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From: Colin Balmer, Private Secretary

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MINISTER OF STATE FOR DEFENCE

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

D/MIN/TT/19/6

4th June 1981

Dear Michael

We have agreed with the Foreign Office that I should submit direct the briefs on the Defence Sales issues for King Khalid's visit.

We recommend that the Prime Minister only takes the initiative in respect of the P 110 and responds, if the subject is raised, on Nimrod AEW. The remainder of the briefs which have been prepared for the Secretary of State for Defence are included as background material only.

Yours etc

Colin

Michael O'D B Alexander Esq.,
10 Downing Street

Could we let 2
of our own Nimrod?
for S.A.?

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POINTS TO MAKECOLLABORATION: MILITARY AIRCRAFT: P.110

1. Collaboration on high technology import. Glad to learn of your interest in P.110. Would like to see dialogue continue on possibilities for joint development with our British Aerospace Company of this new high-performance aircraft to meet both our needs at the end of the decade and beyond. Would you like a presentation?

DefensiveThe German Problem

The P.110 will be a British led project. Some German components will be used but we do not expect difficulties with the Germans, as on Tornado. The rights to sell will lie with the participating countries.

DefensiveUse by RAF

Cannot be definite at this stage. The Prince will be aware of the current review of our future defence equipment programme. The P.110 is being studied in that context. Considerable interest, particularly if we can establish a collaborative programme and a wider market. Need to get together to discuss operational requirements, programme funding, timing, etc between our staffs.

BACKGROUNDMilitary Aircraft: P.110

1. At a recent meeting with BAe, Prince Sultan expressed a strong interest in the P.110 (See Annex) but not Tornado. This follows the Prime Minister's initiative in raising the matter during her recent visit.

Prince Sultan has indicated that he would raise the matter with the Prime Minister during the State visit and would be looking for a positive sign of interest from her in collaborating with Saudi Arabia on the development of the aircraft.

2. This direction of interest towards the P.110 is welcome and the way we would wish to continue the dialogue, at least until the difficulties with the Germans are (hopefully) resolved over Tornado sales. There is little prospect of that until towards the end of the year. The Saudis understand this problem from their talks with Chancellor Schmidt in April.

[At the lower levels in the Air Force there is still interest in Tornado and we have been asked to complete a questionnaire on the aircraft at the direct request of the Saudi Air Force and through a US firm of consultants. We intend to play both horses at both levels.]

3. Prince Sultan has made it clear to BAe that he would only be prepared to consider collaboration on a joint basis with UK and perhaps other countries (he mentioned France); the implication being we would have to fund a

substantial share ourselves. This begs the question of the RAF interest which may arise. The defensive note is as far as the Prime Minister is recommended to go at this point.

4. There are many factors which Ministers will need to consider - the place in our own programme, security, guarantees of continued supply in times of crisis, sales to third countries, etc, before we can enter into any commitments with the Saudis on collaboration. But it is important to continue the dialogue with the Saudis and to keep their interest alive. The offer of a presentation of the P.110 would be a positive signal to the Saudis.

5. Although it is unlikely to be mentioned, the Prime Minister should be aware that the conference of Arab Air Force Commanders, held in Jordan last week to consider their advanced aircraft requirements, was attended by Oman, UAE, Iraq, Kuwait and Qatar, but, significantly, not Saudi Arabia. The conclusion was to seek a common aircraft and to consider the French Mirage 4000, and the UK Tornado IDS/P.110 options. For the reasons referred to above, we shall try to centre attention on the P.110. Why Saudi Arabia did not attend is unclear; one reason may be not to compete with Iraq in the project, who will be the major country, with Jordan, in carrying out the evaluation. For the time being we need to play both interests quite separately.

1. The P.110 project makes use of a very large proportion of the combat aircraft R&D activity which has been in progress in the UK and Europe. In total some £40M has been spent in the Warton Division of BAe alone on theoretical studies, wind tunnel testing, other testing and the manufacture of demonstrator programmes.

