

Prime Minister

To note.

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A.F.C. $\frac{22}{2}$
PRIME MINISTERDEFENCE SALES - QUARTERLY REPORT: OCTOBER - DECEMBER 1982

You will, I know, be interested to see the latest quarterly report on Defence Sales which covers the period October to December 1982. A table showing the major sales prospects is attached as an Annex to the report.

2. The total value of contracts signed during the quarter was £377M, a reduction from the exceptionally high figure for the previous quarter, but a sum which nevertheless compares favourably with £358M in the final quarter of 1981. However, this brings the total value of contracts signed during the year to £1827M, compared with the 1981 total of £1446M, representing an increase of 26%, or 16% in real terms. At this time this must be a performance of considerable benefit to the UK Defence industry. The major contributory factors to this increase were the extensions to two large service contracts with Saudi Arabia; the communications project (SANGCOM: £200M) and the Air Defence programme (SADAP £370M), whereas the largest individual contract in 1981 was the £150M SANGMED hospital project followed by a £53M contract for Main Battle Tanks for Nigeria. Other important contracts signed during 1982 were the £140M USAF Rapier deal, the £120M contract (Project 051) with China for the refit of Luda class destroyers, and the sale of FH70 to Saudi Arabia (£64M). In addition there have been significant sales of torpedoes, fire control systems, fast patrol craft, BL755 cluster



bombs and surplus RN ships during the year as well as a £30M contract to set up an optics factory in Egypt. These figures serve to emphasise once more the importance of the Middle East as a market for our defence equipment. In the course of the year some 52%, by value, of the contracts signed have been placed in the Middle East, and 38% in Saudi Arabia alone.

3. For the last quarter of 1982 itself the largest individual contract signed was Project 051 for the refit of 2 Chinese Luda class destroyers. Valued at £120M and with prospects for increasing this figure if contracts for support services and licensed manufacture of the Sea Dart missile are concluded, this is the largest defence contract China has signed with the West. Unfortunately, however, as you are aware, the Chinese Government is now delaying ratification of this contract which was only achieved after 3 years of negotiations. I recently wrote to my opposite number expressing UK concern that Chinese failure to ratify would be a serious setback in our defence and trade relations. The second largest contract in the quarter was the £30M sale of MK 24 (Tigerfish) torpedoes to Brazil. Total sales to Latin America and the Caribbean in 1982 were double those of the previous year and topped £130M; contracts in this area in the final quarter included further sales of ex-RAF aircraft (Hunters and Canberras) to Chile, along with Blowpipe missiles and EW equipment.

4. Indonesia's £20.5M purchase of additional Hawk aircraft was another important contract signed during the quarter and is indicative of a period of increased interest in UK defence equipment which culminated in a request for an MOU and a wish to buy certain field medical and police equipments on a government-to-government basis. In addition, valuable contracts were achieved for BL755 to Switzerland (£19M), Phase 1 Military Hospital (£15M) and Blowpipe (£10M) for Oman and FH70 ammunition for Saudi Arabia (£14.6M).



5. Prospects for the Middle East in the near future indicate that 1983 will continue to show a significant amount of defence sales business in the area. The sale of 16 Hawk trainer aircraft (value £96M) to Abu Dhabi was finally concluded at the beginning of January, just outside the period of this report. This sale against stiff French competition represents an important new foothold for the Hawk in the Middle East and could in turn help sales prospects for the aircraft in Saudi Arabia, Kuwait and Oman. We need to make a particular effort in 1983 to establish ourselves as suppliers of equipment for the Saudi Arabia military as the Saudis have major new purchases in mind over the next two years. They are also increasingly important in influencing the selection of equipment by other Gulf states under Gulf Co-operation Council (GCC) auspices. The effect is particularly important in Oman, which has been awarded some £1000M by the GCC for military purchases. In Saudi Arabia itself International Military Services Limited (IMS) have the prospect of artillery and engineer support equipment sales over the next few months in excess of £200M. 1983 should also see the signature of a second contract between MOD and the National Guard for the management of the Jedda military hospital and of the second Memorandum of Understanding to carry forward the communications project for the National Guard. In general our success in Saudi is bound to be conditioned to a considerable extent by the climate of our political relationship. If the present difficulties persist a substantial amount of military business will be put at risk.

