



MO 26/9/1

Prime Minister

PRIME MINISTER

May I have a word  
about Saudi Arabia early  
next week if before I go  
to Scotland etc.

25/8

DEFENCE SALES QUARTERLY REPORT - APRIL TO JUNE 1983

I know that you will be interested in the latest Quarterly Report on Defence Sales, covering the period April to June 1983.

2. The total value of contracts signed during the quarter was £401M. This is less than the £528M sales achieved in the previous quarter, but very similar to the £406M figure for the corresponding quarter in 1982. The quarter's overall results are, however, relatively encouraging since they stood up well in the face of a significant downturn in our business with Saudi Arabia and the Gulf. That region usually contributes about half our defence sales business but, this quarter, represented only £45M or 11% of our successes, largely due to those countries' diminished oil revenues. The figures show we were able to obtain significant sales elsewhere to compensate. Details of the contracts signed are at Annex A to this minute. In addition, two further major orders were secured in early July, just outside the formal reporting period covered by this letter. These additional contracts, worth in excess of £390M, take the sales achieved to date during 1983 to about £1,320M. Given even only modest success during the remainder of the year, I am confident that we will comfortably exceed the £1,708M sales achieved during 1982, a figure which was in itself the highest recorded in real terms since 1978. An update on the current major sales prospects is given at Annex B.

3. The two most significant contracts signed during the quarter were for sales of Martello radars to Yugoslavia (£87M), and sales of





Vickers Mk III MBTs to Nigeria (£74M). The Martello sale which forms part of a much larger Yugoslav-led air space management contract for Libya (Operation Salaam) has been finally achieved after two years of negotiation, and could also lead to a further £65M order for communications equipment for "Phase II" of the overall package. On the sale of Vickers MBTs to Nigeria, the accompanying letter of credit is still awaited but my officials are confident that this will not present undue difficulties, since the Nigerians have a good track record in this respect. Other significant contracts reported were with Algeria for supply of Land Rovers (£33M); with the USA for further avionics equipment for the F-16 (£30M) and further Medium Girder Bridge Equipment (£28M); with Oman for Jaguar frequency-hopping radios (£20M); with Australia for ASW equipment (£18M); and with Nigeria for Scorpion light tanks (£13M). Also, as you are already aware, just after the end of the quarter, contracts for the purchase of Sea King and Sea Eagle were signed by India following signature of the Government-to-Government Anglo-Indian Sea King/Sea Eagle MOU. These contracts, together with the associated helicopter service contract which should be signed shortly, are worth some £250M and have been achieved in the face of particularly stiff competition from the French. This is a notable success in what could prove to be an important future market for British equipment. Also just outside the quarter, and therefore not included in the quarter's figures, Turkey signed a contract worth £146M for BAe's Rapier missiles.

4. The decision of Spain to purchase F-18A in preference to Tornado, although not unexpected, was nonetheless a disappointment. We are still therefore awaiting the crucial first export order for Tornado and it is for this reason that I attach so much importance to the current efforts to sell that aircraft to Greece.

5. In the Middle East, there have been significant cutbacks in the military budgets of all members of the Gulf Co-operation Council.





A number of promising UK sales prospects are bound to slip, notably Tornado for Oman and Hawk and the Valiant tank for Bahrain. The Saudis are also imposing tight financial controls which have led to delays in negotiations and programme cutbacks for the second phase of the management contract for the Saudi National Guard Hospital (SANGMED). I now anticipate that this important contract will be signed during the next quarter, but at a reduced value of some £100M for a one-year programme only, as opposed to the two-year contract previously envisaged. The tight financial situation in the region is expected to continue into 1984 but there is still considerable potential for future UK business there once the current budgetary pressures ease. Consequently, we intend to build up the momentum of our marketing there. I may be able to accept Prince Sultan's invitation to visit Saudi Arabia in support of this effort and I anticipate that other Ministers will visit the Gulf States this autumn. We are continuing in our efforts to promote Hawk as a standard trainer for the whole region. The aircraft undertook a successful promotional tour to Saudi Arabia, Kuwait and Bahrain in April. Kuwait has been less affected than most by the financial cutbacks and I raised the questions of Hawk sales with Sheikh Salim when I saw him in July. He was encouraging and I expect negotiations to resume on this in September. An important series of hot weather trials of armoured vehicles are currently underway in Abu Dhabi. We have sent Challenger, Valiant and MCV 80 to participate in these tests which are being attended by all other GCC States. Prospective tank business in the region amounts to at least £1,000M over the next few years. Competition currently exists from the US and France but Germany may give way to pressure to allow Leopard 2 to be offered to Arabian States. Recent requests from the Bahrainis and the Omanis for studies of their radar air defence needs and communications network respectively should lead to future sales. Other prospects in the Gulf region include radars and communications equipment, further aircraft sales and a range of Army equipment. The possibility of the sale of Tornado there is also beginning to be reopened and this is something I shall be consulting you and OD colleagues about separately very soon.





6. In Iran and Iraq, the defence sales picture is still dominated by our policy of non-supply of lethal items to either side whilst the war persists. Progress on the negotiations with Iran over recovery of debts outstanding from the Shah's regime remains slow, and the consequent lack of ECGD insurance cover or credit is making negotiations on the sale of Martello radars there difficult. An increasing number of approaches are being made to UK companies to supply defence equipment to Iran, but progress will be slow even though we have indicated our willingness to supply non-sensitive items. The projected Nimrod deal with Iraq is still under negotiation,<sup>2</sup> after rejection by the Iraqis of the Government-to-Government terms in March. Work on reversing this is continuing after a number of helpful financial concessions by the Iraqis, and a BAe/MOD team aims to visit Iraq this month. I am still sceptical about the ability of Iraq to finance a project of the size (approximately £2,000M) currently envisaged by them. In Lebanon, there are now some signs that the market there is picking up, with UK companies in competition with France and the USA for tactical communications. We intend to propose a general defence sales MOU to the Lebanese later this month.

