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cc/AC

MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~938 7022~~ 218 2111/3

MO 6/13

27th September 1984

Dear Charles,

FRIGATES FOR PAKISTAN

/ I attach a draft reply from the Prime Minister to President Zia's letter of 5th July in which he expressed a preference for purchasing three broadbeam Type 21 Frigates to be built by Vosper Thornycroft, but stressed that much would depend on the technical and financial assistance that we were able to give. Subsequently Admiral T K Khan, the Pakistan Chief of Naval Staff, called on Mr Geoffrey Pattie and asked whether the amount of ECGD-backed credit - at present £180 million - could be increased to ensure that the contract was awarded to the United Kingdom.

Following this meeting, there have been long consultations between the ECGD and Grindlays (Vosper Thornycroft's bankers) on the one hand, and between Grindlays and other major banks on the other, in an attempt to make an improved credit offer without increasing ECGD's commitment. These discussions resulted in agreement in principle that £200 million of credit could be provided and Grindlays made an informal offer of that amount to the Pakistani authorities. The banks have however had difficulty syndicating the full amount on the terms prescribed by ECGD, in advance of the Pakistanis providing further details about the order.

While detailed arrangements for the provision of finance were still under discussion, the Pakistan Ministry of Defence sent, on 17th September, a Letter of Intent to Vosper Thornycroft for three Type 21 Frigates, including materials and services for building one ship in Karachi. The letter listed the usual conditions, including the need for satisfactory financial terms, but this is a clear indication that the Pakistanis have decided to buy Type 21s. Grindlays are confident that the financial terms already on offer can be improved once detailed negotiations begin and the necessary

Charles Powell Esq





documentation is drawn up. In formulating a reply we have therefore excluded any mention of credit, but have merely used the same phraseology about technical and financial assistance that President Zia himself used in his letter.

The present position is that Vosper Thornycroft await a formal invitation to Islamabad to open negotiations. Admiral Khan has requested the services of the Navy Department to act as consultants to the Pakistani Ministry of Defence in their negotiations with Vosper Thornycroft. The First Sea Lord supports this request and, as a first step, the Controller of the Navy will be sending an official to visit Islamabad to determine the exact requirements.

*Your ever,  
Denis*

(D BRENNAN)



DRAFT LETTER FROM THE PRIME MINISTER TO:

General M Zia-ul-Haq  
President and Chief of Army Staff  
Islamic Republic of Pakistan  
Islamabad

I was gratified to have your letter of 5 July about the Pakistan Navy's wish to acquire British ships, and their interest in Type 21 Frigates. We were very pleased that Admiral Khan was able to come to this country and the First Sea Lord has told me of the success of his visit and the way in which the Ministry of Defence was able to assist your Naval Evaluation Team which came here shortly afterwards for discussions with Royal Navy experts.

I was naturally delighted to hear that on the basis of the technical and financial assistance that we have offered, your Ministry of Defence has now issued a Letter of Intent to Vosper Thornycroft for three Type 21 Frigates. My officials are in close touch with Vosper Thornycroft and their bankers and I understand that ~~contractual~~ negotiations are due to begin in the near future.

Admiral Khan will have received a draft copy of the proposed Memorandum of Understanding between our two Governments. The British Ministry of Defence stands ready to give full support to this project as set out in the Memorandum. As <sup>a first</sup> ~~an initial~~ step, the First Sea Lord is making available a senior official from the Directorate of Contracts for Surface Ships to visit Islamabad to explore



with your officials how ~~best~~ we can <sup>best</sup> assist you during the contractual negotiations. I am very pleased at the prospect of extending still further the close collaboration ~~that~~ exists between our two Navies.

Please accept my very best wishes.

CR





JD

10 DOWNING STREET

*From the Private Secretary*

9 July 1984

T

I enclose a copy of a letter to the Prime Minister from President Zia of Pakistan which was delivered this morning.

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I should be grateful for advice on whether a draft reply is required.

I am sending a copy of this letter and enclosure to Richard Mottram in the Ministry of Defence. *+ Ruth Thompson, DTI*

(CHARLES POWELL)

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

ECL



cc MAJL OPS

SUBJECT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T120 #/84

SUBJECT filed on: Pakistan  
Negotiation  
Sept 79  
General M. Zia-ul-Haq  
THE ISLAMIC REPUBLIC OF PAKISTAN

ISLAMABAD  
57/2/CMLA

6 Shawaal 1404 A H  
5 July 1984

Her Excellency  
The Rt. Hon. Margaret Thatcher, M.P.  
Prime Minister of the United Kingdom  
London

Dear Madam Prime Minister,

I thank Your Excellency for your kind letter of May 2 in which you have responded so positively on a range of issues touching upon our bilateral cooperation, including the matter relating to the Vosper Thornycroft Frigates for the Pakistan Navy.

I would also like to avail myself of the occasion of the visit to the United Kingdom of Admiral Tariq K Khan, to convey to Your Excellency my greetings and high regard. I am sure his visit and his discussion with MOD(UK) authorities will lay the basis for greater collaboration in future between the Navies of our two countries. I am particularly mindful of the fact that this is the first formal visit of a Pakistani Chief of the Naval Staff to England after a gap of almost twenty years. Naturally, our expectations from this visit are rather high.

I have asked Admiral Khan that he should, at the conclusion of the official phase of his visit, carry out detailed discussions with MOD(N) on the performance and capabilities of Type 21 Frigates which we are considering to acquire for our Navy. Among the several alternative offers available, Type 21 will be our first option provided it meets all our operational requirements. What we need is a modern ship which will serve the Navy in a cost effective manner for the next 15-20 years. Admiral Khan will also therefore utilize the opportunity to explore the suitability of Type 42 and 22 ships for our needs and to see if they are, or can be made to come, within our financial capability.





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Our intention is to have two ships built in England and the third in Pakistan in collaboration with the British Shipyard and MOD(UK). The success of the programme, its further development, and subsequent support of the ships, will depend a great deal on the technical and financial assistance which we hope will be extended by your Government.

Several other West European shipyards have expressed a keen interest in providing frigates to us on extremely competitive and attractive terms. I would, however, like to assure Your Excellency that, in the event of the terms and conditions contained in all the offers being comparable, we would continue to prefer to buy British.

Please accept, Madam Prime Minister, my best wishes for Your Excellency's health and happiness and for the continued prosperity and well-being of the friendly people of the United Kingdom.

With profound regards,

Yours sincerely,

General  
(M. Zia-ul-Haq)