



MINISTRY OF DEFENCE
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MO 26/9/1A

15th November 1982

Prime Minister

To vote.

MR ^{15.}/₁₁

Dear John.

DEFENCE SALES - QUARTERLY REPORT: JULY-SEPTEMBER 1982

The Prime Minister will wish to have the latest quarterly Defence Sales report which covers the period July to September 1982. A table showing major sales prospects is attached at Annex.

This quarter saw the biennial Society of British Aerospace Companies (SBAC) Air Show at Farnborough at the beginning of September. This year's show was the biggest so far with a new North Hall constructed to house a large number of additional stands and the provision of a further 20 chalets. As in previous years the DSO and SBAC jointly welcomed foreign visitors to the show and played host to a total of 85 ministers, senior servicemen and officials from 26 different countries.

The overall total value of contracts signed during the quarter showed a substantial increase over the previous one, £650M against £406M and compares with £323M in the same quarters in 1981. However, of this total some £443M (68%) is accounted for by sales to Saudi Arabia and more than half (£370M) is taken up by a single contract, the extension to the Memorandum of Understanding between the MOD and the Royal Saudi Air Force, governing the provision of BAe of training and support services. After difficult negotiations lasting over a year, the Head of Defence Sales eventually signed the new MOU with Prince Sultan on 3rd August. The extension covers a two year period to August 1984. Its signature should provide a good basis for renewed marketing activity of aerospace and other military equipment to the Saudi Armed Forces. We see good prospects over the next few years for sales of Nimrod AEW and Hawk and we are also working on a supply of Lynx to the new Saudi Army Air Wing. My Secretary of State discussed all these prospects during his visit to Saudi Arabia in September.

A J Coles Esq

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The long drawn out negotiations for the supply of 72 FH70 guns to the Saudi Army were eventually concluded in July. The sale through IMS marks the first significant purchase of British equipment by the Saudi Army for some years and it could help establish a basis for further sales both for Saudi Arabia and elsewhere in the Gulf. An extensive officer training project for the Saudi Coastguard by the Royal Navy has recently been negotiated. National Guard interest remains active in the Challenger tank, though they may retain the hope of being able to acquire Leopard II from Germany. The National Guard hospital at Jedda managed under an MOU with MOD was formally opened by King Fahd in September. The hospital services are being built up on schedule by the British contractor and the Guard professes to be well satisfied with our performance.

Activity in the Gulf is currently concentrated on Abu Dhabi where the negotiations for the acquisition of 26 Hawk aircraft have now reached the final stage. Following Mr Hurd's visit to Abu Dhabi in September, the MOD has, at the Abu Dhabians request, conducted a review of BAe's prices and various other outstanding issues in the current negotiations. Assurances of HMG's strong backing for BAe's performance have been offered. It is hoped that negotiations will resume shortly and be soon concluded. A fresh challenge could be emerging from the French (Alphajet) and the Americans (F5G). Defence Sales are also actively involved in the promotion of the Joint Operations Centre, and integrated communications system projects for Abu Dhabi, where IMS are leading groups of British electronic firms, again against strong US and French challenge. A joint MOD/Industry presentation on Nimrod AEW has also been arranged in Abu Dhabi. The Abu Dhabians had a successful demonstration of Challenger in September and are showing firm interest in the tank. In Qatar, Plessey are in the final stages of negotiating a contract for a Joint Operations Centre. This project has had strong Defence Sales backing.

There are major defence equipment purchasing plans throughout the Gulf at present. In the case of Oman and Bahrain these are dependent on funding being made available by their partners in the Gulf Cooperation Council (GCC). Decisions on this, and also possibly over standardisation of equipment, may emerge from GCC meetings over the next few months. The Americans and French are evidently pressing their clients in the area, notably Saudi Arabia, to go for standardisation on existing equipment especially aircraft and air defence systems. We are aiming to counter this tactic for example by promoting the continued use of Rapier within the Gulf air defence system. It is particularly important that the Omanis, as the largest single user of British equipment, succeed in their efforts to retain discretion to procure equipment of their choice under the new joint funding arrangements; so far they have been taking a strong line on this. Integration of military planning and equipment within the Gulf states seems some way off yet. We are also keeping in touch over possible steps towards the development of a joint local armaments industry.