7. A further round of negotiations took place in May on the defence cooperation MOU with Algeria and a final text was agreed. Signature should take place in September, with serious negotiations on major procurement contracts expected to commence soon afterwards. Priority items are expected to be Hawk, Air Defence Radars, and further ship purchases. A credit allocation of £300M outside the ECGD Section 2 limit has been agreed for Egypt for defence sales purchases, but we still await a list of priorities from them. They have, however, given a letter of intent to Vosper Thornycroft for purchases of six more Ramadam Fast Patrol Craft, but improved credit terms are likely to be required to conclude the negotiations successfully; this could present problems in view of the high foreign equipment content in the current proposals. As expected, the loan agreement for sales of Jaguar





to Nigeria was finally signed on 13th June. Following Nigerian purchases this quarter of Vickers Main Battle Tanks and Scorpions, it is unlikely, with the possible exception of Swingfire, that any early major procurement decisions will be taken there.

8. In India, negotiations continue on the general MOU covering collaboration in defence equipment. The Combat Engineer Tractor (CET) is currently undergoing hot weather trials and initial reports of its technical success are encouraging. It is possible that an order for CET could be negotiated in time for signature during your proposed visit to India in November. Longer term prospects there include UK participation in the Light Combat Aircraft programme, sales of FH70 and further sales of Sea Harriers.

9. In July, James Blyth, the Head of Defence Sales, visited Indonesia, Thailand, Singapore and Malaysia, to increase the momentum of our marketing in the region. The prospects for the successful establishment of a line of credit for defence purchases with Thailand now look promising. The Thais have formally accepted the proposed financial arrangements fronted by the Bank of England and we can expect signature of this by the end of the year. Interest there is in purchases of Scorpion and associated spares and Light Transport Aircraft. Whereas prospects in the short-term are clouded by economic difficulties, Indonesia in the longer term could become an important market. We are consequently progressing negotiation of our Anglo-Indonesian MOU for defence sales. Elsewhere in the Far East, the sales outlook in China is still unpromising in the short-term but there now appear to be good, though limited, sales prospects to Japan. In spite of US dominance of the market, sales of FH70 look particularly promising, and there are also reasonable possibilities of sales of Searchwater and in the longer term possibly EH101 helicopters and Harrier II. South Korea also presents a number of promising opportunities for UK Industry, including Skyvan aircraft, Lynx helicopters and the Vickers 155mm Self-propelled Gun. HM Ambassador indicates however that decisions could





be deferred by up to two years due to financial pressures. Major short-term prospects in Australasia are limited, although New Zealand has started negotiations for a possible purchase of small numbers of ex-RAF Jaguar aircraft.

10. Defence sales prospects in the US may be adversely affected by the recent decisions not to procure HARM, and also by our withdrawal of interest in purchases of Copperhead. However, we will continue to pursue sales actively in this market and the prospects for ICS3, Searchwater, 81mm Mortars, transport aircraft, Combat Support Boats and the Hawk VTX programme all appear encouraging. In South America, contracts with Ecuador and Brazil have continued to be frustrated owing to continuing difficulties over credit financing, while Peru's decision to re-schedule has been the latest setback for the Chimbote Naval Base project. Brazil however has provided reasonable business for a variety of UK component firms and the future market there continues to be promising despite her economic difficulties. Similarly Chile, despite her economic problems, is expected to be making further purchases of ammunition and second-hand equipment; a team from the Defence Sales Organisation is visiting Chile this month. British Aerospace are continuing to pursue an oil barter deal with Ecuador for Rapier sales, although difficulties over clearance to supply the Blindfire radar could pose problems.

11. In Europe a number of UK companies have won small contracts with Sweden to supply components for the Gripen aircraft. The most promising European prospects, other than Tornado for Greece, are for supply of engines for the Dutch frigate programme, Sea Skua for FRG and also, in the wake of the Rapier deal, for Turkey. BAe are optimistic over the prospects for Tornado for Turkey, although doubts must exist about her ability to fund such a purchase. The Royal Ordnance Factories are pursuing collaborative agreements with Spain and Greece, and British Shipbuilders retain hopes of dealing with the Hellenic Navy over the supply of frigates/corvettes.





12. In conclusion, we are seeing an interesting development in the pattern of our defence sales prospects. In the Saudi Arabia and Gulf areas, financial pressures are beginning to take their toll and we are suffering along with our competitors. But we are reacting by successfully diversifying and diverting our efforts to a wider range of markets as we have planned. Clearly we must continue to enhance our ability to react in a timely fashion to the relatively unpredictable middle term swings in the market. This will help to prevent a repeat of our experiences following the fall of the Shah: it will be interesting to see how the French react to what is likely to be a similar experience in Iraq. In the longer term, there are markets such as India, Indonesia and Brazil which are potentially huge and we have started to inject effort now to guarantee our place when they develop.