2. The overall configuration of the P.110 in particular has evolved during recent detailed studies and in our experience has the largest technology base of any military aircraft previously developed in the UK or Europe.

3. The P.110 is a highly manoeuvrable combat aircraft with outstanding air-to-air performance. The high thrust to weight ratio and low wing loading give acceleration, rate of climb and turn rate better than any existing aircraft type. This performance is derived from the advanced Rolls Royce RB199 engine which is technologically superior to any other military engine type in Europe and a match for the very best from the US, together with the advanced airframe technology which has been developed. The advanced technology of the engine, airframe and systems has been carefully studied to ensure that fundamental principles of cost effectiveness and minimum risk are maintained. The P.110 programme enables maximum advantage to be taken from new materials such as

carbon fibre composites and from the use of micro-processors in the aircraft system. These in turn permit superior aero-dynamic characteristics in all phases of the aircraft use.

PRIME MINISTER'S BRIEF

NIMROD AEWLINE TO TAKE

1. There is no need to raise this subject.

(If raised by the Saudis)

We note the Saudi interest but production problems would prevent early delivery. However we will look into this and arrange for a presentation on the system if requested.

BACKGROUND

2. The Saudis are known to be apprehensive that their purchase of Boeing AWACS aircraft, to which the US Administration has agreed, will be thwarted by Congress and there have been strong indications that Prince Sultan may ask whether we would be prepared to supply the Nimrod AEW. There would be no insuperable security difficulties over this. It has already been agreed that sanitised versions of the avionics could be developed although this equipment has not yet been fully developed for overland use. However the Nimrod production line has been closed and BAe are reluctant to reopen it unless a sufficient number of firm orders - estimated at 6 - 8 - were in prospect to make this economically viable. Even so, the first aircraft would not be available from a reopened production for 2.7 years. If the AWACS sale does not go through, the Saudis will only be interested in Nimrod AEW if we can promise early delivery.

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3. It is therefore recommended that Saudi interest should be encouraged but they should be warned that production problems rule out early delivery. If they wish, we will certainly look into these problems and arrange for a detailed presentation in due course.

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ADDITIONAL
SPEAKING NOTES FOR SECRETARY OF STATE FOR DEFENCE

EXTENSION TO THE AIR DEFENCE PROJECT (MOU 3)

LINE TO TAKE

Understand that a dedicated project officer (Colonel Edrees) has been appointed to negotiate extension. Express hope that he will be able to complete his evaluation quickly leading to substantive negotiations and an early signature.

BACKGROUND

In 1980 and again during Secretary of State's visit, Prince Sultan indicated his approval to a second 3 year extension of the MOU first concluded in 1973. Detailed negotiations commenced in March with some success. In April, General Sabri, Commander RSAF, who seems to be anti-British, replaced the existing RSAF negotiator (General Toaimy, Director of Logistics) with his own nominee (Colonel Edrees). Since then progress has slowed to a crawl and previously agreed arrangements have been questioned. There is much animosity between the pro-British Logistics Staff and the Sabri faction. The timescale is not yet desperate but this is not a satisfactory situation and we may eventually have to appeal to Prince Sultan for reason and fair treatment. Secretary of State should indicate that he is aware of developments but should stop short of a formal complaint.

SECRETARY OF STATE'S BRIEF

HAWKLINE TO TAKE

Understand that visit of a specialist RAF flying training team was a success and hope that further cooperation in this sphere will be possible.

BACKGROUND

During Secretary of State's visit, Sultan gave approval to a visit by a team of RAF flying training specialists. Overt reason was to describe RAF's streamed training system but covert reason was to highlight capabilities of Hawk. The visit was low key but successful; the RSAF being impressed by the professionalism of our team and its product. RSAF requirement for Hawk is emerging as longer term, geared to construction of new academy in mid-'80s. Necessary to keep interest in Hawk alive but 'hard sell' at this stage could be counterproductive. Secretary of State should indicate his interest in developments.

