

PART 3

SECRET

NEW FILE COVER

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Box 701

Arms Sales and Military  
Assistance to Middle East Countries

MIDDLE EAST

Part 1: Nov 79

Part 3: Oct 82

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>PREM 19/13/5</del>							
<p>Part 3 ends 15.10.82 - 22.10.84</p>							

PART 3 ends:-

Washington Tel 3147 22.10.84

PART 4 begins:-

FCS to SS/Defence (FCS/84/302) 19.11.84

**TO BE RETAINED AS TOP ENCLOSURE**

**Cabinet / Cabinet Committee Documents**

Reference	Date
OD (82) 70	28.10.82
OD (82) 18 <sup>th</sup> Meeting, Minute 3	4.11.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed Wayland

Date 23 May 2014

**PREM Records Team**

10. DOWNING STREET.

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FM WASHINGTON 221906Z OCT 84

TO PRIORITY FCO

TELEGRAM 3147 OF 22 OCTOBER

INFO BAGHDAD TEHRAN GULF POSTS UKMIS NEW YORK

MY TELNO 3068: DEFENCE SALES TO IRAN.

SUMMARY

1. THE AMERICANS HAVE URGED US STRONGLY TO RECONSIDER OUR DECISION TO REFURBISH HOVERCRAFT AND SUPPLY FRIGATE ENGINES FOR THE IRANIAN NAVY.

DETAIL

2. ON SHULTZ'S INSTRUCTIONS, FAIRBANKS ASKED MINISTER TO CALL THIS MORNING TO FOLLOW UP THEIR CONVERSATION OF 12 OCTOBER (TELEGRAM UNDER REFERENCE) ABOUT DEFENCE SALES TO IRAN. HE HANDED OVER HIS SPEAKING NOTES (COPY BY BAG TO MED). THE US EMBASSY IN LONDON HAS BEEN INSTRUCTED TO MAKE A PARALLEL APPROACH TO THE DEPARTMENT.

3. FAIRBANKS SAID THAT THE AMERICANS VALUED THEIR CONSULTATIONS WITH US ON THIS ISSUE AND ENTIRELY AGREED THAT THEY SHOULD REMAIN CONFIDENTIAL. THEY WERE CONVINCED THAT THE HOVERCRAFT AND FRIGATES WERE OF SIGNIFICANT MILITARY VALUE TO IRAN. THEY COULD BE USED BY THE IRANIAN NAVY TO MAINTAIN SURVEILLANCE OVER SHIPPING IN THE GULF, TO SEARCH AND SEIZE SHIPS, OR TO FERRY COMMANDOS FOR RAIDS OR TERRORIST OPERATIONS. THE FRIGATES CLEARLY COULD NOT QUALIFY AS NON-COMBATANT VESSELS. JANE'S FIGHTING SHIPS SPECIFIED THAT THE HOVERCRAFT WERE CAPABLE OF CARRYING MACHINE GUNS AND COULD BE FITTED WITH SURFACE TO SURFACE MISSILES. THE AMERICANS WERE CONCERNED AT THE POTENTIAL CAPABILITY THEY AFFORDED IRAN, NOT ONLY IN THE GULF BUT IN THE MARSH AREAS OF THE SHATT AL ARAB. IT HAD BEEN AGREED IN OUR RECENT POL/MIL TALKS ON THE GULF THAT PROTECTION OF SHIPPING IN THE EVENT OF AN ESCALATION OF THE WAR WOULD BE DIFFICULT EVEN WITHOUT ANY CAPABILITY THE IRANIAN NAVY WAS ACQUIRING FROM THE WORK WE WERE DOING FOR THEM. THE AMERICANS THEREFORE STRONGLY URGED US TO RECONSIDER OUR DECISIONS.

4. FAIRBANKS ADDED THAT IF US ALLIES ALLOWED SOME MILITARY SUPPLIES TO IRAN THIS WOULD HAVE A DAMAGING EFFECT ON US EFFORTS TO INHIBIT SUCH SUPPLIES FROM OTHER COUNTRIES. HANNAY ARGUED THAT DELIVERIES FROM THE UK IN FULFILMENT OF LONG-STANDING CONTRACTS WERE CLEARLY DIFFERENT FROM NEW SALES FROM OTHER COUNTRIES WHICH WE AGREED WERE UNDESIRABLE. HE WENT OVER ONCE AGAIN THE ARGUMENTS IN FAVOUR OF THESE DEALS. HE UNDERTOOK TO REPORT FAIRBANK'S APPROACH AND TO LET HIM HAVE FURTHER COMMENTS IN DUE COURSE ONCE IT HAD BEEN CONSIDERED IN LONDON.