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

*WFA*

Ministry of Defence  
22nd August 1983



D/DS13/405/3/2

ANNEX APART 1 - STATISTICAL SUMMARY OF CONTRACTS SIGNED DURING THE QUARTER ENDING30 JUNE 1983

The value of new orders received (ie contracts signed) during the quarter amounted to £401.510 compared with £528.399M in the previous quarter and £405.776M in the second quarter of 1982. The largest individual order placed during the quarter was for Martello Radar for Yugoslavia (£87M) followed by the £74M order for Main Battle Tanks for Nigeria.

<u>NAVY</u>	<u>£M</u>	<u>ARMY</u>	<u>£M</u>	<u>AIR</u>	<u>£M</u>
Brazil	0.190	Abu Dhabi	0.925	Australia	18.000
Chile	0.820	Algeria	<u>33.300</u>	Egypt	2.600
Oman	0.500	Brazil-	7.106	Indonesia	4.300
USA	2.721	Brunei	1.790	Iran	1.800
	<u>4.231</u>	Canada	0.100	Iraq	3.800
		Dubai	0.880	Oman	0.800
		Egypt	0.900	South Korea	0.500
		Indonesia	0.100	Sweden	10.500
		Iran	1.700	USA	50.960
		Iraq	1.695	Yugoslavia	<u>87.000</u>
		Japan	0.600		<u>180.260</u>
		Kuwait	1.191		
		Nigeria	<u>95.602</u>		
		Oman	24.095		
		Pakistan	3.137		
		Qatar	0.910		
		Saudi Arabia	5.190		
		Singapore	0.150		
		Syria	1.848		
		UAE	1.250		
		USA	34.550		
			<u>217.019</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.



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 Complex at Blida	20 +	1983	Plans for implementation of workshop complex at Blida still under consideration. UK companies are discussing requirements with Algerian Air Force.	M of S(DP) to be UK signatory of MOU in September	France Sweden Germany
	Air Defence Scheme (Project Accord) (Phase 1)	150	1983/4	Industrial consortium producing costed proposals for Algerian authorities covering a phased scheme. Total project could be in excess of £500M.		
	Hawk (27) and Soviet aircraft refurbishment	200	1983/4	Position unchanged. BAe (AG) quotation for Hawk and Mig 21 overhaul and refurbishment under consideration by Algerian Air Force.  - The two projects above depend on the satisfactory conclusion of Gvt to Gvt MOU and credit package -		
EGYPT	Fast Patrol Craft	240	1983	Egyptians have handed VT a Letter of Intent but credit is still very much the key. Firm are preparing a new application for credit. Original credit offer approved by EX.	USA  France	Spain USA
	Command and Control System (C3)	100 upwards	1984	No change. Prospects for some orders good although implementation is likely to take place over a long period.		
NIGERIA	Swingfire	165	1983	Following Presidential approval in March, detailed contract negotiations continuing.		France



## PART II - MAJOR DEFENCE SALES PROSPECTS

## ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Type 2400 Submarine	60 (for initial 2)	1985	<p>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 partially built in Australia.</p> <p>VSEL are promoting a variant of the T2400 which more closely matches the Australian requirements, and Plessey and Ferranti will be submitting proposals for the combat system. The Request for Tender (RFT) was issued in May and an RAN team have just completed a tour of potential shipbuilders and combat systems specialists to discuss this. Four companies (2 for the submarine and 2 for the combat system) will be chosen to carry out project definition studies in 1984 and the final contract will be placed in 1985/6.</p>		France Holland Germany Italy Sweden
INDIA	Sea King	230	1983	The Indians have now decided that WHL's Sea King is the preferred choice. Following agreement on MOU negotiations, contracts were signed in July.		Formerly France
	Sea Eagle	30 (for first 20 missiles)	1983	Now coupled with Sea King contract; signed in July.		France
	Sea Harrier	110	1983/84	India are currently considering a purchase of a further 12 aircraft over and above the 8 currently on order.		N/C
	Light Combat Aircraft	165	N/K Long Term	Negotiations continue at a satisfactory but slow pace.		France USSR
	FH 70	360-700	1984 +	IMS has not yet received a reaction to the completed questionnaire. An alternative and cheaper vehicle (MAN - as used by FRG) already manufactured in India under licence, has been proposed.		France Austria Sweden
	CET	30	1983	On completion of a successful in-country trial, it is hoped that a contract could be signed later this year.		N/K



## PART II - MAJOR DEFENCE SALES PROSPECTS

## ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
JAPAN	FH 70	19 +	Starting 1983	Decision to purchase now ratified in Diet and funding for first 20 guns confirmed in revised FY83 budget. Sales of ammunition and transfer of ammunition technology are being negotiated separately.		
	Searchwater Radar	Up to 75	1984	JMSDF have evaluated Searchwater. A decision in favour of Searchwater by the US Navy would positively influence the Japanese.		
MALAYSIA	Defence Operations Room (DOR) Project	50 initial	1984	Technical evaluation of tender proposals complete; believed to be in EASAMS favour. Financial decision in context of budgetary allocation is awaited. EASAMS have offered long term credit and counter trading proposals. Possible forms of additional MOD training and assistance to support EASAMS under consideration.	Letter from S of S (10.2.83)	USA
PAKISTAN	Frigates (Type 21)	150	1983/84	Vosper's proposals for qty 2 type 21 frigates submitted Aug 82 with offer of 100% credit (50% ECGD)	Ministerial agreement to 50% ECGD cover - PM's letter to ZIA Aug 82.	France Italy FRG
	Skyflash	40	1983/84	Pakistan Air Force have requested BAe to submit proposals for the modification of their Fl6s to carry Skyflash missiles.		USA
SOUTH KOREA	Skyvan	100 +	1985/86	Shorts are optimistic that a decision will be made in favour of Skyvan, but a decision may now be deferred to 1985/6 due to budgetary considerations.		Spain Canada
	Lynx	60	1983/84	ROK MND have initialled draft contracts for 10-12 Naval Lynx: a decision is expected by the end of 1983 with contract signature by end March 1984.		France
	Sea Skua	8-10	1983	BAeDG have been asked to submit a draft contract for Sea Skua in association with the naval helicopter requirement: a decision is expected in November 1983.		
	Twin 30 or 35 mm Battlefield AA Gun System	40 +	1983/84	Evershed Power Optics have submitted proposals for radar and fire control systems. Up to 200 systems will be required in total with some manufactured under licence.		



