



Prime Minister

MO 26/9/1(A)

This is more substantial than usual.

Sales are up but there have been some substantial disappointments - and

para 9 (the Middle East) is ominous.

PRIME MINISTER

A.J.C. 27/6

DEFENCE SALES QUARTERLY REPORT - JANUARY TO MARCH 1983

Now that the Election is behind us I am sure you will be interested in the latest quarterly report on Defence Sales covering the period January to March 1983.

2. The total value of contracts signed during the quarter was £528M. This compares very favourably with £257M in the final quarter of 1982 (revised downwards from the previously published figure of £377M due to the Chinese Government's failure to ratify Project 051) and £394M signed in the first quarter of 1982. If this level of business can be maintained throughout 1983 we can look forward to a good end of year result, which could be better in real terms than the 1982 levels. Details of contracts signed are at Annex A and of sales prospects at Annex B to this letter.

3. I reported separately about the two most important contracts achieved during the quarter which were for sales of 18 Jaguars to Nigeria (£290M) and 16 Hawk Trainers to Abu Dhabi (£96M). The sale of Hawk aircraft to Abu Dhabi, which was scaled down from original expectations due to tight budgetary constraints, is an important step in our continuing efforts to establish the aircraft in the Gulf Cooperation Council (GCC) area and to counter continued Saudi pressure to standardise on US equipment. Other significant contracts concluded in the quarter were with Zimbabwe (£19M) for VHF radios, USA (£16.7M) for Medium Girder Bridge Equipment, Nigeria (£16M) for AT 105 Armoured Personnel Carriers, and Saudi Arabia (£10.6M) for small arms.



4. Whilst the overall value of contracts signed during the quarter is encouraging, there have been a number of significant set-backs. The failure of the Chinese Government to ratify the contract for Project O51 was a major blow. British industry may well conclude that the pursuit of other orders from the Chinese in the defence sector is likely to prove a fruitless exercise and we are not optimistic of any significant future business in the medium term from that quarter. The results of the Australian elections killed the prospects of an aircraft carrier deal of any kind and the prospects for sales of Sea Harriers and Sea Kings to Australia are consequently very bleak. A third major set-back occurred over the proposed sale of Nimrod AEW aircraft to Iraq. The Iraqis recently stated that they did not wish to proceed with the Government-to-Government deal proposed but wished to return to the original Company-to-Government conditions rejected by British Aerospace last June. This is being re-examined by the Companies. We believe that the underlying reason for this setback is shortage of funds but it seems that the Iraqis do not wish to be seen to be responsible for failure of the negotiations. The prospects for this deal being concluded successfully this year are remote. The prospective sale of Rapier to Norway has, I am afraid, been lost - the Norwegian Cabinet opted for the American I-Hawk despite concerted efforts by British Aerospace and the MOD. The cumulative effect on industry of these setbacks, all of which appeared very promising prospects at the turn of the year, and which represent a loss of potential export sales of some £1825M, will be significant.

5. On the positive side, the quarter saw the completion of a highly successful ship-borne exhibition, Floater 83, which toured the Gulf area during February and early March, calling at Qatar, Bahrein, Saudi Arabia, Kuwait, Abu Dhabi, Dubai, Jordan and Egypt. Some 52 companies were directly represented on the exhibition with the interests of others being covered by trade associations. The level of interest in the exhibits and in the mobility and firepower demonstration ashore exceeded the expectations of both the Defence Sales Organisation and exhibiting companies. This initiative, coupled



with the successful resolution of our difficulties over the Arab League visit, will give added impetus to our sales drive throughout the region. In particular, strong interest was generated in the Challenger and Valiant tanks and has resulted in trials being scheduled for armoured vehicles in the area this summer. The sales potential for tanks and associated infantry carriers is now in excess of £1000M over the next few years, but competition from the US, the French and the Germans will be formidable. Other items which aroused considerable interest include communications equipment, internal security equipment, boats, missiles and training aids. A very successful sales promotion tour for the Hawk aircraft in Saudi Arabia and the Gulf States has led to renewed interest and there are good prospects of a short-term sale to both Kuwait and Bahrein.

6. Another significant success was the acceptance by the West German Federal Security Council of the Anglo-German MOU on the Export of Collaborative Equipment. This decision, although not publicly announced, is of major importance since it allows the United Kingdom to take political responsibility for third country sales of collaborative projects, with FRG essentially acting as sub-contractor to the UK. This MOU will apply not only to new projects but also to existing ones such as Tornado and the FH70 155 Gun, and represents a major step forward in our efforts to sell that aircraft in the Middle East and elsewhere. It was also an act of considerable political courage on the part of the Federal German Government.

