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OD(81)8

Copy No 45

10th February 1981

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DEFENCE AND OVERSEA POLICY COMMITTEE

TORNADO - EXPORT SALES

Memorandum by the Secretary of State for Foreign and
Commonwealth Affairs and the Secretary of State for Defence

There is a strong case for seeking orders for Tornado from overseas customers, particularly in the Middle East. This paper considers what our attitude to such sales should be.

Need for Tornado Exports

2. The tri-national Tornado programme is the kernel of the advanced military aircraft industry in the UK for the next decade. To capitalise on our investments and to ensure a prolonged production run for the Tornado it is essential that we secure export sales; the best prospects at present are in the Middle East. Unless we are willing to offer customers our most advanced aircraft, they may be reluctant to purchase less sophisticated aircraft from us such as Jaguar and Hawk. In this context, we need to exploit possible opportunities for selling families of aircraft, a concept being pressed hard by the French with the Alphajet, Mirage 2000 and Mirage 4000 although these two Mirages are only, at present, prototype aircraft. Since Tornado is a joint project with the FRG and Italy, we shall need their co-operation.

3. The total development and production investment costs of Tornado funded by the three partner nations are estimated to be £3,500M. The UK share of this which includes the full development costs of the Air Defence Variant amounts to some £2,000M. The aircraft is now entering service and a total of 809 aircraft will be delivered to the three airforces by 1989. It is now vital to secure export orders for the aircraft and its RB199 engine. Only by doing so can we capitalise on our investment in the project, and help sustain the production lines in the late 1980s and early 1990s. This is essential to the future of British Aerospace. In the early 1980s, the Tornado programme will provide employment for 37,000 people in the UK at major contractors alone, and if further orders are not forthcoming these employment opportunities will inevitably decline after that.

Programme Considerations

4. The Strike Attack version of the aircraft is the best export prospect in the short term. The Air Defence Variant will not be

available until the mid-1980s and will face strong competition from the existing American F-15. At present the Mirage 2000 and 4000 are only prototype aircraft. The Tornado should therefore have a competitive advantage since production aircraft will begin to become available for export from mid-1985. Whether aircraft can be offered earlier than this will depend upon the interest shown by customers and the need to build up the RAF front line.

Political Aspects

5. a. The principal political consideration is that the introduction of Tornado or Mirage 4000 would introduce a new element into Middle East arsenals. The Israelis currently have overwhelming military superiority in the Middle East. The Americans are supplying F-15s and F-16s to Israel and F-15s to Saudi Arabia. The Russians have supplied MIG 21s, 23s and 25s to Syria and Libya. None of these would provide the interdiction strike capability of Tornado whose nearest American equivalent (the F-18) is not currently for sale in the Middle East.
- b. The aircraft is capable of use as a delivery vehicle for nuclear weapons, and is designed to carry a number of highly sophisticated conventional weapons which could not at present be supplied.
- c. Israel: The Israelis approached us in 1979 about possible use of the RB199 (Tornado engine) in a fighter aircraft planned for local production. We consulted the Germans and Italians, putting it to them that the deal would not be compatible with the common objectives of avoiding arms sales likely to impair the prospects for a peace settlement in the area. Our partners agreed and we so informed the Israelis.
- d. But the situation has changed since 1979. The invasion of Afghanistan and the Iran/Iraq war have engendered deep concerns about the ability of the Gulf States adequately to defend themselves. HMG have made strenuous efforts to provide the military assistance which is necessary to stimulate confidence in the Gulf and to permit the Rulers to improve their defence capabilities.
- e. A number of components in the Tornado are of US manufacture and subject to US re-export licensing procedures. We must accept that in the present political climate the Americans may well refuse to sanction the sale of these components for use in aircraft destined for Middle East customers.
- f. The attitude taken by the Germans will be critical. Under the terms of the tri-national MOU, sales of Tornado require the approval of all partner nations. Whilst Italy has been generally sympathetic, and the Germans are currently reviewing their position on arms sales, the present German policy is to place restrictions on arms sales exports to areas of tension, especially the Middle

East, although we know that they have agreed to the sale of the field howitzer FH-70 to Saudi Arabia. Moreover, there have been discussions about a sale of Leopard tanks to the Saudis, a fact which has become public and is causing considerable controversy in the FRG. Thus far, however, there has been no relaxation of their attitude to Tornado sales.

Security Aspects

6. Sale of the Strike Attack version in this period poses no operational or equipment security problems for the UK that could not be overcome by minor changes to the aircraft systems. However, the Air Defence Variant has a very advanced and highly classified radar which we would be reluctant to release in this time scale. It would probably be necessary, therefore, to develop a "sanitised" export model of the radar system which would require further investment, but a major sale to the Middle East would make such investment worthwhile. The Tornado itself is, however, designed to carry sophisticated weapons systems and any proposal to include these systems in a sale would also raise grave security problems.

UK Lead in Marketing

7. Under existing arrangements Tornado marketing and sales activities have been handled through PANAIA, a tri-national company based in Germany. Partly because of the political inhibitions on a German-based company marketing in "sensitive" areas, but also because of a lack of thrust and direction in PANAIA sales efforts, we have been seeking to change these arrangements. We would like to move to a position where the UK, through British Aerospace and Rolls Royce, takes a firm lead in Tornado Sales. The partner companies are prepared to agree to this. But at Government level, although the Italians have proved amenable, the Germans have resisted our approaches. It is our firm view that Tornado sales prospects would be enhanced by such a move, not only in the Middle East but elsewhere. Currently we have hopes in Greece, Spain and (for the engine only) Yugoslavia.

Conclusions

8. (i) It is important to achieve exports of Tornado, but we shall need to convince our partners.
- (ii) It is difficult to predict the impact on the Arab/Israel military balance of deliveries of Tornado in the late 1980s. But it could have an impact on the prospects for a peace settlement and the role we can play in bringing this about. If we sell to the Arabs we may be under strong pressure to sell at least the engine to the Israelis. There is, however, little doubt that the French will sell Mirage 4000 if we do not sell Tornado.
- (iii) If we cannot tell our Gulf customers that we are willing to supply the aircraft, we shall severely

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jeopardise the prospects for sales of less significant aircraft and leave the Middle East market to our competitors (particularly the French).

(iv) We need therefore to approach the German Government in order to persuade them to overcome their reluctance to sell Tornado in the Middle East.

(v) Because of American involvement, we shall need to discuss the issue with them. But this should be delayed until a firm interest has been expressed by the customer and we have resolved our difficulties with the Germans.

Recommendation

9. (i) We should agree in principle to sell Tornado;
- (ii) we should approach the German Government about relaxing their present stance on sales;
- (iii) in parallel we should make every effort to keep the Tornado option in front of our potential Middle East customers, so as to prevent pre-emption of this market by the French; we shall need to develop our sales approach in the light of consultation with the Germans.

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Foreign and Commonwealth Office

Ministry of Defence

10th February 1981

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