## PART II - MAJOR DEFENCE SALES PROSPECTS

## ASIA AND FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SOUTH KOREA (Cont)	Vickers 155 mm SP Gun	50	1983/84	Following the breakdown of contractual negotiations over the US M109 Gun Vickers have been invited to resubmit an offer based on their original proposals.		USA
	Sonar and Diesels	10	1983/84	Negotiations have now started on Plessey's 193 minehunting Sonar and Paxman diesels powerpacks for a new class of Korean MCMVs. 6 MCMVs of this class are planned.		
THAILAND	Line of Credit	65	1984/86	After nearly 2 years of discussion, the draft MOU has been forwarded and awaits clearance by the Ministry of Finance and the Supreme Command prior to signature.		



## PART II - MAJOR DEFENCE SALES PROSPECTS

## EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BELGIUM	Land Rover	30	1983	Decision on 4 x 4 vehicle requirement expected towards end summer. Technical evaluation of Land Rover, Mercedes and VW completed.		FRG - Mercedes VW
	Helicopters	50-80	1984 +	Decision expected end '83 Lynx III on offer. Decision on short list expected this summer. Offset package of major importance.		FRG France Italy USA
GREECE	Tornado	500	1983	A decision is 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 the air to ground role. Panavia have submitted comprehensive commercial proposals and a final decision is expected before the Autumn. The 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 governments is under consideration with the Greeks. Current activity is concentrated on improving the credit package in face of strong US and French competition.	Minister (DP) visited Greece in May 1983 to further the Tornado case. The Prime Minister has sent a message to her Greek opposite number supporting proposals. A visit to Greece by S of S to support Tornado is in prospect.	USA France
NETHERLANDS	Spex Engines SM 1A-Rolls Royce	50	1983	For 12 'M' class frigate programme. Question of linkage to RN purchase of GOALKEEPER.	M of S(DP) has asked the Dutch for an early meeting to discuss offset requirements.	USA
SPAIN	Rapier (Optical DN 181 Laserfire)	171.5	1983	Presentation on Rapier's performance in the Falklands held early May '83 was well received by the Spanish Army and should help to counter "black propaganda". Following this and recent BAe presentations in Spain prospects for a sale are more promising, particularly in view of the high level of Spanish industrial participation being offered by BAe.  BAe's latest proposal includes full Spanish participation in the development and manufacture of Laserfire.	At Minister (DP)'s invitation Sir Eduardo Serra, the Spanish Under-Secretary for Defence, recently visited the UK for discussions primarily regarding Rapier.	USA FRG/France
SWEDEN	Helicopters Attack/ASW Recco/TPT	120	1985/86	Requirement to replace fleet over next decade. WHL have been asked to quote by early Sep 83 for 20 anti-tank and 10 SAR helicopters.		FRG France Italy USA



## PART II - MAJOR DEFENCE SALES PROSPECTS

## EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SWITZERLAND	Helicopter Anti-Tank	80	1986	Lynx III on offer. Swiss intend to narrow competition to 2 by end 1983 for final decision 1986.		US France FRG Italy
TURKEY	Sea Skua	15 (initial order)	July 1983	Negotiations on Sea Skua are linked to the prospective Turkish purchase of Italian helicopters. The Turks are reported to be close to finalising a contract with BAe. This would also involve Marconi Sea Spray Radars.		France
	Rapier	146	July 1983	A contract was signed between the Turks and BAe on 11 July 83, and will appear as a 'sale' in the next Quarterly Report.		
WEST GERMANY	Sea Skua/Sea Spray/Sea Searcher	50	1983	Prospects for BAe Sea Skua and MEL Sea Searcher appear strong as choice for Sea King improvement programme. Decision expected soon.		France



## PART II - MAJOR DEFENCE SALES PROSPECTS

## LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BRAZIL	Sea Skua	10	1983	B Ae(DG) promotional efforts continue but progress is becoming more difficult because of Brazil's international debt problem.		
	Submarine Fire Control System (for IKL 209 submarines)	8	1983	Contract signed but stalled because of W German credit financing difficulties for main submarine contract. These should be overcome within the next 2 months or so.		
CHILE	Surplus Ships	10	1983	Negotiations for sale of HMS Antrim continue.		
	Surplus Aircraft	50	1984	Chilean Air Force are interested in purchasing ex RAF Jaguars on a Government to Government basis. Preliminary discussions are underway.		
ECUADOR	Rapier/Blindfire	46	1984	B Ae(DG) have Ecuadorian Letter of Intent for purchase of Rapier on the basis of oil counter-trade. However successful contract negotiation depends on agreement to release Blindfire in 1984. Case to be submitted to Ministers shortly.	M of S (DP) US of S (DP)  Involvement will begin when case for Blindfire release is submitted.	France (Crotale)



