



Foreign and Commonwealth Office

London SW1A 2AH

14 August 1979

*Prime Minister**Dear Bryan,*

*Do you agree with Lord Carrington's
recommendations and with the proposed
public line?*

*yes I agree that the licence
should stand. But we
must stick to that decision
my*

SOUTH AFRICA: PLESSEY CONTRACT

The Prime Minister was questioned at her news conference in Lusaka on 7 August about the Anti-Apartheid Movement's allegations that the sale by Plessey Ltd of radar equipment to South Africa and the training in this country by the company of South African Defence Force personnel involve a breach of the UN Arms Embargo. The Prime Minister promised to look into the whole affair on her return to this country.

The Foreign and Commonwealth Secretary has now carefully considered the background to the issue of the licence to Plessey Ltd by the Labour Government in 1976, the probable purposes to which the equipment is to be put and the political and economic consequences of withdrawal of the export licence. I enclose a background note which describes the history, the nature of the equipment and some of the economic aspects of the contract.

In Lord Carrington's view the key to the problem lies in the decision of the previous government when reviewing their policy on arms sales to South Africa in the light of the UN Embargo that dual-purpose equipment, which had a civil and military application, should continue to be licensed, notwithstanding the embargo, unless it was intended solely for a military purpose. The previous government satisfied themselves that the Plessey equipment met this criterion. The evidence available now suggests the the Plessey contract is likely to attract criticism and controversy because there is little doubt that the South Africans are buying the sophisticated Plessey AR3D system because of its military capability. At the same time the equipment will in peace time be integrated into the South African national air traffic system for the control of both civil and military aircraft. Nearly all national air traffic control systems have a dual role and are operated jointly by civil and military controllers to identify, regulate and ensure the separation of civil and military traffic. In this sense the equipment can be said to be genuinely dual purpose.

/The mandatory

B G Cartledge Esq
No 10 Downing Street



The mandatory provision of Security Council Resolution 418 prohibits the supply to South Africa of "arms and related material". It is up to individual Governments as to how they interpret this. Lord Carrington considers that there is a strong case for not adopting a more restrictive interpretation than the previous Government: in 1976 Mr Dell gave an undertaking to the Company that HMG had no intention of "preventing the export of dual-purpose radar systems".

There are other good reasons for not interfering with this contract, itself worth at least £63 million. Once we had admitted a breach of our obligations under the arms embargo other sales of dual purpose equipment and of goods of possible military application would be called in question. We would risk being pilloried internationally, as over the Bingham disclosures, for breaking a UN sanction and would gain little or no credit for revoking the licence. The economic penalties would also be heavy. ECGD would face liabilities of up to £56m and the effects on Plessey, for whom the South African contract constitutes one-third of their radar business over the next few years, would be very serious; jobs would be lost including redundancies among technical teams. The Company would then face serious cash flow problems.

The Foreign and Commonwealth Secretary regards these arguments as compelling and recommends that the licence should stand. In suggesting this he recognises that our critics will continue to snipe, not least in the UN Arms Embargo Committee. He believes that we should be prepared to ride this out. The position might, however, need to be looked at again if we are faced with a threat of serious economic retaliation because of this contract. In this connection the Prime Minister should be aware that the criticisms have been given publicity in the Nigerian press but there has so far been no reaction from the Nigerian Government.

While considering that we should allow the contract to proceed, Lord Carrington thinks it would be wise to take action to secure the early withdrawal from this country of the five serving South African Defence Force personnel among the project team here to supervise the work under the contract. Their continued presence, of which the Foreign and Commonwealth Office were unaware until the recent disclosures, could be represented as contravening our declared policy that there should be no military collaboration with the South Africans. Plessey are already looking into the possibility of carrying out the future training of military personnel (as well as civilians), to which they are committed under the contract, in South Africa rather than in this country.

/If the



/ If the Prime Minister approves these recommendations Lord Carrington proposes to reply on the lines of the attached drafts to the letters from the Anti-Apartheid Movement, firmly denying any breach of the embargo or of our policy of non-collaboration. The FCO News Department would at the same time be authorised to respond to further questions on similar lines. Lord Carrington believes that our objective should continue to be to play the issue in as low a key as possible.

Other interested Whitehall Departments have been consulted and agree at official level, with these recommendations. I am copying this letter to Martin Hall (HM Treasury), Roger Facer (MOD), Tom Harris (Department of Trade) and Andrew Duguid (Department of Industry). I am also sending a copy to Martin Vile at the Cabinet Office.

Yas ever,
Steph

J S Wall