, Vickers proposals to supply the T2400 submarine are under consideration and Yarrow's Type 23 frigate design remains in contention for the next generation of RAN vessels. A decision on Westland's helicopter prospects for the RAAF is expected mid year. New Zealand is interested in an avionics update for its Skyhawk aircraft and GEC Avionics appears well placed against American competition.

8. In the USA, initial Congressional funding for the Mobile Subscriber Equipment (MSE) Programme, in which Plessey and other UK contractors have an interest of over £1Bn, has finally been approved and a lot now depends on the visit by Congressional VIPs to BAOR in April during deployment of the first Ptarmigan units. Watchman radars are being considered for use by the US Marine Corps and USAF, and the Royal Ordnance 105mm Light Gun is currently under trial. The initial contract for the 81mm mortar was signed in December and represents a significant success after much effort. Our visits to the USA earlier this year, together with those by Adam Butler, John Lee and the Head of Defence Sales, Sir James Blyth, should serve to maintain the momentum on these and other important defence sales prospects in the US. In Canada, the low level air defence requirement, in which both BAe with Rapier and Shorts with Javelin have an interest, will be a subject during Adam Butler's forthcoming visit.

9. Activity in Europe during the final quarter of 1984 was slow, but prospects in the short and medium term look more promising. In particular, the prospect of a sale of Medium Girder Bridging worth £50-£60M to Norway may be successfully concluded during 1985. A Netherlands decision on whether to buy Vertically Launched Sea Wolf



(VLSW) has been deferred until early March 1985. A decision on the Austrian Interceptor aircraft contract is not now expected until May 1985, but Lightning is currently neck and neck with the Swedish Draken. The signature by Senor Narcis Serra and myself of an Exchange of Letters aimed at strengthening UK/Spanish defence equipment co-operation could encourage procurement of UK systems. Prospects also look promising for both British Aerospace and Rolls Royce on the Yugoslav Light Combat Aircraft project, but prospects for selling Tornado to Turkey have receded following our decision not to support the financing arrangements proposed by BAe.

10. Latin America remains a particularly difficult market in view of the low credit rating and economic problems affecting most countries in the area. However sales, albeit on a relatively small scale, continue to be achieved. Although no dramatic improvement in the economic situation can be expected in the short term, the opportunity exists for the sale of Lynx helicopters in several markets and developments are expected on this front in Brazil and Ecuador in the next few months. This is likely to give rise to major problems on the credit front.

11. As suggested by my previous report, the 1984 achievement was somewhat less significant than the previous record year. This to some extent, however, reflects delays in procurement decisions and there may be some 'unwinding' in 1985. Reports from individual exporters suggest a renewed development of market opportunities in the second half of 1984 which may be transformed into orders in 1985 and beyond. Although general market conditions will remain tough, 1985 could, therefore, show a substantial improvement in UK defence export performance over 1984.

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

ANNEX A - REPORTED CONTRACTS SUMMARY

COUNTRY	LAND SYSTEMS VALUE £m	AIR SYSTEMS VALUE £m	SEA SYSTEMS VALUE £m	TOTAL VALUE £m
ALGERIA	132.50	-	-	132.50
BAHAMAS	-	-	6.00	6.00
BRAZIL	-	14.50	-	14.50
CHILE	1.00	-	-	1.00
CHINA (PR)	11.19	0.86	0.75	12.80
ECUADOR	0.40	-	-	0.40
EGYPT	7.00	-	-	7.00
GERMANY (WEST)	-	7.00	-	7.00
GHANA	0.30	-	-	0.30
INDIA	-	-	0.90	0.90
INDONESIA	100.00	15.00	-	115.00
IRAN	2.00	-	1.00	3.00
IRAQ	3.09	1.00	-	4.09
JAPAN	-	0.40	-	0.40
JORDAN	7.50	-	-	7.50
KOREA (SOUTH)	3.41	-	1.30	4.71
NIGERIA	11.93	-	-	11.93
OMAN	0.04	-	0.25	0.29
PAKISTAN	-	-	0.23	0.23
SAUDI ARABIA	14.35	-	0.50	14.85
SRI LANKA	0.20	-	-	0.20
SWITZERLAND	-	3.00	-	3.00
THAILAND	-	-	3.00	3.00
UGANDA	0.82	-	-	0.82
USA	9.10	73.97	13.00	96.07
YEMEN (PDR)	-	-	0.40	0.40
TOTALS	304.83	115.73	27.33	447.89

ANNEX B - REPORTED CONTRACTS - AIR SYSTEMS

COUNTRY	PRODUCT	QUANTITY	VALUE £M	DELIVERY DATE	REF NO.
BRAZIL	SEA SKUA	16	14.50	1986	36
FR GERMANY	LYNX (NAVAL)	2	7.00	N.K.	458
INDONESIA	BAe 146	1	15.00	N.K.	1817
IRAQ	GROUND POWER UNITS	30	1.00	1985	1579
JAPAN	COBRA AIR DATA SYSTEM	32	0.40	1985	1903
PR CHINA	3" CATHODE RAY TUBE	20	0.05	1985	1907
	3087-E AIR DATA SENSOR	NA	0.81	1985	1603
SWITZERLAND	GSA MK3 GUNSIGHT	NA	3.00	N.K.	1893
USA	C-130 HERCULES TRANSDUCER	NA	1.54	1985	27
	COBRA AIR DATA SYSTEM	NA	0.41	N.K.	1830
	COMED SPARES	NA	0.19	N.K.	1820
	F-111 AIRCRAFT SPARES	NA	2.37	1985	1829
	HARRIER SPARES	NA	0.24	N.K.	1827
	HARRIER SPARES	NA	1.91	1985	1828
	HAWK VTX DEVELOPMENT	NA	63.00	1989	1700
	HUD/WASS FOR F-16 A/B	NA	0.46	N.K.	1826
HUD/WASS FOR F-16 C/D	NA	3.53	N.K.	1831	
	LACV30 PROPELLOR BLOCK	NA	0.32	N.K.	1804

TOTAL FOR AIR SYSTEMS £m 115.73

END

ANNEX B - REPORTED CONTRACTS - LAND SYSTEMS

COUNTRY	PRODUCT	QUANTITY	VALUE £M	DELIVERY DATE	REF NO.
ALGERIA	GENDARMERIE BARRACKS	21	132.00	1987	582
	RUNWAY SWEEPER	12	0.50	1985	1819
CHILE	MORCOS	252	1.00	1985	1846
ECUADOR	BAILEY BRIDGE	NA	0.25	N.K.	1847
	LAND BASED ELECTRONICS	NA	0.15	N.K.	1848
EGYPT	AA GUN AMMUNITION	NA	6.50	1985	761
	DRAGOON APC	11	0.50	1984	711
GHANA	COMMS EQUIPMENT SPARES	NA	0.30	N.K.	1812
INDONESIA	RAPIER	96	100.00	1986	348
IRAN	AR 15M RADAR	1	2.00	1985	1896
IRAQ	AFV SPARES	NA	2.00	1985	1585
	BATTERY CHARGER	NA	0.04	1985	746
	CALCULATOR DISPLACEMENT MK1	NA	1.05	N.K.	1785
JORDAN	BATTLEFIELD SIMULATOR	NA	7.50	1985	1810
NIGERIA	COMMS EQUIPMENT	NA	10.00	N.K.	1771
	RUBBER BULLET	10000	0.06	N.K.	1807
	SEA CAT TRAINER	NA	1.87	N.K.	1838
OMAN	DRIVER TRAINING	NA	0.04	N.K.	360
PR CHINA	EW TACTICAL COMMS SYSTEM	2	10.22	1986	1609
	RADIAL BANDING PRESS	2	0.97	1985	1910
REPUBLIC OF KOREA	SCIMITAR NET COMMS EQPT.	2	0.01	1985	1904
	T300 TRANSMISSIONS	NA	3.40	1985	1925
SAUDI ARABIA	AIRCRAFT LOADING EQUIPMENT	NA	0.25	N.K.	1821
	ATC/AD RADAR SYSTEM SIMULATOR	1	12.00	1985	1862
	FAME	NA	0.40	N.K.	735
	FH70 MAINTENANCE TRAINING	NA	1.70	1984	1468
SRI LANKA	BODY ARMOUR	NA	0.20	1984	1806
UGANDA	COMMS EQUIPMENT	NA	0.82	1985	1899

ANNEX B - REPORTED CONTRACTS - LAND SYSTEMS

COUNTRY	PRODUCT	QUANTITY	VALUE £M	DELIVERY DATE	REF NO.
USA	B-1B FLIGHT SIMULATOR	NA	5.00	1985	357
	IMPROVED 81mm MORTAR	NA	2.10	1985	74
	STORES MANAGEMENT SYSTEM	1	2.00	N.K.	37

TOTAL FOR LAND SYSTEMS £m 304.83

END

ANNEX B - REPORTED CONTRACTS - SEA SYSTEMS

COUNTRY	PRODUCT	QUANTITY	VALUE £M	DELIVERY DATE	REF NO.
BAHAMAS	FAST PATROL CRAFT	3	6.00	1985	1474
INDIA	DECK APPROACH PROJECTION SIGHT	1	0.90	1986	643
IRAN	MOTOR LAUNCHES	14	1.00	N.K.	1805
OMAN	DAMAGE CONTROL TRAINING	NA	0.25	N.K.	201
PAKISTAN	CONSULTANCY	NA	0.23	1985	1815
PDR YEMEN	PILOT BOAT	3	0.40	1985	41
PR CHINA	MESSAGE HANDLING SYSTEM	3	0.75	1985	1908
REPUBLIC OF KOREA	ELECTRONIC CONTROL SYSTEM	13	1.30	1984	1906
SAUDI ARABIA	TRAINING	NA	0.50	1985	683
THAILAND	YARROW TYPE FRIGATE REFIT	1	3.00	N.K.	1741
USA	FRIGATE FIN STABILISER	11213	13.00	N.K.	748

TOTAL FOR SEA SYSTEMS £m 27.33

END

ANNEX C - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>AUSTRIA</u>	REMARKS: Austria is considering the purchase of interceptor aircraft. BAe have offered second hand Lightnings. A decision is expected by May 1985.
PRODUCT: LIGHTNING	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 60.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France, Sweden, USA, Israel.
466 1985	
COUNTRY: <u>DENMARK</u>	REMARKS: The Danes have 8 Naval Lynx in service and are considering a follow-on order for Baltic surveillance. Westlands first choice, but money is not now available until 1988 at the earliest.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 15.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
456 1988	
COUNTRY: <u>DENMARK</u>	REMARKS: Danes are retrofitting M41 tanks. Perkins (ex-RR) engine is part of a German package. The Danes conducted a retrial early December 84 for a period of six weeks, following complaints from the Canadian Ambassador about the first trial.
PRODUCT: TANK ENGINE MODIFICATION	
FIRM : PERKINS ENGINES	
VALUE :£m 1.30	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA, Canada.
1791 1985	
COUNTRY: <u>FINLAND</u>	REMARKS: The Finns have a requirement for a point defence AA system. Firm's bids will be invited in early 1985. Contract in 1986 with delivery 1988-90. A study team has looked at available equipment. A westren source is preferred and BAe are on the short list. Next year they will study requirements and ask to orbit companies. They are interested in optical Rapiet, Blindfire and Laserfire.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 100.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France (Crotale), FRG (Roland), USSR.
1782 1986	