## PART II - MAJOR DEFENCE SALES PROSPECTS

## MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BAHRAIN	Hawk	22 (excluding weapons)	1984	Highly successful in-country demonstration given in April. DSO to assist on BL 755 (this could involve speculative buy) but not on Sidewinder. Purchase dependent on GCC funding over which there is some uncertainty at present.		France (Alpha Jet) USA
	Sea Skua/Sea Spray	25 +	1984	BaE have excellent prospect to fit Sea Skua to AB212 or 412 helicopters together with Ferranti Sea Spray Radar.		France (Asistt)
IRAN	Martello Radar	150	1983	As previously reported, because of outstanding debts dating from the fall of the Shah, ECGD have refused credit insurance cover for this Marconi business. Plessey are also competing.		
IRAQ	Nimrod	2000+	end 1983/84	BaE now working up a budgetary package for the Iraqis. Next visit planned for August. Finance is a major problem.	Visit by Mr Ramadan (1st Deputy Premier) to UK in September.	
JORDAN	Fast Patrol Boats	104	1984	UK yards competing with overseas yards. Fairey seem best placed. Ship launched Sea Skua is being offered.		Spain Italy France
	Refurbishment of F 5Es	N/K	1984	UK companies are promoting various packages (HUD/EW/NAV Attack Systems).		
KUWAIT	Air Defence System	50	1983/84	Proposals recently considered by Higher Defence Council but no decision taken. Kuwaitis may seek "Independent Assessment".	Mr Hurd discussed in March in Kuwait	France (Thomson/ CSF) US (Hughes)
	Hawk	80	1983/84	KAF enthusiastic about Hawk. Successful in-country demonstration given in April. We want to turn abolition of ATC's to our advantage over Hawk deal.	Hawk sale discussed by S of S during call on Shaikh Salim (13 Jul 83)	France (Alpha Jet)
OMAN	Tornado ADV	200	1984	Oman has declared strong preference for Tornado ADV	S of S discussed with Sayjd Fahr in June 1983	
	Mobile Radars MRSL	20	1984/85	A priority GCC funded prospect. Marconi in dialogue with Oman.		
QATAR	MCMV	50	1984 onwards	Requirement is for two vessels. RN/VT team visited Qatar in December 82. Likely that Qatar will wish to train one or two of their officers in the UK before deciding on the type of vessel to be purchased. INFCT have passed proposals		



## PART II - MAJOR DEFENCE SALES PROSPECTS

## MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
QATAR (Cont)	JOC	120	1984	to RNLSF as basis for further discussion. It is hoped that a course can be offered at no cost (funded jointly by VT and Defence Sales Fund).		France (CNM)
	Rapier	150	1985	Project progressing slowly; Plessey's chances of securing the order will depend to a great extent on the company's performance on the AR3D radar contract. HMG letter of assurance given in February 1983. Finance could be a problem.		
SAUDI ARABIA	Air Defence Ground Radar System	200	1984	Confirmation still required that radars are included in the American FMS C-Cubed package which is reportedly now funded by the Saudis in the sum of \$1.5 Billion (the original proposal was for a \$3 Billion programme). If radars are incorporated this will effectively exclude Marconi and Plessey from bidding unless they can tie in with a major US prime contractor.		USA
	Nimrod AEW	250	1985/86	Prince Sultan has expressed an interest in acquiring Nimrod AEW with an enhanced capability for EW and intelligence gathering. More recently, he indicated to Mr Pym that the timescale envisaged was 1985/86 (ie after the aircraft enters service with the RAF).	Mr Pym discussed with Prince Sultan on 9 April in Saudi Arabia. Mr Nott discussed in Sept 1982.	USA
	Hawk	200	1985/86	The recent Hawk visit to Saudi Arabia served to re-focus and re-inforce previous RSAF interest in the aircraft. However there are no plans to introduce a fast jet training aircraft into the King Faisal Air Academy Pilot Training Programme before the unit is relocated at Al Kharj in the late 1980s.		France Italy Spain
	Lynx Helicopters (For Army)	80	1984	Competing aircraft for observation role are now being generally assessed. Fly-off planned for summer 1984.	S of S raised subject with Prince Sultan in Sept 82.	USA FRG
	Engineer Package (Army)	43	1983/85	Under Negotiation		
	NBC/EOB Package (Army)	19	1983/84	Under Negotiation		



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## MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
SAUDI ARABIA (Cont)	BH7 Hovercraft (Min of Interior)	85	1984	Draft contract submitted by BHC.		
	Challenger MBT	480	1984/85	MOD presentation in Feb 83. Saudi Army to attend UAE trials in July.	HMG has formally offered to sell tank to Saudi Army. Foreign Sec raised subject with Prince Sultan April '83.	USA (possibly FRG)
	Artillery Surveillance Equipment and Associated Training and Support.	32	1983/84	Contracts have been cleared by Artillery Section of Foreign Procurement. Clearance by Ordnance Section now awaited.		
SAUDI ARABIAN NATIONAL GUARD	Blowpipe/Rapier	20/90	1984	MOD presentation on UK concept of AD (inc Blowpipe + Rapier) Sept '82. Further more detailed information on cost, performance etc has now been provided at NG's request.		USA
	SANGHED Project	100 (for year 1 of LOA2)	1983	The current LOA expired on 23 May 1983. Negotiations for a second LOA for the continued operation of the King Khalid Hospital are proceeding although it is unlikely that funds will be guaranteed at this stage for more than one year ahead.		
UAE	Field Engineering Package	50 +	1984-85	IMS are to submit a revised offer to GHQ Abu Dhabi for a reduced range of engineer equipment including Mines, Explosives, EOD Equipment, Class 30/60 Trackway and Ranger		No competition on overall package, but expect that UAE will shop around for individual elements of the package to strengthen their negotiating position with IMS
	EGA Hawk (10)	84	1983	Although contract signed for 16 trainers, EGA was budget casualty. Recent interest in Harrier 2 (qv) may hold off US marketing of A10 and keep door open for EGA.	Mr Pym raised further aircraft sales during his visit in April.	France USA
	AR3D Radar	50	1983	Plessey proposals well regarded and linked to ADOC. HMG letter of assurance may be required.		
	Challenger MBT	100	1984/85	Trials take place in July/August 1983. Prospect for up to 270 tanks.		
	AIOC	50	1984	See AR3D Radar.		



