



MO 26/9/1(A)

PRIME MINISTER

DEFENCE SALES

We are determined to increase our defence exports.

2. There are two areas where we can make progress. First, there are markets - notably the Middle East - where we can make a major impact with the equipment we have on offer today. Particularly successful items include Rapier and Hawk.

Tom Trenchard is undertaking a short survey of our overall sales strategy, and will let me have a short report which I will bring forward to EX Committee. As OD agreed last December Tom will use an in-house working group, to which Ministers and officials from other Departments will be co-opted as necessary. The aim will be to produce decisions and proposals, not a lengthy report.

3. Secondly, there is no doubt that our equipment is too expensive. I am certain that in conjunction with industry we must find ways of designing our equipment to make it cheaper - and more exportable - but without detracting from its fundamental military purpose for our Armed Forces. But this will take time. The equipment being planned now will not enter service in many cases for another decade and it is only then that action I take now will produce commercial results. We must also simplify and speed up our operational requirement and procurement procedures and bring industry into the process of new product development so that at an early stage it is financially involved in equipment projects which it considers to have export potential. Tom Trenchard is talking to industry now about all this.



4. Your Principal Private Secretary wrote to my Private Secretary just before Christmas with your proposal that there should be a Rayner-type study of the Defence Sales Organisation. For the moment, I should like to concentrate first on getting our sales strategy right and only then to look at our structures - the Defence Sales Organisation in the MOD, and International Military Services Limited - to see if they meet fully our objectives. Tom Trenchard's group will certainly examine the issues you raised and he will be in touch with Derek Rayner. Above all, we need action and not deluges of reports. With this in mind I would propose not to send you reports on sales prospects as a matter of regular practice. I shall, of course, keep you fully posted on matters where I need your support: your views on defence sales are fully taken, both by me and my junior Ministers here, and we shall be seeking to implement them as rapidly as we possibly can.

5. I am copying this minute to the Foreign and Commonwealth Secretary, the Secretaries of State for Industry and for Trade; and to the Secretary of the Cabinet.

JN.

Ministry of Defence
12th February 1981