7. As you will recall, Rolls Royce signed a £30M contract with Iran for the supply of 300 tank engines, but we decided that the interests of our policy in the Middle East as a whole would not justify the issue of an export licence. I am currently looking to see whether any alternative MOD work can be given to Rolls Royce Shrewsbury to mitigate the loss of the Iranian order and will let you have a draft reply to David Plastow when this work has been done.



8. The Greeks are expected to decide in the next few months whether or not to purchase Tornado. The Hellenic Air Force's evaluation has been submitted to the Greek Prime Minister. You will recall that you wrote to Mr Papandreu supporting the Tornado purchase. Chancellor Kohl and Signor Lagorio have also done so. Mr Pattie visited Greece earlier this month and will continue to press for a favourable decision. In addition, there are promising prospects of Tornado sales to Oman. The chance of success in future sales will have been improved by virtue of the Anglo-German MOU which I mentioned above.
9. In the Middle East, we will press ahead with marketing Challenger, Lynx, radars, Hawk and other equipment. An extension to our contract for the management of the National Guard Hospital in Jeddah, worth £125M, is still being negotiated. There are signs, however, that the fall in oil revenues are beginning to affect adversely the military budgets of Saudi Arabia and other Gulf Cooperation Council (GCC) States. We may see a significant reduction in defence purchases by the states of the region over the next couple of years against a background of stronger sales competition especially from the USA and France. This would especially affect GCC funding for Oman where we are continuing to press the GCC donor states to allow Oman to exercise her preference for British equipment, especially Tornado. The Omani Deputy Prime Minister for Defence (Sayyid Fahr) was sanguine on this point when I saw him last week.
10. Progress has been made on the defence cooperation MOU with Algeria and signature may be imminent. This MOU remains an essential pre-condition for the sale of major weapons there. Egyptian spending plans have suffered further from the effects of falling oil revenues and decisions have been delayed in a number of areas; in particular no progress has been made in the projected sales of Ramadan fast patrol craft. Nigeria is understood to have taken decisions in principle on a number of major projects but funding problems could raise difficulties.



11. A number of decisions are expected in the coming months on a wide variety of sales to Europe. Westlands are bidding strongly for an expected Belgian buy of 46 Army helicopters. A number of British companies have prospects for sales of equipment to the Dutch Navy for its new M Class frigate programme. The FRG will make known its decision on a missile fit for its Sea King helicopters; there is guarded optimism over Sea Skua being chosen. Turkey is pursuing schemes with British Aerospace for buys of Rapier, Tornado and Sea Harriers, but it is difficult to see how the Turkish economy could support such purchases.

12. Several prospective sales to the US are looking promising, notably Combat Support Boats, 81mm Mortar, ICS3 and the European Distribution System Aircraft. In South America, economic difficulties continue to dominate the scene and potential sales of radars to Ecuador are caught up in that country's debt rescheduling efforts. Chile continues to maintain interest in purchases of second-hand equipment, including HMS ANTRIM and Jaguar aircraft. Additionally, they have also formally registered an interest in the purchase of HMS HERMES. Elsewhere in South America, the general outlook for UK sales of defence equipment is not currently promising: except that Brazil will probably buy some £50M of sub-systems this year for fitment to EMBRAER aircraft and ENGESA Armoured Personnel Carriers.

13. There are now bright prospects of significant business being obtained from India. Mr Pattie and the Head of Defence Sales visited India in April and relations between India and the UK in this area are better than for some considerable time. In particular, we consider that the prospects for sales of Sea King and Sea Eagle are very promising. Your intervention, after a late French bid backed by President Mitterand, was timely and there is confidence that a favourable decision will be announced very shortly. There is also reasonable Indian interest across a wide range of equipment, including the Indian LCA programme, FH70, Rapier, further Sea Harriers and CET.



Discussions continue with Indonesia over an MOU which could lead to defence equipment purchases on a Government-to-Government basis and a £65M Line of Credit to Thailand for defence sales purposes should be established soon. Reasonable prospects exist for the sale of FH70 to Japan.

14. Overall, there is evidence of a continuing interest in purchases of a wide range of UK defence equipment. However, our optimism must be tempered in view of the continuing general world economic situation and the falling oil revenues of countries which have historically been major purchasers of British equipment.

W. H. B.

Ministry of Defence
23rd June 1983

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1 July 1983

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The Prime Minister has read with interest your Secretary of State's minute of 23 June on Defence Sales in the period January to March 1983.