## PART II - MAJOR DEFENCE SALES PROSPECTS

## MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE (Cont)	Joint Operations Centre	50	1984	Proposals on interim solution have been put forward. Budget restrictions may delay project.		
	NOC	50	1984	Ferranti's are waiting to be called forward for contract discussions but budget considerations apply.		
	EW System	100	1984	Company proposals under consideration, supported by MOD training offer. There seems to be waning interest due probably to budget restrictions.		



## PART II - MAJOR DEFENCE SALES PROSPECTS

## NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
USA	Improved 81 mm Mortar	350	1984	Single year procurement planned for FY 84; multi year programme thereafter.		
	Combat Support Boat	Proportion of 6-700 Boats	Nov 1983	Decision on American small business set aside awaited.	Minister (DP)	USA
	ICS 3	50-100	1983	Procurement decision awaited.		USA
	Hawk VTX	500	1984	USG have accepted free loan 12 Hawk aircraft. Acquisition plan for dry Hawks unsettled.	Minister (DP)	USA
	Searchwater	50	1983	Competition to be run between EMI and Texas Instruments. Though initially both systems could be procured.	Minister (DP)	USA
	ESDA	81	Nov 1983	Request for proposals issued. Shorts main rival is CASA, teamed with McDonnell Douglas.		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	400	1983/84	Proposals under consideration. Detailed negotiations are now underway for both Pirhana and 550 Class submarines. Credit likely to be required.		Germany France
EGYPT	Main Battle Tanks	500	1986 +	Long term prospect. Egyptians have shown interest in both Challenger and Vickers Valiant		France
MOROCCO	IMS Ltd Package (Artillery, Ammo, Vehicles, Small Arms)	165	1983	Gradual rapprochement between Morocco and Algeria and worsening economic situation in Morocco and in Saudi, who were to give financial backing, are likely to reduce chance of success for this project.		
TUNISIA	Fast Patrol Craft (52m x 2) (Exocet Armed)	52	1983/84	No change. 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.	France



## PART II - MAJOR DEFENCE SALES PROSPECTS

## ASIA AND THE FAR EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
AUSTRALIA	Tri-Service Helicopters	£50M (helicopter and spares)	1983/84	Moderate. A Request for Tender (RFT) was issued in January to Westlands, Sikorsky and Aerospatiale for Destroyer and Utility helicopters. Westlands have submitted proposals for 17 Lynx or Super Lynx (W50) helicopters. A decision is expected later this year. This could be first batch of a total order of some 110 helicopters for a variety of roles.		USA (Sea Hawk Black Hawk)  France (Super Puma Dauphine)
CHINA	Project 037 Refit of Corvettes	20 +	1985 +	The Chinese decided not to proceed with Project 037 until Project 051 was underway and since its demise have not re-opened discussions on 037, despite prompting.		
INDONESIA	Medical Equipment Package	17 +	1983/84	G to G package through IMS. Reaction awaited to police equipment proposals submitted by IMS end March. Decision on medical equipment package, including training, has been delayed due to reconsideration of defence budget - believed however to be a priority requirement.		USA  USA FRG Italy
	Hawk (Further Buy)	20	1983/84	1982 follow-on contract included option at fixed price for further 4 a/c.		
JAPAN	FH70 Ammunition	51	18-30 months	Licence Negotiations		USA
	FH70 Ammunition 155 mm HE L15	15	Late 1983 Early 1984	Good Prospect		USA
MALAYSIA	FH70 Ammunition	20	18-30 Months	IMS Request for Price		
PAKISTAN	Fire Control System for TS9 Soviet Tanks	100	1983/84	Firing trials have narrowed competition down to those stated. Ferranti believe they are favourites, but latest trials resulted in lower than average success rates by all 3 firms. Further training to be given pending retrial.		FRG (Kraus Maffei) Belgium (OIP)
	Naval Yard	NK	1984/85	Vosper Thornycroft and Sir Alexander Gibb		
	105 mm Light Gun and Associated Ammo.	50	1984/88	Under negotiation (IMS)		



## PART II - MAJOR DEFENCE SALES PROSPECTS

## EUROPE

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
FRANCE	AEW Equipment	300 +	1984/85	Proposed Marconi Avionics (MSA) fit in the French Transall aircraft is under consideration along with its US competitors to meet French requirements for an AEW system. An initial demonstration flight took place in December '82 and a further evaluation flight is planned for later this year. The French have also expressed an interest in Nimrod AEW but this would be dependent upon the production line being reopened; currently a remote possibility.		
	105 mm Lt Gun System	38	6-24 Months	Prices Given		
NETHERLANDS	LAW 80	50 +	1984/85	Decision C 1984. RNLA requirement for around 75,000 hand-held light anti-armour weapons. Potential for co-operation between HEL and Eurometaal under discussion.		Various
	VL/SEAWOLF	50 +	1984	Possible RNLN requirement for missile fit in 'M' class frigate, with HSA UM40 radar.		
SWEDEN	JAS 39 - GRIPEN Multirole Combat Aircraft		1983	Number of UK firms involved in sub-contract work. Also prospects for Skyflash as missile fit.		
SWITZERLAND	Bloodhound Booster Rockets	21	1983	Funds set aside in Budget for procurement in late 1983.		
	Barmine System	48.9	1985/87	An offer has been made for direct supply and discussions continue on licensed production.		Germany Italy France Sweden