CONFIDENTIAL/S FAIRBANKS.

CONFIDENTIAL

5. FAIRBANKS DID NOT DISPUTE THAT THE FRIGATES AND HOVERCRAFT HAVE NOT SO FAR PLAYED AN ACTIVE ROLE IN THE GULF CONFLICT, THOUGH HE MAINTAINED THAT THE IRANIANS MIGHT MAKE MORE USE OF THEM IN FUTURE. HE ARGUED THAT THE HOVERCRAFT COULD BE OF CONSIDERABLE MILITARY VALUE TO THE IRANIANS IN THE MARSH AREAS. IT WOULD BE HELPFUL TO BE ABLE TO LET THE AMERICANS HAVE OUR CONSIDERED ASSESSMENT OF WHETHER THIS IS IN FACT THE CASE.

WRIGHT

IRAN/IRAQ

STANDARD(PALACE)

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MR EGERTON

CABINET OFFICE

ADDITIONAL DISTRIBUTION

IRAN/IRAQ

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*JKRaim*



10 DOWNING STREET

*From the Private Secretary*

11 October 1984

POSSIBLE VISIT OF ARAFAT

I see from FCO tel. no. 127 to Tunis that Mr. Hart has been told that Leeds Castle 'might' not be acceptable to Ministers as a venue.

As I told you on the telephone some days ago, the Prime Minister's view is that Leeds Castle would most certainly not be appropriate or acceptable.

(C.D. POWELL)

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.

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*BM.*

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bcPC JL

10 DOWNING STREET

*From the Private Secretary*

21 September 1984

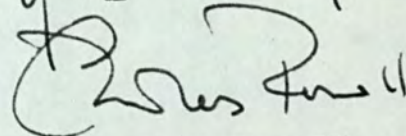
*Dear Richard,*

HUNTERS FOR THE LEBANON

The Prime Minister has seen a copy of the Defence Secretary's minute of 13 September to the Foreign and Commonwealth Secretary, proposing that the Lebanese Government should now be permitted to bid for the Hunters which the RAF wish to sell.

The Prime Minister agrees with the Defence Secretary's recommendation.

I am sending copies of this letter to the Private Secretaries to members of OD and to Richard Hatfield (Cabinet Office).

*Yours sincerely,*  
  
(C.D. POWELL)

Richard Mottram, Esq.,  
Ministry of Defence.

!  
cepcFCS/84/254SECRETARY OF STATE FOR DEFENCEHunters for the Lebanon

1. Thank you for your minute MO/3/7/4 of 13 September. I am content that we should now permit the Lebanese to bid for the Hunters which the RAF wish to sell. I suggest that our Embassy in Beirut should be informed of this change in policy and authorised to inform the Lebanese about the availability of these aircraft, perhaps through instructions from MOD to the Defence Attache. I also agree that we should inform other operators that we no longer object to their releasing Hunters to the Lebanese Air Force.

2. I am copying this minute to OD colleagues and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G. Howe'.

GEOFFREY HOWE

Foreign and Commonwealth Office

20 September, 1984





20 SEP 1994

Middle East P3

Arms Sales

PRIME MINISTERHUNTERS FOR THE LEBANON

FLAG A Michael Heseltine has proposed that we should now lift our ban on the sale of British Hunters to the Lebanese Air Force, even though (see paragraph 4 of his minute) it is pretty unlikely that the Lebanese will want to buy them.

FLAG B Geoffrey Howe agrees. I don't think today's attack on the U.S. Embassy need alter their judgement.

Agree?

Yes ✓

C.D.P.

20 September, 1984



MO 3/7/4

*CPG*  
*Await views of colleagues*FOREIGN AND COMMONWEALTH SECRETARYHUNTERS FOR THE LEBANON

You will remember that we decided last year not to respond to enquiries about selling Hunter aircraft to the Lebanese Air Force; and we have since asked other Hunter operators to refrain from selling aircraft to the Lebanese in case this should indirectly increase the threat to British personnel and interests (my minute of 9th April concerned the most recent request from Singapore). The Lebanese have not formally renewed their request to buy Hunters from us.