ANNEX C - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>FINLAND</u>	REMARKS: A follow on order to the 3 Watchman ATC radars already bought by Finland.
PRODUCT: WATCHMAN ATC/AD RADARS	
FIRM : PLESSEY RADAR	
VALUE :£m 6.90	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1772 1985	
COUNTRY: <u>FR GERMANY</u>	REMARKS: FRG has recently specified HARM to meet its naval requirement. The Luftwaffe is also committed to HARM. UK MOD presentation given to FRG in March 1984. BAe have submitted unsolicited proposals on ALARM. Further presentations in Dec 84 & Jan 85 have been given by BAe to the BWB following the visit to UK of the Bundestag Defence Committee.
PRODUCT: ALARM	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 100.00	MINISTERIAL: On 21/9/83 M of S(DP) wrote to Herr Dr Woerner to persuade the FRG to revise
	INVOLVEMENT: decision on HARM/ALARM. In reply of 28/11/83 Dr Woerner reaffirmed selection
REF NO CON.DATE	COMPETITION: USA (HARM)
459 N.K.	
COUNTRY: <u>FR GERMANY</u>	REMARKS: To be used in conjunction with Seaspray radar. Contract for the development phase has already been placed involving 2 sets of helicopter installed equipment (option on further 20), test equipment, telemetry missiles and expendable dummies.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 30.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France
35 1985	
COUNTRY: <u>FR GERMANY</u>	REMARKS: To be fitted to Sea King SAR helicopters, combined with Sea Skua missiles, to convert aircraft to dual role. The Seaspray will operate in a new 360 degree role. Two prototype sets have already been ordered.
PRODUCT: SEA SPRAY	
FIRM : FERRANTI RADAR SYSTEMS	
VALUE :£m 20.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: MEL (UK).
573 1985	

ANNEX C - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>FRANCE</u>	REMARKS: France has a requirement for 6-10 AEW systems. Current options are US Boeing AWACS system, already evaluated, and a European solution involving Marconi's MSA with probably the A300 Airbus. Marconi and BAe have submitted proposals. Evaluation flight took place in October 84 and further flights will occur in 1985. A decision is expected in 1985. Offset will be an important factor.
PRODUCT: AEW EQUIPMENT	
FIRM : GEC AVIONICS	
VALUE :£m 300.00	MINISTERIAL: During regular exchange with French, Ministers will be briefed to press the INVOLVEMENT: European solution on the French Air Force.
REF NO CON.DATE	COMPETITION: USA (AWACS)
188 1985	
COUNTRY: <u>ITALY</u>	REMARKS: The new Italian carrier (Garibaldi) has been fitted to operate VSTOL aircraft, but this remains the subject of much debate within Italian military circles. According to Italian law, only the IAF can operate fixed wing aircraft. The competition is the AV8B, and McDonnell-Douglas have been very active in Italy. The RN remains willing to give assistance on operational aspects. Offset will be an important factor. HMA Rome believes package deal necessary for sale.
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 136.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (AV8B).
1623 N.K.	
COUNTRY: <u>NETHERLANDS</u>	REMARKS: Marconi face stiff competition from HSA. Discussions about willingness of Dutch Navy to give the company specifications being held at ministerial level.
PRODUCT: INTEGRATED COMMS ICS3	
FIRM : MARCONI COMMUNICATION SYSTEMS	
VALUE :£m 11.70	MINISTERIAL: Close ministerial involvement (Minister (DP)). INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Netherlands (HSA).
1878 1985	
COUNTRY: <u>NETHERLANDS</u>	REMARKS: A decision is expected in early 1985.
PRODUCT: SEAWOLF VL	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 24.00	MINISTERIAL: Min of S (DP) closely involved. INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA(Sea Sparrow)
191 1985	

ANNEX C - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>NORWAY</u>	REMARKS: The Norwegians need a wet and dry bridging system. Should they choose the Swedish ribbon bridge for the wet requirement, rather than MGB for both, there are prospects for Fairey for the dry requirement.
PRODUCT: MEDIUM GIRDER BRIDGE	
FIRM : FAIREY ENGINEERING	
VALUE :£m 30.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1937 1988	
COUNTRY: <u>NORWAY</u>	REMARKS:
PRODUCT: WAVELL	
FIRM : PLESSEY DEFENCE SYSTEMS	
VALUE :£m 10.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1605 1985	
COUNTRY: <u>SWEDEN</u>	REMARKS: Swedes are currently funding for two CETs, their total requirement is for 40.
PRODUCT: COMBAT ENGINEER TRACTOR	
FIRM : ROYAL ORDNANCE FACTORIES	
VALUE :£m 2.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1887 N.K.	
COUNTRY: <u>SWEDEN</u>	REMARKS: A contract is expected in Jan 1985.
PRODUCT: MEDIUM GIRDER BRIDGE	
FIRM : FAIREY ENGINEERING	
VALUE :£m 1.30	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
453 1985	

ANNEX C - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: <u>SWEDEN</u>	REMARKS: Swedes require fire and forget medium range air-to-air missile for JAS-39. BAe have proposed private venture development of Skyflash. BAe and MCCS are involved in a limited concept study, and DSO will be closely involved in the promotion.
PRODUCT: SKYFLASH 90	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 25.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
467 1988	
COUNTRY: <u>SWITZERLAND</u>	REMARKS: Land Rover was chosen in 1984 to meet Swiss requirement, but finance was delayed to late 1985. Whilst we remain confident of Land Rover's success, the choice of trainer for the RAF ASR 412 may influence matters.
PRODUCT: LAND ROVER	
FIRM : LAND ROVER LTD	
VALUE :£m 30.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Austria (Steyr)
470 1986	
COUNTRY: <u>TURKEY</u>	REMARKS: The requirement is for Turkey's 15 new frigates. Racal have submitted a tender through NA Ankara. The Turks are thought to favour Racal's equipment. The first instalment is expected to be ordered in May 85.
PRODUCT: ELECTRONIC WARFARE & ECM EQUIP	
FIRM : RACAL RADAR DEFENCE	
VALUE :£m 45.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Netherlands (Signaal).
1753 N.K.	
COUNTRY: <u>TURKEY</u>	REMARKS: Subsequent to initial proposals from BAe, the Turkish Defence Minister stated that TAF would procure 40 Tornado IDS if suitable financial package, involving both FRG & Italy, could be constructed. BAe submitted proposals involving substantial degree of risk sharing by private sector, with ECGD credit cover of up to £344m. However a meeting of the cabinet found this level of ECGD risk unacceptable. BAe continue to search for acceptable financial package.
PRODUCT: TORNADO IDS	
FIRM : PANAUIA	
VALUE :£m 573.00	MINISTERIAL: Both S of S and Min (DP) have approached FRG about possible use of FRG aid, INVOLVEMENT: but this proposal has been rejected.
REF NO CON.DATE	COMPETITION:
353 N.K.	

ANNEX C - PRIORITY ONE PROSPECTS - EUROPE

COUNTRY: YUGOSLAVIA REMARKS: For the ORAD aircraft. Yugoslavia prefer Marconi, who have been asked to quote for 10/20/30. Initial order would be worth £3m but this could grow to £20m if the equipment is selected for their proposed light combat aircraft development.

PRODUCT: GUARDIAN RADAR WARNING REC'VER

FIRM : MARCONI CCS

VALUE :£m 3.00 MINISTERIAL:
INVOLVEMENT:

REF NO	CON.DATE	COMPETITION:
1895	1985	Italy (Electronica)

COUNTRY: YUGOSLAVIA REMARKS: BAe, Rolls-Royce (RB199 engine), Dowty, Smiths Industries & Marconi seek to collaborate with the Yugoslavs. BAe will assist the Yugoslavs with a feasibility study commencing March 85. This should give us information as to the type of engine that will be used. Collaboration with India now looks unlikely.

PRODUCT: LCA

FIRM : VARIOUS

VALUE :£m 100.00 MINISTERIAL:
INVOLVEMENT:

REF NO	CON.DATE	COMPETITION:
1822	N.K.	France, USA.

END

ANNEX C - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: <u>BAHRAIN</u>	REMARKS: BAe have excellent prospect to fit Sea Skua to BDF AB212s. BAe have invited C.O.S. to visit No 815 Squadron. CO BDF Air Wing indicated in the margins of Farnborough Air Show that a decision would be made in early 1985. Brig Khalifa COS has expressed dissatisfaction at the BAe quote, believed to be heavily loaded.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 25.00	MINISTERIAL: Prime Minister and Minister (DP) (Mr Pattie) met The Amir of Bahrain 10-13 April 1984. Minister (DP) (Mr Butler) visited Bahrain October 1984. Mr Luce visited Bahrain Jan 85.
REF NO CON.DATE	COMPETITION: France (AS15TT)
42 1985	
COUNTRY: <u>EGYPT</u>	REMARKS: VT have proposed Single Role Minehunter (SRMH) to meet the Egyptian Navy's requirement for MCMV. In an effort to prevent the order going to the Dutch (Tripartite) CNS has agreed (subject to Ministerial approval) to consider lease of HMS Wilton.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 66.00	MINISTERIAL: Discussed during S of S visit in October 1984.
REF NO CON.DATE	INVOLVEMENT:
1787 1985	COMPETITION: Netherlands/France/Belgium, Italy.
COUNTRY: <u>JORDAN</u>	REMARKS: Following the refusal by the USA to supply Stinger missiles the Jordanians are looking for alternatives. Jordanian C-in-C has asked for a G to G credit package for equipment requirements. List of equipments produced with budgetary prices and timescales. HDS passed these to JAF CinC during S of S visit in Oct 84. Major elements are Javelin missiles, aircraft refurbishment/EW, tank ammo, FPBs and comms/EW. ECGD DML of credit to £300m over 10 years at 9.5% agreed.
PRODUCT: EQUIPMENT PACKAGE	
FIRM : VARIOUS	
VALUE :£m 450.00	MINISTERIAL: PM has discussed with King Hussein (Sept and Dec 84). S of S visited Amman in Oct 84 and had a further meeting with C-in-C in London in Dec 84.
REF NO CON.DATE	INVOLVEMENT:
579 1985	COMPETITION: USSR, France.
COUNTRY: <u>KUWAIT</u>	REMARKS: Kuwait have requirement to equip 5 or 6 battalions with APCs. Infantry Committee impressed with MCV-80 during visit in April 1984 and GKN Sankey successfully demonstrated vehicle in Kuwait in August and September 1984. Strong political support will be required as major defence equipment purchases by Kuwait are invariably awarded in turn to major arms producing countries. PM wrote letter of support to Kuwaiti PM 20 November 84.
PRODUCT: APCs/IFVs	
FIRM : GKN SANKEY	
VALUE :£m 300.00	MINISTERIAL: S of S discussed with Shaikh Salim, Minister of Defence, in July 1983, and visited Kuwait in February 1984. Min(DP) (Mr Butler) visited October 1984.
REF NO CON.DATE	INVOLVEMENT:
206 1985	COMPETITION: USA (Bradley, Cadillac Gage); Brazil (Engesa); USSR (BMP-2).