MAIN BATTLE TANKS FOR SAUDI ARMYLINE TO TAKE

1. Should the subject of Main Battle Tanks be raised by either the King or Prince Sultan, the offer of an in-country presentation should be made.

[But as far as Prince Sultan is concerned no reference should be made to the National Guard interest (Prince Abdullah) or our reactions to it.]

BACKGROUND

2. The Saudi Army is reported to possess approximately 300 French AMX 30 tanks and 170 American M60s delivered or on order.

3. Recent reports indicate Saudi concern over the level of protection provided by the M60s. Adverse references to the poor performance of the AMX 30s date back to the Mosque siege and recently include a report of an Army exercise being abandoned because of the inability of the French tanks to cope with rough terrain.

4. Saudi interest in Leopard II MBTs has presumably been dented by Schmidt's recently reported statement to Crown Prince Fahd that "sales to the Middle East were highly controversial and that the difficulties could not be overcome at present".

5. Attempts over the last few months by Defence Attache staff in Jedda to arrange MOD discussions with the Saudi Army, Director of Armour have failed (known Saudi approaches to the FRG may have restricted a normal willingness to receive visitors from the UK). and a recent offer of a presentation in Riyadh on UK MBTs was not taken up (possibly because we were there primarily to brief the National Guard).

6. Given reported dissatisfaction with both French and American tanks, and the response so far from the FRG, there appears to be an real opportunity for UK MBTs (up to 500) which should not be missed. The offer of an in-country presentation must be our next step similar to that given to the National Guard (Vickers Valiant and Challenger).

SECRETARY OF STATE'S BRIEF

FH70

LINE TO TAKE

1. There is no need to raise this subject.

(If raised by the Saudis)

Very pleased to see Saudi interest in this advanced gun, and express hope for successful outcome of current negotiations.

BACKGROUND

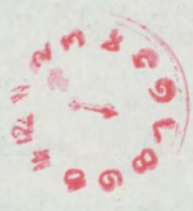
2. The Saudis have expressed a strong interest in purchasing FH70, a 155mm towed gun produced jointly by UK, FRG and Italy. Although FRG has well known reservations to arms sales to 'areas of tension' such as the Middle East, Chancellor Schmidt confirmed to the Prime Minister last November that he would not object to the sale of HF70 to Saudi Arabia. This aspect has to be handled with some caution since it seems probable that German agreement would not be forthcoming if the question was posed now.

3. Initial negotiations conducted by International Military Services have indicated a requirement for some 72 guns, an order, which with associated ammunition and ancilliary equipment, would be worth over £100M.

4. The first 18 of these guns have been requested within 60 days of contract signature and it has been agreed that each of the 3 partner nations would make available 6 guns

from their reserves. Detailed contractual negotiations are now taking place in Saudi Arabia and the chances of winning this order are believed to be very good.

5. For a number of reasons (including the request for early delivery) there has been some concern that the ultimate destination of the guns might not be to Saudi Arabia, and indeed that the first 18 could even be for Iraq, which could not be permitted during the current hostilities. It is understood that the Saudis have now accepted a normal end-user provision which states that the guns cannot be re-exported without UK authorisation; nevertheless, close watch will be kept on developments.



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Defence Sales

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ce: MOD
FCO

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10 DOWNING STREET

THE PRIME MINISTER

8 June 1981

Dear Sir Austin

Thank you very much for your letter of 2 June 1981 about King Khalid's visit. As I am sure you are now aware, Lord Trenchard called a meeting, on 3 June 1981, of officials and your representatives, including Sir Frederick Page, to discuss the P.110 project and the line that should be taken during King Khalid's visit. I understand that the meeting was in full agreement in this respect and I can assure you that I will take the fullest opportunity to express our support for the project and our willingness to enter into discussions over possible collaboration in it.

I shall also be prepared to speak about the Nimrod AEW aircraft if this subject is raised.

Yours sincerely

Raymond Stelter

Sir Austin Pearce, C.B.E.

