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OD(81)39

COPY NO 46

21st July 1981

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MAJOR DEFENCE SALES TO THE MIDDLE EAST

Memorandum by the Secretary of State for Defence

1. I should welcome colleagues' views on a number of significant sales prospects in the Middle East which have now reached critical stages.

P110/Tornado

2. We agreed at OD on 12th February to make every effort to keep the Tornado option in front of potential Middle East customers. Since then increased emphasis has been given to a new aircraft development, the P110, which would be designed wholly by BAe and meet Arab requirements for an advanced combat aircraft. (Details of both aircraft are at Annex A.) At present Arab interest is being shown in two separate groups which may coalesce at a later stage.

a. The Arab Consortium. A conference of Arab Air Force Commanders representing Jordan, Iraq, Kuwait, Qatar, Oman and the UAE, but not Saudi Arabia, has agreed to evaluate both the Mirage 4000 and the P110/Tornado IDS. Jordan and Iraq will take the lead in further discussions with the UK and Iraq is believed to be particularly interested in the Tornado IDS. A further meeting of the consortium is to be held in the middle of August, and we have been asked for certain assurances by then. (These are detailed at Annex B.)

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b. Saudi Arabia. The main Saudi interest is in the P110, but arrangements are being made for a Saudi Prince to fly the Tornado and for detailed answers to be provided in response to a Saudi Air Force questionnaire.

Both the Saudis and the Consortium are looking for collaboration on a joint funded basis with RAF participation.

3. So far we have succeeded in preventing an early decision in favour of France, but we face a number of problems in consolidating our position:-

a. Security Implications. There are no overriding security objections to supply of P110 to the Middle East, subject to deletion of certain sensitive equipment and retaining manufacture in the UK. Similarly Tornado could be sanitised for sale to most Middle East countries, although Iraq presents security as well as political difficulties.

b. Industrial Implications. The aerospace industry will have a substantial workload from the RAF's future programmes, but the decision not to replace the Jaguar would create a major gap which would probably be irrecoverable at a later date in our longer term design and production capacity for advanced military aircraft. The P110 would fill this gap and enable us to retain our technological base in advanced military aircraft.

c. Defence Programme and Budget Aspects. In the revised Defence programme no provision has been made to acquire an aircraft with the characteristics of P110, although there are funds for Tornado mid-life improvements and V/STOL developments. To achieve the maximum P110 performance quoted by BAe could involve further engine development at a cost of some £250-400 million. Any UK contribution to a collaborative programme would therefore have to be funded either by private industry, by funds from another Department's programme, or by a combination of these sources.

d. Collaborative Aspects. The FRG will probably continue to oppose the release of Tornado IDS to any Middle East country for some time and could raise difficulties over Tornado technology in the P110. But if we want to sell in the Middle East and take advantage of the changed political situation in France, we must play this along. If we back out now, we may well lose in other less difficult areas like the Hawk.

Defence Sales to Iraq

4. At OD, on 29th January, we agreed that every opportunity should be taken to exploit Iraq as a promising market for defence sales, provided no lethal equipment was supplied during hostilities, but to interpret our obligations of neutrality as flexibly as possible. There are now a significant number of major orders in prospect from Iraq. (Details as set out at Annex C.) Colleagues will wish to know where we stand on the most immediate and contentious items:-

a. Refurbishment of Captured Tanks. IMS will shortly be reporting on the technical evaluation of the captured Iranian Chieftains. We have already agreed to refurbishment in Jordan subject to the tanks not being used in the war and satisfactory arrangements in the events of a leak. Ministers most closely involved will be asked to endorse final contract arrangements prior to signature.

b. Supply of New Tanks. The Iraqis have asked for a large number of our most modern tanks. The Prime Minister and I told their Trade Minister that we are prepared in principle to supply new tanks once the war is over. We shall have to offer the same standard of tanks as we have supplied to Jordan, but even this will involve some security problems.

c. FH70 Howitzers. We have also said that we would be prepared to supply the FH70 once the war is over, subject to securing agreement from the Germans. We do not believe that the Germans would agree to this at present,

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and (because of delicate negotiations on a sale of FH70 to Saudi Arabia) we would not wish to ask them. However, our collaborative partners are content for the gun to be promoted worldwide on an unclassified basis, and we shall follow this up discreetly with Iraq.