2. The RAF is now in the process of withdrawing its remaining single-seat Hunters from service, although some will be retained to meet RAF requirements such as technical training. The remaining surplus airframes will have to be disposed of by sale. The Lebanese Air Force will almost certainly become aware that the RAF is disposing of Hunters. The time is, therefore, ripe to consider whether we should maintain our reservations about the Lebanon.

3. Originally our main concern was the possibility that the sale of British Hunters to the Lebanese Air Force might increase the threat to the British contingent of the Multi-National Force in Beirut. This, of course, no longer applies. In recent months the Lebanese Government has been having some success in restoring stability, at least by comparison with the open conflict earlier in the year. Although there must remain some small risk that one of the more extreme factions might seek to retaliate against British interests for such a sale, my own view is that the balance is now in favour of allowing Hunters to be sold to the Lebanese Air Force.



4. In practice the issue may not arise. The RAF will be disposing of six Hunter aircraft. Four of them are Hunter Mk9s (the type originally requested by the Lebanese Air Force). These are earmarked for sale to Zimbabwe; only if that deal fails would they become available for sale to the Lebanon. The other two are Mk6As; although these might meet Lebanese requirements, they are not in very good condition and it is therefore intended to sell them by tender - probably for scrap or spares recovery. We would however propose to inform the Lebanese of the sale, so that they can bid in the normal way if they consider it worthwhile.

5. If we are to withdraw our reservation, we should in fairness also inform the other Hunter operators whom we have discouraged from selling Hunters to the Lebanon.

6. The RAF must now proceed with the sale of its surplus Hunters, as we cannot provide the manpower to store or otherwise maintain airframes not needed by the RAF. I believe we should permit the Lebanese to bid if they so wish, and withdraw our reservation on sales by other Hunter operators. I would be grateful to know if you are content to proceed in this way.

7. I am copying this minute to OD colleagues and Sir Robert Armstrong.

Ministry of Defence  
13th September 1984

14 SEP 1984

10 11 12 1 2 3 4 5  
6 7 8



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

24 August 1984

S H Lowe Esq  
Ministry of Defence  
Main Building  
Whitehall  
London SW1

Dear Simon,  
DEFENCE SALES TO JORDAN

Thank you for copying to me your letter of 7 August to Charles Powell.

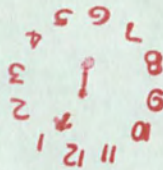
2 While we will not be in a position to assess priorities or the value of potential business until the MOD study team has returned from Jordan, I ought at this stage to sound a cautionary note about the extent to which ECGD backed credit may be available for this market. At present ECGD's Section 2 limit for Jordan stands at £420m. Within the limit some £143m is currently available for commitment, but indications on a first-come first-served basis made against this figure amount to £381m. Such indications themselves take no account of the proposed Iraq to Aqaba oil pipeline project which ECGD estimate could result in further exposure of at least £250m.

3 Owing to constraints in the Jordanian economy there is a limit to the amount that the country can afford to purchase and indeed to the credit facilities it would be prudent for us to advance. The market is currently being reviewed by ECGD and a paper is to be prepared for the Export Guarantees Committee by the end of August. This review will take account of both potential civil and defence business. Within this context, and given your commitment to provide the Jordanians with a proposal by Mr Heseltine's visit in October, it would be helpful if your approach to ECGD could be made as soon as possible. I would also be grateful if your Department would keep John Rhodes in Projects and Export Policy Division here informed.

4 I am copying this letter to Charles Powell (No 10) and Colin Budd (FCO).

*Yours etc,*  
*Andrew D Lansley*  
ANDREW D LANSLEY  
Private Secretary JH1AUG

Middle East  
Arms Sales



23 AUG 1984

IRAN/IRAQ

ADVANCE COPIES 18

PS

PS/MR LUCE

PS/PUS

MA DEREK THOMAS

SIR J LEAHY

MR EGERTON

HD/MED

HD/NEPAD

HD/UND

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HD/NEWS D

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RESIDENT CLERK

PS/No.10 DOWNING ST (2)

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FM WASHINGTON 022330Z JUL 84

TO IMMEDIATE FCO

TELNO 2342 OF 2 AUG

INFO PRIORITY BAGHDAD, TEHRAN, ROUTINE AMMAN, CAIRO, GULF POSTS.