## PART II - MAJOR DEFENCE SALES PROSPECTS

## LATIN AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CHILE	Combat Engineer Tractor	30	1986-87	Enquiry		UK
COLUMBIA	Naval Lynx	20	1984	Lynx now said to be preferred aircraft but Navy are having difficulty in securing Ministry of Finance agreement to purchase the full requirement		W. Germany (BO 106) France (Dauphine)
ECUADOR	Air Defence Radar	20	1983	Contract for second stage of project signed, but ECGD credit cover not available because of Ecuador's recent decision to suspend repayments of existing official debts.		Israel USA



## PART II - MAJOR DEFENCE SALES PROSPECTS

## MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
BAHRAIN	MBT	50	1984	Firm requirement; Valiant is a leading contender (Challenger is considered too heavy) though uncertainty exists over GCC funding which may see purchase deferred. BDF still have not decided whether they really need heavy armour or not. Statement of commonality of spares between Challenger and Valiant supplied. In country demonstration refused but BDF will see tank in UAE.	S of S has provided letter of comfort to BDF to allay fears over purchase of tank not in service with British Army.	France (AMU 32) Italy (OF 40)
	Light Armoured Vehicles	20	1984/85	Requirement is for assortment of some 60 vehicles from same stable. Interest centres on MCV80 though Scorpion now making strong challenge. In country demonstration refused owing to uncertainty over GCC funding.		
IRAQ	Hawk	N/K	1984	Direct purchase of 25 off the shelf aircraft as a lead in to the SAAD 25 project is now dead. But Iraqis have shown interest in possibility of an initial design contract for an aircraft factory. BAe plan to visit in August. Finance is a major problem.		France Italy
	Naval Base	500	N/K	A turnkey offer for the design and construction of a naval base near Basrah was submitted in December 1981. The validity of the offer, which expired end 1982, has been extended to 30 September 1983		Numerous
JORDAN	Hawk	100	1984	Replacement for F5b. Decision could be delayed if RJAF refurbish F.5E.		France Italy Spain
	ACA	N/K	Late 1980s	Subject to external funding		
	Khalid MBT Maintenance Spares	26.5	Two Year Maintenance Sale 1983/85	Sales Offer Dated 9/8/82.		
KUWAIT	MBT	100	1985 onwards	Floater confirmed long-term interest. FUS under evaluation for any future MBT purchase.	) ) )S of S discussed with )Shaikh Salim, Minister of )Defence, in July 1983. ) )	FRG (Leopard II) USA (M1) USSR (T72)
	Light Armoured Vehicles	20	1985	Scorpion has good prospects of replacing obsolescent Saladin. MCT 80 also under consideration and ROFS have submitted budgetary quotation for 101 Fox vehicles	) ) ) ) ) )	



## PART II - MAJOR DEFENCE SALES PROSPECTS

## MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
OMAN	Hawk	200	1985/86	Following recent successes in UAE and heightened interest by Bahrain and Kuwait BAE are marketing in Oman.		
	Tri-Service Commis	100 +	1984	This project has now resurfaced. Oman has requested UK MOD assistance and an expert will visit in August 1983 to do a survey of requirements.		
	Stormer	20	1984	Following successful 1982 trial, there is interest but GCC funding will dictate timescale.		
SAUDI ARABIA	Air Base Security System	80-90	1984	Shorrock Security Systems are still in a position to win a contract for the provision of security systems for RSAF airfields and other facilities. The RSAF have gone out to tender again but have now been forced to cancel this action and restart the process to comply with new Government regulations on open tendering. Previously this requirement only applied to civilian projects.		USA
	193m Sonar (Retrofitting to RSNF MCMVS)	6 +	1984	Presentation given during RSNF visit in March '83. Plessey have been invited to give in-country presentation and proposals next quarter.		USA
	Missiles and A/D Frigates (For Navy)	150	1985/86	RSNF have requirement for 2 x AD Frigates in 5-8 years time. BS and BAE DG are concerting a response. 2 Presentations on Sea Wolf and Sea Dart given (Dec 82 and April 83).		Possibly France
	Challenger MBT (For National Guard)	50 +	1985	We have responded positively to SANG's request for a firm 'commitment to supply'		USA (Possibly FRG)
	SP20 (For Army)					
	(a) Ammunition	30	1983/84	IMS have submitted costed proposals, at the request of I/Arty Saudi Arabia.		
	(b) Fire Control Equip	30	1983/84			
	(c) Spares for Guns Sold	10	1983/84			
105 mm Tank Ammunition (L64 APFSPS)	20	1983/84	Draft contract prepared. Demonstration in Saudi Arabia 1983. Problems relating to costs anticipated (IMS).		USA	
Parmines	44.2	1984/86	Offer now invalid. IMS are held up by the prospective customers memorandum on the signature of new contracts.		This is a follow on requirement and we do not believe that there is any competition.	