6. Following Head of Defence Sales' discussion with President Saddam Hussein in Baghdad in December, further talks on a possible purchase of Nimrod Airborne Early Warning aircraft are going ahead. Discussions on the Hawk project also continue but a decision is likely to be put off for financial reasons. The war inevitably continues to affect sales to Iran, although there are a number of prospects being pursued by various UK companies, notably Marconi Martello radars (value £150M)



where Ministerial approval has been given to the release of one equipment from the RAF.

7. Nigeria's financial problems and foreign exchange shortage delayed the Jaguar contract, which was finally signed recently for 18 aircraft, value £285M. However, it will not become effective until the loan agreement has been signed which should be within the next few weeks. Negotiations in Algeria in December on the defence co-operation plan did not reach the anticipated conclusion and both sides are aiming for agreement early in 1983. It has been agreed to earmark £500M for this project.

8. In December in USA, funds for the 1983 Defence Programme were appropriated; certain items are of great interest to UK. \$8M has been approved for the Hawk Jet Trainer Aircraft Programme but a restriction has been placed on this expenditure until a plan to install a US design ejector seat in the Hawk is presented to Congress. \$10M has been allocated for the evaluation of weapons such as Light Anti-Armour Weapon (LAW) 80 as an alternative to the US Viper, and \$50M for USAF to procure an 'off-the-peg' low level air defence system such as Rapier or European Roland for the protection of their European bases.

9. For Australia the main topic continues to be the possible sales of a new Invincible Class Carrier and the lease of HMS HERMES and dependent aircraft sales. An offer to purchase from Australia the replacements for SIR GALAHAD (and SIR TRISTRAM if the ship proves to be beyond repair) is also included in the UK proposal. Decisions were due in early 1983, but may be delayed by the recently announced election.

10. India remains an important market for UK defence equipment in the Far East, and a team from the Defence Scientific Staff visited India during January to discuss collaborative R&D projects. In addition,



a joint MOD/Industry team is planning to go out shortly for further discussions on the Indian Light Combat Aircraft requirement, and IMS expect to be called to Delhi in the near future for technical and contractual discussions on FH70.

11. The major sales prospect in Europe remains Tornado for Greece which could be worth some £500M to British industry. The Hellenic Air Force have still to decide on their requirement, but if they opt for a two aircraft solution, Tornado IDS will be a strong contender to meet the air-to-ground role. Support proposals have been agreed by the UK, Germany and Italy and negotiations on an MOU embodying these are nearing completion. However, competition from France and the United States remains fierce and will intensify when costed proposals including credit are presented by the companies towards the end of this month.

12. The 1982 success of our defence sales effort in Latin America and the Caribbean is unlikely to be repeated in 1983. The Hawk contract in Venezuela has now been written off and after the Falklands conflict the climate for UK defence sales there and probably in Peru may continue to be difficult. In addition the precarious state of most Latin American economies and the international indebtedness of countries such as Brazil and Mexico is likely to lead to reductions in their defence procurement programmes.

13. With the exception of Latin America, the general picture on prospects for Defence Sales in 1983 is optimistic, and it seems that the Middle East will continue to be our most rewarding market, with an additional impetus being given by the floating equipment exhibition which is now in the area.

WJH
Ministry of Defence
21st February 1983

Defence Sales



FILE

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10 DOWNING STREET

From the Private Secretary

28 February 1983

This is just to record that the Prime Minister has seen and noted your Secretary of State's minute of 21 February enclosing the quarterly report on Defence Sales for the period October to December 1982.

Timothy Flesher

Miss Jane Ridley,
Ministry of Defence.

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PART 1 - STATISTICAL SUMMARY OF CONTRACTS SIGNED DURING THE
QUARTER ENDING 31 DEC 82

The value of new orders received (ie contracts signed) during the quarter amounted to £377.976M compared with £650.907M in the previous quarter and £358.318M in the final quarter of 1981. The largest individual order was placed by China for Project 051 (£120M) followed by the £30M contract for Mk 24 (Tigerfish) Torpedoes for Brazil and Indonesia's £20.5M purchase of Hawk aircraft.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Algeria	0.200	Belgium	0.750	Algeria	0.280
Brazil	30.600	Brazil	8.650	Brazil	2.100
Chile	2.700	Brunei	0.379	Chile	3.700
China	120.000	Chile	3.000	Egypt	0.800
Denmark	5.000	China	0.112	India	4.600
USA	3.090	Denmark	0.750	Indonesia	20.500
		Dubai	1.832	Iraq	1.840
		Egypt	10.800	Oman	1.500
	<u>161.590</u>	France	1.300	Saudi Arabia	0.200
		India	7.000	Singapore	1.500
		Jordan	3.140	Switzerland	19.090
		Kuwait	1.289	USA	46.500
		Malaysia	5.500		
		Niger	0.130		
		Nigeria	2.000		<u>102.610</u>
		Norway	0.105		
		Oman	28.319		
		Portugal	0.120		
		Qatar	0.420		
		Saudi Arabia	25.400		
		Spain	0.450		
		Thailand	2.900		
		Trinidad & Tobago	0.280		
		USA	2.350		
		Zimbabwe	6.800		
			<u>113.776</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.

