



MINISTER OF STATE FOR DEFENCE PROCUREMENT

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N. B. P. R.

Secretary of State

A. F. C. 16/4

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RAPIER FOR SPAIN

I returned this morning from Madrid where I discussed in some detail with Señor Eduardo Serra, my opposite number, Señor Narcis Serra, the Spanish Minister of Defence and Señor Carlos Solchaga, the Minister for Industry, the position now reached in evaluation of the competing proposals to meet the Spanish Army's requirement for a Low Level Air Defence system (LLAD). My purpose in writing is to let you know the outcome of my discussions and suggest how we might take the matter forward.

2. Although the recommendation put forward to Ministers last week by CADAM, an inter-Departmental Committee broadly equivalent to our DEPC, preferred the Franco-German Roland system offered by Euromissile to BAe's Rapier and Chaparral produced by Ford Aerospace, it is clear that no final decision has been taken. However, it also emerged that a recent Euromissile offer including a high proportion (55%) of local participation in manufacture, has great attractions for the Spanish.

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As a result British Aerospace will need urgently and significantly to improve their present proposal (involving about 40% Spanish involvement) if they are to regain preference. The American system has been ruled out largely on technology transfer and political grounds. I have told British Aerospace what needs to be done by them and, following my visit, I expect a high level BAE team shortly to be invited to discuss an improved offer with General Andres, the National Armaments Director.

3. Naturally, I spoke strongly in favour of Rapier and deployed transfer of technology and export-related arguments to which the Spanish are susceptible. Following our discussions, Señor Solchaga undertook both to let me know in greater detail, how best British Aerospace should seek to recast their offer and to ensure that long term industrial strategic considerations are given full weight when the matter goes to the Spanish Cabinet next month. Eduardo Serra is no less sensitive to the industrial implications of the decision and, following a somewhat bizarre recommendation by CADAM preferring Israeli UHF ground-to-air communications equipment to a significantly better Plessey proposal, his confidence in the quality of the advice he is being offered may be shaken so that he may well be inclined to take a view different from that offered by his traditionally francophile officials. (On the UHF equipment purchase, he confided that he was seeking to buy his way out of the contract with the Israeli firm so as to recapture the benefits provided in the Plessey proposals worth some £3m to the UK).

4. More important to the Spanish Government even than the industrial factor, in reaching a decision on a

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future LLAD system, may be foreign policy considerations. As you would expect the Gibraltar card was played repeatedly. But as the attached summary of my meeting with Narcis Serra makes clear, Franco-Spanish relations are unusually strained at present.

5. Clearly Rapier is still in with a reasonable chance and, while much will rest on BAe's ability to improve its competitive position, a lot depends too upon our ability to wrest the political initiative over the weeks ahead. I have already made a good deal of the significance HMG and British industry and commerce attaches to BAe winning this order. Malcolm Rifkind will be in Madrid on 29th and 30th of November and his visit will provide a further opportunity to reaffirm our position. Most important, however, will be any opportunity you are able to take at the margins of the DPC meeting in Brussels on 7th December to take up the matter with Señor Narcis Serra. Following that, and in view of the highly political nature of the Spanish decision as well as the value of the order (over £150m) and the entrée it should provide to Spanish-influenced markets, I think serious consideration should be given to launching a message at Prime Ministerial level. Interestingly, Eduardo Serra suggested that an invitation from the Prime Minister to the Spanish Premier to come to London to discuss matters like Spanish membership of the Community and NATO, NATO command arrangements and Rapier might well be welcomed.

6. I am copying this to the Prime Minister, Geoffrey Howe and Malcolm Rifkind.



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Summary of meeting between The Spanish Minister of Defence,
Snr Narcis Serra and Minister(DP), Mr Geoffrey Pattie

Snr Serra emphasised the Spanish wish to get away from straight purchases of defence equipment, and to increase co-operation and technology transfer so as to strengthen Spanish industry. He stressed his desire for European solutions to defence requirements, but said that unless these involved such co-operation the US would continue to dominate the market. In this regard he was personally very interested in the possibility of Spanish membership of the European TRIGAT anti-tank project, and complained that after nine months Spain was still waiting for a response on this from TRIGAT partners. He had been told by the French recently that the delay was caused by the UK which was against Spain joining!

2. I expressed complete surprise at this allegation, and at the Lisbon IEPG meeting later this week CDP will reinforce with Eduardo Serra our complete agreement to Spanish membership of TRIGAT. I went on to emphasise how we saw this as a propitious time for increased co-operation with Spain, in the context of our strong support for Spanish entry to the EC, and NATO membership. (The Spanish Ministers were especially responsive to the positive reference to Spanish EC membership contained in the Prime Minister's Mansion House speech).

3. I said that Spain's decision on LLAD was a very important opportunity to develop Anglo/Spanish relations in a number of areas. If the decision favoured Rapier, this could encourage many UK companies in the forefront of technology

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seriously to consider closer ties with Spain. It could also have a bearing on the possibility for future co-operation on FCA, where it was the French who were against extending collaborative arrangements.

4. Snr Serra made it clear that he would carefully consider all aspects of the LLAD decision, and that personally he would be very happy if his defence and industry experts recommended Rapier. He was receptive to my suggestion that Spain was over dependent on French defence equipment support, and in respect of the political dimension said that although we had a bilateral problem over Gibraltar, there were much greater difficulties with France over the Basque terrorists. Unless France changed her policy here, Snr Serra would revise Franco/Spanish arrangements for defence equipment co-operation. But he was insistent there was no question of a decision going against Rapier because of Gibraltar.

5. Snr Serra thought that UK and Spanish defence Ministers had an important role to play in regard to the Gibraltar problem, and that the question of the Naval base must be seen in a NATO context. We made it clear that we were quite relaxed about questions of the NATO command structure, which would need to take account of Spain's major maritime role in the region, and I felt sure that we should be happy to discuss these matters further. Snr Serra also thought that the prospect of Spanish entry to the EC could provide a favourable time to address the Gibraltar problem.