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MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~230 7922~~ 218 2111/3

4th June 1981

Dear Michael,

Prime Minister

Went with them Yes  
arrangements? excellent MB.  
Phut - 5/8

OMAN - CREDIT FOR DEFENCE EQUIPMENT

One of the subjects raised with my Secretary of State and also the Prime Minister during their visits to Oman was the establishment of a line of credit to cover defence equipment purchases from the UK.

One of our officials has recently returned from Oman where he discussed the provision of credit terms to Oman. Subject to approval from Ministers, officials have agreed that a line of credit can be made available to cover the financing of purchases of British manufactured defence equipment. The line of credit would be supported by ECGD and provided by a British Bank (to be nominated by Oman) up to a limit of £120M (80% of the contract price) for a period of 18 months. The loan would be repayable by half yearly instalments over 5 years from delivery. The balance of 20% of the contract price would be payable by Oman to the companies concerned as part of the negotiated contract arrangements. A fixed interest rate would be determined for each contract in line with the international convention governing these matters. - the current minimum interest rate is 8% per annum.

The Omanis are also interested in the purchase of logistic support ships, for which IMS have made proposals, based on 2 of the ex-Iranian vessels built by Yarrows. It is possible to offer slightly more favourable credit terms for ships (because of a preferential arrangement in respect of shipbuilding exports) and the terms would be a loan of up to 80% of contract price but with repayments spread over 7 years from delivery.

M O'D B Alexander Esq

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My Secretary of State understands that the Omanis are generally pleased with these credit arrangements (which have the support of the ECGD which will adequately cover the Chieftain contract due to be signed soon and the prospective purchase of Scorpion and Armoured Personnel Carriers later in the year; and, subject to the Prime Minister's views he proposes to write to Qais Zawawi (the Omani Deputy Chairman of Financial Affairs and Minister of State for Foreign Affairs) to inform him of the credit terms.

My Secretary of State would be grateful to know if the Prime Minister is content.

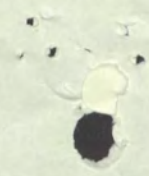
I am copying this letter to Francis Richards (FCO), John Rhodes (Dept of Trade) and David Wright (Cabinet Office).

Your sincerely

John Dawson

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(J D S DAWSON)

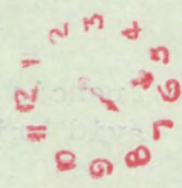


The Secretary of State, Government of India, New Delhi, is pleased to advise that the Government of India has agreed to purchase of the goods mentioned in the contract and to be placed under the purchase of the Government of India. The contract is for the purchase of the goods mentioned in the contract and to be placed under the purchase of the Government of India. The contract is for the purchase of the goods mentioned in the contract and to be placed under the purchase of the Government of India.

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- 4 JUN 1981



COMPLIMENTS

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Oman

10 DOWNING STREET

*From the Private Secretary*

8 June 1981

Oman: Credit for Defence Equipment

The Prime Minister has seen your letter to me of 4 June on this subject and is entirely content with the proposals contained in it.

I am sending copies of this letter to Francis Richards (FCO), John Rhodes (Department of Trade) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

J.D.S. Dawson, Esq.,  
Ministry of Defence.

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