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PART II MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Aircraft Ground Support Eqpt and Workshop Complex at Blida.	30+	1983	Some spares already delivered and work in hand on refurbishment action. Plans for implementation of Wk shp complex at Blida under discussion (Anthony Masters, Gloster Saro; Braby and Douglas).	US of S(DP) visited in August 1981	
	Air Defence Scheme (Project Accord)	150	1984	RAF outline proposals, after study by UK Industry, now under consideration by Algerian Directorate of Air Defence.	Minister(DP) to sign MOU	France, Sweden, Germany
	Hawk (27) + Soviet aircraft refurbishment.	200	1983	B Ae(AG) quotation for Hawk + Mig 21 overhaul and refurbishment under consideration by Algerian Air Force. The 2 projects above depend on satisfactory conclusion of Gvt-to-Gvt MOU and credit package.		France, Italy Czechoslovakia
EGYPT	Fast Patrol Craft	240	1983	Egyptians maintain that additional Ramadans are still required although decision is still awaited, despite the attractive ECGD backed credit offer being extended to end December 82. Vosper (Private) Ltd, based in Singapore have also put forward their own proposals for fast patrol craft to be manufactured in Egypt.		Spain, USA
	Main Battle Tanks	500	1986+	Long term prospect: Egyptians have shown interest in both Challenger and Vickers Valiant.		France, Spain
MOROCCO	IMS Ltd package (arty, ammo, vehicles, small arms)	165	1983	IMS understand that high level discussions between Morocco and Saudi on package financing likely to lead to favourable conclusion in near future.		
NIGERIA	Jaguar	285	1983	Nigeria's financial problems delayed this contract, but it was finally signed on 24 January.	1. Nigerian Minister of Defence called on S of S during his visit to UK for Farnborough 82. Ministerial visit may be required.	France
	Swingfire	65	1983	B Ae(DG) have offered revised credit proposals which are now under consideration by Nigerian MOD. Detailed contract negotiations are due to start in late January.	2. Nigerian Senate Committee on Defence called on Minister (DP) in October 82.	France
	Vickers Main Battle Tanks	50-60	1984	Negotiations still continuing on this follow-on order. Credit not yet requested.		USSR
	Scorpion	15	1983	Negotiations still continuing on this follow-on order.		
TUNISIA	Fast Patrol Craft (52m X 2) (Exocet armed)	52	1983	Technical aspects of contract agreed but financial package being re-examined in order to ease initial repayments burden.	Minister for Trade discussed project with Tunisian Minister for Defence (Dec 82).	France
ZIMBABWE	Logistic Vehicles Bedfords	20	1984	Affirm order totalling 244 vehicles plus back-up parts has been received to date.	Minister of State for Foreign Affairs visited Harare 4-8 Jan 83	FRG

