



MO 6/13

PRIME MINISTERFRIGATES FOR PAKISTAN

Prime Minister  
I hope that Zia  
is not trying to  
bounce us into  
increasing the credit  
offer. CDP 26/3

Following President Zia's comments during your meeting in Moscow, you may find it helpful to have a summary of the current position regarding the frigate sale to Pakistan.

2. The agreement which enabled the Royal Navy to act as consultants to the Pakistanis was established at the turn of the year, and discussions have proceeded on specification and price. The specification since defined by the Pakistanis has increased the price quite markedly, and a number of unattractive and costly conditions are now incorporated in their proposed contract. Both the consultants and the manufacturers are recommending savings on equipment, and the commercial conditions will be the subject of lengthy final negotiations commencing in April. However, <sup>it</sup> is probable that at the end of these negotiations the gap between overall price and credit will still have widened. Concurrent negotiations on a Memorandum of Understanding covering post-contract MOD support services have hit problems over legal status, but we expect these to be resolved shortly. President Zia's comment that the matter was settled seems somewhat premature, though nonetheless welcome. A realistic estimate for completion would be some two months hence. I will continue to take a close personal interest in ensuring that we are successful in obtaining this important contract.

3. President Zia also expressed the hope that Britain might sell more arms to India in order to reduce dependence on the Soviet Union. India is, of course, a very important defence market for us, and over the last 10 years sales have totalled some £1.5 billion.



British industry is working hard to capitalise on this base but Soviet competition is strong, supported by extensive soft credit loans. The UK cannot (and should not) attempt to match these credit offers, but we should still be able to build on the Indian wish for diversification and avoidance of over dependence on a superpower. Moreover, in some fields the UK is more willing than the Soviet Union to transfer technology to the Indians.

4. I am copying this minute to the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry and to Sir Robert Armstrong.

*WJH*

Ministry of Defence  
25th March 1985



26 MAR 1985