885



10 DOWNING STREET

Prime Minister

Re your query :-

(a) we need all our own Nimrods & would be unable to replace any we gave to the Saudis for a considerable time ;

(b) the avionics in them are too sophisticated for release to the Saudis & in any case

(c) are designed for use over sea rather than land. They would therefore have to be replaced - at the cost of a considerable delay (though this might be less than the 3½ (4 years involved in restarting the production line.)

Ant. 8/6

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Sales*



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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~938.2022~~ 218 2111/3

MO 5/3/3

5th June 1981

Letter to type for P.M.'s signature

Am

Dear Michael,

VISIT OF KING KHALID

Thank you for your letter of 2nd June 1981.

We are well seized of the necessity to raise the subject of the P.110 project during King Khalid's visit. A meeting was held here last night by Lord Trenchard which was attended, *inter alia*, by the Managing Director of the Aircraft Group, BAE (Sir Frederick Page), to agree the line we should recommend the Prime Minister, and other Ministers, to take in discussions with the Saudi delegation. It was agreed that we should take a positive line to encourage discussions on a possible collaborative venture with the Saudis on the P.110, and a brief is being prepared accordingly. Mr Nott has asked me to add that there is at present no financial provision for P.110 in MOD's budget; a collaborative venture with the Saudis would have to be funded either by industry or by additional MOD resources.

The separate subject of the Nimrod AEW to which Sir Austin Pearce also alludes in his letter, and on which you have received a separate letter dated ^{2nd June} 1981 from the Managing Director of Marconi Avionics, is a little more difficult. It is true that the Saudis have expressed interest in the Nimrod AEW aircraft because of the difficulties that have arisen in the US Congress over the supply of AWACS aircraft. How far this is genuine and how far it is bluff directed at the US is speculative. Taking it at its face value, however, our problem in responding to this interest is that the Nimrod is out of production and the system we would offer is an adaptation of the Nimrod AEW system which is as yet unproven. We will, of course, respond to the Saudi interest (and indeed Marconi intend to make a presentation in Riyadh soon) but the delivery time is probably not attractive to the Saudis (though re-opening of the Nimrod line could have advantages for us). In view of the uncertainties (e.g. the final attitude of Congress) we do not believe the subject should be positively raised by the Prime Minister. But, if the subject is raised, our brief will recommend that the Prime Minister responds along the lines that we would be glad to discuss the requirement and what would be possible as regards delivery.

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M O'D B Alexander Esq

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/ A draft reply to Sir Austin Pearce is attached, together
/ with the reply which I have sent to Mr Pateman on my Secretary
of State's instruction.

I am copying this letter to Francis Richards (FCO).

Yours sincerely

J D S Dawson

(J D S DAWSON)

DRAFT LETTER FROM THE PRIME MINISTER TO SIR AUSTIN PEARCE CBE
CHAIRMAN, BRITISH AEROSPACE, BROOKLANDS ROAD, WEYBRIDGE, SURREY

Thank you very much for your letter of 2nd June 1981 about King Khalid's visit. As I am sure you are now aware, Lord Trenchard called a meeting, on 3rd June 1981, of officials and your representatives, including Sir Frederick Page, to discuss the P.110 project and the line that should be taken during King Khalid's visit. I understand that the meeting was in full agreement in this respect and I can assure you I will take the fullest opportunity to express our support for the project and our willingness to enter into discussions over possible collaboration in it.

I shall also be prepared to speak about the Nimrod AEW aircraft if this subject is raised.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~200~~2022 218 2111/3

MO 5/3/3

4th June 1981

Dear Mr Pateman,

Thank you for your letter of 29th May 1981 to the Prime Minister, about the Nimrod AEW aircraft.

I understand you have already been advised that King Khalid's programme is too tight to permit a visit to Borehamwood and Radlett. However, we have heard from several sources of the interest of the Saudi Government in the alternative UK system to the AWACS aircraft, and we do expect this subject to be raised during the visit of King Khalid. If so you can be assured that we will take the opportunity to encourage the interest and to offer a presentation and discussions on the UK system to the Saudi MOD and Air Force.

