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Prime Minister
CDP
19/11

PRIME MINISTER
SALE OF TORNADO AND HAWK TO SAUDI ARABIA

As we agreed, I visited Saudi Arabia at the weekend for talks with the Defence Minister, Prince Sultan, about the possible sale of Tornado. I went on to a meeting with King Fahd at which I handed over your letter of 9th November. Records of these meetings will be circulated in the normal way but I thought you might find helpful a brief report.

2. The Saudis were most hospitable and the atmosphere in both meetings was good. The talks with Prince Sultan lasted over three hours and I had nearly an hour with the King. They are clearly anxious to maintain good relations with us. But the position on Tornado is not reassuring.

3. At the meeting with Prince Sultan, he took the line that the cause of delay was the downturn in the oil market which had led to cuts in production and limitations on Government expenditure. He was not therefore in a position to proceed now with the Tornado purchase but there would be a review in mid-January, by which time he hoped that oil prospects would be improving and the go-ahead would be given. He admitted that the alternatives of a further purchase of F15 aircraft from the Americans or of buying the Mirage 2000 from the French were under consideration, although he suggested that neither had been taken as far as the possible purchase of Tornado. He argued that we should not give undue prominence to one particular project. There were other opportunities for co-operation,



particularly the provision of Challenger tanks and other army equipment, which could be pursued and for which financial provision already exists in the Saudi defence budget.

4. I deployed to the full the arguments that Tornado was the best aircraft on offer (assisted by the Vice Chief of the Air Staff, Sir Peter Harding, who accompanied me together with the Head of Defence Sales, James Blyth), that it represented a natural follow-on to the existing co-operation with the Saudis on the Lightning aircraft, that we were a reliable partner in the region who were willing to take action in support of our friends (the Lebanon, Red Sea mines and so on) and that you were taking a close personal interest in a deal which I had assured you had been virtually agreed. We were able to lay particular stress on the success of Tornado in the US bombing competition and to reassure the Saudis over our ability to supply the aircraft and all the spare parts from our own resources without having to rely on our collaborative partners.

5. An interesting theme in both meetings was the criticisms of Saudi Arabia in the British press. The King in particular explained to me at length that his interest was in the welfare of his people, rather than, as he put it, in putting income into the pockets of the Royal Family. Although the connection was not explicitly made, the Saudis have clearly been upset by the article in the Sunday Times of 5th August about the purchase of new Jumbo jets from Boeing and Rolls Royce and the alleged commissions involved.

6. Reading between the lines, three factors would appear to have contributed to Saudi reluctance finally to conclude the deal which was agreed in outline between Mr Blyth and Prince Sultan in May. The first is genuine concern over their ability to pay, at least in the short term with falling oil revenues. Postponing the decision obviously puts off having to make the first payment. Secondly, it is clear that our competitors have been at work to block a Tornado purchase. The Saudi Air Force must themselves see genuine attraction



in standardising on American aircraft, while the King may well see political attractions in the French alternative and will be uninformed of, and uninterested in, the technical arguments surrounding the competing aircraft. The arguments I put to him may help here. The final factor may well be concern over concluding another deal, so soon after the agreement to purchase 10 Jumbos, which could be presented as yet another device to enrich the Royal Family. Postponement has the advantage of putting time between the two deals. There is also, of course, the possibility that the Saudis may feel that they would run much less risk with the French of criticism of the kind they experienced in August in the Sunday Times.

7. There are indications that the King may already have concluded, prior to my visit, that the purchase of Tornado was not to go ahead; and that my visit and your own personal message have, at the very least, prompted further deliberation within the Royal Family. To that extent, the exercise was I am sure worthwhile.

8. We should, I believe, keep up the pressure on Prince Sultan over the next few weeks. I propose to remind him by letter of his invitation to visit the UK and, if that produces no response, to suggest that I might myself call on him in mid-January. The King told me that he intended to reply to your letter and, once his reply is received, we shall obviously need to give careful thought to whether you should make a further approach to him.

9. In sum, I do not believe that the deal is necessarily lost, but I am not optimistic about the outcome. We shall continue to press as hard as we can to achieve it. If we are unsuccessful, it seems likely that we shall be given a substantial "consolation prize" involving the sale of tanks and probably the provision of Hawk. But I would not wish to suggest that this would match the Tornado deal in terms of sustaining defence co-operation with Saudi Arabia or in the financial benefit to this country.



10. I will, of course, keep you closely in touch with further developments.

11. I am copying this minute to the Foreign and Commonwealth Secretary, the Minister for Trade and Sir Robert Armstrong. For obvious reasons I should be grateful if its further circulation could be strictly limited.

Rm/rmm

Ministry of Defence
19th November 1984

(Approved by the Defence
Secretary & signed in
his absence)

DSG

file



10 DOWNING STREET

From the Private Secretary

22 November 1984

SALE OF TORNADO AND HAWK TO SAUDI ARABIA

The Prime Minister has noted the Defence Secretary's minute of 19 November about his talks with King Fahd and others on the possible sale of Tornado to Saudi Arabia. She also discussed it briefly with him yesterday evening. It was agreed that the omens for the Tornado sale were discouraging and that criticism of the Saudi Royal Family in the British press was probably a major factor in this.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office), Steve Nicklen (Department of Trade and Industry) and Richard Hatfield (Cabinet Office) with the same injunction on further circulation as appeared in the Defence Secretary's minute.

Charles Powell

Richard Mottram, Esq.,
Ministry of Defence.

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