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PART II MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	SEA KINGS and Sea Harriers	280 (including initial spares)	1983/4	There are prospects for the sale of up to 6 Sea Kings and 20 Sea Harriers if Australia decides either to purchase a new carrier or lease HMS HERMES. In 1982 an RAN appraisal team visited both the UK and USA to evaluate the Sea Harrier and AV8b.		AV8b
	Aircraft carrier for RAN	300	1983	Following the UK decision not to sell HMS Invincible to Australia, the RAN is reconsidering the purchase of a new carrier. The most likely choice of carrier is a new Invincible class carrier with the lease of HMS HERMES as an interim solution until the new carrier comes into service. Because of the high cost of a new carrier, to make the UK offer to Australia more acceptable, it is proposed to waive the design fees and to have the Sir Galahad replacement built in Australia. A decision was expected early this year but may now be delayed by the recently announced election.	Ministerial visit may be required.	USA, Spain, Italy.
PEOPLE'S REPUBLIC OF CHINA	Project O37. Refit of Corvettes	20+	1984	BAe (Bracknell Division) will start negotiations soon on refit of initially up to 10 Hainan Class Corvettes with A10 and fire control systems and sensors. More than 50 Hainans are in service.		
	PL4 air to air missile	25	1985	Chinese seek up to 200 sets of radar seekers (MSDS, value £20M) and fuzes (Thorn EMI, value £5M) for incorporation in PL4 AAM under development. BAe DG already have a consultancy contract and may supply autopilots and other components.		
INDIA	Sea King	200	1983	Negotiations conducted in Dec reportedly went well. Further talks called for Jan 83. Ctt signature should be end Feb 83.	Ministerial visit planned for April.	France
	Light Combat Aircraft	165 Approx	NK	RB199 engine now cleared for India. Team to discuss R&D/technology transfer visiting in Jan 83.		France, USSR?
	Sea Harrier	110 Approx	1983/4	BAe told Indian Government they could not hold prices beyond 1982 without a letter of Intent. L of I not forthcoming, but BAe intend to keep price rise to a minimum.		
	FH 70	360- 700	1983	Detailed questionnaire on gun performance received by IMS. Should be completed and returned by mid Jan 83.		France, Austria Sweden
	Combat Engineer Tractor	50 Approx	1983	Quantity 50+ required. 10 ex BA CETs to be modified for hot climate ready for delivery by end 1984.		
INDONESIA	Hawk (further buy)	20	1983/4	Recent follow-on contract included option at fixed price for further 4 a/c.	Possible Ministerial visit	
JAPAN	FH70	25	1983	Ratification of the GSDF decision to purchase FH70 is expected soon. Sales of ammunition and transfer of ammunition manufacturing technology are possible.		

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PART II MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN (Cont)	Searchwater radar.	75	1984	JMSDF were impressed by an airborne demonstration of Searchwater and may purchase initially 10 sets to equip P2J's, eventually up to 75 sets to equip P3Cs on order.		
MALAYSIA	Defence Operations Room (DOR) Project.	50 (initial)	1983/4	Further refinement of EASAMS original tender proposals submitted 15 Dec 82. Evaluation Ctt recommendation to Mindef expected mid Feb 83. Consideration being given to timely offers of MOD specialist advice and training in support of EASAMS.	Letter of support from S of S under consideration.	USA
PAKISTAN	Frigates (Type 21)	150	1983/4	Vospers proposals for 2 x Type 21 frigates submitted Aug 82 with offer of 100% credit (50% ECGD).	Ministerial agreement to 50% ECGD cover. PM's letter to Zia Aug 82.	France, Italy, FRG
SOUTH KOREA	SKYVAN	100	1984	Shorts had hoped for a decision by mid August but this has been deferred for up to 2 years. The DHC Buffalo is also being evaluated again by ROK Army Aviation.		
	SP 155mm Gun	50	1986	VSEL propose a joint venture with KHIC using the Vickers turret, ROF Nottingham ordnance and KHIC chassis, for the first 200 vehicles. Thereafter Vickers would need to offer 100% local manufacture. If successful sales of ammunition would be possible. Competition comes from the US M109.		

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PART II MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	LAND ROVERS	30	1983	Land Rover offering assembly in Belgium or production in UK with offset arrangements.		FRG - Mercedes
DENMARK	SEA SKUA	15	1985/6	BAe visited Denmark with WHL in Feb 82. Interest is high.		
FRANCE	AEW EQUIPMENT	300+	1984/5	Marconi Avionics (MSA) fitted into either the Transall or Atlantique aircraft is under consideration along with its US competitors, to meet French requirement for an AEW system. An initial demonstration flight in AEW Nimrod took place in Dec 82 and the French observers present appeared to be impressed by what they saw. A further fuller evaluation flight is planned before June 83. The French have also recently expressed an interest in AEW Nimrod, should the production line be re-opened.		USA
GERMANY	SEA SKUA/SEA SPRAY	50	1983	Falklands performance of Skua impressed FRG. Decision expected mid 83.		France (ASI5TT)
GREECE	TORNADO	500	1983	A decision is still awaited on the choice of aircraft for the HAF. Should they opt for a two aircraft solution then Tornado would be a strong contender to meet the Air-to-Ground role. Panavia have submitted comprehensive commercial proposals and a final decision is expected during 1983. Panavia's proposals include significant offset offers to Greece and allow the integration of the HAF into existing Tornado training, supply and programme management arrangements. In parallel an MoU specific to Tornado and supported by the 3 partner Governments is under consideration with the Greeks.	Minister(DP) has agreed in principle to visit Greece.	USA, France
ITALY	SPEY AERO ENGINES	45	1983 (Initial Order)	The RR Spey engine has been selected for the development programme of the Italian/Brazilian AMX fighter. A total of 260 aircraft are currently expected to be ordered bringing RR £45M from this licensed manufacture order. Formal acceptance of RR's proposals is expected during early 83.		
	GEM AERO ENGINES	35 Approx	1983	The Gem engine has been selected for the flight development programme for the Agusta A129 anti-tank helicopter project and a collaborative agreement signed with Piaggio to satisfy Italian wishes for local manufacture. RR estimate total engine requirement as being approx 600 units of which their share is likely to be £35M.		
NETHERLANDS	SM2a SPEY ENGINES (Rolls Royce)	50	1983/4	24 required for M Class Frigate programme. High offset requirement expected, possibly linked to RN purchase of HSA radars.		France