Business with Iraq has remained disappointingly low by recent standards during the quarter. There are indications however that Arab subventions have resumed which could directly benefit UK companies. At the end of the quarter a large number of tenders were issued for vast quantities of military clothing and general stores - areas where some UK firms have traditionally been successful. Since the end of the quarter, Scammell have signed a £51M contract (subject to ratification), the biggest single export contract in their history, for a further 300 heavy recovery vehicles. They have now sold over £100M worth of these vehicles to Iraq within the last 18 months. A team is now in Baghdad for further discussions on the Hawk project. BAe are submitting an offer for the direct supply of 24 Hawks (£150M) as the Iraqis are far from reaching a decision on the full local manufacture project. The Iraqis have made it clear, however, that BAe's chances of the Hawk project are related to the UK's willingness to sell Nimrods. There are three critical issues for the Nimrod deal which have recently been discussed by OD. These are diversion, bonds and guarantees, and supply of US components; the latter being the most difficult. The report of the further visit of the Nimrod team to Baghdad is awaited.

In late September the Head of Defence Sales paid a visit to Jordan and was able to develop good contacts with senior Jordanian personnel including Crown Prince Hassan and King Hussein. By way of follow-up, a joint British Aerospace, RAF and DSO team will visit Amman later this year for full discussions on the Agile Combat Aircraft (ACA) as well as AEW, EW and refurbishing the RJAF's F5E aircraft. If we can undertake the F5 package we may be able to hold off an early French or US advanced fighter purchase until the ACA is available. The Jordanians seemed generally pleased with their Khalid tanks and are happy with the measures taken to correct the problems encountered on the early tanks delivered. A potential constraint on what may be supplied - leaving aside funding questions - is the deteriorating security rating for Jordan as a result of the growing Soviet technical support. It remains to be seen how much closer Jordan gets to the USSR - but further Soviet sales and more 'advisers' in-country cannot be ruled out although Commander in Chief, Bin Shaker assured the Head of Defence Sales that he was well aware of the problem.

Egypt has remained a minor market with no significant developments despite strenuous efforts to obtain commitments from the Egyptians. The special credit allocation agreed in November 1981 for the support of 6 Ramadan fast patrol craft has not yet been taken up. The Head of Defence Sales visited Cairo in early October to explain the position to the Defence Minister in the hope that an early conclusion can be reached. The discussions also covered in detail the extensive negotiations on co-production across a wide range of products with the ROFs. As ever fruition will be much more difficult than discussion.



Nigeria's financial problems continue and no significant orders were placed during the July-September quarter. Following the unexpected transfer of the Defence Minister to Trade and the Defence Portfolio to the President, defence expenditure is again under review and UK firms face a further period of uncertainty. The President has already told the Air Staffs to reduce the size of the Jaguar package to within a total budget of £400M and BAe are currently rewording their proposals on the basis of 18, rather than 36, aircraft plus training and other support to be accompanied by a commitment to buy a further 18 at a future specified date.

Further negotiations on the MOU with Algeria on defence co-operation took place in early October. Good progress was made and it is hoped that agreement can be reached before Christmas. The need for good credit terms is the only major issue to be resolved. A draft outline proposal for an air defence network (now called Project ACCORD) has been devised by an RAF team on loan to the Defence Sales Organisation and is being revised in consultation with the major electronic companies prior to presentation to the Algerians. In the naval sector, Brooke Marine won the follow-on order for four fast Patrol Boats to be built in Algeria. The first of the two UK-built boats was handed over on 30th July.

Elsewhere in Africa, Kenya's President Moi has asked for help in rescheduling Kenya's defence debts as a separate issue from assistance with their overall debt problem; Zimbabwe has asked for UK assistance in providing six ex-RAF Hunter aircraft and ground equipment following the explosion at Thornhill Air Base, and the Tunisian Ambassador in London has now informed us that as part of his country's policy of diversification they intend to buy naval equipment from UK, and military aircraft from France.

