



MINISTRY OF DEFENCE
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MO 26/9/1A

22nd June 1982

Prime Minister

To note

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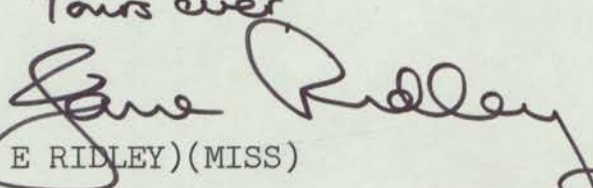
Dear John,

I enclose a copy of the latest quarterly report on major defence sales covering the three months from January to March 1982, together with details of major defence sales prospects. The total value of sales during the quarter amounts to some £394M, compared with £358M in the previous quarter and £232M during the same quarter last year. This total excludes the Venezuelan Hawk contract (£127M) which was signed but not ratified by the Venezuelan Government because of the Falklands crisis. The largest single contract included in this report is the £140M USAF Rapier deal.

The report clearly demonstrates the continuing importance of the Middle East as a customer. Some 30% of all sales for the period were to that area and there are excellent prospects for future sales. Extensions to the Saudi Air Defence Assistance Programme and National Guard Communications projects should be signed in the Summer. These management services and supply contracts will be worth some £700M over the next 3 years. There are also very good prospects for sales to Nigeria where signature of a contract worth £500M for Jaguar is imminent and another £65M contract for Swingfire almost a formality.

Following her discussions with Mrs Gandhi earlier this year, the Prime Minister may wish to know that Indian interest in Sea King helicopters and Sea Harrier Jets continues to be strong. RB 199 is being examined as the possible engine for the new Indian Light Combat Aircraft and the possibility of co-operation with BAe on the aircraft itself is under consideration.

Latin America has over recent years become one of the UK's most consistent customers. The contracts have not tended to be of very high value but usually represent a steady flow of smaller purchases. All sales activities in this area are now being reviewed in the light of the outcome of the Falkland crisis.

Yours ever

 (J E RIDLEY)(MISS)

A J Coles Esq

D/S13/405/3/2

PART I - STATISTICAL SUMMARY OF CONTRACTS SIGNED DURING THE QUARTER ENDING 31 MAR 82

The value of new orders received (ie contracts signed) during the quarter amounted to £394.112M compared with £358.318M in the previous quarter and £322.927M in the July-September quarter. The largest individual orders were USA's purchase of Rapier (£140M) followed by the £46M contract for Corvette fire control systems for Brazil and Iraq's £27M purchase of Simfire.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Abu Dhabi	6.500	Australia	0.230	Chile	1.420
Bangladesh	1.700	Brunei	0.785	FRG	1.500
Brazil	46.000	China	3.150	Indonesia	0.416
Chile	1.460	Egypt	0.170	Iraq	6.400
Iraq	0.200	India	5.200	Romania	1.400
Malaysia	3.800	Iraq	29.000	Saudi Arabia	19.000
Oman	25.000	Jordan	0.133	Sweden	20.000
Pakistan	2.000	Kuwait	0.608	USA	149.800
Thailand	1.300	Lebanon	0.200	Yugoslavia	1.800
	<u>87.960</u>	Malawi	0.675	Zimbabwe	0.351
		Nigeria	28.562		
		Oman	27.382		<u>202.087</u>
		Saudi Arabia	3.400		
		Syria	2.100		
		Trinidad	0.520		
		USA	0.950		
		Zimbabwe	1.000		
			<u>104.065</u>		

Note: The figures are substantially correct but not completely comprehensive as not all private orders, particularly those of a minor nature, are known to the Defence Sales Organisation. Orders worth less than £100,000 are not included in the Report. The figures shown are basic costs and do not include escalation or interest on credit.

PART II - CONTRACTS SIGNED DURING THE QUARTER ENDING 31.3.82 A - NAVY SYSTEMS

COUNTRY	EQUIPMENT	VALUE (£M)	DELIVERY
ABU DHABI	Action speed tactical trainer	6.000	1983
	9x45' Fast patrol boats (Coastguard)	0.500	1982-3
BANGLADESH	HMS Lynx plus ammunition	1.700	Mar 1982
BRAZIL	Fire control systems for 4 Corvettes	46.000	NK
CHILE	Ex-RN surplus ships equipment (ammunition, practice missiles and pallets)	0.940	Feb 1982
	4.5 Ammunition and associated fuzes for HMS Norfolk	0.520	Mar 1982
IRAQ	8m Fast assault boats	0.200	1982
MALAYSIA	Solartron ASTT	3.800	1982-3
OMAN	Landing ship logistic	20.000	1983
	Al Sajid conversion	5.000	1982-3
PAKISTAN	HMS London	2.000	Mar 1982
THAILAND	Command information centre: tactical trainer	1.300	1982-3