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PART II MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
NETHERLANDS Cont.	Submarine Towed Array Sonar 2026 (MAV)	5-10	1983	MODNL awaited MOD UK ordering of 4 pre-production sets - done mid 82. Now budgetary problems delaying order, but expected shortly.		
NORWAY	RAPIER (BAe Dg)	125	1983	Decision expected mid 83. New Govt to Govt MOU on Defence Trade with Norway under discussion and could enhance chances. Continuing attention to industrial offset and pricing by BAe.	M of S (DP) US of S (DP)	France-Roland US - 1 Hawk
SPAIN	RAPIER	130	1983	The Spanish Army continue to deliberate over their LLAD requirement, which includes BAe's revised proposals covering among other things, a Joint venture agreement. A Falklands presentation has been offered to help overcome Spanish prejudices against Rapier. Competitors to Rapier are the US Chaparral system and Euromissile Roland.	Ministerial visit may be required	USA, France/FRG
TURKEY	RAPIER	49	1983	Turkey has a requirement for a LLAD system and BAe have submitted proposals for Rapier which are currently under consideration. Although improving, Turkey's economy is still in poor shape and a contract will be difficult to secure in spite of ECGD support obtained following the intervention of Ministers.		Italy
YUGOSLAVIA	MARTELLO RADAR	128	1983	It is thought that a protocol was signed during late 82 between Libya, the eventual user, and Yugoslavia which, inter alia, detailed the required Marconi equipment. Following further discussions a formal contract is expected early in 1983. The poor state of the Yugoslav economy will make it difficult for Marconi to obtain the necessary ECGD cover and Ministerial involvement may eventually be needed if this important contract is to be secured.		

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PART II MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	10	1983	Brazilian financial difficulties have delayed contractual negotiations, but BAe(DG) remain hopeful that a contract will be obtained during 1983.		
	Equipment packages for Brasilia and AMX aircraft	50	1983+	Embraer are developing a twin engine turbo prop aircraft for maritime patrol (Brasilia) and with Italy a light fighter aircraft (AMX) for the Brazilian and Italian Air Forces. Various UK firms are bidding to supply components for these aircraft including Marconi and Ferranti for the Brasilia ASW package. The final selection of equipments is expected this year.		France, Italy, USA
CHILE	Hunter update	15+	1983	Ferranti are now in the final stages of negotiation for the sale of Nav attack and Head up display systems for the FACH Hunters.		
COLOMBIA	Naval Lynx	20	1983/4	The Colombian Navy has a requirement for 4-6 helicopters for their new corvettes under construction in W Germany. Lynx was originally thought to be too expensive however its performance in the Falklands has improved its standing.		France, USA
ECUADOR	Air Defence Radar (Phase 2)	20	1983	The first phase was signed in 1981. An RAF loan officer is currently assisting the Ecuadorean Air Force with the organisation and training of their Air Defence Command. Signature of second phase is now likely to be delayed because of Ecuadors economic problems.		