Sales in most Latin American countries continue to be affected by the South Atlantic conflict and its aftermath. In Peru a contract for a naval training simulator has been lost largely, it is suspected, on political grounds. In Venezuela, the Hawk contract continues to be in the doldrums and is probably lost. Against this, political sensitivities over the Falklands issue has not prevented the Brazilian Navy from signing a letter of intent to purchase £30M worth of Tigerfish torpedoes from Marconi (this is the first overseas sale of the equipment). In Colombia prospects for UK defence equipment now look stronger than they have done in the past. There has been renewed interest in Naval Lynx and a recent proposal that the Colombians take up a £60M line of credit for purchases of UK military equipment has been well received by the armed forces.

In the Far East, it has been a period of negotiation. No major contracts have been concluded during the quarter but significant progress has been made in a number of areas. The Prime Minister's visit to China provided fresh impetus to the flagging negotiations on Project 051 and following her departure, BAe and Vospers Thornycroft were called out to Peking for further negotiations. Vospers have now reached agreement with the Chinese. BAe are reported to have



reached agreement on price but a number of contractual issues remain to be resolved before a signature. Progress has also been made by Vickers in their negotiations with South Korea on the details for joint production of the SP155mm gun with Korean industry.

During my Secretary of State's visit to India, there was some discussion on setting up an Anglo-Indian Equipment Collaboration Committee, which would meet when required to discuss possible collaborative deals such as the Light Combat Aircraft and sales problems. Mr Nott has since instigated a review to consider the security aspects of our contacts with India. A contract for an additional 31 Jaguar aircraft is expected to be signed by November and the negotiations on Sea King are coming to a head. A decision is expected in November and Westlands Helicopters are hopeful of success although the French challenge remains strong. The Sea Harrier deal is in a similar state of abeyance.

The most significant sales to European countries during the quarter were the £14M contract with Belgium for AIM 9L Sidewinder missiles, and the £6M sale of Clansman to the German Government for UK forces in Germany. There are, however, some important sales prospects in the area. The Norwegians have reached a critical stage in their consideration of their guided missile requirements and a decision is expected shortly. Prospects for Rapier are thought to be excellent, following its performance in the South Atlantic, despite strong competition from US Improved Hawk and European Roland.

The major sales prospect in Europe remains Tornado for Greece. Panavia have been putting their detailed proposals on support, credit and offset etc to the Hellenic Air Force (HAF) and two RAF Tornados visited Greece during a training flight to Cyprus at the end of October. In parallel Controller Aircraft led a high-level trinational negotiating team to Greece in September to draw up an MOU for support services by NAMMA and the three partner Governments. A Greek decision is not now expected until early in 1983 and it is believed that a split buy to fulfil both air-to-air and air-to-ground roles is now the most likely solution. Such a decision would place Tornado IDS in a strong position as a contender for the air-to-ground role.

In the USA the scene is one of contrasting success and failure. On the credit side, Marconi Radar have been awarded a contract, initial value £5M, to supply degaussing equipment and spares for the US MCM programme. Also, but on a smaller scale, MILTRA, who were successful in the last quarter in obtaining a contract to produce Medium Girder Bridge models worth £.5M, have now secured the contract option to produce a further 39 models valued at £.8M.



Finally, and provided pressure from Congress can be overcome, one of two UK firms, Compton Webb or Remploy, could secure a contract valued at circa £7M for supply of 230,000 NBC suits to the USN. A major disappointment concerns a significant contract award for the US Marine Corps/US Army Light Armoured Vehicle programme. Despite considerable lobbying in the US and Ministerial support, Alvia/Martin Marietta have failed to secure this remunerative 5 year contract worth in the region of £300M for the production of 969 vehicles. The award has gone to GM of Canada with US companies supplying equipment amounting to about 60% of the cost of the GM vehicle. The longer term Mobile Protected Weapon System/ Mobile Protected Gun project will continue to be pursued by Alvis.