Conclusion

5. I invite my colleagues to agree:-

- a. We should continue to promote P110 in the Middle East recognising that this could face us with difficult decisions on collaboration at a later stage;
- b. We should continue discussions on Tornado IDS with the Arabs but seek to focus their attention on P110 by indicating that there is no immediate prospect of securing German agreement to supply;
- c. To compensate for the difficulties over Tornado and preserve our position on P110, we should press ahead with negotiations on Army equipment for Iraq subject to the caveats above.

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Ministry of Defence

21st July 1981

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P110

1. The P110 Project is based on the extensive combat aircraft R&D activity which has been in progress in the UK over the last 10 years. In total some £40M has been spent in the Warton Division of BAe alone, on theoretical studies, wind tunnel testing, other testing and the manufacture of demonstrator programmes. In addition, the design incorporates many major systems already successfully developed for the Tornado. These include the engines and fuel system components; the weapons installation and management system; and the radar of the Air Defence Variant of Tornado.
2. The overall configuration of the P110 has evolved during recent detailed studies and in our experience has the largest technology base of any military aircraft previously developed in the UK or Europe.
3. The design is a highly manoeuvrable combat aircraft with outstanding air-to-air performance and an impressive ground attack capability. The high thrust to weight ratio and relatively low wing loading give acceleration, rate of climb and turn rate better than any existing aircraft type. This performance stems largely from use of the advanced Turbo-Union Ltd (Rolls-Royce/MTU/Fiat) RB199 engine, which is technologically superior to any other military engine type in Europe and a match for the very best from the US, together with the advanced structural and aerodynamic airframe technology. The advanced technologies of the engine, airframe and avionic systems have been carefully matched to ensure that the fundamental principles of cost-effectiveness and minimum risk are maintained. Maximum advantage is taken of new materials such as carbon fibre composites and the use of micro-processors in the aircraft control and weapons systems, thereby permitting the aircraft's superior aerodynamic characteristics to be fully utilised in all phases of operational missions.

TORNADO IDS

1. The Tornado IDS is an interdiction, strike and reconnaissance aircraft which is being introduced into service by the armed forces of the 3 collaborative partners (UK, FRG, Italy). It is a compact, two-seat, variable geometry aircraft powered by two RB199 turbo-fan engines designed by Turbo-Union Ltd (RR/MTU/Fiat).
2. Role. In its primary role of long-range attack against ground and sea-borne targets the aircraft is designed to be able to penetrate enemy defences at low-level and attack targets in all weathers and at night. It is designed to operate from relatively short airstrips and can fly at speeds in excess of Mach 1 at low level and Mach 2 at height.
3. Avionics. The avionics fit permits accurate navigation and weapons delivery in blind conditions, while the automatic terrain following system allows low-level flying down to 200 ft at speeds over 600 kts irrespective of weather and light conditions, thus avoiding long range detection by enemy radar. The aircraft can also carry active and passive Electronic Counter Measures (ECM) equipment.
4. Weapons. The aircraft is capable of carrying a large warload and the choice of weapons is considerable. In the conventional mode a typical load might be 8 x 1000 lb bombs under the fuselage plus up to 6 x 1000 lb bombs or long-range fuel tanks under the wings, or 4 air to ground guided weapons such as the laser guided bomb. The IDS also has two integral 27mm cannon, and is designed to carry two Sidewinder air to air missiles for self defence.