ANNEX C - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: <u>OMAN</u>	REMARKS: Tri-service requirement. Initial study by 2 senior British officers. LSP specialist helping run project. Ewbank Preece selected as consultants. Marconi have received ITP and hope to be awarded prime contractorship. Substantial civil works content expected to be awarded to UK company. Morgan Grenfell focal point for finance. Project will be subject to MOU.
PRODUCT: COMMUNICATIONS PROJECT	
FIRM : VARIOUS	
VALUE :£m 300.00	MINISTERIAL: Mr Luce visited Oman Jan 85.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
208 1985	
COUNTRY: <u>OMAN</u>	REMARKS: An in-country trial of FH70 took place in April 1984. It is hoped that this will result in a contract for 7 guns and an early follow-on buy of a further 6-12 guns. Oman is now showing interest in Austrian competitor, possible political snub. UK firms have now agreed their respective roles, with VSEL supplying the gun, IMS providing support and ROFs ammunition.
PRODUCT: FH70	
FIRM : VICKERS SEL	
VALUE :£m 10.00	MINISTERIAL: Mr Luce visited Oman in Jan 85.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Austria (Novicum).
611 1985	
COUNTRY: <u>OMAN</u>	REMARKS: Oman has strong preference for Tornado ADV. 4 GR1s visited Oman Feb 84 in exercise Magic Carpet. BAe hope to sign contract early 85. Discussions on credit in train with financial institutions. Contract will be subject to umbrella MOU.
PRODUCT: TORNADO ADV	
FIRM : PANAUIA	
VALUE :£m 350.00	MINISTERIAL: Min (AF) visited Oman Oct 84. Mr Luce visited Oman Jan 85. S of S raised
	INVOLVEMENT: credit issues with Dr Woerner at Anglo-FRG summit Jan 85.
REF NO CON.DATE	COMPETITION: USA.
49 1986	
COUNTRY: <u>QATAR</u>	REMARKS: Firm long-term requirement. Budgetary provision believed to have been made in this financial year for purchase of initial vessel. French competition strong and assisted by warship visits. Qatar crew selected for training and 3 officers completed specially designed MOD course October 84. Final procurement decision will be on political, financial & delivery considerations. Political support essential. RN expert to visit Qatar
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 60.00	MINISTERIAL: Minister (DP) visited October 1984.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France (CNM), FRG, Netherlands (Tripartite).
51 1985	

ANNEX C - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: SAUDI ARABIA	REMARKS: A number of indications of keen RSAF interest in Alarm identified in 1984 were confirmed when Headquarters RSAF wrote to the Air Attache in Jeddah in September 1984 asking BAe (DG) to submit detailed proposals for the supply of 750 weapons. Joint MoD/BAe discussions are continuing to resolve questions of an acceptable delivery programme and the necessary sanitisation needed to satisfy an export order.
PRODUCT: ALARM	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 200.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (HARM) - but clearance to supply is doubtful.
1794 1986	
COUNTRY: SAUDI ARABIA	REMARKS: The Saudis intend to form an Armoured brigade equipped with British equipment. DSO team visited Kingdom December 1984 to discuss requirement, which will probably include Challenger, MCV-80, GBT-155, Marksman and possibly tank transporters. An in country trial is planned for July/August 1985. Both Challenger and MCV-80 were trialled in UAE July 1981 when Saudi Army attended.
PRODUCT: ARMoured VEHICLES (TRACKED)	
FIRM : VARIOUS	
VALUE :£m 500.00	MINISTERIAL: HMG formally offered to sell Challenger to Saudi. Foreign Sec. raised subject with Prince Sultan 1983. S of S in January 1984. Discussed again during S of S visit November 1984.
REF NO CON.DATE	INVOLVEMENT: COMPETITION: USA, FRG (subject to political restraint)
61 N.K.	
COUNTRY: SAUDI ARABIA	REMARKS: Costed proposals, including a buy-back of BAe Strikemaster training aircraft were submitted to the Saudi Minister of Defence and Aviation in April 1984. A decision by the Saudi government has been promised
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 125.00	MINISTERIAL: S of S discussed this prospect with his Saudi counterpart in Riyadh in January 1984, and has since written to him in support of the proposals.
REF NO CON.DATE	INVOLVEMENT: COMPETITION: France/FRG (Alpha-jet)
56 1985	
COUNTRY: SAUDI ARABIA	REMARKS: Costed proposals presented by Shorts to SANG in October 1983 with HMG letter of comfort. Prospects of joint BAe/Shorts presentation on Rapier/Javelin under consideration.
PRODUCT: JAVELIN	
FIRM : SHORT BROS MISSILE DIVISION	
VALUE :£m 17.00	MINISTERIAL: Mentioned by S of S in his letter of March 1984 to Prince Abdullah.
REF NO CON.DATE	INVOLVEMENT: COMPETITION: Sweden (RBS70).
345 1985	

ANNEX C - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: SAUDI ARABIA	REMARKS: Overall value of £45m consists of £25m for operation and maintenance, £16m for communication equipment and building work, and £5m for National Guard training.
PRODUCT: SANGCOM	
FIRM : CABLE & WIRELESS	
VALUE :£m 45.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1849 1985	
COUNTRY: SAUDI ARABIA	REMARKS: At present remains very good prospect.
PRODUCT: SANGMED PROJECT	
FIRM : IHG	
VALUE :£m 75.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA.
1813 1986	
COUNTRY: SAUDI ARABIA	REMARKS: RSNF have shown interest in Piranha & 550 class submarines. Costed proposals submitted July 1984.
PRODUCT: SUBMARINES	
FIRM : VICKERS SEL	
VALUE :£m 100.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
682 1986	
COUNTRY: SAUDI ARABIA	REMARKS: Costed proposals, including a buy-back of Lightning aircraft were submitted to the Saudi Minister of Defence and Aviation in April 1984. A Saudi Air Force evaluation team visited the UK in July/August 1984 and their report on the aircraft was submitted to the Minister at the end of August. A decision by the Saudi government, originally promised in January 1985, has now been delayed for several months.
PRODUCT: TORNADO IDS	
FIRM : PANAIA	
VALUE :£m 475.00	MINISTERIAL: Mr Heseltine sent a "hastener" to Prince Sultan on 18 October 1984 and followed this with a visit in November 1984.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (F-15 Enhanced Eagle), France (Mirage 2000).
64 1985	

ANNEX C - PRIORITY ONE PROSPECTS - MIDDLE EAST

COUNTRY: UAE	REMARKS: Plessey proposals well regarded and linked to ADOC (PR1 Ref70). RAF ADAT visited Dec 84. Report Scheduled to be presented to GHQ. Marconi are being discouraged from cutting across Plessey. GCC Committee visited Plessey Oct 84.
PRODUCT: AR 3D RADAR	
FIRM : PLESSEY RADAR	
VALUE :£m 50.00	MINISTERIAL: PM, S of S and Min (DP) met Shaikh Khalifa Crown Prince & DSC Abu Dhabi 18-19 July 1984. Min(DP) visited UAE in Oct 84 (Mr Butler).
REF NO CON.DATE	
68 1985	COMPETITION: France (Thomson CSF), USA (Hughes).
COUNTRY: UAE	REMARKS: MOD is giving full backing to an IMS led combination of British electronics firms. Interim JOC contract has not given IMS clear advantage for full contract. International competition is strong. UAE have been invited to send a team to visit UK Operations Centres but the UAE progress is slowing down. This is due inter alia to finance, integration with Air Defence Scheme and the need to gain experience of the (I)JOC.
PRODUCT: JOINT OPERATIONS CENTRE	
FIRM : IMS	
VALUE :£m 50.00	MINISTERIAL: PM, S of S and Min (DP) met Shaikh Khalifa Crown Prince & DSC Abu Dhabi 18-19 July 1984. Min(DP) (Mr Butler) visited UAE in October 1984.
REF NO CON.DATE	
71 1985	COMPETITION: USA, France, FRG.

END

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: AUSTRALIA REMARKS: Australia requires new submarines to replace its existing Oberons. It is planned that all of the submarines will be built in Australia. VSEL are promoting T2400 and T2400 variant which more closely matches Australia's requirement. Plessey and Ferranti have submitted proposals for the combat system. RFT proposals currently under consideration by DOD. Contractors have been asked to extend validity of their tenders until 10 Aug 85.

PRODUCT: TYPE 2400 SUBMARINE

FIRM : VICKERS SEL

VALUE :£m NK MINISTERIAL: Minister (DP)

REF NO CON.DATE INVOLVEMENT:

4 1986 COMPETITION: France, Holland, Germany, Italy, Sweden.

COUNTRY: AUSTRALIA REMARKS: RAN has a requirement for 6 new frigates to be built in country. Work required to maintain shipbuilding programme at Williamstown Dockyard following completion of US designed FFG-7s in 1988. Yarrows have offered Type 23 which broadly meets requirements. Yarrows/MoD currently investigating RAN proposed modifications to combat systems. Yarrows scheduled to visit in February 1985.

PRODUCT: TYPE 23 FRIGATE

FIRM : YARROW SHIPBUILDERS

VALUE :£m NK MINISTERIAL:

REF NO CON.DATE INVOLVEMENT:

1843 1986 COMPETITION: FRG, Holland.

COUNTRY: AUSTRALIA REMARKS: Three phased purchase of 36 helicopters planned for the RAAF; 12, 18 then a final 6. Westlands WG30, though cheaper than its US Blackhawk competitor, is handicapped by the fact that the RAN chose SeaHawk in preference to Lynx and RAAF may elect to stay with Sikorsky. However, Westlands have offered proposal for collaboration on helicopters, with joint military effort for large civil and military market in the area, and this will be in their favour.

PRODUCT: WESTLAND 30

FIRM : WESTLAND HELICOPTERS

VALUE :£m 50.00 MINISTERIAL:

REF NO CON.DATE INVOLVEMENT:

198 1985 COMPETITION: USA (Black Hawk).

COUNTRY: INDIA REMARKS: Negotiations delayed by death of Defence Secretary have begun. Credit will be required and a package is being formulated.