As regards major future prospects in USA, \$50M has been included in the FY83 Defence Appropriations Bill further to improve the air defence of USAF bases in Europe. The Bill recommends that this should be achieved by an extension of the use of Rapier, which the USAF decided to purchase last year for defence of certain UK bases. We are similarly encouraged by the inclusion of \$9.7M in the FY83 Authorisations as the start of a phased programme of procurement of Hawk aircraft. Congress has, however, expressed concern at the total cost of the programme and it will be necessary to continue to work closely with the US Administration to ensure the long term stability of the programme.

For Australia, the RAN finally decided not to proceed with the purchase of 2 Hunt Class MCMVs because of funding problems. It may be that the Hunts will be reconsidered in the RAN's re-examination of their future mine-sweeping capability. Discussions regarding the new aircraft carrier for the RAN are still continuing with a decision expected towards the end of this year. New Zealand, however, finally concluded their purchase of two ex-Royal Navy ships valued at over £18M with a further £20M in helicopters and associated equipment. In addition it is anticipated that New Zealand will spend a further £12m in UK on related commercial contracts.

In sum, therefore, it has been, generally, a successful quarter both in terms of sales achieved and progress towards new deals. BAe in particular have shown enterprise in capitalising most effectively on the success of their various equipments in the South Atlantic, and we hope to be able to continue the upward trend which has been a feature of sales so far this year.

Yours ever,

Jane Ridley

(J E RIDLEY)(MISS)



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Defence

10 DOWNING STREET

From the Private Secretary

22 November, 1982

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Defence Sales - Quarterly Report:
July-September, 1982

The Prime Minister has noted the contents of your letter of 15 November.

A. J. COLES

Miss J. E. Ridley,
Ministry of Defence

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PART I - STATISTICAL SUMMARY OF CONTRACTS SIGNED
DURING QUARTER ENDING 30 SEPTEMBER 1982

The value of new orders received (ie contracts signed) during the third quarter of 1982 amounted to £650.907M compared with £405.776M in the previous quarter and £322.927M in the third quarter of 1981. The two largest individual contracts both went to Saudi Arabia, with more than half the total value of the quarter's sales accounted for by the £370M extension to the SADAP MOU. Next in line is the £64M contract for FH70 guns and ammunition followed by New Zealand's £38M purchase of two ex-Royal Navy ships, helicopters and associated equipment.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Algeria	22.300	Algeria	4.500	Algeria	3.000
Brazil	0.250	Australia	0.137	Belgium	14.000
New Zealand	38.400	Brunei	0.447	Brazil	1.100
USA	6.499	Dubai	0.997	Chile	4.300
		Egypt	4.500	China	0.640
		Eire	0.416	Egypt	1.600
	67.449	Germany	6.000	Germany	0.100
		Iraq	12.330	Norway	4.500
		Jordan	13.802	Qatar	6.000
		Kuwait	6.200	Saudi Arabia	337.800
		Oman	0.231	Sweden	0.200
		Saudi Arabia	66.039	USA	34.897
		Sweden	0.600	Yugoslavia	8.902
		USA	5.220		
		Yugoslavia	5.000		
					457.039
			126.419		

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 DSO. 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 III MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Air defence scheme	200 +	1983	RAF outline proposals report is being revised in consultation with industry All 4 of these projects are dependent on signature of Defence Sales MOU currently under negotiation	US of S(DP) visited Aug 81	France, Sweden, Germany France, Italy, Czechoslovakia France Japan, Belgium, Spain
	Hawk (27) + airframe & maintenance facilities; refurbishment of Soviet-built aircraft	200	1982+			
	Sea King/Commando helicopters	100+	1982/3+			
	Dry dock at Mers el Kebir base	110-115	1982/3+			
EGYPT	Frigates/FPCs	240	1983 on	A protocol has been signed with Spain for a major arms package including frigates & FPCs but Egypt maintains that 6 Ramadans are still required and an attractive ECGD backed credit offer remains extant until November	EX is approving special ECGD backed credit offer	Spain, USA France Spain
	Main Battle Tanks (up to 500)	1000	late 1980s	Vickers Valiant now being evaluated in addition to Challenger		
LIBYA	Air Defence Package	150	N/K	Prospects good. Yugoslavia led consortium putting together package which included Martello and Tropospheric Scatter.		
NIGERIA	Jaguar	400	1982	Financial negotiations still continuing. Nigeria has accepted improved payment terms offered by BAe following request to SofS. Contract signature still imminent but delayed by Independence celebrations.	1. Nigerian Minister of Defence called on SofS during his visit to UK for Farnborough 82. 2. Nigerian Senate Committee on Defence called on Minister(DP) in Oct 82.	France France USSR
	Swingfire	65	1982	Signature still awaited although negotiations said to be completed.		
	Main Battle Tanks	50-60	1982+	Negotiations on this follow-on order not yet complete. Request for credit may be made.		
	Scorpion	15	1982+	Negotiations continuing on this follow on order.		
TUNISIA	2 Fast Patrol Craft (52 metre, Exocet armed)	52	1983	Negotiations well advanced and contract expected by Nov 82. Tunisian Ambassador has informed us that a decision has been taken that future Naval business will be with UK, but aircraft with France.		France