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PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	BLOWPIPE	30-50	NK	Shorts are pursuing a firm prospect. Abu Dhabi have witnessed firings in UK.		
	Tracked Rapier	100	1983	BAe are pushing tracked Rapier to meet requirement for further battery of low level Air Defence missiles. Tracked Rapier will feature on Floater 83.		
	Hawk EGA aircraft (10) Hawk trainer (16)	180	1982/3	After 18 months of commercial and technical negotiations Abu Dhabi signed on 2/1/83 contract for 16 Hawk trainer aircraft (£96M). Abu Dhabi has cut back the order for 10 EGA aircraft for financial reasons but nevertheless remain a good strong prospect. We shall face renewed French competition.	PM's visit April 81 Mr Hurd Sept 82	France (Alpha Jet)
	Engineer Package	80	1983	IMS Tender under consideration; some new competition introduced but only IMS still offer complete package.		FRG, Belgium
	Electronic Warfare	100+	1983	Racal/Marconi have put forward proposals supported by MOD. Need to counter strong US pressure for Saudi Arabia and Gulf to standardise on American air defence equipment.		USA, France, Italy FRG
	JOC and integrated communication system.	160	NK	IMS are leading UK electronics companies and have submitted proposals on an interim JOC which will eventually incorporate a total UK electronics package with integrated communications.		France
BAHRAIN	Sea Skua/Sea Spray	30-40	1983	BOF interest in fitting system to 412 helicopters. Jointly developed by BAe-AB. Subject to GCC funding.		France (AS15TT)
	MBT	40+	1983	Interest is 27 Valiant MK4 with CA. Proposals submitted subject to GCC funding.		France (AMX32)
DUBAI	Blowpipe	10	1983	Shorts are hopeful of early contract signature.		
IRAN	Martello Radar	150	1983	Ministerial approval has been given to release of 1 radar from RAF. The Iranians are also discussing a similar radar requirement with Plessey.		N/K
IRAQ	SAAD 25 (Hawk supply and establishment of aircraft industry)	2125	1985	Iraqis plan to complete their evaluation of the competing proposals in 1985. Size of project makes it unlikely to go ahead in full during Iraq's economic difficulties resulting from the war, off the shelf buy of Hawk offered by BAe but turned down by Iraqis. Iraqis require new advanced trainer in 1986.	Raised by Dr Vaughan with Iraqi Minister in Baghdad November 82.	France, Italy

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PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAQ (cont)	Nimrod AEW and Tankers	1000	1983	In December 82 HDS discussed Nimrod with President Saddam Hussein, who confirmed Iraq's strong interest in the system subject to resolution of outstanding technical and contractual points and reduction in the price. Following a technical mission to Baghdad later in December the significant technical obstacles have been overcome. A team headed by the Deputy Cdr of the Iraqi Air Force is to visit UK in February. Revised price proposals will be submitted at the end of Feb. BAe aim to conclude negotiation by the end of March 83.	Diversion of RAF Nimrod agreed by OD, November 82. Raised by Dr Vaughan with Iraqi Ministers in Baghdad November 82.	
	FH 70	200	1985	Budgetary offer for 100 guns submitted post war supply and subject to FRG approval.		USSR, France, Austria
	Light Gun	25+	1983	Revised IMS offer to be submitted by end of January. Post war supply.		France, Italy, USSR.
JORDAN	Hawk	100	1983-4	Hawk favoured to replace ageing F5B in advanced jet trainer role. Decision could be delayed if RJAF refurbish existing F5Es.		France, Italy, USA.
	ACA	NK	late 1980s	Following Farnborough 82 and HDS' trip to Jordan in Sept 82 RJAF interest in the P110 family of aircraft has been revived. A detailed briefing on ACA took place in Nov 82. Long term Jordanian force structure partly dependent on whether the F5Es are refurbished. Any new advanced fighter would be internally funded.		USA, France.
KUWAIT	MBT	250+	1985	Strong interest in CHALLENGER which was demonstrated February 1982. Requirement exists to retrofit existing CHIEFTAINS with computerised fire control system.		FRG (Leopard 11) USA (M1), USSR (T72)
	Air Defence Package	400	Mid-80s on	KADAT have submitted recommendations for the build up of an effective fully integrated air defence capability. Interim cover to be achieved through acquisition of 3D radar supplemented by low-level radars linked to an ADC. Joint Plessey-Marconi solution to be considered by Kuwaitis. Later stages will offer opportunities for further radars, data processing and display equipment, and SAMS (despite recent purchase of small number of SAM8 systems).		USA (Hughes)
OMAN	TORNADO	200	1983	Strong prospect for ADV (Qty 8) but subject to GCC funding and pressure to take French or American aircraft. DSO/BAe presentation planned for early spring 83. Initiative now rests with Oman.	Ministerial visit may be required.	France, USA