PRODUCT: FH70

FIRM : VICKERS SEL

VALUE :£m 600.00 MINISTERIAL: Min (DP) discussed during visit to India in May 1984.

REF NO CON.DATE INVOLVEMENT:

8 1985 COMPETITION: France, Austria, Sweden.

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>INDIA</u>	REMARKS: Negotiations underway, Indian amendments to original MOU under consideration.
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 175.00	MINISTERIAL: Min (DP) discussed during visit to India in May 1984.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
7 1985	
COUNTRY: <u>INDIA</u>	REMARKS: Indians are evaluating proposals and discussions continue with Rolls Royce and BAE.
PRODUCT: LCA	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 300.00	MINISTERIAL: Min(DP) gave full support to proposal during visit in May 84.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG., France.
347 N.K.	
COUNTRY: <u>INDIA</u>	REMARKS: Prospects of ship launched Sea Eagle sales have declined following RN selection of Harpoon. Subject was discussed during mid-September 84 visit. Despite RN selection of Harpoon, India is still considering ship launched Sea Eagle plus additional airborne requirements for IN and IAF.
PRODUCT: SEA EAGLE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 250.00	MINISTERIAL: Min(DP) discussed during visit to India in May 1984.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France.
181 N.K.	
COUNTRY: <u>INDIA</u>	REMARKS: The Indian Army have a requirement to update their Vijayanta tanks and are considering various UK equipments to meet this requirement. They also have a requirement for an indigenously manufactured MBT and are looking to Europe for co-operation in this field. Barr & Stroud demonstrated thermal imagers. Marconi Radar negotiated contract for 70 Simplified FCS and RR has supplied 2 CV12 engines for further trials.
PRODUCT: VIJAYANTA REFIT	
FIRM : VARIOUS	
VALUE :£m 500.00	MINISTERIAL: Discussed by Minister (DP) in India.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG
473 1986	

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>INDONESIA</u>	REMARKS:
PRODUCT: C(CUBED) & INTEL SYSTEMS	
FIRM : VARIOUS	
VALUE :£m NK	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1798 N.K.	
COUNTRY: <u>INDONESIA</u>	REMARKS: The Indonesians have already procured 20 Hawk trainers and they have a requirement for a possible further 150-200 air defence variant, plus - possibly - some more Hawk trainers.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m NK	MINISTERIAL: US of S (DP) discussed during May and November visits.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (F-20 Tigershark)
1901 N.K.	
COUNTRY: <u>INDONESIA</u>	REMARKS: Discussions currently being held in Jakarta. Intermarine considered to be favourites.
PRODUCT: MINEWARFARE SHIPS	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 150.00	MINISTERIAL: US of S(DP) discussed during his visit in May 1984.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG, Holland, Italy.
349 1985	
COUNTRY: <u>INDONESIA</u>	REMARKS: The Indonesians have signed (Dec 84) for 96 Rapier Systems and they have a requirement for a further 480 systems.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 750.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1900 N.K.	

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>JAPAN</u>	REMARKS: Although LAW 80s elimination from the US competition for a LAW may adversely affect its chances in Japan, HEL seem confident that a sale can be achieved once firing trials are held in Spring 1985, witnessed by JGSDF, and the weapon is accepted by the British Army in late 1985. An initial sale of 50 systems for evaluation is the likely outcome.
PRODUCT: LAW 80	
FIRM : HUNTING ENGINEERING	
VALUE :£m 25.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
449 1985	
COUNTRY: <u>JAPAN</u>	REMARKS: Sea Harrier is being promoted for sea lane defence and it is hoped that the JMSDF will allocate preliminary funding for an initial purchase of up to 24 aircraft. A fundamental obstacle is the associated need for carriers which the JMSDF would find politically difficult to acquire. SHAR's ability to operate from outlying islands is thus being stressed. SHAR MLV, Harrier II, & Tornado are contenders for the FS-X programme for anti-ship/defence fighter late 1990s!
PRODUCT: SEA HARRIER	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 150.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Japan (F-1, F-4), USA (F-16E, F-15E, FA-18)
450 1987	
COUNTRY: <u>MALAYSIA</u>	REMARKS:
PRODUCT: FH70	
FIRM : VICKERS	
VALUE :£m 12.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Sweden, Austria (GC-45).
1744 1986	
COUNTRY: <u>MALAYSIA</u>	REMARKS: Formation of a 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 (initially 30 aircraft).
PRODUCT: LYNX	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 50.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA, France.
184 1986	

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>MALAYSIA</u>	REMARKS: MoD training and support MOU forwarded in September 1984. Malaysian naval teams completed 3 month amendment in UK August 1984. Vickers 550 submarine is a strong contender.
PRODUCT: SUBMARINES	
FIRM : VICKERS SEL	
VALUE :£m 600.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: FRG.
369 1986	
COUNTRY: <u>NEW ZEALAND</u>	REMARKS: This is possibly one of the largest aircraft modernisation programmes in the world (22 aircraft). The recently published White Paper stated that the A4 aircraft would receive an equipment update. Various UK companies submitted proposals in 1983 but following the White Paper NZ has issued a revised RFP in 1984. GEC Avionics and BAe Bracknell have submitted proposals either as prime or sub-contractors. A NZ decision is expected in 1985.
PRODUCT: A4 SKYHAWK UPDATE	
FIRM : GEC AVIONICS	
VALUE :£m 50.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
576 1985	
COUNTRY: <u>PAKISTAN</u>	REMARKS: VT proposals for 3 broadbeamed frigates (2 UK build, 1 local) submitted 8/82. Draft MOU submitted to PN July 1984 and discussions expected Feb 1985. Letter of Intent issued to VT Sept 1984. MOD appointed PN consultants for negotiation Dec 1984. Revised ECGD cover of £230m approved Dec 1984.
PRODUCT: TYPE 21 FRIGATE	
FIRM : VOSPER THORNEYCROFT	
VALUE :£m 330.00	MINISTERIAL: PM's letter to Zia supporting offer 8/82 and 5/84. Zia letter 7/84 to PM
REF NO CON.DATE	INVOLVEMENT: confirms UK offer favoured. PM acknowledged 10/84.
2 1985	COMPETITION: France, FRG.
COUNTRY: <u>PR CHINA</u>	REMARKS: The collapse of Project 051 affected the progress on this project but Chinese interest in Interceptor Gamma (Sea Archer 1A FCS, command tactical console surveillance radars) was renewed during RNEE 83. BAe have submitted proposals for the sale of up to 5 systems initially, followed by technology transfer leading to full local manufacture. Third party sales rights will be a precondition to a contract.
PRODUCT: INTERCEPTOR GAMMA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 10.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France (Creusot Loire)
180 1985	

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>REPUBLIC OF KOREA</u>	REMARKS: BAe have submitted a draft contract for Sea Skua in association with the naval helicopter requirement. A decision has been deferred, for financial reasons, for contract in early 1985. Sea Skua has been offered to South Korea on the Westland Lynx, Kaman Sea Sprite and Agusta 219 helicopters and may be offered on the Sikorsky S76, all competing for the ROK Navy contract.
PRODUCT: SEA SKUA	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 8.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 14 1985	COMPETITION: France,(AS15TT in a package with the Dauphin helicopter).
COUNTRY: <u>REPUBLIC OF KOREA</u>	REMARKS: ROK Army have still to allocate funds for purchase of troop transport and, moreover, may lose responsibility for this function to ROKAF. Shorts are maintaining marketing pressure in anticipation of developments in 1985. Funding is a problem for the ROK and a credit package may be required.
PRODUCT: SKYVAN	
FIRM : SHORT BROS AIRCRAFT	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 13 1986	COMPETITION: Spain, Canada
COUNTRY: <u>REPUBLIC OF KOREA</u>	REMARKS: ROK MND have initialled draft contracts with several companies for 10-12 shipbourne helicopters. A decision is expected early next year with the selected firm likely to be invited to provide a helicopter for a 6 month trial in Korea in January 1986. Contract would follow subject to evaluation. A credit package may be required as may RN support in training etc.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 55.00	MINISTERIAL: US of S(DP) has written. INVOLVEMENT:
REF NO CON.DATE 26 1986	COMPETITION: France(Dauphin), Italy (Agusta 219),USA(S76, Seasprite).
COUNTRY: <u>SINGAPORE</u>	REMARKS:
PRODUCT: A-4 SKYHAWK AVIONICS FIT	
FIRM : VARIOUS	
VALUE :£m NK	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE 224 N.K.	COMPETITION:

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: SINGAPORE REMARKS: UK is currently assisting Singapore in determining its requirement, 1985 will see continuing support particularly with regard to linking and processing of data from airborne and ground based radars.

PRODUCT: C(CUBED) SYSTEMS

FIRM : VARIOUS

VALUE :£m NK

MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE

1802 N.K.

COMPETITION:

COUNTRY: SINGAPORE

REMARKS: Three British firms interested: Vosper Thornycroft, Brooke Marine,& Hall Russell/Swan Hunter.

PRODUCT: FAST PATROL CRAFT

FIRM : VARIOUS

VALUE :£m 100.00

MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE

1800 1985

COMPETITION:

COUNTRY: SINGAPORE

REMARKS:

PRODUCT: LYNX (NAVAL)

FIRM : WESTLAND HELICOPTERS

VALUE :£m 100.00

MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE

1799 1985

COMPETITION:

COUNTRY: SINGAPORE

REMARKS:

PRODUCT: MINEWARFARE SHIPS

FIRM : VOSPER THORNEYCROFT

VALUE :£m NK

MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE

1801 1986

COMPETITION:

ANNEX C - PRIORITY ONE PROSPECTS - ASIA & FAR EAST

COUNTRY: <u>SINGAPORE</u>	REMARKS: RR are vying with General Electric (USA) for the re-engining of 100 Skyhawks. Discussions have been held with RSAF re training and support and formal offer submitted at the end of October.
PRODUCT: RB.199 ENGINE	
FIRM : ROLLS-ROYCE	
VALUE :£m 250.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (General Electric F404).
1745 N.K.	
COUNTRY: <u>THAILAND</u>	REMARKS:
PRODUCT: HS 748	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 44.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1795 1985	
COUNTRY: <u>THAILAND</u>	REMARKS:
PRODUCT: JAGUAR	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 60.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1643 1985	
COUNTRY: <u>THAILAND</u>	REMARKS: Vickers have tabled proposals for MK 3 to meet RTA requirements for 100 medium tanks for main defence. Spring trials went well. Vickers still optimistic, but finance unlikely to be available in near future.
PRODUCT: VICKERS MBT	
FIRM : VICKERS SEL	
VALUE :£m 250.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (M-60)
354 1985	

END

ANNEX C - PRIORITY ONE PROSPECTS - AFRICA

: COUNTRY: CAMEROON REMARKS: Requested by Cameroonians. Medium term credit was offered by AD/2b during vis-
 : it to Cameroon in May 1984. Minister of Armed Forces visited UK in Nov.1984
 : PRODUCT: EQUIPMENT PACKAGE when he met S of S and Min(DP) for discussions with companies and attended
 : firepower/mobility demonstrations. Equipments include Scorpion, Land Rover,
 : FIRM : VARIOUS FPCs, Blowpipe, Radars, Fox, and small arms trainers. Further progress expect-
 : ed after "umbrella" MOU has been negotiated, to include credit arrangements.
 : VALUE :£m 120.00 MINISTERIAL: Minister of Armed Forces visited UK in November 1984.
 : INVOLVEMENT:
 : REF NO CON.DATE
 : 1867 1985 COMPETITION: Various but France in particular.