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COMMERCIAL-IN-CONFIDENCE

PART II - CONTRACTS SIGNED DURING THE QUARTER ENDING 31.3.82 B - ARMY SYSTEMS

COUNTRY	EQUIPMENT	VALUE (£M)	DELIVERY
AUSTRALIA	Anti-riot grenades (types L11, L13, L14, L16)	0.230	Mar-Sept 1982
BRUNEI	76mm AFV practice ammunition	0.509	Jul 1982- Jul 1983
	76mm AFV HESH ammunition	0.276	Jun 1983
CHINA	6 sets Cymbeline mortar locating radars plus spares	3.150	
EGYPT	Personal survival radios	0.170	1982-3
INDIA	Medium girder bridge	5.200	NK
IRAQ	SIMFIRE (900 sets)	27.000	1982-3
	Land-Rovers	2.000	1982
JORDAN	Centurion/ferret	0.133	1984
KUWAIT	Spares for A vehicles	0.608	By Oct 83
LEBONON	20 Engines for saladins	0.200	1982
MALAWI	105mm Ammunition	0.675	Dec 1982
NIGERIA	105mm Tank guns L7A1 (36))	0.979	1983-4
	105mm Tank gun barrels L7 (8))		
	GPMG: 36xL8A2)	0.483	1983-4
	47xL37A2)		
	36xL6A1)		
	Small arms ammunition	2.500	Jan 1982
	Laser Rangefinders + spares	19.000	Jan 1982
	Batteries + spares	0.600	
	Snipe (140 plus ground support)	1.500	
	Engineer equipment package	3.500	

PART II - CONTRACTS SIGNED DURING THE QUARTER ENDING

B - ARMY SYSTEMS

COUNTRY	EQUIPMENT	VALUE (£M)	DELIVERY
OMAN	Scorpion tanks	11.000	1983
	105mm Ammunition	3.134	Dec 1982
	Initial spares support for 15 MBT's and 1 ARV	10.400	ARV Spares Mar 1982 Remainder Jan 1984 - Mar 85
	120mm Tank ammunition	2.848	Dec 1982
SAUDI ARABIA	Explosive equipment for Special Security Force	0.400	1982-3
	Carl Gustav ammunition for SANG	3.000	1982
SYRIA	Body armour	2.100	1982
TRINIDAD	Communications equipment	0.520	early 1982
USA	NBC Development/Army vehicles	0.950	
ZIMBABWE	400 x HF VHF Manpack + vehicle transceivers	0.800	
	Land-rover Ambulances	0.200	

PART II - CONTRACTS SIGNED DURING THE QUARTER ENDING 31-3-82

C - AIR SYSTEMS

COUNTRY	EQUIPMENT	VALUE (£M)	DELIVERY
CHILE	Ex-RAF Hunters (6)	1.300	Mid 1982
	Aircraft Gun/Bomb sights	0.120	NK
FRG	CBS 200 practice bomb carriers	1.500	1982
INDONESIA	Spares for airfield radars	0.416	Feb 1982
IRAQ	Hunter Spares	3.100	1982
	Jet Provost spares	1.600	1982
	Engineering training for IAF Officer cadets	1.700	1982
ROMANIA	Ejection seats	1.400	1983-4
SAUDI ARABIA	Rapid runway repair kit	19.000	1982-3
SWEDEN	Skyflash (follow on order)	20.000	
USA	Aircraft fuel systems spares	1.680	
	C130 assemblies and spares	0.260	
	AV8B spares	0.310	
	AV8B development	1.250	
	Repair fuel control accessories	0.350	
	GP4B Computer/flight simulator	0.410	
	HUD/WASS	1.380	
	Air data system	1.000	
	Air data computer	0.280	
	Simulator valves AV8B	0.140	
	Projector map assemblies	2.740	
	Rapier	140.000	
YUGOSLAVIA	Linescan 401	1.800	1982-3
ZIMBABWE	BL 755	0.351	Jun 1982