PART III-MAJOR DEFENCE SALES PROSPECTS

AFRICA - (contd)

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ZIMBABWE	Land Rovers 1000 various types	6-8	1982-83	Firm order for initial quantity of 240 received late September.		
	Tactical Communications eqpt and local production of HF/VHF manpack and Vehicle transceivers	19	1981-86	ZNA have purchased from Plessey 550 radios out of a total requirement of 6500. Negotiations still going on on balance which will be assembled locally under sub-contract.		France

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PART III-MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Sea Kings and Sea Harriers	380	N/K	Australia already has 8 Sea King helicopters and there are prospects for the sale of up to 6 Sea Kings and 20 Sea Harriers in association with a new aircraft carrier purchase. RAN appraisal team recently visited UK to evaluate Sea Harrier and USA to study AV8B.		USA
	Aircraft Carrier	300		Now that UK is to retain HMS Invincible RAN is considering purchase of a new carrier. UK options include a new Invincible -class carrier to either RN standards or with an RAN equipment fit, and VSEL commercial Helicopter Escort Carrier.		USA Spain Italy
CHINA	Project 051 - equipment fit for 2 new destroyers	150 (incl's Sea Dart & Support Svcs)	1984+	BAe believe that they now have agreement on price but contractual issues remain to be solved. Chinese want a signature on the BAe as soon as possible. VT(UK)Ltd are still negotiating on price.	Prime Minister's recent visit stimulated renewed activity on Project 051.	
INDIA	Sea King	200	1982	Westlands Helicopters called to Delhi 12 October for second round of negotiations MOU under consideration in MOD.	Secretary of State visited Delhi in September 1982	France
	Sea Harrier	110	1983	Negotiations in abeyance as same evaluation team also handling Sea Kings.		
	Light Combat Aircraft (LCA)	165	1983	RB199 still not cleared. SofS is considering sending a team led by CSA to discuss LCA.		France USSR
	FH70	360-700	1983	DA advises that requirements could be as high as 400 guns, but in order to obtain required delivery, two different systems may be bought. IMS expect to be called to India in November. Decision should be early 1983.		France Austria Sweden
	Jaguar	60	1982	GOI has announced purchase of 31 Jaguars. Team visiting Delhi to put forward offer. Contract expected by November.		
INDONESIA	Hawk (further 3)	15	1982	Revived interest in additional purchase during this FY.		

PART III - MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST (contd)

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN	FH70	50	1983-84	Rheinmetall (FRG) lead on the sale of 26 guns and negotiations for licenced manufacture of initially 150. IMS will lead discussions on ammunition.		
	Searchwater Radar	10+	1984+	JMSDF showing keen interest in Searchwater to equip F2Js, later possibly for P3Cs (75 on order).		
MALAYSIA	FH70 (excl ammunition)	12 (UK share about 4)	1983-85	VSEL have responded to invitation to tender. MOD free training package offered in support. Decision on initial buy may be early in 1983. Oto Melara also bidding.		Austria Italy Sweden
	FH70 ammunition	7	1983-85	Offer with IMS		
	Defence Operational Room (DOR) project	100-150	1982-84	Following completion of feasibility study EASAMS tender proposals submitted (Apr 82) for full turnkey project, together with letter of support from HDS.		FRG USA
PAKISTAN	Frigates	150	1982/83	Vospers proposals for 2 Type 21 Frigates submitted Aug 82, with offer of 100% credit (50% ECGD).	Ministerial agreement to 50% ECGD cover PM's letter to Zia in August	France Italy FRG
SOUTH KOREA	Skyvan	270	1983	Decision delayed by renewed evaluation of DHC Buffalo		
	Vickers	200	1984	Vickers have reached agreement with KHIC on joint development and production (Vickers turret, KHIC hull). Discussions with Korean MND due to start soon. FRG/Italian agreement will be required on ammunition.		