: COUNTRY: GABON REMARKS: WHL and ROFs have been given letters of intent for Lynx helicopters and Fox,
 : Fox-Milan, and Panga vehicles respectively. Both companies held discussions
 : PRODUCT: EQUIPMENT PACKAGE with Gen.Ngari, the Gabonese Chief of Staff, during BAEE84, and the ROFs dur-
 : ing a visit to Gabon in November 1984. The Gabonese have requested credit from
 : FIRM : VARIOUS the UK for these and other areas of particular interest including comms, radars,
 : aircraft, assault boats and AVs. A draft govt-govt MOU in preparation to cover
 : VALUE :£m 35.00 MINISTERIAL:
 : INVOLVEMENT:
 : REF NO CON.DATE
 : 723 1985 COMPETITION: France.

END

ANNEX C - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: CANADA REMARKS: Canada have been making efforts over the past two years to establish a helicopter design and manufacturing capability by encouraging established foreign manufacturers to set up such facilities in Canada. The Canadian forces have a requirement for approx 120 helicopters in the medium/heavy class in the 1990s, half for Air Force, half for the Navy. WHL and Agusta proposals to establish a helicopter industry in Canada under consideration by Canadian administration.

PRODUCT: EH-101 HELICOPTER

FIRM : WESTLAND HELICOPTERS

VALUE :£m NK MINISTERIAL:
 INVOLVEMENT:

REF NO CON.DATE

1834 N.K. COMPETITION: USA (Sikorsky)

COUNTRY: CANADA REMARKS: Canada's LLAD requirement is expected to be met by gun/missile mix. BAe promoting Rapier and have submitted joint proposal with Oto Melara (gun). Teaming arrangements made with GML who will be the Canadian lead contractor and CDC who will supply the C3I element. Bids submitted to DND end Aug 84 and short list of 3 expected Feb 85. Requirement for 100% SEB. Quality and quantity of offset is likely to be key.

PRODUCT: RAPIER

FIRM : BRITISH AEROSPACE DG

VALUE :£m 100.00 MINISTERIAL: Minister(DP) authorised BAe to place small (£0.2m) contract on non-competitive basis in Canada for Rapier Pin Driver Micro-circuit hybrids.

REF NO CON.DATE

225 1985 COMPETITION: Sweden(RBS-70),France(Roland&Crotale),Switzerland(ADATS).

COUNTRY: USA REMARKS: US Army has agreed to lease of 30 L119 105mm Light Guns for evaluation with possibility of eventual fielding in all light divisions. 6 guns already in US for evaluation; firm lease agreement for these and remaining 14 guns to be negotiated in Feb 1985. Potential business of over \$100m if evaluation is successful, although dependent upon compatibility with US M200 charge system. Ultimately release of technical data and licenced manufacture in US required.

PRODUCT: 105mm LIGHT GUN (UK)

FIRM : ROYAL ORDNANCE FACTORIES

VALUE :£m 85.00 MINISTERIAL:
 INVOLVEMENT:

REF NO CON.DATE

1766 N.K. COMPETITION: USA

COUNTRY: USA REMARKS: Request for quotation issued in April 1984 for development and production of a Navy Aircrew Common Ejection Seat (NACES) for the F-18,F-14D,T-45 and A-6E upgrade aircraft. The Martin Baker Aircraft Company has submitted its bid. Contract award scheduled for February 1985.

PRODUCT: EJECTION SEATS

FIRM : MARTIN BAKER

VALUE :£m 95.00 MINISTERIAL: Minister (DP)
 INVOLVEMENT:

REF NO CON.DATE

749 1985 COMPETITION: USA(Douglas & Stencel)

ANNEX C - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: <u>USA</u>	REMARKS: Minister (DP) and Secretary USN have jointly agreed that UK should proceed with its FLIR development programme, adjusted to ensure that the equipment is suitable for AV-8B, and that UK will bear full development costs. FLIR procurement will be awarded to UK contractor for AV8B and GR5. Remaining changes required to give both aircraft full night capability will be undertaken within a joint programme, costs to be shared along lines of existing AV8B/GR5 MOU.
PRODUCT: FLIR FOR AV-8B	
FIRM : GEC AVIONICS	
VALUE :£m 235.00	MINISTERIAL: Minister (DP)
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA
1768 1985	
COUNTRY: <u>USA</u>	REMARKS: McDonnell Douglas have been awarded a contract by the USN, initiating full scale development of the T45 Hawk training system. Total cost of development is \$438m. Delivery of 300 production aircraft is due to run from 1989 to 1997. Total programme cost \$3.2 billion. BAe's share of aircraft design and production is around 18% of this sum. The programme will continue to be closely monitored through DSO(Washington) in support of UK industrial interests.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 500.00	MINISTERIAL: Minister (DP), Secretary of State.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA.
77 1985	
COUNTRY: <u>USA</u>	REMARKS: Development of the JP233 airfield attack weapon system was originally a joint UK/US project from which the USAF withdrew in 1978 due to lack of funding. USAF now seem poised to develop & procure a system known as DAACM (Direct Airfield Attack Cluster Munition). HEL's HB876 now represents best prospect of a sale to the US. The USAF are in no doubt that DAACM must have area-denial mines, and HB876 is widely regarded as the only feasible option in timescale.
PRODUCT: HB876 AREA-DENIAL MINE	
FIRM : HUNTING ENGINEER	
VALUE :£m 155.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA
1769 N.K.	
COUNTRY: <u>USA</u>	REMARKS: Initial contract signed 13.12.84 between Asst Sec US Army and Minister(DP)- value £2.1m. Potential value of sales to US \$200-300m. In the light of past difficulties with this programme, and in advance of a firm commitment by US Army to follow-on procurement of mortars UK's interests will continue to be closely monitored by DSO(Washington).
PRODUCT: IMPROVED 81mm MORTAR	
FIRM : ROYAL ORDNANCE FACTORIES	
VALUE :£m 200.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1915 N.K.	

ANNEX C - PRIORITY ONE PROSPECTS - NORTH AMERICA

COUNTRY: <u>USA</u>	REMARKS: US Army has issued the RFP (Request for Proposals) for the MSE requirement. Contract award scheduled for March/April 1985. Plessey have formed consortium with US companies Rockwell Collins (as prime) and ITT to respond. If successful, Plessey's share of business could total \$1.5 billion. Ptarmigan, upon which Plessey's response to MSE is based, has been successfully demonstrated to senior US Army officers, as part of bidding process.
PRODUCT: MOBILE SUBSCRIBER EQUIPMENT	
FIRM : PLESSEY DEFENCE SYSTEMS	
VALUE :£m NK	MINISTERIAL: Minister (DP), Secretary of State.
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA, France.
578 1985	
COUNTRY: <u>USA</u>	REMARKS: USAF have decided to use \$50m appropriated by Congress in FY83 to extend the 'Rapier Role Model' and procure Rapier for use in Turkey. A confirmatory letter from the US Assistant Secretary International Security Policy has been handed to Minister (DP); contractual negotiations are ongoing together with discussions over the package of UK concessions in support of this procurement.
PRODUCT: RAPIER	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 44.00	MINISTERIAL: Minister (DP)
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
227 1985	
COUNTRY: <u>USA</u>	REMARKS: US Army has a requirement for re-engining of Blackhawk and Apache helicopters, commencing 1990 and spreading over 7 years. 1400 engines required for Black Hawk and probably a further 600 for Apache. RR and Turbomeca (France) have responded to the US Army funded study into suitability of RTM-322 to replace existing GE T700 in Black Hawk. US interest in RTM-322 is real.
PRODUCT: RTM-322 TURBOSHAFT ENGINE	
FIRM : ROLLS-ROYCE	
VALUE :£m 620.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION: USA (Sikorsky-existing supplier to Sikorsky & Hughes)
1912 1990	
COUNTRY: <u>USA</u>	REMARKS: US/UK agreement for UK participation in Trident II (D5) weapon system program signed in April 1982. Approx 1500 UK firms briefed and around 290 "approved" as potential suppliers. Competition commenced mid 83 and expected to continue at least until late 86. No guaranteed offset sum. To date 26 awards (value £11m) made to UK industry but total value not known until competition complete. Unlikely to exceed single percentage figure of UK dollar outlay.
PRODUCT: TRIDENT II (D5) COMPONENTS	
FIRM : VARIOUS	
VALUE :£m NK	MINISTERIAL: Agreement (exchange of letters) signed by S of S. Both S of S and Min(DP)/US
	INVOLVEMENT: of S(DP) have been given briefs on progress of UK industry.
REF NO CON.DATE	COMPETITION: USA
1767 N.K.	