Yours sincerely
Janet Dawson

(J D S DAWSON)
Private Secretary

J E Pateman Esq



- 5 JUN 1991

JFT

Alan
Thinks
KCF
to note to retain
for please return to me.
AGS/b



10 DOWNING STREET

From the Private Secretary

2 June 1981

copied to Middle East
Defence Sales

Dear Brian,

Visit of King Khalid

Your Secretary of State has received a copy of a letter which the Chairman of British Aerospace has sent to the Prime Minister about King Khalid's visit. Sir Austin Pearce argues that we should take advantage of King Khalid's visit to consolidate an 'understanding' between HMG and the Saudi Government about the P.110 project.

As you will have seen, Sir Austin offers to discuss the matter with the Prime Minister, or any other Minister, in advance of King Khalid's arrival. I should be grateful for early advice and for a draft reply which the Prime Minister might send.

I am sending copies of this letter to Brian Fall (Foreign and Commonwealth Office) and Ian Ellison (Department of Industry) both of whose Ministers have also received copies of Sir Austin Pearce's letter.

Yours sincerely

Richard Alexander

Brian Norbury, Esq.,
Ministry of Defence.

Pb

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Middle East, Defense Sales*

British Aerospace
PUBLIC LIMITED COMPANY

Brooklands Road
Weybridge
Surrey KT13 0SJ

Telephone: Weybridge (0932) 45522
Telegrams: Britair Weybridge
Telex: 27111

air

From the Chairman,
SIR AUSTIN PEARCE, CBE

The Rt Hon Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, SW1.

2nd June, 1981.

Dear Prime Minister

Following your initiatives in January and your subsequent tour in the Middle East, we have been vigorously pursuing sales of Tornado, Hawk and the P.110 project in the Middle Eastern States.

In the light of the very favourable response we have received in Saudi Arabia and other Gulf States on the P.110 project we believe there is a singular opportunity during this visit of King Khaled to consolidate an understanding of interest between our two Governments on this important programme.

HRH Prince Sultan bin Abdul Aziz, the Minister of Defence and Aviation, in a meeting with our Managing Director, Military Aircraft, last week, referred to his meeting with you in Saudi Arabia, where you raised the possibility of a joint venture in the development and production of this advanced combat aircraft. Prince Sultan also mentioned the current competition for Arab funding of the Mirage 4000 with the hint that there might be a possibility of a joint programme with the Franch. For obvious reasons we would not encourage this idea.

Based on our assessments of the future market we visualise an Arab requirement of about 200 aircraft, exports elsewhere of 200 aircraft and, in due course, when funding permits, for the Royal Air Force, possibly somewhere of the order of 100.

As a total programme this could amount to sales of over £5,000M and if there is a substantial Arab contribution towards the launching costs, we envisage an eventual commitment from the Middle East of over £2,500M.

The Middle East States are greatly influenced by the attitude of Saudi Arabia on such matters, because the major part of the funding would emanate there. Moreover, there is a sense of urgency in arriving at a decision since if the P.110 project concept is not followed up during this visit, the opportunity may be lost completely.

/You will be

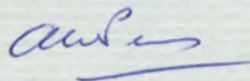
You will be aware of the powerful French Government lobby in promoting the Mirage 4000 for Arab sponsorship. Irrespective of what we in British Aerospace may be able to do by way of promotion, it is essential that HMG is prepared to enter into a friendly and direct relationship with the Arab States, since it is only the Government that will be able to give the necessary inter-governmental undertakings that this kind of collaborative enterprise requires.

If we are successful in this enterprise, it would provide several thousand jobs in other companies as well as in British Aerospace. I have discussed this project with Lord McFadzean since Rolls-Royce are an integral part of the proposal and would benefit as would a significant number of avionics and equipment companies who are pressing for a UK project of this type.

