



FCS/83/218

SECRETARY OF STATE FOR DEFENCEDefence Sales to Libya: Saladin Spares

1. The Defence Sales Organisation has told us that Alvis Ltd are pressing for an export licence to be issued quickly for the supply to Libya of spare parts for Saladin armoured cars, including sub-assemblies for 76mm guns. The contract is worth about £8million.
2. I found it necessary to delay political approval for this export licence in September, following an intemperate Libyan threat to give active support to the IRA. We now need to decide whether to go ahead. I note that according to Defence Sales, if there is any further delay Alvis are likely to lose the business.
3. I see the force of the Defence Sales arguments for granting approval in this case. The contract has been under negotiation for some time. If it is now lost, the prospects for future defence sales to Libya might well be damaged, and commercial relations could also suffer (exports to Libya are now running at £260 million per year).
4. On the other hand, we also have to weigh the political arguments. If we proceed with the sale and the fact of the Libyan threats became public - or if Qadhafi, as is at least possible, were to renew the threats - the Government could face serious criticism in Parliament. On the other hand, Sir John Leahy has visited Libya since their threats to support the IRA were made, and with this question specifically in mind. He left the Libyans in no doubt of the serious view we took of these

/threats



threats, and there are signs that the Libyans realise that they went too far on this occasion. At the end of his visit Sir John did not think that the Libyans will carry out their threat in the immediate, or even the near, future. But, as he acknowledges, he could be wrong.

5. The arguments are finely balanced. Ideally, one would want to let a couple of months elapse, so that we could form a clearer view. But that option is not open to us. In these circumstances I would be content to see an export licence issued, unless you or the Prime Minister wished to have a short meeting first.

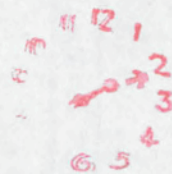
6. I am copying this minute to the Prime Minister, and to the Secretary of State for Trade and Industry.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
1 November 1983

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10 DOWNING STREET

From the Private Secretary

4 November 1983

Defence Sales to Libya: Saladin Spares

The Prime Minister has seen the minute of 1 November by the Foreign and Commonwealth Secretary to the Defence Secretary.

She is content that the export licence for the supply to Libya of spare parts for Saladin armoured cars should be issued.

I am copying this letter to Richard Mottram (Ministry of Defence) and Callum McCarthy (Department of Trade and Industry).

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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MO 11/10/11

FOREIGN AND COMMONWEALTH SECRETARY

16 pm
Dues
9/11

DEFENCE SALES TO LIBYA - SALADIN SPARES

In your minute of 1st November you raised the question of whether we should allow the export of Saladin spares to Libya. I have since seen the letter from No 10 dated 4th November, indicating that the Prime Minister is content for a licence to be issued.

2. I agree that the political and commercial arguments are finely balanced. However, as we gave Alvis Ltd approval to enter into negotiations with the Libyan Government and the Company have kept the Defence Sales Organisation abreast of progress on this contract, I believe it would be wrong to withhold an export licence at this stage. The DSO has explored with the Company the implications of delaying issue of a licence for a couple of months but this does not seem to me to be a practical alternative.

3. I am therefore content to see an export licence issued, and do not think it necessary for us to have a meeting.

4. I am copying this minute to the Prime Minister and to the Secretary of State for Trade and Industry.

Ministry of Defence

7th November 1983

Reference: Sales
Pt 3

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H.

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Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
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7 November 1983

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The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

N. S. P. R.

A. J. C. 7/11

D. Geoffrey,

DEFENCE SALES TO LIBYA : SALADIN SPARES

Thank you for sending me a copy of your minute of 1 November to the Secretary of State for Defence.

2 Libya is a difficult but valuable market for British companies; both for visible trade (£260m in 1982, showing a 6% increase so far this year) and for substantial invisible trade. The long-term trade prospects are encouraging given Libya's natural resources.

3 When UK/Libyan relations have been poor in the past, the Libyans have been strongly suspected of penalizing British exporters in retaliation. The fear must be that if an export licence is not granted to Alvis the Libyans could take retaliatory action against the UK. British companies would be a prime target.

4 Since the Defence Sales Organisation supports this export, I would be unhappy to see the possibility of our commercial relations being soured by refusal to issue a licence.

5 I am copying this letter to the recipients of yours.

NORMAN TEBBIT

Defence : Defence Sales Pt 3 ?

(Shouldn't this be on
Middle East Defence Sales)

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