ANNEX C - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: <u>BRAZIL</u>	REMARKS: Westlands are competing for two separate requirements; 16 aircraft for use by the Brazilian Navy on their new corvettes and 8 aircraft for use by the Marines in a troop carrying role. Credit cover will be required for this sale and its provision will be a problem.
PRODUCT: LYNX (NAVAL)	
FIRM : WESTLAND HELICOPTERS	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: France, Italy, USA.
196 1985	
COUNTRY: <u>BRAZIL</u>	REMARKS: Originally Brazil was to buy engine kits and components for the AMX via Italy, but it is now almost certain that Brazil will purchase direct from Rolls Royce. An initial order worth about £16m is expected during 1985. Further and larger orders will follow. Brazil may seek credit for these purchases but ECGD support is unlikely to be available unless RR can remove HMG from the liability involved.
PRODUCT: RB.168 SPEY ENGINE	
FIRM : ROLLS-ROYCE	
VALUE :£m 100.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1712 1985	
COUNTRY: <u>CHILE</u>	REMARKS: Ferranti have been competing for this requirement for over 2 years and are hopeful of achieving a contract during 1985. The update is linked with certain airframe changes which may affect Ferranti's chances.
PRODUCT: MIRAGE AVIONICS UPDATE	
FIRM : FERRANTI ELECTRONICS	
VALUE :£m 12.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Israel, France.
1713 1985	
COUNTRY: <u>CHILE</u>	REMARKS: The Chilean Navy has a requirement for up to 200 Seacat missiles for its UK built vessels (2 County Class, 2 Almirante Class, & 2 Leanders). Whilst budgetary constraints preclude a once off buy, Shorts are hopeful that an initial contract for 40/50 missiles will be concluded by mid/late 1985.
PRODUCT: SEACAT	
FIRM : SHORT BROS MISSILE DIVISION	
VALUE :£m 10.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1714 1985	

ANNEX C - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: <u>CHILE</u>	REMARKS: The Chilean Navy has said it will purchase, subject to negotiations on price/hull condition, one of the inshore survey ships to be offered for sale in 1985. There is also interest in RFA ENGADINE and the remaining County Class vessels.
PRODUCT: SURFACE WARSHIPS	
FIRM : HMG	
VALUE :£m 20.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1715 1985	
COUNTRY: <u>CHILE</u>	REMARKS: BAe have submitted proposals for 24 launching pallets plus missiles. Negotiations are continuing and BAe are hopeful of securing a contract in the near future but much depends on their proposals for financing the sale.
PRODUCT: SWINGFIRE	
FIRM : BRITISH AEROSPACE DG	
VALUE :£m 10.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
604 1985	
COUNTRY: <u>ECUADOR</u>	REMARKS: Racal have signed a contract for half of Ecuadorean Army's current tactical communications requirement. However the contract will not become effective until the financial package has been agreed. Ecuador is currently off ECGD cover and Racal have therefore been obliged to take some of the risk themselves and arrange commercial credit cover for the remainder. Tadiran (Israel) are believed to have won the other half of the order.
PRODUCT: COMMS EQUIPMENT	
FIRM : RACAL-TACTICOM	
VALUE :£m 11.20	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION: Israel(Tadiran)-see above, France (Thomson-CSF)
1545 1984	
COUNTRY: <u>ECUADOR</u>	REMARKS: BAe have a letter of intent from the Ecuadorean Air Force for the purchase of a single Jaguar plus spares and ancillary equipment to cover attrition losses. Ecuador is at present off ECGD cover and BAe are offering credit at their own risk. It is likely that BAe will purchase one of the surplus ex-RAF Jaguars to meet this requirement.
PRODUCT: JAGUAR	
FIRM : BRITISH AEROSPACE AG	
VALUE :£m 9.00	MINISTERIAL: INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
601 1985	

ANNEX C - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: ECUADOR REMARKS: Ecuador's newly acquired Esmeralda class corvettes are fitted with helicopter platforms but no helicopters have yet been purchased. Westlands have successfully carried out a Naval Lynx landing on board these ships and are hopeful of achieving a sale. The requirement will be for 6-8 aircraft. Ecuador is currently off ECGD cover and there are therefore likely to be problems with any finance package.

PRODUCT: LYNX (NAVAL)

FIRM : WESTLAND HELICOPTERS

VALUE :£m 30.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1716 1986 COMPETITION: France, Italy.

COUNTRY: ECUADOR REMARKS: There has been a long standing requirement for RWRs for fitting to the FAE Jaguars. Budgetary problems have delayed the sale. However, Marconi are hopeful of getting a contract signed within the next few months.

PRODUCT: RADAR WARNING RECEIVER

FIRM : MARCONI DEFENCE SYSTEMS

VALUE :£m 1.00 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1717 1985 COMPETITION:

COUNTRY: ECUADOR REMARKS: BAe(DG) have Ecuadorian Letter of Intent for purchase of Rapiere. But Ecuador is off ECGD cover and contract signature will depend on the firm's ability to present a suitable finance package which could involve counter trade. Firm now making new proposals.

PRODUCT: RAPIER

FIRM : BRITISH AEROSPACE DG

VALUE :£m 20.00 MINISTERIAL: Minister (AF) has cleared the early release of Blindfire, should this be
INVOLVEMENT: necessary.

REF NO CON.DATE
105 1985 COMPETITION: France (Crotale).

COUNTRY: PARAGUAY REMARKS: Shorts have submitted a quotation for 8 aiming units, the number of missiles to be supplied has not yet been decided. No decision is expected until the announcement of the 1985/6 Paraguayan defence budget in Spring 1985.

PRODUCT: BLOWPIPE

FIRM : SHORT BROS MISSILE DIVISION

VALUE :£m 3.50 MINISTERIAL:
INVOLVEMENT:

REF NO CON.DATE
1718 1985 COMPETITION:

ANNEX C - PRIORITY ONE PROSPECTS - LATIN AMERICA

COUNTRY: VENEZUELA	REMARKS: BAe obtained a contract just before the outbreak of hostilities in the South Atlantic in 1982. As a result, the down-turn in the Venezuelan economy was also a factor, it was never made effective. The Venezuelan president and senior military figures have now changed and there are signs that the time may be right to try and revive the issue.
PRODUCT: HAWK	
FIRM : BRITISH AEROSPACE AG	
VALUE : £m 100.00	MINISTERIAL:
	INVOLVEMENT:
REF NO CON.DATE	COMPETITION:
1719 1985	

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ANNEX C - PRIORITY ONE PROSPECTS - LATIN AMERICA

REMARKS: BAE obtained a contract just before the outbreak of hostilities in the South Atlantic in 1982. As a result, the downturn in the Venezuelan economy was also a factor, it was never made effective. The Venezuelan president and senior military figures have now changed and there are signs that the time may be right to try and revive the issue.

COUNTRY: VENEZUELA
 PRODUCT: HAWK
 FIRM: BRITISH AEROSPACE AC
 VALUE: £m 100.00
 REF NO: 1719
 CON. DATE: 1982
 MINISTERIAL:
 INVOLVEMENT:
 COMPETITION:

FT MAR 1985

1 2 3 4 5 6 7 8 9

NOTE FOR THE RECORD

SAUDI ARABIA: TORNADO

At the end of Prince Bandar's meeting with the Prime Minister this morning, the Prince said that he hoped shortly to convey to the Prime Minister King Fahd's reply to her earlier message, in which he would deal with the question of Tornado. It was important to get this tied up. He could fully understand that the Ministry of Defence needed some sort of guarantee before they could enter into certain commitments. The next step was to get a signature on a contract. But the Saudis would like to keep this secret until their problems with the United States Congress over the supply of American weapons was resolved. The Prime Minister said that we had preserved absolute security on this matter so far and would continue to do so.

It was subsequently agreed that Prince Bandar would visit London again on 25 February to deliver King Fahd's message.

EDP

C.D. POWELL

18 February 1985

CONFIDENTIAL

Prime Minister (2)

CDP
6/2FROM: CHIEF SECRETARY
DATE: 5 February 1985

PRIME MINISTER

COVER FOR ARMS SALES

Michael Heseltine sent you a minute on 10 December 1984 enclosing the Quarterly Report on Defence Sales Prospects and setting out the main priority areas for DSO activity.

2 That Report has now been discussed interdepartmentally as part of new arrangements instituted last Summer to identify at a sufficiently early stage defence sales contracts which would demand export credit cover beyond what was prudent in the light of ECGD's deteriorating finances, or which would compete for cover with civil sales. A number of recent cases have given rise to such problems and Norman Tebbit, together with Michael Heseltine and myself are considering them in response to an OD remit.

3 In the meantime, the Export Guarantee Committee, which the Treasury chair, did identify in the latest Quarterly Report a number of cases (Brazil, Oman) which would give rise to ECGD cover problems or would need further consideration, and others (Egypt, Jordan) where the absence of a time limit on a large reservation of cover for defence business was impeding civil business or might do so in future. Michael's officials have taken note of these.

4 These arrangements should prove useful, in saving time on future cases. I record them now, so that the Ministers concerned recognise the problems in advance, and do not seek urgent decisions until those problems have been clarified at official level.

5 I am copying this minute to Geoffrey Howe, Norman Tebbit and Michael Heseltine, and to Sir Robert Armstrong.

PETER REES

CONFIDENTIAL

DEFENCE
Sales Pt. 5



-6 FEB 1985

MR. POWELL

esp
25/1

SALE OF PTARMIGAN TO THE UNITED STATES

Lord Weinstock rang me this afternoon to make a point about sale of the Plessey system Ptarmigan, which Defence Sales are promoting.

Lord Weinstock said that it was being presented in the press that it was a battle between Ptarmigan and a French system called Rita. The impression was being created that it was a struggle between a wholly British and a wholly French system. Lord Weinstock wanted to emphasise that it was not like that. If Ptarmigan was sold, the United States would insist on quite a lot of the equipment being made in the US. He had discovered that 40 per cent of Rita was supplied by Marconi UK: not all of that 40 per cent might be made in the United Kingdom, but it was reasonable to assume that about 30 per cent was.

The point he wanted to make was that the UK's interest in favour of Ptarmigan was not as clear as the briefing offered to the Prime Minister might suggest.

I said that we would have this point in mind and make her aware of it if this question was raised with her again.

F.E.R.B.

25 January 1985

5

SECRET

GRS 350

SECRET

DED+P

DESKBY 140900Z

FM JEDDA 140545Z JAN 85

TO IMMEDIATE F C O

TELEGRAM NUMBER 27 OF 14TH JANUARY 1985

FOR INFO WASHINGTON (STRICTLY PERSONAL FOR AMBASSADOR)

FOLLOWING STRICTLY PERSONAL FOR EGERTON.

YOUR TELNO 7 TO BAHRAIN: TORNADO.

1. HAVING ESTABLISHED FROM BAHRAIN THAT KING FAHD WAS WITH THE TRIBES IN THE DESERT, I CONVEYED A REQUEST TO CALL ON HIM THERE AS SOON AS POSSIBLE. I RECEIVED THE REPLY THAT THE KING WOULD BE HAPPY TO RECEIVE ME IN RIYADH ON HIS RETURN IN ABOUT TEN DAYS TIME, BUT THAT, IF I HAD A MESSAGE TO CONVEY WHICH NEEDED TO REACH HIM BEFORE THEN, HE WOULD SEND HIS PRIVATE SECRETARY TO RECEIVE ME FROM ME IN RIYADH. HAVING ALSO ESTABLISHED FROM SIR JAMES BLYTH THAT THE PRIVATE SECRETARY CONCERNED, MOHAMMAD SOLIMAN, WAS AWARE OF PRINCE BANDAR'S MEETING WITH THE PRIME MINISTER ON 7 JANUARY, I ARRANGED TO MEET SOLIMAN IN RIYADH ON 13 JANUARY (ON MY WAY BACK FROM BAHRAIN), AND HANDED HIM THE PRIME MINISTER'S MESSAGE, TOGETHER WITH MY OWN TRANSLATION IN MANUSCRIPT.