We have also been advised that Prince Sultan might raise with you the subject of the Nimrod AEW aircraft. If it is raised it is likely to be in the context that the Saudis are experiencing some difficulties in acquiring the Boeing AWACS aircraft, largely because of blocking moves by Congress. We in British Aerospace have not been promoting the Nimrod, and although we are always interested in sales, there are reasons why we would prefer to exercise caution at this stage.

If you so wished, I and my colleagues would be very pleased to see you, or any of your Ministers or officials, to discuss matters relating to this most important visit. In view of the short time available I am copying this letter to Lord Carrington, Mr. Nott and Sir Keith Joseph, whose staffs are aware of the background.

Yours sincerely,



cc: Lord Carrington
Mr. John Nott, MP
Sir Keith Joseph, MP
Sir Ronald Ellis, MoD
Lord McFadzean, R-R



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Middle East, Defense Sales*

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Marconi Avionics Limited

A GEC-Marconi Electronics Company

The Prime Minister
10 Downing Street
LONDON

Airport Works
Rochester Kent ME1 2XX
Telephone Medway (0634) 44400
Telegrams Elliotauto Rochester
Telex 96333/4

29 May 1981

My Dear Prime Minister

I understand that King Khaled of Saudi Arabia is shortly to visit you.

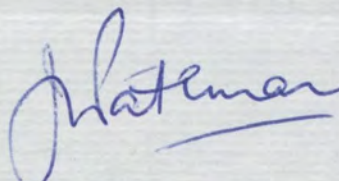
As you are aware Saudi Arabia is currently seeking to purchase 5 AWACS Aircraft (E3A) from the U.S. at an estimated value of \$2B.

This country has an aircraft of no less performance in the form of the Nimrod AEW which carries a Mission Systems Avionic package including all the communications and radar made by my Company, and I should very much hope that during his visit it will be possible for him to visit our establishments at Borehamwood and Radlett to see this equipment and for us to talk to him about its performance.

Congress has not yet approved the sale of AWACS to Saudi Arabia and may well not do so. There is also a growing feeling in the third world (if Saudi Arabia can be so described) that they wish to stay independent of both the U.S. and U.S.S.R. and this can also induce them to look in our direction.

Bearing in mind the sums of money involved and its impact on employment I am certainly prepared to go to considerable lengths to try to secure a sale, and a visit from King Khaled would, I think, be most valuable.

Yours sincerely



J E Pateman
Managing Director



Marconi Avionics Limited
is a management company for
Elliott Brothers (London) Limited
Registered London No 964493
Registered Office Marconi House
New Street Chelmsford Essex CM1 1PL
Holding Company
The General Electric Company Limited

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Defence Sales.

FILE

BK



MR PATEMAN

Marconi Avionics 23/6

cc FCO

10 DOWNING STREET

From the Private Secretary

2 June 1981

I enclose a copy of a letter which the Prime Minister has received from the Managing Director of Marconi Avionics about the possibility of interesting King Khaled in the purchase of Nimrod AEW.

In acknowledging Mr. Pateman's letter, I have said that I doubt whether there would be any possibility of King Khaled visiting Marconi Avionics, but that I would pass his letter on to those concerned in case advantage could be taken of the State Visit in some other way to advance the case for Nimrod AEW. You may like to consider, together with Francis Richards (FCO), to whom I am sending a copy of this letter and its attachment, whether anything can be done. I should be grateful if you would let me have a copy of the letter you send to Mr. Pateman.

M. O'D. B. ALEXANDER

David Omand, Esq.,
Ministry of Defence.

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East

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10 DOWNING STREET

From the Private Secretary

2 June 1981

I am writing on the Prime Minister's behalf to thank you for your letter to her of 29 May about the possibility that King Khaled might visit Marconi Avionics to discuss Nimrod AEW. I fear that there will be no possibility at this stage of amending King Khaled's programme. But I am passing your letter on to those concerned in case your suggestion can be pursued in some other way.

M. O'D. B. ALEXANDER

J. E. Pateman, Esq.