A J COLES

Richard Mottram, Esq.,
Ministry of Defence.



D/DS 13/405/3/2

PART 1 - STATISTICAL SUMMARY OF CONTRACTS SIGNED DURING THE QUARTER ENDING 31 MARCH 1983

The value of new orders received (ie contracts signed) during the quarter amounted to £528.39M compared with *£ 257.976M in the previous quarter and £394.112M in the first quarter of 1982. The largest individual order placed during the quarter was for Jaguar for Nigeria (£290M) followed by the £96M order for Hawk trainer aircraft for Abu Dhabi.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Brazil	0.600	Abu Dhabi	10.100	Abu Dhabi	96.450
Kuwait	5.000	Australia	0.990	Algeria	9.040
Netherlands	4.000	Botswana	2.120	China	0.500
Qatar	4.000	Dubai	5.000	Egypt	0.250
South Korea	1.100	Egypt	0.250	India	0.680
USA	0.367	France	2.800	Indonesia	0.500
	<u>15.067</u>	Iraq	0.418	Nigeria	290.000
		Italy	0.112	Oman	1.373
		Jamaica	1.900	Qatar	0.200
		Jordan	0.188	USA	5.674
		Kuwait	5.161		<u>404.667</u>
		New Zealand	0.230		
		Nigeria	17.600		
		Oman	3.180		
		Paraguay	0.600		
		Philippines	1.500		
		Qatar	1.849		
		Saudi Arabia	11.100		
		Singapore	0.100		
		USA	24.467		
		Zimbabwe	19.000		
			<u>108.665</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.

* This figure is £120M less than that reported last quarter due to the cancellation of Project 051 for China which was included in last quarter's figure.

Part Two : Priority One Prospects

Major planned effort required by Government and/or Industry during 1983 for these opportunities (although not necessarily leading to contract award during 1983) and/or a real prospect of a UK sale being achieved.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Aircraft Ground Support Workshop at Blida	20+	1983	Plans for implementation of workshop complex at Blida still under discussion.	US of S(DP) visited in August 81	France, Sweden, Germany France, Italy, Czechoslovakia
	Air Defence Scheme (Project Accord)	150	1984	Industry now invited to hold direct discussions with Algerian Authorities.		
	Hawk (27) and Soviet aircraft refurbishment	200	1983	Position unchanged. BAe(AG) quotation for Hawk + Mig 21 overhaul and refurbishment under consideration by Algerian Air Force. - The two projects above depend on satisfactory conclusion of Gvt to Gvt MOU and credit package -		
EGYPT	Fast Patrol Craft	240	1983	Egyptians maintain that additional Ramadans are still required. Attractive credit offer approved by EX has now lapsed but no action taken to reoffer until Egyptian Minister of Defence indicates its priority in light of budget reductions following drop in oil prices.		Spain, USA USA, France France
	Command and Control System (C3)	100 upwards	1984	Prospects for some orders good although implementation is likely to take place over a long period.		
	Main Battle Tanks	500	1986+	Long term prospect. Egyptians have shown interest in both Challenger and Vickers Valiant.		
MOROCCO	IMS Ltd package (artillery, ammo, vehicles, small arms)	165	1983	No change. Morocco still believed to be awaiting favourable conclusion of discussion on financial backing by Saudi although incipient rapprochement between Morocco and Algeria may reduce chance of success for this project.		
NIGERIA	Swingfire	165	1983	The President has approved BAe's proposal and detailed contract negotiations are imminent.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	TYPE 2400 Submarine	60 (for initial 2)	1985	Moderate. The Australian Directorate of submarine policy plans to purchase new submarines to replace its existing fleet. It is planned that the new submarines will be built in Australia. VSEL are proposing a variant of the Type 2400 which more closely matches the RAN requirements for depth and endurance. A Request for Proposal (RFP) was due to be issued earlier this year but was delayed and is now expected to be issued shortly. The request for tenders is expected to be issued in late 1983 but final selection of one tender will not be until 1985.		Thyssen IKL(GE) WALKUS (Netherlands)
INDIA	CBT	50	1983	In-country trial due to take place May/June. It is expected that a contract will be placed shortly after completion of trial.		
	Sea King	230	1983	WHL are now clear favourites to win contract. Contract and MOU negotiations now taking place in India. Contract signature could be this month (April).		France
	Sea Eagle	16 for first 8 missiles	1983	This contract has now been coupled with the helicopter contract.		France
	Sea Harrier	110	1983/84	Indians have now received delivery of first of a batch of 8 aircraft. They are expected to make a decision on a possible follow-on for 12 aircraft during the coming months.		
	Light Combat Aircraft	165		RB199 Engine now cleared for India. A joint UK Industry/MOD team have recently visited India and initial proposals have been well received.		
INDONESIA	Medical equipment for Services and Police Riot Control equipment	10-15	1983/84	G to G package through IMS. Police equipment proposals submitted by IMS end March - reaction awaited. Medical equipment package offer, including training, due end May against 1983/84 budgetary allocation.		
JAPAN	FH70	25-50	Starting 1983	Funding for first 20 guns made in revised FY83 budget, and ratification expected in Diet shortly. Sales of ammunition and transfer of ammunition technology are possible.		