2. SOLIMAN CONFIRMED THAT HE WAS ALREADY AWARE OF THE MEETING WITH PRINCE BANDAR, AND THAT THE LATTER HAD BEEN IN TOUCH DIRECT WITH THE KING. HE UNDERTOOK TO CONVEY THE PRIME MINISTER'S MESSAGE IMMEDIATELY TO THE KING, AND WAS DUE TO RETURN AT ONCE BY AIR TO THE DESERT. I EMPHASISED THE EXTREME SECRECY AND DELICACY WITH WHICH THIS MATTER WAS BEING HANDLED IN LONDON, AND OFFERED TO TRANSMIT ANY REPLY WHICH THE KING MIGHT WISH TO CONVEY. SOLIMAN TOOK NOTE, AND HAS GIVEN ME GUIDANCE ON HOW TO CONTACT HIM AT ANY TIME.

3. I ALSO DREW TO SOLIMAN'S ATTENTION THE PRIME MINISTER'S HOPE THAT KING FAHD COULD PASS THROUGH LONDON EN ROUTE TO OR FROM THE UNITED STATES, AND UNDERTOOK TO ACT AS THE CHANNEL, IF REQUIRED, FOR FURTHER EXCHANGES ON THIS ASPECT ALSO.

SECRET

/ 4.

SECRET

4. I ASSUME THAT YOU WILL LET ME KNOW IF MR WALKER REQUIRES ANY ASSISTANCE FROM ME IN ARRANGING THE MEETING REFERRED TO IN THE PRIME MINISTER'S MESSAGE (PARA 5 OF YOUR TELNO 1 TO RIYADH ALSO REFERS). I SHOULD, IN ANY CASE, BE GRATEFUL IF I COULD BE KEPT INFORMED, IF NECESSARY ON A PERSONAL BASIS, OF THE OUTCOME OF ANY CONTACTS BETWEEN MR WALKER AND YAMANI.

5. MAY I PLEASE LEAVE IT TO YOU TO DISTRIBUTE THIS TELEGRAM FURTHER TO SIR J. BLYTH AND PS TO THE PRIME MINISTER, AS APPROPRIATE.

WRIGHT

LIMITED
PS
PS/PUS
MR EGERTON

COPIES TO:
PS/NO 10 DOWNING STREET
PS/S OF S DEFENCE

²
SECRET

<p>DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM (one piece/item number) <i>1446</i></p>	<p>Date and sign</p>
<p>Extract/Item details: <i>Wright to Appleyard dated 11 January 1985</i></p>	
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(ONE PIECE/ITEM NUMBER ONLY) <i>49</i>

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4

SECRET

DEYOU

SECRET

FROM WASHINGTON 102330Z JAN 85
TO IMMEDIATE F C O
TELEGRAM NUMBER 93 OF 10 JANUARY.

YOUR TELEGRAM NUMBER 7 TO BAHRAIN.

PRIME MINISTER'S MESSAGE TO KING FAHD

1. I DELIVERED THE MESSAGE TO PRINCE BANDAR THIS EVENING. WHILE I WAS THERE, YAMANI TELEPHONE FROM SWITZERLAND TO SAY THAT THE KING HAD INSTRUCTED HIM TO GO TO LONDON TO MEET MR WALKER.

2. BANDAR SAID THAT HE HAD RECOMMENDED TO THE KING THAT HIS MAJESTY SHOULD CALL IN ON THE PRIME MINISTER ON HIS WAY BACK FROM WASHINGTON. IN THAT MANNER THE KING WOULD BE ABLE TO COMPARE NOTES WITH THE PRIME MINISTER ON HIS TALKS WITH THE PRESIDENT.

3. I AM WRITING SEPARATELY TO RECORD A FEW INTERESTING POINTS BANDAR MADE ABOUT THE TORNADO ORDER.

WRIGHT

LIMITED
PS
PS/PUS
MR EGERTON

COPIES TO:
PS/NO 10 DOWNING STREET
PS/S OF S DEFENCE

SECRET

file

3

10 January 1985

TORNADO FOR SAUDI ARABIA

I enclose a revised version of the draft message from the Prime Minister to King Fahd which the Prime Minister has now approved. I should be grateful if it could be shown to Sir Antony Acland and to Sir Clive Whitmore, in the absence of their respective Secretaries of State, and, provided they are content, despatched as soon as possible. The telegram containing it should be "DEYOU".

I am copying this letter and enclosure to Denis Brennan (Ministry of Defence). It should have no further distribution.

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

001/112



NBM
AD 10/11

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Paul Channon MP
Minister for Trade
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H 0ET

9 January 1985

Dear Minister

FRIGATES FOR PAKISTAN on Pt. 4

Your letter to me of 20 December noted that a report would shortly be coming forward from officials on the possibility of new arrangements for export credit cover for major arms sales and that this would no doubt cover the possibility of taking on additional risks, beyond those previously thought prudent, to accommodate such business of the kind which we have recently considered e.g. in relation to Tornados for Turkey as well as frigates for Pakistan. But you will not have been surprised to learn that my view remains that transferring such risks from one Government Department to another neither increases the capacity of HMG to accept additional risks nor the capacity of the buying country to take them on. Indeed, you put precisely this point in your recent evidence to the Trade and Industry Select Committee.

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

Yours sincerely

PETER REES

[Approved by the Chief Secretary]

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8 9 10

10 JAN 1985

SECRET

2

PRIME MINISTER

Tornado for Saudi Arabia

I attach a copy of a message to King Fahd following on your discussion with Prince Bandar on Monday. It has been drafted by Mr. Egerton, and only he and Mr. Blyth have seen it all, though the paragraph on oil has been cleared with Mr. Walker and with the Treasury. Mr. Walker is already in touch with Sheikh Yamani.

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

TEMPORARILY RETAINED. J. Gray 8/7/2014

Agree the message?

CDP

Yes no

9 January, 1985.

SECRET

SECRET

TORNADO: MESSAGE TO KING FAHD FROM THE PRIME MINISTER

1. Please arrange to deliver the following message to King Fahd as soon as possible. Sir O. Wright should give the text personally to Prince Bandar, if necessary in advance of any appointment you may obtain with the King, since Bandar particularly wants to explain the upshot of his latest mission to Fahd, in Sultan's prolonged absence in Pakistan.

Begins

"I was delighted to learn from Prince Bandar on 7 January that Your Majesty has decided to acquire Tornado for the Royal Saudi Air Force. I am sure that it is a wise decision. Tornado is the most powerful and sophisticated Combat aircraft of its kind in the world, and incorporates the latest technology. I can assure Your Majesty that the British Government will be responsible for providing non-UK manufactured spares and parts, if necessary from our own stocks, so that the supply provisions of the contract will be honoured. I also fully understand and appreciate Your Majesty's wish to keep this decision absolutely confidential for as long as possible. You may be confident of our complete discretion, though given the certainty of enquiries by the press, leading no doubt to much speculation, it may be prudent to finalise the details of sale soon.

Your Majesty also suggested that there should be consultation between Britain and Saudi Arabia on developments in the oil market. Our aim has long been to avoid violent fluctuations in the oil price which could create major economic and financial problems, not least for the banking systems of many countries, including the United States, which may be attracted by lower oil prices. But though the British Government's aim is stability (or at least the avoidance of sudden changes) in oil prices, we do not believe that this can be achieved at present

SECRET

/ official

SECRET

- 2 -

official price levels which are under increasing strain. The British National Oil Company has been losing over one million pounds a day. We are very conscious of how much Saudi Arabia has done and is doing to halt the erosion of prices by limiting its own production, and by active diplomacy.

In response to Your Majesty's suggestion

SECRET

/ I have asked

I have asked Mr. Peter Walker, our Energy Secretary, to meet Shaikh Yamani early next week to discuss how our objectives in relation to oil prices might be met. As you will know they have already had frequent meetings. In the last resort, each Government will have to be free to make its own decisions, but we are anxious that we always have the fullest exchanges with you.

Prince Bandar told me that Your Majesty had advanced your visit to Washington to 11 February, a little over a week before I am due there myself for further discussions with President Reagan. At those meetings I shall repeat my concern about the situation

in the Middle East and encourage the President once again not (not) to delay the new Middle East initiative which, as I told Your Majesty in my message of 31 December, he has promised to pursue. If Your Majesty were able to stop over in London on your way to or from Washington in February, I believe it would be a most useful opportunity to discuss our respective approaches to President Reagan on the Middle East, as well as to exchange views on other matters of interest including the very important recent developments on East/West relations and arms control. I hope very much that you will feel able to accept this suggestion.

Usual courtesies."

Ends

Please note the commitment to total discretion. The Prime Minister has instructed that there are to be no (no) leaks from the British side. Knowledge of the Saudi decision should rest with Heads of Mission only.



Prime Minister
CDP
9/1

MINISTRY OF DEFENCE

Main Building, Whitehall, London SW1A 2HB

Telephone (Direct Dialling) 01-218

(Switchboard) 01-218 9000

From: Mr James Blyth, Head of Defence Sales

Dear Prime Minister

8 Jan

You did indeed 'do' me
me this time around and I would like to thank
you very much for the 'doing'
My wife is delighted as am I but our 8 year
old daughter is utterly and very hopelessly unimpressed.

I was very encouraged with the way things went
yesterday with the young Bandar - hopefully we can
chink this seemingly never-ending negotiation.

Thank you also therefore for helping us toward the
sort of start in 1985 which could give us another good
year.

None of us were pleased with our 1984 performance
and took no consolation from the overall market
decline. We've become rather used to bucking the
downward trend and are not comfortable when
following it.

My very personal view is that 1985 should see a
return to our winning ways

I have no doubt that our recent successes have been
in very large measure due to the great political
support we have had from you and your government
I thank you for that also on behalf of my people
Yours sincerely
James Blyth

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= 9 JAN 1985



Foreign and Commonwealth Office

London SW1A 2AH

8 January 1985

Dear Charles,

Tornado

Thank you for the two records of conversation of the Prime Minister's meeting with Prince Bandar bin Sultan on 7 January.

/ As requested, I enclose a draft message from the Prime Minister to King Fahd. This has been cleared by Stephen Egerton with Sir James Blyth, but not yet with the Department of Energy. We have, as you suggested, stuck to the wording of your record on oil matters.

As you know, Bandar was at first keen to take the signed copy of the Prime Minister's message himself to King Fahd, but we ruled this out for reasons of precedent and security. We now propose that Sir O Wright give a copy of the message to Bandar in Washington as soon as he can reach him; but that the original should be transmitted, as is customary, through Sir P Wright as soon as he can get an appointment. There may be no harm done on this occasion if Bandar manages to get to the King first, so that HMA can subsequently provide any necessary corrective.

Y ever,

Pete Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

OUT TELEGRAM (CONT)

Classification and Caveats
SECRET DEYOU

Page
2

<<<<

1 <<<<

2 Majesty that the British Government will be fully responsible for
3 providing non-UK manufactured spares and parts, if necessary
4 from our own stocks, so that the supply provisions of the contract
5 will be honoured at all times. I also fully understand and
6 appreciate Your Majesty's wish to keep this decision absolutely
7 confidential for as long as possible. You may rest assured that
8 our discretion will be total, though given the certainty of
9 enquiries by the American and French press as well as by the press
10 here, leading no doubt to much speculation, it may be prudent to
11 finalise the details of sale as soon as possible.