PART III - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Land Rovers	30	1983-8	Decision due shortly. Land Rover offering assembly in Belgium or production in UK with offset arrangements.		FRG France Italy
DENMARK	Sea Skua	5-10	1985/6	Danish Navy understood to have recommended procurement of Sea Skua in a report now under study by Central Defence Staff. Funding constraints remain critical.		
FRANCE	AEW Equipment	300+	1983	Marconi Avionics (MSA) fitted into either the Transall or Atlantique aircraft is under consideration along with Boeing E3A and Grumman E2c to meet French requirements for an AEW system. Arrangements are in hand for an "in UK" evaluation flight of an AEW Nimrod with French observers in attendance in Nov 82 followed by further in flight evaluation in France during 1983.		USA
GREECE	Tornado	1000+		A decision is still awaited on the choice of aircraft for the HAF. Information now being received indicates that Greece may opt for a 2 aircraft type solution; Air to Air and Air-to-Ground optimised. If this is so, Tornado IIS is a strong contender for the latter version. In addition to Panavia's negotiations, b-h-b-talks have recently started between the 3 partner nations and Greece with some significant offer being made for the integration of the HAF into existing Tornado training, supply and programme management arrangements. 2 two-seater Tornados visited Greece during October 82 and were well received. During the last quarter of 82 the Greeks will be studying the proposals of the companies involved. A decision is expected early 1983.		ISA/France
ITALY	Spey Aero Engines	100	1983 (Spring)	The RR Spey engine has been selected for the development programme for the Italian/Brazilian AMX fighter. A total of 260 aircraft are currently expected to be ordered. However due to the ponderous Italian procurement system the anticipated date for the acceptance of RR's proposals has now slipped from Autumn 82 to Spring 83. RR expect business in excess of £100M from this licensed manufacture order.		

PART III - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ITALY (Cont)	GEM Aero Engines	30-100	1983	The GEM engine has been selected for the flight development programme for the Agusta Al29 anti tank helicopter. RR have signed a collaborative agreement with Piaggio to satisfy Italian wishes for local manufacture. RR estimate total engine requirements at between 750 and 800 units.		
NETHERLANDS	Submarine Towed Array Sonar	5	1982	Negotiations continue. Firm hopeful of initial order shortly. MOU covers RN support for introduction of Type 2026 sonar into RNLN subs.		
NORWAY	Rapier	160+	1983/4	MOD/BAe team visited Oslo late August to give presentation of Rapier in the Falklands. Decision on Rapier/US Improved Hawk/European Roland is imminent.		USA France/FRG
SPAIN	Rapier	100-150	1982	Following reports that the Spanish had decided, in principal, in favour of the Chaparaal system, BAe submitted fresh proposals increasing the levels of local manufacture in an attempt to reverse the decision. The Spanish authorities now seem willing to consider these new proposals and a decision is expected before the end of the year.		USA France