CONFIDENTIAL UK EYES B

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA & FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN cont	Searchwater Radar	Up to 75	1984	JMSDF are currently evaluating Searchwater and may initially purchase 10 sets with prospect of up to 75.		
MALAYSIA	Defence Operations Room (DOR) Project	50 (initial)	1983/84	EASAMS tender proposals (submitted 15 Dec 82) under consideration in Mindef. In country C3 presentations given by MOD experts in early Feb 83 in support of EASAMS.	Letter of support from S of S (10 Feb 83)	USA.
PAKISTAN	Frigates-Type 21	150	1983/84	Vospers proposals for 2 type 21 Frigates submitted Aug 82 with offer of 100% credit (50% ECGD).	Ministerial agreement to 50% ECGD cover. PM's letter to Pres. Zia Aug 82.	France Italy Germany
SOUTH KOREA	Skyvan.	100+	Start 83	Shorts are optimistic that a decision may be made this summer in favour of Skyvan.		
	-ynk.	?	Start 83	The ROK Navy is reported to have selected Lynx and an order for 12 may be placed this year. WHL will have the support of a RN team.		

CONFIDENTIAL UK EYES B

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Land Rovers	30	1983	Land Rovers offering 2 alternatives, to commercial (cheaper) & military specifications. Offering assembly in Belgium or production in UK with offset.		Germany - Mercedes
GERMANY	Attack Helicopter Lynx III	300	1984/85	GE requirement for 150/200. Plans for setting up Lynx 3 trials unit 1984 continuing in which GE formally invited to participate. GE team visited Westland Feb 83. Team expected to return to UK in Spring for MOD discussions.	M of S(DP)	USA France Italy
	Sting Ray	25	1985 onwards	GE requirement for new light weight torpedo in late 1980's. However programme has slipped in timescale allowing US A.L.W.T to become a serious contender	M of S(DP)	USA
	Sea King/Sea Spray	50	1983	Decision expected 1983 for re-equipping FGN Sea King fleet with over horizon targetting and anti-ship missile capabilities. GE impressed with performance of the UK equipment in Falklands.		France - AS 15TT
GREECE	Tornado	500	mid 83	Decision 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 air to ground role. Panavia have submitted comprehensive commercial proposals and final decision expected during 1983. 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 Govts is under considering with the Greeks.	Minister(DP) has agreed in principle to visit Greece. The Prime Minister has sent a message to her Greek opposite number supporting Panavias proposals.	USA France
NETHERLANDS	Spey Engines - SMI/(Rolls Royce)	50+	1983/84	24 engines required for M class frigate programme. RR gave presentation to RNLN Feb 83.		
	Law 80	50+	1985/86	NL requirement for 75K+ weapons. I.S.D-1985. Co-production essential and MOD/HEL team have visited NL MOD & Eurometaal to discuss licensed co-production.		Various
NORWAY	Rapier	125	1983	Decision imminent. All recommendations and reports on the 3 systems have been written. Anglo/Norwegian MOU near signing stage.	M of S(DP) US of S(DP)	France - Roland USA - 1 Hawk

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SPAIN	Rapier	130	1983	Spanish Army have now accepted a presentation on Rapier performance in the Falklands which is likely to take place from 25-27 April. This will help to counter "black propaganda" being circulated by Rapiers competitors. Prospects for a sale particularly in view of the high level of Spanish industrial participating being offered by Bae.	Minister(DP) has invited Sir Eduardo Serra to visit UK for briefings on Rapier and Tornado.	USA/ France and GE
SWEDEN	Helicopters Attack/ASW Recco/TFT	120	1983/85	Sweden to replace whole fleet over next 10 years. Falklands experience presentation given by RN team Jan 83.		Various
SWITZERLAND	Anti Tank Helicopter Lynx	100	1986	Swiss anti-tank requirement. 7 models in competition to be narrowed to 2 by end 83 for final decision 1986.		USA France Germany Italy
YUGOSLAVIA	Martello Radar (for Libya)	87	1983	Negotiations between Marconi and the Yugoslavs are progressing satisfactorily. Further discussions with the Yugoslavs and Libyans are planned for the period immediately following Easter. ECGD are taking a more helpful attitude on credit cover but this area still contains many potential pitfalls.	Possible support if ECGD cover is refused.	

