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SUBJECT.

cc. Master ext.
cc. C. Hastly

10 DOWNING STREET

From the Private Secretary

22 December, 1980

Kean Brown,

Defence Sales

As you know Mr Austin Pearce and Sir Freddie Page of British Aerospace called on the Prime Minister this afternoon to discuss our defence sales effort in the Gulf. The Minister of State at the Ministry of Defence and Sir Frank Cooper were also present.

The Prime Minister said that she was deeply concerned about the prospect that we might lose the order for 18 Hawks for which we were competing with the French in Abu Dhabi. She had already criticised the effort being made by the Foreign and Commonwealth Office and the Ministry of Defence. However she had to say frankly that the salesmanship of British Aerospace in the area had been subject to criticism which was, in her view, justifiable. British Aerospace salesmanship was nothing like as dynamic as that of the French. We had a better product but seemed incapable of selling it. The Prime Minister said that she had assumed that a major effort would be made to compensate for the failure to sell Hawk in Egypt: after all a second failure would be extremely damaging. But nothing much seemed to be happening. She was also dissatisfied with the degree of collaboration between the various organisations, governmental and private, involved.

Mr Pearce said that the Prime Minister's criticism of the British Aerospace sales team in the Gulf was justified. Efforts were being made to do something about it. But this would take time. He also agreed about the failures of co-ordination. A tight organisation was needed. It did not exist at present. Nonetheless Mr Pearce, who seemed to have only learnt about the potential sale of Hawk to Abu Dhabi very recently, defended the effort being made by his company worldwide. He instanced the successful turn-round of the negotiations with the Indians on Jaguar: the prospects of selling the 748 to Egypt; and the very large contracts which were coming up for renewal with Saudi Arabia. Sir Freddie Page said that British Aerospace had doubled its orderbook in the last four years. In the ensuing discussion it was agreed that:-

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- (a) There was a need for a much greater degree of top-level involvement, both governmental and private, in the effort to land contracts. To this end
- (b) Ministers should be prepared to take businessmen, notably those involved with defence sales, in their party on trips overseas;
- (c) arrangements should be made to ensure a much closer degree of co-ordination between the Ministry of Defence, the Foreign and Commonwealth Office and companies;
- (d) the Prime Minister should receive regularly a list of all major contracts for which we were competing in the defence sales area together with an indication of the position reached and the degree of ministerial involvement;
- (e) when major difficulties arose they should be referred to the Prime Minister;
- (f) the quality of the Military Attache establishment worldwide should be looked at closely.

As regards the Abu Dhabi contract, the Prime Minister said that we should be prepared to offer whatever was necessary on the training side. We should be prepared to offer more than £1 million worth of training. She was not prepared to accept that we should put at risk a £75 million contract for the sake of "a couple of million". She told Mr Pearce that she had made it plain to the Ministry of Defence and to the Treasury that they should not make difficulties about this.

I am sending copies of this letter to Paul Lever (Foreign and Commonwealth Office), John Wiggins (HM Treasury), Stuart Hampson (Department of Trade), and David Wright (Cabinet Office).

Yours sincerely

Michael Alexander

B Norbury, Esq
Ministry of Defence

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