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MINISTRY OF DEFENCE  
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MO 25/8

15th June 1979

Prime Minister

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Dear Bryan,

The Defence Secretary called on King Hussein at the Jordanian Embassy at 4.30 pm today. King Hussein was accompanied by the Commander in Chief of the Armed Forces, Lieutenant General Bin Shaker.

After a discussion of the political situation in the Middle East, in which the King saw a role for Britain, he turned to the subject of military cooperation. He hoped to extend the level of cooperation with Britain through the purchase of Shir 1 tanks. He would like to equip two divisions with these tanks, a total of 608 in all. King Hussein did not, however, press for a commitment to supply enough for the second division. General Shaker explained the problems which Jordan saw over the financial arrangements. Not only was the price high, but we required a Variation on Price (VOP) Clause. If inflation in Britain ran at 17½%, Jordan would soon find the basic price of £800,00 rising to over £1M, including training, ammunition and spares. In addition, the requirement for a down-payment for 30% of the value of the order with another 30% due six months later presented difficulties since the sums available from various Arab States to finance the purchase would not cover these sums. King Hussein referred to his purchase of Mirage F1 aircraft from France and the willingness of Algeria to help him purchase Soviet tanks. But he had reached the view that the only alternative tank suitable for Jordan was the Soviet T72, and he was in principle not in favour of buying from the Soviet Union, in view of the political consequences. Jordan was also considering, for the longer term, purchase of the tracked form of Rapier surface-to-air missile originally developed for Iran.

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The Defence Secretary informed the King that HMG was ready to proceed with negotiations to supply the 274 Shir 1 tanks, but explained our need to satisfy Parliament about the financial terms of the contract. Though buying from the Royal Ordnance Factories would give Jordan a better bargain than purchasing from a private company, it meant that all the financial details had to be exposed to public view. There was therefore not much scope for altering the financial terms we had proposed though he would discuss with Sir Ronald Ellis what detailed changes might be possible.

I am copying this letter to Paul Lever (FCO) and Martin Vile (Cabinet Office).

*Yours sincerely,*

*Roger Fisher*

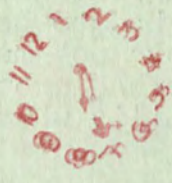
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