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CHILE	Surplus ships and aircraft	30+	1983+	Negotiations on sale of Antrim underway. Navy has also registered formal interest in purchasing Hermes, Air Force interested in modest initial purchase of second-hand Jaguar aircraft (through BAe).		
COLOMBIA	Naval Lynx	20	1983/4	Successful Lynx demonstration given by HMS Battleaxe during recent visit. WHL/LBI have been able to match attractive credit deal offered by Germans and Lynx therefore remains in contention.		Germany (B0105)
ECUADOR	Air Defence Radar (PAAS62)	20	1983	Contract for next stage of Radar project agreed but signature awaits confirmation that credit financing will be available.		Israel USA
PERU	Chimbote Naval Base	330	1983/4	Project has now resurfaced again and appears to have full backing of President and Minister of Finance. Requirement for ECGD backed element of credit financing is considerably larger than sum remaining under country limit but DSO and DOT to make case for support on National interest (employment) grounds.		France but proposals may also be submitted by Netherlands and Spain

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	Hawk EGA or Harrier 2	84	1983	Although contract signed 2.1.83 for 16 Trainer aircraft, an expected order for 10 EGA aircraft became a budget casualty. A recent interest in Harrier 2 may hold off US marketing of A10 and keep the door open for EGA if a Harrier sale does not materialise.	Mr Pym raised further UK aircraft sales on his visit in April 1983	France USA
	Radar AR3D	50	1983	Plessey are marketing, linked to the IMS led JOC project. Plessey offer is well regarded but Letter of Assurance may be required from HMG.		France USA
	JOC and Integrated Comms System	160	1983	IMS are leading a consortium of UK electronics companies. Proposals submitted on an interim solution which will eventually lead to a total UK package. UAE have requested IMS to submit detailed proposals quickly and IJOC negotiations have now resumed though budget restrictions may stretch these over a long period.		
	Electronic Warfare Package	80		Racal/Marconi have put forward a commercial proposal supported by MOD.		
	Engineer Equipment Package	80		IMS tender has been under consideration for over 2 years, though UAE say they intend to invite IMS for further discussions shortly.		Germany Belgium
	Challenger	80		UAE have requested quotations for 135 and 270 tanks. Planning is in hand for a trial in-country this summer against other western competitors.	Mr Pym raised this in April 83.	France Germany USA
	Naval Ops Centre	50		Ferranti are hoping to enter into further negotiations following a successful visit to UK by Comd Navy in Nov 82.		
BAHRAIN	Hawk	80	N/K	Aircraft to be demonstrated in-country mid-April.		
IRAN	Martello Radar	150	1983	Because of the prevailing economic situation and the outstanding debts, ECGD have refused credit insurance cover for this business. Plessey are also competing.		
IRAQ	Nimrod	(1100)	(1983)	During negotiations in Iraq in March the Iraqis rejected the Gvt to Gvt terms offered. Formal action is now with BAE to decide whether they can accept the Iraqi	Iraqi rejection of the Gvt to Gvt terms raised by Mr Hurd with TAHA RAMADAN (1st Deputy Premier)	