PART III - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	10	1982	Early contract signature may be likely following successful use of the system in the Falklands conflict, if satisfactory credit arrangements can be made.		
	Mk 24 Torpedo	30	NK	Letter of intent to purchase Tigerfish signed. Detailed contract negotiations take place Oct/Nov 82.		
	ASW package	50	late 1982	Embraer are developing a twin engined turbo prop aircraft for maritime patrol. Ferranti and Marconi Radar have prepared separate proposals worth approx £50M for anti submarine equipment for these aircraft. A decision on the project is expected later this year.		
CHILE	Rapier	100+	1983/4	Both the Chilean Army and Air Force are seriously interested in purchasing Rapier, Blindfire and tracked Rapier. Attractive credit terms are on offer. Successful use of the system in the Falklands will have enhanced sales prospects.		
	Navy Lynx (8+)	40-50	1983/4	The CN has a confirmed requirement for additional helicopters configured in an ASW role. CN team recently completed a very successful visit to WHL and RN stations where they saw Naval Lynx demonstrated.		
	Hunter Up-Date	14+	1982	Variety of UK firms including BAe, Ferranti, Marconi and Smiths have made proposals for update of Chilean Hunter avionics and communications. Decision expected soon.		
ECUADOR	Air Defence System Phase 2	21	1982	First phase signed in 1981. RAF specialist on loan to E.A.F. to advise on set up. To be funded outside Defence budget and final decision on purchase by end of the year.		USA/France

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PART III - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	Hawk	186+	1982	Despite eleventh hour problems, final negotiations are expected to resume shortly. HIS has written to Shk Khalifa.	PM secured agreement in principle in April 81. Mr Hurd visited Sep 82.	France
	Engineer Package	80	1983	IMS Tender under consideration. Now competition introduced but only IMS still offer complete package.		Various
	Electronic Warfare	100+	1983	UK tenders submitted and offer of UK MOD support made.		France, Italy, FRG, USA
	Tracked Rapier	100	1983	BAe are offering tracked Rapier to meet Abu Dhabi requirement for further battery of low level Air Defence missiles.		
	Blowpipe	30-50	N/K	Shorts are pursuing a firm prospect. Abu Dhabi have witnessed firings in UK.		
BAHRAIN	Sea Skua/Sea Spray	30-40	1982-83	BDF interested in fitting system to AB212 helicopters. Joint BAC-AB mod development almost complete. Subject to GCC funding.		
IRAQ	Hawk	2125	1983	BAe team visited in October 82 for final discussions, Iraqis now due to select preferred aircraft. Contract, which will also cover local manufacture could be signed in early 1983. BAe are offering off-the-shelf buy of 24 aircraft (£150M)	Inter-ministerial correspondence over, interalia, ECGD attempt to limit ECGD cover for Iraq	France, Italy
	Nimrod AEW Mk 3	1300	1982	DSO/BAe team visited in late October 82 for further discussions. Subject to Ministerial approval, a Govt-to-Govt sale will be offered under an MOU with two RAF aircraft being diverted to meet early Iraqi delivery requirements in return for an Iraqi waiver of performance bonds and guarantees on this and future BAe sales.		
	FH70	Up to 2000	1983	Budgetary offer for 100 guns submitted. IMS preparing full offer for 480 guns with support and massive quantities of ammunition. Post-war supply, subject to German and Italian agreement.		USSR France Austria
	Light Gun	400	1983	Revised IMS offer, reflecting greatly increased Iraqi requirements to be submitted this quarter. Post-war supply.		Italy USSR France

PART III MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST (CONTD)

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAQ	Challenger MBT	600+	1984	Offer for 300-500 Challenger being prepared by IMS for submission this quarter. Post-war supply.		USSR France
JORDAN	Hawk	100	1983-84	Hawk favoured to replace ageing F5Bs in advanced jet trainer role. Decision could be delayed if RJAF refurbish existing F5Es.		France, Italy USA
	ACA	NK	Mid 1980s	Following Farnborough 82 and HDS' trip to Jordan in September RJAF interest in P110 family of aircraft has been revived. A detailed briefing on ACA is scheduled for early November.	PM offered Tornado & P110 to King Hussein in 1981	USA France
KUWAIT	MBT	250+	1983	Strong interest in Challenger which was demonstrated in Feb 82. Requirement also exists to retrofit existing Chieftans with computerised fire control system.		FRG USA USSR
	Armoured Vehicles	30-40	N/K	Scorpoin has good long term prospect of replacing Saladins due to be phased out.		France Brazil Austria
OMAN	Communications Network	80+	Mid 1980s	US Firm awarded design study for replacement of existing tri-service network but UK firms have good prospects of securing equipment contracts.		US
QATAR	JOC & AOC	99	1982	Plessey selected as prime contractor 2 LSPIL country to oversee project. Contract signature delayed until Plessey have resolved teething troubles on radar order.		
	JOC Communications Package	20	1982	Proposal under preparation by IAL in concert with Plessey.		
	Rapier	20	1982-83	Split of first battery recommended - this would entail provision of extra 4 fire units.		
	Air Defence Radars	150+	1983	Good prospect for 2 further batteries if first is successfully installed.		
		40+	1982-83	Two radars ordered 1981 are now being installed. Good prospect for sale of further three to complete coverage.		

