



cc Far East extract  
to Malaysia: Aug 74  
Relation

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MO 25/2/17/2

PRIME MINISTER

I wanted to report on my return on the main points which arose on my recent visits to countries in the Middle and Far East. The last hours of my tour were of course overshadowed by the events in Egypt. The details of my conversation with President Sadat at the outset of my journey have been reported separately (Cairo tel 518) and I shall not enlarge on them here. There were strong voices of dissent at Sadat's policy, and, although Vice President Mubarak seems to be well in control there might be a possibility that the recent pattern will be shaken. -Flag A.  
on Pt B.

Middle East

2. On the broader issues the Arab/Israel problem of course dominated our talks, the Egyptians, or at least Sadat, have been staking a great deal on the resolution of the Sinai issue. There is an undercurrent of hope in Egypt - though not shared by senior Jordanians - that once this is out of the way, she will be able to resume a more overt relationship with other Arab countries. Ironically, the main stumbling block to acceptance was seen as Sadat himself. But there was a good deal of scepticism amongst officials about Israeli commitment to a satisfactory outcome to the autonomy talks. There was also some doubt whether the Israelis would be negotiating seriously and these doubts must now become reinforced with Sadat's death.

3. In Jordan the views were naturally more clear cut. We were taken to a point on Jordan's North West border overlooking the Jordan valley and the West Bank. It brought home, as intended, how strong the feeling



is in Jordan about the Israeli occupation. The Jordanians underlined in familiar terms their hope that we and the other Europeans would put as much pressure as we could on the Americans in respect of Israel.

4. In both countries, and especially in Jordan, there was very real dismay about the apparent understanding between the US and Israel about a future "strategic relationship". President Sadat told me that he had been personally informed by Haig that this amounted to no more than the Israelis providing medical facilities for US forces - a point later echoed in public US statements. I made it clear that the move, if such it was, had nothing to do with us and would be very damaging if it was as significant as early press reports had suggested. The Jordanians were also particularly gloomy about the outcome of the Iran/Iraq war. The stalemate could well continue for a long time.

5. I am confident we have made progress on equipment sales. In Egypt, there was clear satisfaction that the Anglo-Egyptian Swingfire factory was working well. The factory is also very suitable for local production of Rapier and I think we were able to regain some ground on Rapier lost earlier to the French. We also took soundings on a number of items including an early purchase (if credit were available) of 6 patrol boats. But the major new prospect now opening up is for tanks, and the Egyptians made a strong bid to me for a purchase of some 300 Challengers. This was seen not only in terms of co-production, but also finance from Arab - ie Saudi - sources. This may depend on the prospects for better relations between Egypt and other Arab States, although there is probably some Arab finance already in play. The Egyptians as expected laid stress on the importance of soft and extended credit for their prospective purchases, about which I shall be in touch with John Biffen and Geoffrey Howe separately.



6. The visit to Jordan was particularly valuable in terms of defence sales. The Jordanians have also been especially helpful in introducing us as defence suppliers to Iraq and particularly on the repair of captured Iranian Chieftain tanks. On the latter they have provided repair facilities in Jordan, but now feel that the rest of the work would be more sensibly undertaken in Iraq: I shall be in touch with Peter Carrington on this separately.

7. The Jordanians have also helped us considerably over the prospect of aircraft sales to the Middle East. And they will be speaking strongly in favour of the British "family" of aircraft at this month's meeting of their consortium partners. But there are certainly problems ahead. The Jordanians stressed the wish of Iraq to buy the Tornado strike version, though they accepted the need for it to be "sanitised". They also stressed the need for the P110 air combat aircraft to be in service with the RAF as a pre-requisite for its purchase by Arab countries. Considerable emphasis had been laid in the consortium on French undertakings to acquire for the French Air Force the new Mirage 2000 and 4000. I was able to say that we had already earmarked some funds for R&D towards the engine (actually an enhanced RB199 also to be used in the Tornado ADV) for the P110. The Jordanians assured me that this would be very favourably viewed in the consortium.

#### Far East

8. In Malaysia, the scene was dominated by the Prime Minister's stated intention to examine himself all contracts with British firms. I have reported separately the outcome of my discussion with him on this subject.

9. Despite this, our discussions with the Deputy Defence Minister (the Prime Minister himself holds the Defence portfolio) went well.



We had a useful exchange on the strategic situation in the area, the Malaysians being predictably gloomy about the future cohesion of Thailand. The Malaysians are embarking on a major expansion of their defence programme, and there should be prospects for us as a result, in aircraft and armoured vehicles as well as in defence infrastructure projects. We were criticised on the costs of training and Loan Service Personnel we provide; a subject which I am currently examining. But I stressed here, and to others who made the same complaint, that reduced charges had an opportunity cost to us in terms of our own capability and would be very much easier to contemplate in cases where substantial sales of British defence equipment were involved.

10. In the context of Five Power Defence Arrangement we also discussed the prospects of more joint training and exchanges, possibly using British units in Hong Kong. The Malaysian Military Staffs welcomed this, though their Prime Minister's current attitude to FPDA might require them to stress the bilateral aspects of any such developments.

11. Sales prospects in Thailand seem far less certain. The Americans have largely dominated the market. We sensed however that for a number of reasons, not least the growing links between the US and China (whom the Thais regard as the most significant long term threat), Thailand was anxious to improve their defence relationship with us. But our prospects will depend heavily on being able to offer a good credit package, and an IMS team is today in Bangkok discussing the possibilities.

12. On the wider issues I concentrated in my talks with Thai leaders and in public statements on our support for ASEAN, especially in regard to attempts to resolve the Cambodian problem. The Thais saw Sino/Russian rivalry in the area as the main hindrance to a peaceful solution on Cambodia.



British Forces

13. Finally, I also saw something of the British Forces in Cyprus and Hong Kong and of the Gurkha facilities we maintain in Nepal. I found our Forces in good heart and working well. I was especially interested to see their operations in Hong Kong and I was encouraged by the smooth functioning of the new Defence Costs Agreement.

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

*MHR Evans*

John Nott

(Approved by the Secretary of State  
and signed in his absence)

Ministry of Defence  
8th October 1981