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
IRAQ cont				counter conditions but BAe seem set to reject them. We believe that the Iraqi rejection of the proposed terms is a smokescreen to hide serious financial difficulties.		
JORDAN	Refurbishment of F5Es	10	1984	Briefing given in UK to Jordanian mission in Feb by UK companies on avionics options for F5 update. Refurbishment may be attractive if USA refuse F16 export. By extending timescale for future frontline aircraft purchase refurbishment of F5Es holds Jordanian market open for ACA at the end of the decade.		USA
KUWAIT	Hawk	250	1984/5	KAF enthusiastic over Hawk as replacement for Strikemaster. In-country demonstration to be given mid-April. BAe also preparing proposals for GCC for setting up a Gulf Overhaul Facility (probably in either Saudi Arabia or Kuwait).	Mr Pattie raised with Sheikh Salim in Feb 83. Mr Hurd raised this on his visit in April 83.	Unconfirmed rumour that Kuwaitis will be acquiring Alpha Jet assembled in Egypt.
OMAN	Tornado	200	1983	Strong prospect for ADV - Qty 8 - but subject to GCC funding and pressure to take on French or American aircraft. DSO/BAe presentations planned for early spring 83. Initiative now rests with Oman.		
	Martello Radar	20	1984/5	A priority GCC funded project. Marconi are in dialogue with Oman.		
QATAR	Rapier	150+	1984	Prospect for further 2 batteries provided first proves satisfactory. Finance could be a problem.		
	JOC	120	1983/4	Project is progressing slowly. Plessey's chances on securing this order will depend to a great extent on the company's performance on the AR3D radar contract. HMG Letter of Assurance given in Feb 83.		
	MCMV	50	1984	Requirement is for 2 vessels. RN/VT team visited Qatar Dec 82. Likely that Qataris will wish to train one or two officers in UK before deciding upon type of vessel they will purchase; RN LSP is to follow up.		France

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

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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 cont	Artillery Surveillance Package (Army)	30	1983)	Under negotiation (IMS).		
	Engineer Package (Army)	120	1983)			
	NBC/EOD Packages (Army)	60	1983)			
SAUDI ARABIA NATIONAL GUARD	Blowpipe/Rapier	Blowpipe C 20 Rapier C 90	1983/4	MOD presentation on UK concept of AD (inc Blowpipe and Rapier) Sep 82. Further more detailed information on cost, performance etc has now been provided at NG's request.		USA
	Challenger MBT	50+	1984/5	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.		USA Possibly Germany
	Sangmed Project	250+	1983	The current LOA expires in May 83. Discussion on a 2nd LOA for the further operation of the Jeddah hospital plus a number of pilot schemes based on the Plan will begin in April 83.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS

NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
USA	Improved 81 mm Mortar	250	1984	Major procurement unlikely to begin before FY85.		
	Combat Support Boat	22	1983	Future procurements may be split between an American small business and open competition, or limited solely to American small business.	Minister (DP)	USA
	ICS3	50-100	1983	Procurement decision expected mid 83.	Minister (DP)	USA
	Hawk VTX	500	1984	Proposed funding for FY84 is £35.2M. The Red Arrows tour will help to promote the aircraft.	Minister (DP)	
	Searchwater	50	1983	This radar requirement may now be the subject of a competitive request for proposal later this year.	Minister (DP)	USA
	European Distribution System Aircraft	81	1983	Request for proposals not yet issued.	Minister (DP)	USA Spain Israel France Italy

Part Two : Priority Two Prospects

Significant effort required by Government and/or Industry during 1983, but to rank lower than Priority One opportunities.

PART II - MAJOR DEFENCE SALES PROSPECTS

AFRICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ALGERIA	Further ship purchases - submarines, additional patrol craft and support vessels	350	1983/4	Proposals under consideration. Detailed negotiations are now underway for both Piranha and 550 Class submarines.		Germany, France
NIGERIA	Vickers Main Battle Tank	50-60	1983	The contract has been agreed with MOD and Presidential signature awaited.		USSR
	Scorpion Light Tank	15	1983	Negotiations continuing on this follow on order.		
TUNISIA	Fast Patrol Craft (52m x 2) (Exocet armed)	52	1983/4	Tunisian Treasury are believed to be reluctant to finance the deal although it is hoped that the necessary funds can be allocated in the next Defence Budget.	Secretary of State discussed with Tunisian Ambassador March 83. Minister of State FCO to visit April 83	France

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Aircraft Carrier for RAN	300	1983	<p>Following the UK decision not to sell HMS INVINCIBLE to the Australians in 1982, proposals were put forward for the sale of a new Invincible class carrier or the lease of HMS HERMES.</p> <p>However, following the success of the Labour Party in the recent Australian elections, the new party leader Mr Hawke has decided that Australia will not proceed with any carrier purchase.</p>		USA Spain Italy
	Sea Kings and Sea Harriers	280 including initial spares	1983/4	<p>As the Australian government has now decided not to go ahead with the purchase of a new carrier there are no longer any prospects for the sale of helicopters or aircraft which would have been associated with a carrier sale.</p>		
	Tri-Service Helicopters	40+	1983	<p>The Choice of helicopter to replace the current Australian Sea King, Wessex and Iraquois aircraft will be dependent upon the choice of helicopter for the Perry class FFG requirement. Three helicopters, the Sea Hawk SH60b, Super Puma and Lynx WG30 are currently under consideration. A decision was expected in 1982 but this is now expected in 1983.</p>		USA France
PEOPLE'S REPUBLIC OF CHINA	Project 037 Refit of Corvettes	20+	1985+	<p>BaE (Bracknell Division) will explore possibility of opening negotiations on refit, initially of up to 10 Hainan class corvettes with AIO and fire control systems and sensors. More than 50 Hainans are in service.</p>		
INDIA	FH70	360-700	1983	<p>FH70 in a four-cornered competition and is believed to be the one favoured by the Indians. One problem is the price of the Foden tractor. IMS have now completed the Indian questionnaire. It is believed that only Austria have also completed the questionnaire.</p>		France Austria Sweden
	Rapier	38	NK	<p>DN181 has now been made available. Delivery not before 1988.</p>		France USSR
INDONESIA	Hawk (further buy)	20	1983/4	<p>1982 follow-on contract included option at fixed price for further 4 a/c.</p>		