12 ~~I was most interested in~~ Your Majesty's ^{also} suggestion ^{ed} that there
13 should be consultation between Britain and Saudi Arabia on
14 developments in the oil market. Our aim has long been to avoid
15 violent fluctuations in the oil price which could create major
16 economic and financial problems, not least for the banking
17 systems of many countries, including the United States, which may
18 be attracted by lower oil prices. But though the British
19 Government's aim is stability (or at least the avoidance of sudden
20 changes) in oil prices, we do not believe that this can be
21 ^{achieved} ~~found~~ at present official price levels which are under increasing
22 strain. The British National Oil Company has been losing over
23 one million pounds a day. We are very conscious how much Saudi
24 Arabia has done and is doing to halt the erosion of prices by
25 limiting its own production, and by ^{active} ~~brilliant~~ diplomacy. In
26 response to Your Majesty's suggestion I ^{have} ~~am~~ asking Mr Peter Walker,
27 our Energy Secretary, to get ^{meet} ~~in touch~~ with Shaikh Yamani ^{early next week} ~~about a~~
28 ^{our objectives in relation to} ~~meeting~~ to discuss how ~~sharp changes~~ in oil prices might be
29 ~~avoided~~ ^{met}.

30 ~~But~~ in the last resort, each Government will have to
31 be free to make its own decisions, ^{but we are anxious that we}
32 ^{always have the fullest exchanges with you.} Prince Bandar told me that Your Majesty had advanced your
33 visit to Washington to 11 February, a little over a week before I
34 am due there myself for further discussions with President Reagan.
At those meetings I shall repeat my concern about the situation

NNNN ends
telegram

BLANK

Catchword

in

As you will know they have already had frequent meetings.

CONFIDENTIAL

Prime Minister

We assume e.
hope that this was
written in ignorance
of the message
conveyed by Prince
Bandar, James
Byth is trying
to find out
whether the French
have had a
similar message
about mirage

GR 200
CONFIDENTIAL
DESKBY FCO 081300Z
DESKBY MODUK 081300Z
FM JEDDA 081100Z JAN 85
TO IMMEDIATE F.C.O.
TELEGRAM NUMBER 020 OF 8TH JANUARY 1985.
AND TO IMMEDIATE MODUK (FOR PS/S OF S, HDS, DEFENCE SALES),
IMMEDIATE INFO RIYADH.
PRIORITY INFO MUSCAT AND BAHRAIN (FOR HARRIS DEFENCE SALES...
FROM H OF C (AMBASSADOR IS IN RIYADH...)

TORNADO

1. A LETTER FROM PRINCE SULTAN TO THE SECRETARY OF STATE
FOR DEFENCE WAS BROUGHT TO THE EMBASSY ON 8 JANUARY BY
THE COMMANDER, WESTERN MILITARY REGION, GENERAL SUDAIS. IT
IS DATED 6 JANUARY, AND MARKED 'SECRET AND PERSONAL'.

2. THE LETTER

SAYS THAT, AFTER THE MOST CAREFUL
CONSIDERATION, SAUDI ARABIA HAS DECIDED NOT TO BUY TORNADO
FOR THE TIME BEING. IT REFERS TO THE EFFECT ON THE KINGDOM'S
FINANCIAL RESOURCES OF THE WEAKNESS OF THE WORLD OIL MARKET
AND 'THE SPECULATION GOING ON IN THAT MARKET' AND SAYS THAT
THE KINGDOM HAS DECIDED TO CONCENTRATE ITS NOW MORE LIMITED
RESOURCES ON SUCH BASIC REQUIREMENTS OF DEVELOPMENT AS
AGRICULTURE, EDUCATION, COMMUNICATIONS AND HEALTH. SULTAN LOOKS
FORWARD TO COOPERATING WITH US IN FUTURE IN THESE FIELDS AS
WELL AS IN MILITARY MATTERS.

3. ORIGINAL AND FULL TRANSLATION FOLLOW BY BAG TO MED.

WRIGHT
LIMITED
MED
NENAD
ACDD
SON D
PS
PSY MR WUCE
MR EGERTON
MR FERGUSSON

COPIES TO
PS/NO 10 DOWNING ST.

CONFIDENTIAL

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10 DOWNING STREET

From the Private Secretary

Prime Minister

Tornado for Saudi Arabia

You should be aware that
BAe shares rose 30 pence, against
the market trend, this afternoon.

CLOSED UNDER THE
FREEDOM OF INFORMATION
ACT 2000

CDP
7/1

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1446</i> (one piece/item number)	Date and sign
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PIECE/ITEM	49
(ONE PIECE/ITEM NUMBER ONLY)			

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Extract/Item details: <i>Powell to Brennan dated 7 January 1985</i>	
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DEPARTMENT/SERIES

..... *GRA 168*

PIECE/ITEM *49*

(ONE PIECE/ITEM NUMBER ONLY)

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PRIME MINISTER

MS

TORNADO FOR SAUDI ARABIA

Clive Whitmore has been in touch to recount the latest vicissitudes in this saga.

Apparently matters very nearly reached the point at the end of last week where the order went to the opposition (i.e. the French). They had a team in Riyadh ready to sign.

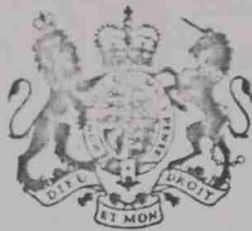
One way or another that has been blocked. Prince Bandar arrives today from Washington with a message for you from his uncle. We are told - though all this may not be in the message - that there will be a delay of several months before a formal decision is taken, but that the UK will now get the order. But there is a price: the Saudis want a commitment from us to discuss oil prices in future with them before making changes. They have been told this is a very far-reaching proposition on which there is no question of snap decisions, but that a meeting between Mr. Walker and Sheikh Yamani could be arranged.

I am arranging for Prince Bandar to see you either late tomorrow afternoon or Tuesday.

MS

*Duty Clerk
CDP AP.*

6 January 1985



10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S

2 January 1985

PERSONAL MESSAGE

SERIAL No. T 01/85

cc MASTER
OPS

Your Majesty.

I should like to thank Your Majesty both for your letter dated 25 November and for the kind sentiments conveyed to me on your behalf by His Royal Highness Prince Bandar bin Sultan with whom I had a useful and wide-ranging discussion on 17 December. I too am delighted that relations between the United Kingdom and Saudi Arabia are warm and friendly. I attach the very highest importance to maintaining and improving them and I am convinced that the possibilities for co-operation between our two governments and peoples are very great indeed. I am particularly encouraged by Your Majesty's welcome assurance that British press reporting on Saudi Arabia will not be allowed to influence our bilateral relations.

Since my meeting with Prince Bandar I have travelled round the world to Peking, Hong Kong and Washington. It was a strenuous journey but an important one. I attach great value to the kind of frank personal exchanges which I was able to have. Prince Bandar mentioned your particular interest in my visit to the United States. I thought that you might find it useful therefore to have, in confidence, a brief account of my visit.

/ My talks

da

My talks at Camp David with President Reagan covered a very wide field. I was able to give the President my impressions of Mr. Gorbachev. Gorbachev struck me as intelligent and responsive to argument. Though he had nothing new to say he conveyed the well-known Soviet positions with clarity - and with considerable personality. I found him a formidable man.

I also discussed with the President the approach to Secretary Shultz' forthcoming meeting with Mr. Gromyko in Geneva. I believe it vital that the North Atlantic Alliance should speak with one voice on the subject of arms control, and we found a great deal of common ground. Our discussions on this topic centred on the United States' Strategic Defence Initiative. You may be interested in the text, which I attach, of my remarks on the Strategic Defence Initiative following my meeting with the President - who had agreed the four points.

The Middle East was one of the most important subjects, in my talks with President Reagan. I began by drawing attention to the moderate outcome of the Palestine National Council in Amman. I then asked the President whether he intended to take a new Middle East initiative. I said that time was short, and that such an initiative should be taken rapidly.

President Reagan replied that it was his firm intention to press ahead with his initiative. He recognised the importance of securing the co-operation of moderate Arab states, and welcomed encouraging recent developments. In particular, he looked forward

to seeing Your Majesty soon. He regretted the problems which had arisen between King Hussein and the US Congress. He stressed that his ideas were firmly based on Security Council Resolution No. 242, and that he did not wish to impose any plan on the area. But the centre of gravity remained his initiative of September 1982. The United States would stand by that initiative and work with moderate Arab governments to make progress. He also said that the Americans were making active efforts to bring about early Israeli withdrawal from Lebanon, and to improve the conditions of life of the Palestinians in the Occupied Territories.

I find it encouraging that President Reagan himself is so fully alerted to the need for early progress. We shall continue to do all we can to contribute to the search for peace and to promote moves towards a negotiated settlement of the Arab-Israel dispute, which has caused so much instability and human suffering.

With our earnest- and respectful good
wishes to Your Majesty,

Yours sincerely

Raymond Salter

His Majesty King Fahd bin Abdul Aziz al Saud

STATEMENT BY THE BRITISH PRIME MINISTER, THE RT HON MARGARET THATCHER MP AT HER PRESS CONFERENCE ON 22 DECEMBER 1984 AT ANDREWS AIRBASE

President Reagan and I have had a very thorough and extensive discussion of the prospects for arms control negotiations, in the course of which we also naturally touched on the Strategic Defence Initiative (SDI).

I was not surprised to discover that we see matters in very much the same light. I told the President that I had made it absolutely clear to Mr Gorbachev that there was no question of the Soviet Union being able to divide the United Kingdom from the United States on these matters. Wedge-driving is just not on.

I told the President of my firm conviction that the SDI Research Programme should go ahead. Research is of course permitted under existing US-Soviet treaties; and we of course know that the Russians already have their Research Programme, and, in the US view, have already gone beyond research.

We agreed on four specific points:

- (i) the US, and Western, aim was not to achieve superiority, but to maintain balance, taking account of Soviet developments;
- (ii) SDI-related deployment would, in view of treaty obligations, have to be a matter for negotiation;
- (iii) the overall aim is to enhance, not undercut, deterrence;
- (iv) East-West negotiation should aim to achieve security with reduced levels of offensive systems on both sides. This will be the purpose of the resumed US-Soviet negotiations on arms control, which I warmly welcome.



da

10 DOWNING STREET

From the Private Secretary

2 January 1985

Saudi Arabia: Tornado

Further to my letter of 31 December, I am now enclosing a signed version of the Prime Minister's message to King Fahd. I should be grateful if you would arrange for its despatch.

David Barclay

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

ES

PART 4 ends:-

fco Tel 529 to Jedda 31.12.84

PART 5 begins:-

OB to fco 2.1.85