YOUR TELNO 1380: RELEASE OF MILITARY SPARES TO IRAN.

SUMMARY.

1. ARMACOST THOUGHT OUR DECISION TO RELEASE THESE SPARES UNFORTUNATE BUT DID NOT SEEK SERIOUSLY TO CRITICISE OR TO CHALLENGE IT.  
STATE DEPARTMENT WILL DO ALL THEY CAN TO AVOID LEAKS. AGREEMENT THAT DIFFERENCES OVER THIS ISSUE SHOULD NOT BE ALLOWED TO AFFECT OUR CLOSE BILATERAL CONSULTATION ON THE GULF.

DETAIL

2. I SPOKE AS INSTRUCTED TO ARMACOST TODAY, STRESSING OUR DESIRE TO AVOID PUBLICITY FOR MINISTERS' DECISION. I MADE CLEAR THAT THE ITEMS INVOLVED WERE NON-LETHAL SPARES, ALREADY OWNED AND PAID FOR BY THE IRANIANS UNDER LONG STANDING CONTRACTS, AND THAT THEIR RELEASE WOULD BE RECONSIDERED IF THE IRANIANS TOOK FURTHER ACTION AGAINST BRITISH INTERESTS.

3. ARMACOST, WHO WAS ACCOMPANIED BY PLACKE AND FAIRBANKS, WAS GRATEFUL TO HAVE BEEN INFORMED OF OUR DECISION. THE AMERICANS WOULD CONTINUE THEIR EFFORTS TO STOP THE SUPPLY OF ARMS AND SPARES TO

ADVANCE COPY

IMMEDIATE



GRATEFUL TO HAVE BEEN INFORMED OF OUR DECISION. THE AMERICANS WOULD CONTINUE THEIR EFFORTS TO STOP THE SUPPLY OF ARMS AND SPARES TO IRAN. THESE MIGHT HAVE CONTRIBUTED TO THE LOGISTIC DIFFICULTIES WHICH WERE HELPING TO DELAY THE PLANNED OFFENSIVE. HE HOPED THAT OUR DECISION WOULD NOT BOOST IRANIAN MORALE. WE WERE WISE TO HAVE INDICATED THAT IT MIGHT BE REVERSED. HE ASKED ABOUT THE TIMING OF OUR DECISION, GIVEN CONTINUING REPORTS OF IRANIAN PLANS FOR AN OFFENSIVE.

4. I EXPLAINED THAT THIS THREAT SEEMED TO HAVE RECEDED AND THAT THE IRAQI DEFENCES WERE NOW STRONGER. THE SUPPLY OF POUNDS STG 4 MILLION OF ARMoured VEHICLE SPARES WAS UNLIKELY TO TIP THE MILITARY BALANCE. IT WAS A GOOD MOMENT TO SOLVE THE OUTSTANDING PROBLEM OF THE IRANIAN MILITARY CONTRACTS, AS THE US HAD RECENTLY DONE IN RESPECT OF RADAR SPARES. ARMACOST SAID THAT THAT RESULTED FROM A DECISION OF THE HAGUE TRIBUNAL. THE US WERE TRYING NOW TO CLOSE LOOPHOLES. IT WAS UNFORTUNATE THAT OUR POLICIES APPEARED TO BE MOVING IN OPPOSITE DIRECTIONS.

5. FAIRBANKS ACKNOWLEDGED THAT WE HAD FULLY DISCHARGED OUR COMMITMENT TO BRIEF THE STATE DEPARTMENT. BUT THE ADMINISTRATION WERE CONCERNED AT ANYTHING WHICH MIGHT ENCOURAGE THE IRANIANS AND THUS FRUSTRATE OUR COMMON AIM TO END THE WAR WITH NO WINNER. I REMINDED HIM THAT THIS RELEASE OF SPARES WAS MILITARILY INSIGNIFICANT: WE HAD SOLD MUCH GREATER QUANTITIES OF NON-LETHAL EQUIPMENT TO IRAQ SINCE THE WAR BEGAN.

6. ARMACOST ASSURED ME THAT THE US HAD NO REASON TO DISCUSS THIS INFORMATION WITH OTHER GOVERNMENTS AND WOULD NOT DO SO. THEY WOULD TRY TO AVOID PRESS LEAKS, THOUGH IT MIGHT BE DIFFICULT TO KEEP THE TRANSACTION SECRET. FAIRBANKS AND PLACKE ADVISED US NOT TO TELL THE PENTAGON (IMPLYING THAT THEY WOULD NOT DO SO).