PART II - MAJOR DEFENCE SALES PROSPECTS

ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SOUTH KOREA	Twin 30 or 35 mm Battlefield AA Gun System	50	1985	Marconi Radar are putting forward proposals for a complete system; a licence manufacture agreement will be necessary for all or some of the equipments.		
	Sonar and Diesels	10	Start 1983	Plessey Marine have a good chance of supplying the minehunting sonar and Paxman diesels the powerpacks for a new class of Korean MCMVs. Six MCMVs of this class are planned.		
NEW ZEALAND	A4 Aircraft					
	1) Update or 2) Replacement	315 N/K	1984 1984	New Zealand needs to update or replace its ageing A4 aircraft. Update is the most likely option and BAe, Marconi and Racal have submitted a joint proposal for this. Sale of ex-RAF Jaguars has also been proposed but may prove to be too expensive for the NZ limited budget.		

PART II - MAJOR DEFENCE SALES PROSPECTS

EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Helicopters Anti-Tank and Recce	50-80	1984+	ISD-1985. One of main priorities in procurement plans. Decision expected end 83.		Various
FRANCE	AEW Equipment	300+	1984/85	Marconi Avionics (MSA) fitted into either the Transall or Atlantique aircraft is under consideration along with its US competitors to meet French requirements for AEW system. An initial demonstration flight in AEW Nimrod took place in Dec 82. A further fuller evaluation flight is planned before June 83. The French have also expressed interest in Nimrod but this would be dependent on the production line being re-opened, currently an unlikely eventuality.		USA
ITALY	Spey Aero Engine	100	mid 1983	The RR Spey engine has been selected for the development programme for the Italian/Brazilian AMX fighter. A total of 260 aircraft are currently expected to be ordered. However a final decision to order Spey is awaited.		
	Gem Aero Engines	30-100	1983	The Gem engine has been selected for the flight development programme for the Agusta Al29 anti-tank helicopter. RR have signed a collaborative agreement with Piaggio to meet Italian requirements for local manufacture. Total engine requirements are likely to be between 750 and 800 units.		
NETHERLANDS	VL/Seawolf	50+	1983/4	Possible RNLN requirement for missile fit in Melass programme.		Various
	Wavell (Plessey)	20	1983/4	Presentation given end March 83.		
SWITZERLAND	Bloodhound Booster Rockets	21	1983	Funds set aside in budget for procurement in 1983.		
TURKEY	Rapier (32 fire units plus Blindfire)	146	April/May	BAe have been involved in detailed negotiations with the Turks for several months, and the Turks have now signed a Letter of Intent for the purchase of Rapier. Prospects for a "cash" sale of the system are said to be promising.		USA and Swiss/ Italian - (Oerlikon/ Contraves)

PART II - MAJOR DEFENCE SALES PROSPECTS

LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	10	1983	Purchase of Sea Skua is said to be top of Navy's priorities for major purchases in 1983 and should escape moratorium on imports of foreign defence equipment declared by Navy minister after recent devaluation.		