## PART II - MAJOR DEFENCE SALES PROSPECTS

## MIDDLE EAST

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
UAE	Tornado (ACA)	600	1989/90	BAe keen to replace Mirage with Tornado in late 80's.		France USA
	Harrier II	NK	1985	See under Hawks		USA France
	Tracked Rapier	70	1984	BAe keen to follow up Rapier sales. Recent Oerlikon sale of AD guns may well make sales much more difficult.		
	MCV 80	50	1986	Will be trialled with Challenger in July/August. Strong interest shown during Floater.		Brazil
	MCMV	100	1985/86	With Egyptian COMD now replaced by Vospers prospect looks better but budget considerations will apply.		
	Integrated Communications System	120	1984 onwards	Reaction to proposals submitted in December 1982 still awaited.		USA France



## PART II - MAJOR DEFENCE SALES PROSPECTS

## NORTH AMERICA

COUNTRY	EQUIPMENT/PROJECT	VALUE £M	CONTRACT TIMESCALE	STATUS	MINISTERIAL INVOLVEMENT	COMPETITION
CANADA	Rapier	100	1985	Moderate. No change from last quarterly report. BAe are still waiting for Canadian DND to issue a Request for Proposals (RFP) which is expected to be issued later this year.		
	Canadian Patrol Frigate (CPF) Programme	N/K	1983	<p>Moderate. Canada is planning to purchase 6 new patrol frigates to be designed and built in Canada. Although the main contractor will be Canadian a number of UK companies are hopeful of major sub-contract work in propulsion machinery, radar, communications and weapon systems.</p> <p>The main frigate contract has just been awarded to the St John Shipyard Co with Sperry. However, the choice of many systems has not yet been finalized and so it is not yet known exactly what UK content there will be on the ships.</p> <p>It is planned that the first ship will be operational by February 1989.</p>		
USA	Rapier	50	N/K	No change.		



PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 30.6.83A-NAVY SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
Brazil	Naval Spares	0.190	1983
Chile	Height Cushion for Seacat Missiles	0.260	Has already occurred.
	'O' Class Submarine Sonar. MOD Kits.	0.400	1983/84
	Naval Spares	0.160	1983
Oman	Rediffusion Comms Equipment	0.500	N/K
USA	Stern Shaft Seals - Deep Sea Seals	1.300	
	Cable Assemblies - STC	0.200	
	Motors-Mawdsleys	0.380	
	Mine Disposal Weapon Equipment	0.841	Before 31.3.85



PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 30.6.83B-ARMY SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
Abu Dhabi	105mm Light Gun Spares	0.360	3-30 months
	AFV Spares - CVR(T)	0.565	April 1985
Algeria	Land Rovers	33.300	1983 Onwards
Brazil	Communications Equipment	0.500	1983
	Night Vision Equipment (For ENGESA vehicles).	6.394	N/K
	Vehicle Radios (For ENGESA)	0.212	N/K
Brunei	Hand Grenades L2A2	0.180	1984
	Scorpion Sight	1.300	N/K
	76mm Canister Ammunition	0.310	1984
Canada	Mexeshelter	0.100	Jul/Aug 1983
Dubai	105mm Light Gun	0.650	1983
	105mm Tank Gun Ammunition	0.230	1983
Egypt	SP122 Development contract	0.900	1984
Indonesia	Artillery Trainer (Invention)	0.100	
Iran	Water Purification Equipment	1.700	1983
Iraq	Hand Held Lasers	0.537	1983
	Beethoven Mk2 Exploders	0.158	1983
	Water Purification Equipment	1.000	1983
Japan	FH70 licensing and supply	0.600	1984 onwards
Kuwait	AFB Spares - Various 'A' Vehicles	0.149	June 1985
	AFV Spares - Chieftain	0.142	June 1985
	PTR 1430 Radios	0.900	1983/84
Nigeria	36 Main Battle Tanks and 11 Variants	74.000	1984/85



B-ARMY SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
USA (Cont)	Refurbish 200 Diesel Engines	0.420	
	Gun Display Unit for Battery Control System	0.760	
	Gun Display Unit for Battery Control System	0.770	
	Gun Display Unit for Battery Control System	2.880	

\* Contract signed during quarter ending 31.3.83 but not previously recorded.



PART III - CONTRACTS SIGNED DURING THE QUARTER ENDING 30.6.83C-AIR SYSTEMS

COUNTRY	EQUIPMENT	VALUE £M	DELIVERY
Australia	AQS-901 (2nd Productin Order)	18.000	Commencing Oct 84
Egypt	Mig 21 and L29 aircraft spares	0.400	1983
	Sea King and Commando helicopter refurbishment spares	2.200	1983/84
Indonesia	Refurbishment of 2 Wasp Helicopters plus provision of spares	1.500	
	Radar spares	0.300	
	Management Training (BAE)	2.500	
Iran	Air Force Cadets University Training	1.800	1983/86
Iraq	Air Traffic Control and Fighter Control Instructors Courses	0.100	1983
	University Training	2.500	1983/86
	Hunter Spares	1.000	1983
	Air/Sea Rescue Training Craft	0.200	1983
Oman	Refuelling Bowsers	0.800	1983/84
South Korea	Balloon Parachute Training System	0.500	1984
Sweden	Environmental Control System per JAS39 Programme	4.000	
	Development and Production of Manoeuvring flap actuation system	0.900	
	Auxiliary and emergency power	1.600	
	Mk IOLS ejection seat	1.500	
	Development and Manufacture of landing gear	2.500	
USA	Flight Data Acquisition Unit	0.140	
	AV8B Pilot Production	11.180	
	AV8B - FSD	0.240	