MAJOR DEFENCE SALES PROSPECTSAFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	HAWK	200+	1982+	B&E's detailed proposals are under consideration by the Algerians.	US of S(DP) visited Algiers in August 1981 & actively concerned in subsequent correspondence	FRANCE, ITALY CZECHOSLOVAKIA USA/FRANCE
	TACTICAL COMMUNICATIONS EQUIPMENT	20	1982	Plessey/Marconi/Racal actively negotiating		
MOROCCO	IMS PACKAGE - ARTILLERY, VEHICLES, SMALL ARMS ETC	125	1982+	No change from previous report.		FRANCE US (aid)
NIGERIA	JAGUAR	500+	1982	Contractual and financing terms still under discussion. A large package of RAF training is being put together in support of the sale. Nigerians have requested no publicity.	None since last report	FRANCE FRANCE USSR USSR USA
	SWINGFIRE	65	1982	Signature likely in near future. The size of the package will be about 50% of the original planned buy worth £135M.		
	MAIN BATTLE TANKS	50-60	1982+	Vickers visited in January with proposals for follow-on quantity. May be delayed in view of present serious financial position in Nigeria.		
	TANK AMMUNITION (76 MM + 105 MM)	24.5	1982-4			
	RAPID RUNWAY REPAIR EQUIPMENT	10	1982	Contract awaiting signature.		
	PARACHUTES	15-20	1982	Contract for initial quantity (£5M) still awaiting signature.		
ZIMBABWE	CVR(T) ARMoured VEHICLES	up to 50	1982+	ZNA delegation visited UK in February 1982. Quotations for some vehicles already under consideration. Financing is likely to be a problem. Partial military aid thought to be on offer from the French.		FRANCE BRAZIL SWITZERLAND

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MAJOR DEFENCE SALES PROSPECTSASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	HUNT CLASS MCMVs	90+	1982/3	Negotiations in progress for purchase of 2 MCMVs from Vosper Thornycroft with an in-service date of 1984/85. RN have agreed diversion of 2 hulls and associated equipment. It now seems unlikely that this will proceed, due to lack of funds, but no decision has yet been taken.	Minister (DP) Secretary of State	Single Tender
	SEA HARRIER	105	1983+	Decision on possible acquisition of STOVL aircraft expected in 1983.		AV8B (USA)
	HMS INVINCIBLE Associated Spares and Stores	175 7.2	Handover between Sep 83 & Mar 84	Terms of Sales Agreement for the ship and MOU for MOD support have been agreed.		
CHINA	PROJECT 051	155	1983+	COCOM agreement obtained. Technical specifications and contractual terms agreed with China but negotiations temporarily suspended following UK firm's final price submission and inadequate Chinese counter-offer.		
INDIA	SEA KING HELICOPTERS	200	1982	HMG has assured Govt of India that it supports Westlands offer. Mrs Gandhi advised the PM during their recent discussions that a decision unlikely before August.	Included in PM's brief for visit of Mrs Gandhi 21-25 March 1982	FRANCE
	SEA HARRIER	103	1982	BAe visited in January, progress was made in negotiations. Request for approval of the purchase is at present with Indian Cabinet.	Included in PM's brief for visit of Mrs Gandhi	
	LIGHT COMBAT AIRCRAFT	165	Not known	Govt of India pursuing interest in development of LCA. HMG confirmed full support for IAF plans, in particular use of RB 199 as powerpack. On receiving firm indication of Indian intentions will seek approval to supply RB 199 from collaborative partners - FRG and Italy.	Included in PM's brief for visit of Mrs Gandhi	FRG FRANCE SWEDEN

MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	VEHICLE RADIOS	7	Mid 1980s	Negotiations progressing, Plessey hopeful of an order within next few weeks.		ISRAEL
DENMARK	SEA SKUA	5-10	1985-6	Much depends on outcome of requirements report now under study by Danish Navy, expected to be complete end April 1982.		
FRANCE	AEW EQUIPMENT	300	1983	Marconi Avionics (MSA) is under consideration for French requirement for an AEW system. French team visited March 1982.		USA
GERMANY	SEA KING UPDATE PROGRAMME (SEA SPRAY/ SEA SKUA)	50	1986-7	Phase I is for radar to provide over-horizon targetting capability. The choice of radar other than Sea Spray or Sea Searcher would destroy BAe's chances of selling Sea Skua to meet Phase II of programme.		FRANCE, ITALY
	STING RAY TORPEDOES	20	Late 1980s	Success may be influenced by FGN choice of heavyweight torpedo. MSDS arranged trials for FGN this Summer.	Minister of State (DP) discussion with the company	USA
GREECE	TORNADO	200-300	1982-3	Deputy Defence Minister Petsos expected to visit UK this Summer, visit to include Tornado briefing. French very active in promotion of Mirage 2000; Petsos visited France Jan 82.		USA FRANCE
ITALY	BL 755	up to 10	6 mths	Negotiations proceeding.		
	SPEY AERO ENGINES	100	1982	Prototype engines to be supplied May 1982. Contract anticipated Autumn 1982.		
	GEM AERO ENGINES	30-100	1983	Programme slipped slightly. Flight development programme now scheduled for Sep 83.		