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
ABU DHABI	Tornado ADV	NK		BAe are keen to promote to replace Mirage 2000 in late 80s and will carry out a presentation in May.	Mr Pym raised this in April 83.	
	Blowpipe	30-50		Shorts are pursuing, but the recent Oerlikon AD Guns sale is a major setback (see under Rapier) recent sales to Dubai and Oman augur well for Abu Dhabi.		
	Tracked Rapier	100		BAe are marketing as a follow up to Rapier. There will be budget restrictions and the recent sales by Oerlikon of AD Guns and by the USA of I-Hawk may well make further sales of Rapier that much more difficult.		
BAHRAIN	ADV Tornado	N/K	N/K	Interest in aircraft once it has entered service with RAF.		France - Mirage USA - F16
	MBT	50	1984	Firm requirement for 27 tanks - interest centres on Valiant Mk 4 with CA, but some misgivings over weight and fact tank is not in service with UK Armed Forces.		France (AMX 32) Italy (OF40) USA (M1) Germany (Leopard II)
	Sea Skua/Sea Spray	25+	1983/4	BAe have excellent prospects to fit Sea Skua to AB212 or 412 helicopters together with Ferranti Sea Spray radar.		France (AS15TT)
DUBAI	Stormer Rapier	N/K		Alvis are pursuing and have demonstrated. BAe hope for an order for a battery but the recent sales to Abu Dhabi by Oerlikon of AD Guns and by the USA of I-Hawk do not augur well.		France
IRAQ	Hawk	160	1984	Direct sale of Hawk now offered to Iraqis as a possible starter for ultimate SAAD25 aircraft industry project. Although Iraqis are still in discussions with the 3 competing countries on SAAD25, Iraqi financial difficulties mean that no early contract for the project is likely. BAe will probably be prepared to accept for the Hawk deal those Iraqi contract conditions (bonds and guarantees) which were not acceptable for Nimrod.	SAAD25 raised by Dr Vaughan in Baghdad November 82.	France Italy
JORDAN	Hawk	100	1984	Replacement for F5b. Decision could be delayed if RJAF refurbish existing F5Es.		France Italy
	ACA	N/K	Late 1980s	Subject to external financing.		USA France

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
KUWAIT	Air Defence Package	400	Mid 80s	KADAT proposals on development of fully integrated air defence capability received favourably although there was some criticism of inadequate coverage of non-UK systems which KADAT has countered by submitting a further paper. Progress is likely to be slow and companies have been advised to keep a low profile for time being.	Mr Hurd raised this with Sheikh Salim on his visit in April 83.	USA France Following French Ministerial visit in Dec 82
	MBT	250	85 onwards	Floater confirmed long-term interest. Fire control systems under evaluation for any future MBT purchase.		Germany (Leopard II) USA (M1) USSR (T72)
	Light Armoured Vehicle	20-40	N/K	Scorpion has good prospects of replacing obsolescent Saladin. MCV80 also under consideration and ROFs have submitted budgetary quotation for 101 Fox vehicles.		France (AMX 10) Brazil (Engesal) Austria (SK 105)
LEBANON	Tactical Communications Package	10	1983	Offers have been submitted (credit said to be essential).		
OMAN	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.		USA
	Rapier	100	1985/86	SOAF have a requirement for an additional battery but are playing low key at the moment.		
	AEW/748		1985/86	BAe have sent detailed information on Coastguarder, in both maritime surveillance and AEW roles. Funding is however a problem.		
	Challenger	45	1984/85	IMS are shortly to quote for 27 tanks. There will be GCC pressure to go for American tanks.		
	Law 80	10	1984/85	Huntings production programme continues to slip.		
	EME Workshop	N/K	1985/86	Following recent purchases of British AFV SOLF has a requirement for a base workshop. IMS are hoping to lead on this.		
SAUDI ARABIA	105 mm Tank Ammunition (L64 APFSDS)	20	1983/84	Draft contract prepared. Demonstration in Saudi April 83. Problems relating to costs anticipated.		USA

PART II - MAJOR DEFENCE SALES PROSPECTS

MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA cont	Blowpipe/Rapier (Navy)	N/K	1984/5	MOD presentation given Dec 82. Further discussion scheduled for Apr 83.		
	Air Base Security Systems	80-90	1983	Shorrock security systems are still in a position to win a contract for the provision of security systems for RSAF airfields and other facilities. RSAF have gone out to tender again. 15 firms invited including Protec, Shorrock and Chubb of the UK.		USA

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	No change from previous quarterly report. We still await a decision from the Canadian Government. A decision is expected later this year.		International
	Rapier	100	1985	Canada's LLAD requirement for their European Air Bases is expected to be fulfilled by a gun/missile mix. BAe are promoting Rapier as the missile system and have carried out a site survey of the 2 European bases. The request for proposals is expected to be issued by the Canadian Government later this year.		
USA	LAW 80	N/K	1984	No change	Minister (DP)	USA France Germany Sweden
	Rapier	£50M	N/K	Congress have allocated £50M to the USAF to improve air defence of USAF bases in Europe. UK have offered 12 Rapier Fire Units to be manned by the RAF at a cost of £50M.		Germany