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PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
OMAN (Cont)	Tri-Service Communications Network	100	1984	Replacement of existing tri-service network scheduled for mid 80s. UK firms have good prospects of securing hardware contract.		France, USA
	Martello 3D-Radar	20	1984/85	A priority GCC funded project. Marconi are in dialogue with Oman.		
	CVR(T)	45	1983 on	There is a requirement for a total of 44 vehicles of CVR(T) family but not before 1984. USH are pursuing and DSO will support.		
QATAR	Rapier	150+	1983	Good prospect for further 2 batteries if first battery is successfully installed.		
	Air Defence Radars	40+	1983	2 Radars ordered 1981 and are now being installed. Good prospect for sale of further 3 to complete coverage.		
SAUDI ARABIA	Nimrod AEW	150	1984/5	Prince Sultan has expressed an interest in acquiring Nimrod with some intelligence gathering capability in the mid- 80s He appears to envisage it in a role complimentary to AWACS.	S of S Discussed with Prince Sultan in Sep 82 in Jedda.	USA
	Lynx Helicopter (Army)	80	1984	Fly off with competition planned for August 1983.	S of S raised subject with Prince Sultan Sept 82.	USA, FRG.
	Hawk	120	1985/6	Prince Sultan has confirmed interest in Hawk as a replacement for existing strikemaker aircraft when the King Faisal Air Academy moves to AL KHARJ in the late 1980s. BAe plan to demonstrate Hawk in Saudi-Arabia in April 1983.	S of S discussed with Prince Sultan in Sept 82 in Jedda.	France, Italy, Spain
	Air Base Security Systems	80-90	1983	Shorrock security systems are in a strong position to win a contract for the provision of security systems for RSAF airfields and other facilities. Ministerial decision is awaited.		USA
	FH70(Army) tractors, spares and training	5.5	1983/4)	Follow on to gun and initial ammunition contract signed July 82.	S of S sent two personal letters to Prince Sultan concerning FH70.	
	FH70(Army) Ammunition	30	1983/4)			
	Artillery surveillance Package (Army)	33	1983)	IMS equipment proposal has been approved by the Ordnance Corps. An invitation for further negotiation is awaited from the Artillery Corps.		
	Engineer Package (Army)	95	1983)	Draft contract will be presented to Engineer Corps by end Jan 83.		
BH7 Hovercraft(Min of Interior)	85	1983	Draft contract submitted by BHC.			

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PART II MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA (NATIONAL GUARD)	FH70	15	1984	Presentation January 1982		USA
	SANGMED Project	250+	1983	The current LOA expires in May 1983. Discussion on a 2nd LOA from the further operation of the Jeddah hospital plus possible early implementation of some aspects of the Plan will begin in early 1983.		USA
	CHALLENGER MBT	c50	1984 (delivery expected in Mid 80s)	We have responded positively to SANG's request for a firm "commitment to supply" and are awaiting further developments. A formal response is still awaited, and it is hoped that a SANG team will visit UK for a demonstration later this year.	Possible Ministerial visit	USA&FRG
	Blowpipe/Rapier	Blowpipe c50 Rapier c90	1983	A presentation on the UK concept of air-defence (including Blowpipe and Rapier) has been given to SANG by MOD. Further more detailed information on cost, performance, etc has now been provided at the customer's request. This is expected to be followed-up shortly by the companies involved, to promote their respective systems.		USA

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PART II MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Canadian Patrol Frigate (CPF) programme.	N/K	1983	Canada is planning 6 new patrol frigates to be designed and built in Canada. Contract definition studies have been placed with Scan Marine Inc and St John shipyard and Drydock Co Ltd. A number of UK companies are hopeful of major sub-contracts notably for propulsion machinery, radar and communications equipment.		International
USA	Combat Support Boat	22	1983-4	Possible application of a small business set aside could exclude FAM from bidding for further army orders. A teaming arrangement may be necessary.	Minister (DP)	USA
	Searchwater	50	1983	Trials have proceeded well. Lease of two radars extended to May 83.	Minister (DP)	USA
	Hawk	500	1984 on	Funding of A8M approved for FY83.	Minister (DP)	
	European Distribution System Aircraft	81	1983 on	Shorts will respond to USAF's RFP with the 330. Funding of \$5M approved for FY83.	Minister (DP)	USA, Spain, Israel France, Italy.

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