MAJOR DEFENCE SALES PROSPECTSLATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	SEA SKUA	10	1982	The BN are waiting for the missile to be accepted into RN service before signing contract.		
	ASW PACKAGE	50	Late 1982	Embraer developing aircraft for maritime patrol, Ferranti and Marconi Radar have proposals worth approx £50M for anti-submarine equipment for these aircraft. Decision on project expected later this year.		
CHILE	SURPLUS SHIPS	20+	1983	HMS Norfolk and RFA Tidepool sold late 1981. Interest in two further destroyers and in longer term broad beamed Leander frigates and an aircraft carrier. Sales prospects need to be reassessed in light of Falklands crisis.		
ECUADOR	AIR DEFENCE SYSTEM PHASE 2	up to 85	1982	First phase signed in 1981. RAF specialist on loan to EAF to advise on set-up. To be funded outside Defence Budget.		USA FRANCE
PERU	NAVAL BASE PHASE 1	90	1982	Project definition complete and successful presentation given to PN. Alternative proposals being submitted by French.		FRANCE
URUGUAY	TYPE 21 FRIGATES	60	Mid/Late 1982	Vospers expect to have decisive discussions with Uruguayan Navy, but these have been postponed due to the Falklands crisis.		USA
VENEZUELA	RAPIER (8-12 fire units)	up to 90	1982-3	Venezuelan team visited UK in 1981. Part of an overall air defence programme, value £1.5B, over next five years.	US of S (DP) visit planned for April/May 1982 now cancelled.	FRANCE
	HAWK (24)	127+		Contract signed but progress payment due in April has not been paid. President Herrera Campins announced that deal has been frozen because of Falklands conflict.		

MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	HAWK	60	Mid 1982	Detailed specifications being completed contract negotiations imminent. Shaikh Khalifa assured of MOU in support.	PM secured agreement in principle to purchase. Visits by PM and S of S and Mr Hurd in 1981.	FRANCE
	ENGINEER PACKAGE	80	Mid 1982	IMS tender under consideration. New competition introduced but IMS still offer only complete package.		VARIOUS COUNTRIES
	ELECTRONIC WARFARE PACKAGE	100+	Mid 1982	UK tenders submitted and offer of UK MOD support made.		FRANCE, ITALY, FRG and USA
EGYPT	MBTs	525-1000	Late 1980s	Presentation on Challenger given in Egypt in Jan 81. Vickers Valiant could be offered as lighter replacement.	Lord Trenchard discussed during visit.	POSSIBLY FRANCE
	SP 122 MM HOWITZER	120	Not known	MDROFs and Egyptian Minister of Military Production signed letter of intent March 1982 for joint funding of ROF development of carrier vehicle for Egyptian 122 mm gun (soviet designed.) Some local production.	Lord Trenchard discussed during visit.	
	FPVs/FRIGATES	165+	1983	Egyptians still to decide on type of vessel. Options are 6 FPVs, 2 large frigates or 4 small frigates. Special credit agreed.	Ministers have agreed special credit package.	SPAIN ITALY/FRANCE
	SEA SKUA	70	1983	Under consideration. Credit needed.		
IRAQ	BARMINE, RANGER, CENTAUR	57	1982	Initial restriction on supply during hostilities with Iran now lifted. Contract signature imminent. Have requirement for further engineer stores.	FCS agreed to wartime supply.	FRANCE
	FH 70 GUN, AMMUNITION	150	Mid 1980s	Offer for 100-500 guns to be made in May. Supply subject to German approval.	Ministers have decided that supply must await end of Iran-Iraq war.	FRANCE
	LIGHT GUN, AMMUNITION	25.3	6-18 mths	Offer made.		
	CHALLENGER MBT	600	Mid 1980s	Offer for 300-500 MBTs to be made shortly.	Ministers have decided that supply must await end of Iran-Iraq war.	FRANCE
	NIMROD	750+	Mid 1982	Iraqis wish to conclude negotiations by July 1982. Have asked for early delivery of 2 AEWs diverted from RAF production run.	Agreed to sale. S of S to consider diversion.	ITALY

MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA NATIONAL GUARD	SANGCOM Phase 1 Part 2 including elements of WAVELL	200	1982	Detailed negotiations on draft LOA going well. Signature expected shortly.	S of S agreed in principle to attend official opening timed for mid June. Now delayed.	USA
	SANGMED	Up to 250	1982	Anticipated that Jeddah hospital will be open to receive patients end June 1982.		
	FH 70	20+	1982-3	Presentation Jan 82 followed by request for costed proposals which are being prepared.		
SAUDI ARABIA	FH 70 AMMUNITION	14.5	9-24 mths	Offer made.	S of S sent two personal letters to Prince Sultan on prices issue.	FRG, ITALY
	FH 70 (MODA) GUN AND ANCILLARY EQUIPMENT	144	1982	IMS say gun supply contract negotiations complete, signature awaited. Negotiations continuing for ancillary equipment.		
	LYNX HELICOPTER (MODA)	60-80	1982	Initial requirement 12-15 helicopters. WHL gave presentation Feb 82 included costed proposals.		
	ARTILLERY AND ENGINEER EQUIPMENT PLUS SUPPORT PACKAGE	Up to 130	1982-3	Contract negotiations continue.		
	HOVERCRAFT FOR COAST GUARD/FRONTIER FORCE	85	1982	Draft contract submitted March 1982.		
	EXTENSION OF MOU COVERING AIR DEFENCE PROJECT (SADAP)	500 over 3 yrs	1982	Visit by HDS to Prince Sultan in March has broken deadlock in negotiations. MOU extension should be signed shortly.		
	TORNADO/P110	500+	1986-7	P110 presentation planned for later this year in Saudi Arabia.		
	AIR BASE SECURITY SYSTEMS	80-90	1982	RSAF reassessing requirements. Shorrocks expect to be asked to submit new quotation.		
	AIR DEFENCE RADAR SYSTEM	200	1982	RSAF indicated British firms will be able to bid for up to 22 equipments. Request for proposals unlikely in immediate future.		
SYRIA	TANK TRANSPORTERS	100	1982	Following successful demonstration, Scammell have good prospect of being awarded contract for up to 700 vehicles.	FRG/FRANCE	

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MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	PATROL FRIGATE PROGRAMME	Not known	1983	Number of UK companies hopeful of major sub-contracts. Contract definition studies have been placed, the implementation contract is expected to be awarded in 1983.		
USA	RAPIER (for RDF)	Not known	Not known	Investigative team visited UK during Nov and seemed impressed by system. BAe continuing to promote in anticipation of funds becoming available in FY 83.	S of S, M of S (DP) and US of S(DP) all been actively involved in UK/US discussions of both sales.	FRANCE
	HAWK	500	1987	Contract for preliminary engineering development awarded Nov 81. Funding problems still to be resolved by USN and Congressional approval obtained. System under evaluation by US Navy.		USA
	INTEGRATED COMMUNICATIONS SYSTEM (ICS3)	50-100	1982	Lockheed have been asked to install radar into P3B aircraft prior to evaluation/trials late 1982. Unlikely that funding will be programmed until completion of evaluation/trials.	US of S (DP)	USA
	SEARCHWATER RADAR	100	1983			
	LAW	Not known	Not known	Recent General Office Review recommended US Army and USMC should conduct joint evaluation of both light and heavier LAW systems. US Army remain committed to Viper but USMC see a need for alternative such as UK LAW.		
	SCORPION - LAV REQUIREMENT	\$M278.8	FY 1982-3	Decision on which contractor to be awarded LAV production contract expected Jul 83.		USA CANADA
	COMBAT SUPPORT BOAT	16	FY 1982-4	Army plans to buy further 101 boats during FY 82 and USMC 27. Further procurement planned for FY 83 and 84, and is likely to be competitive as US have option of licensed manufacture.		
	81 MM MORTAR	200-350	1983	Contract moving towards type classification and procurement early 1983. After initial buy of 4000 mortars and 2M bombs US will wish to manufacture under licence.	Raised at Minister(DP)'s meeting with Dr DeLaver during his recent visit to UK.	