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PART III - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA	FH70 (Army) Ancillary equipment and support.	35	1982-83	Contract for gun and ammunition signed in July 82. Contract negotiations on ancillary equipment etc expected to commence in Nov 82.	S of S sent 2 personal letters to Prince Sultan on FH70.	
	Lynx Helicopters	60-80	1983	Presentation and costed proposals given by Westlands Feb 82. Decision now unlikely before mid 83.	S of S raised subject with Prince Sultan in Sept 82.	USA FRG
	Artillery Equipment	6	1982-83	Negotiations with artillery director commenced Aug 82.		
	Engineer Equipment	120	1982-83	Discussions with Engineer director expected to commence shortly.		
	RN Training for Ministry of Interior Coastguard	3.4	1982-83	RN proposals for training programme over 3½ years agreed in principle. Contract for first batch of students signed Sep 82 - £600K.		
	Nimrod AEW	150	1984	Although now committed to AWACS there is still a good possibility that the Saudi's will take a small number of NIMROD AEW aircraft to supplement AWACS and allow the Saudi's a full range of AEW operating options.	S of S discussed with Prince Sultan in Sept 82 in Jeddah	USA
	Hawk	120	1985-86	Good prospect that Hawk will augment or replace existing Strikemaster when King Faisal Air Academy is re-sited in mid-1980s.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	France Italy Spain
Air Base Security Systems	80-90	1982	Shorrock Security Systems are in strong position to win contract for provision of security systems for RSAF airfields. RSAF Director of Air Intelligence visited Shorrock factory after Farnborough.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	USA	
SAUDI ARABIA (National Guard)	FH70	20	1983	Presentation given in Jan 82. Possible contract in mid 83 but US have improved delivery offer.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	USA
	SANGMED	250+	1983	Current LOA expires in May 1983. Discussions on 2nd LOA for further operation of Jeddah hospital will begin late 1982.	S of S discussed with Prince Sultan in Jeddah in Sept 82.	USA
	Challenger MBT	approx 50	1982-83	We have responded positively to SANG request for a firm "commitment to supply" and await further developments. It is hoped a SANG team will visit UK for a demonstration next year.		USA FRG

PART III - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SYRIA	Tank Laser Sights	30	1982-83	Successful in-country demonstration Sept 82. Vickers Instruments will follow up with commercial discussions later this quarter.		
	Tank Transporters	100	1982	Improved credit terms being sought from ECGD although Mercedes (FRG) is well placed for a follow on order.	FCS to raise during Oct 82 trip to Syria.	FRG France Italy

PART III - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT /PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Patrol Frigate Programme	N/K	1983	Contract definition studies placed with Canadian companies. Number of UK companies are hopeful of major sub contracts, notably for propulsion machinery, radar and communications equipment.		International
USA	Medium Girder Bridge and Link Reinforcement Sets	30	1983	US Army/USMC procurements to be single sourced. Contract on Fairey to include 23 MGBs and 11 LRS in FY 83.		
	Improved 81 mm mortar	200-550	1983	Prospects good but procurement funding might be restricted for FY 84.		
	Integrated Communications System (ICS 3)	50-100	1982	System under evaluation by USN.		USA
	Searchwater Radar	100	1983	RAF Officer assisting USN with evaluation.	US of S (DP)	USA
	Hawk	500	1987	Funding of £8M approved for commencement of a phased programme.	US of S (DP)	USA France