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cc PC



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MO 26/9/15/1

27th April 1984

De RL

LIBYA - DEFENCE SALES

I am sending you a quick response to your letter of 26th April to Norman Tebbit in which you recommended that export licences should be revoked for all defence sales to Libya as soon as diplomatic staff have been repatriated from both countries. *with DB?*

While I fully endorse the need to take firm action against the Libyans, I believe that the steps which you propose need to be considered carefully. The revocation of export licences for political purposes is a serious step which we generally try to avoid. For some time now we have scrutinised defence sales to Libya very carefully and licences have been granted only for non-sensitive items. Considerable difficulties would be created for a number of companies if their contracts were abruptly terminated. Marconi would be particularly badly hit since their contract to supply surveillance radars is worth nearly £100M and there is an added complication in this case since these radars are being supplied, with HMG agreement, through Yugoslavia. No doubt the Libyans would retaliate by cancelling civil contracts and we could quickly find ourselves heading for a trade war. I am not sure that this was our intention in breaking off diplomatic relations over the incident in St James's Square. Moreover, I imagine that ECGD would be obliged to meet some

R Luce Esq MP



extensive insurance claims from British companies if their contracts were terminated by the withdrawal of export licences.

I would fully agree that we should not permit new defence sales contracts with Libya for the time being, but I consider that we should avoid precipitate action on existing contracts and think through all the implications before revoking export licences. It must be at least arguable that a decision now to cut off non-lethal arms sales might just provoke the sort of deteriorating climate for our people in Libya that it must be one of our major current concerns to avoid.

I am copying this letter to the recipients of yours.

Yours ever

A handwritten signature in dark ink, appearing to be "MH" followed by a flourish.

Michael Heseltine

LIBYA: GROUP I (MILITARY EQUIPMENT) EXPORT LICENCE APPLICATIONS APPROVED AND STILL VALID, OR UNDER CONSIDERATION 1983/1984

<u>Date</u>	<u>Application No.</u>	<u>Goods</u>	<u>Value</u>	<u>Destination in Libya</u>	<u>Remarks</u>
20/4/83	1A/2301/83	Naval engine spares	£5243	Libyan Navy	
1/6/83	1A/3026/83	Spares for patrol boats	£34.05	Libyan Navy	
7/7/83	1A/3617/83	VHF equipment	£495,000	Libyan Armed Forces (LAF)	
18/7/83	1A/1837/83	Plessey radar equip- ment	£1.7m	LAF	
19/7/83	1A/3896/83	Passive defence system	£3.8m	LAF	
26/7/83	1A/4023/83	Plessey radio equip- ment	£9.3m	LAF	
22/7/83	1A/3963/83	Marconi surveillance sonar	£3m	LAF	For montly delivery July 1983-August 1984 No licence - approval in principle only.
11/8/83	1A/2309/82 (Revalidation)	Lasar rangefinders	£616,000	LAF	
22/9/83	1A/1721/82 (Revalidation)	Indoor shooting range	£16.7m	LAF	
12/12/83	1A/6631/8	Telegraph keys	£6,940.00	LAF	
23/12/83	1A/6864/83	Cloud base measuring system	£15,000	LAF	
Sep. 1983	1A/4391/83	Spares for Saladin Armoured cars	£8.1m	LAF	<i>Temporary export only</i> Approved by Ministers November 1983

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24/2/84	1A/1030/84 (Revalidation of 1A/4552/83)	Marconi 'Martello' surveillance radar and associated equipment.	£93m	LAF	
22/3/84	1A/397/83 (Revalidation)	Plessey Vehicle Radios	£2m out- standing on £6m contract	LAF	Approved by S of S 3 April 1984. Delivery due by end April

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