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ANNEX B

ARMY AND AIR FORCE DEFENSE SALES AND CURRENT PROSPECTS

ASSURANCES REQUIRED OF THE UK BY THE ARAB CONSORTIUM

- | | Value \$M | Supplier |
|--|-----------|----------|
| 1. Chieftain Armoured Recovery Vehicles | 31 | BAE |
| 2. Tornado | 30 | Scanwell |
| 3. Continuity of supply on US ordnance or the possibility of an appropriate UK substitute. | | |
| 4. C-130 | 11.2 | Hughes |
| 5. The availability of new developments in avionics and ordnance to the Arab consortium. | 1.5 | BAE |
| 6. Operation of the aircraft chosen by the supplying country to ensure quality of development and suitable training opportunities. | | |
| 7. Other miscellaneous sales | 19.8 | |
| Total: | 110M | |
- The need to obtain agreement from the Germans and Italians regarding the release of Tornado.
 - Continuity of supply on US ordnance or the possibility of an appropriate UK substitute.
 - The availability of new developments in avionics and ordnance to the Arab consortium.
 - Operation of the aircraft chosen by the supplying country to ensure quality of development and suitable training opportunities.

LONG STANDING MAJOR SALES PROSPECTS

	Value \$M	Notes
1. Hawk Aircraft Local Assembly	1000+	SAc. Feasibility study well underway. In-country hot-weather trial July 81.
2. Naval Base, Integrated Weapons Complex	Initially 4-5. Eventually anything up to 300	DMC close to securing contracts for DM* package and Naval base Design Study. Agreement still to be reached on question of advance payment, quantum and performance bonds.
3. Engineer Package: Centaur/Barracuda/Ranger	75	This is a long-standing requirement, although interest has intensified since the war began. There are security problems to the sale of Barracuda and Ranger which have still to be resolved.

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ANNEX C

IRAQ: RECENT DEFENCE SALES AND CURRENT PROSPECTS

A. SALES SINCE THE START OF THE IRAN/IRAQ WAR

	<u>Value</u> fM	<u>Supplier</u>
1. Chieftain Armoured Recovery Vehicles	30	IMS
2. Tank Recovery Vehicles	30	Scammell
3. Night Vision Equipment	15.75	Flear Optics
4. Ground Power Units	11.2	Houchin
5. Land Rovers	3.5	BL
6. Hawk Study Contract	2.3	BAe
7. Other Miscellaneous sales	16.8	
Total:	<u>f110M</u>	

B. LONG STANDING MAJOR SALES PROSPECTS

	<u>Value</u> fM	<u>Notes</u>
1. Hawk Aircraft Local Assembly	1000+	BAe. Feasibility study well underway. In-country hot-weather trial July 81.
2. Naval Base, Integrated Weapons Complex	Initially 4-5. Eventually anything up to 500	IMS close to securing contracts for IWC package and Naval base Design Study. Agreement still to be reached on question of advance payment guarantees and performance bonds.
3. Engineer Package: Centaur/Barmine/Ranger	75	This is a long-standing requirement, although interest has intensified since the war began. There are security problems to the sale of Barmine and Ranger which have still to be resolved.

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4. Hydrosearch for Dam Surveillance 30 MSDS close to contract signature.

C. MAJOR SALES PROSPECTS RECENTLY ARISEN (No lethal items to be supplied until after the war)

- | | | | |
|----|---|------|---|
| 1. | Refurbishment of captured Chieftain tanks (130) | 25 | IMS will shortly be reporting on the categorization exercise. |
| 2. | New Tanks (200) | 500 | Iraqis have requested an offer for a <u>further</u> 200 advanced MBTs. |
| 3. | Armoured Recovery Vehicles (21) | 25 | IMS will shortly be making proposals |
| 4. | FH70 (500) | 350+ | Iraqis have requested an offer and may be interested in as many as 500 pieces. |
| 5. | Tornado/P110 | 500+ | Strong Iraqi interest in Tornado IDS. Also possible Iraqi participation in joint Arab consideration of the P110 derivative. |
| 6. | Mig 21 + Mig Spares and Overhaul Facility | NK | BAA, RR, Dowty and Westland all invited to quote for spares. Possible long-term interest in establishment of a large overhaul base. |
| 7. | Spares for Russian T-tanks, including re-engining | NK | Various firms invited to put forward proposals. |
| 8. | Further Recovery Vehicles and tank Transporters from Scammell | 50 | Contracts signed but not ratified. |

Total: £3000M+
(including long-standing prospects)

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