7. THE AMERICANS DID NOT RAISE THE LETHAL/NON-LETHAL DISTINCTION OR THE YARROW SHIPS. I TOLD ARMACOST THAT THESE WERE LIKELY TO BE DELIVERED IN THREE MONTHS OR SO.

8. PLACKE CONCLUDED THAT WE SHOULD HAVE TO AGREE TO DISAGREE ON THIS ISSUE. BUT WE SHOULD KEEP IT IN PROPORTION AND NOT ALLOW IT TO AFFECT OUR CLOSE AND MUTALLY BENEFICIAL CONSULTATION ON THE GULF. I WARMLY ENDORSED THIS SENTIMENT.

HANNAY

NNNN

IRAN/IRAQ AT 4  
with CP

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OD(EM)

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hd Pres.  
FCO  
Hunt  
(MOD)

P.C.  
+ DTI  
CO  
+ CDS  
AG

10 DOWNING STREET

From the Private Secretary

26 July 1984

IRAN: SUPPLY OF DEFENCE EQUIPMENT

The Prime Minister has considered the Defence Secretary's minute of 13 July on this subject, together with the comments by the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry.

The Prime Minister agrees that the "freeze" should now be terminated and that the decisions previously taken on the delivery of the Yarrow support ships and the tank spares should be implemented. She also agrees that it must be made clear to the Iranians that if any further attacks were to be made by Iran on British shipping, delivery of these items would not take place.

The Prime Minister notes Mr. Tebbit's suggestion that we should also make clear to the Iranians that our willingness to supply the ships and spare parts is dependent upon their releasing the outstanding letters of credit for Talbot. She sees some risk in being too explicit on this, and would prefer the formulation proposed in Sir Geoffrey Howe's minute that any further difficulties involving British interests, for example over Talbot, could call into question the military contracts.

I am sending copies of this letter to Colin Budd (Foreign and Commonwealth Office), Callum McCarthy (Department of Trade and Industry), to the Private Secretaries of the other members of OD(EM), and to Richard Hatfield (Cabinet Office).

Charles Powell

Richard Mottram, Esq.,  
Ministry of Defence.

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PRIME MINISTER

IRAN: SUPPLY OF DEFENCE EQUIPMENT

You earlier agreed to signature of the Oversight Agreement for the two Yarrow support ships and the release of non-lethal armoured vehicle spare parts for Iran.

You subsequently instructed that implementation of both decisions be frozen while the circumstances of the attack on the tanker British Renown were clarified.

A strong protest has been made to the Iranians about the attack. They have said that they do not wish to get involved with any act of hostility against Britain. There is evidence (though not conclusive) that the attack on Renown was a mistake.

A, B, C      The Defence Secretary, the Foreign Secretary and Mr. Tebbit agree that we should now return to the status quo ante.

But they also suggest that we should make clear to the Iranians that if there are any further attacks by Iranian forces on British shipping, delivery of the Yarrow ships and the tank spares would not take place.

Mr. Tebbit suggests in addition that it should be made clear to the Iranians that our willingness to supply the ships and spare parts is dependent on their releasing the outstanding letters of credit for Talbot. There are risks in being too explicit in this. The formulation proposed by Geoffrey Howe - any further difficulties involving British interests, for example over Talbot, could call into question

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- 2 -

the military contracts - would make the point without seeming to give the Iranians an ultimatum.

Agree that the "freeze" should be terminated and that the decisions previously taken should now be implemented, with the Iranians being told that if there are further attacks delivery of the ships and the tank spares would not take place?

C.D.P.

Yes

25 July, 1984

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FCS/84/132

PRIME MINISTER

Iran: Supply of Defence Equipment

1. Your Private Secretary conveyed, in a letter of 10 July, your view that, in the light of the attack on the British tanker on 10 July, the supply of the two Yarrow support ships and of the armoured vehicle spare parts to Iran should be frozen, at least until the circumstances of the attack had been clarified. The Defence Secretary commented on 13 July.
2. The Iranians have never admitted responsibility for any of their attacks on neutral shipping. There is, however, clear evidence, that they were responsible for the disgraceful attack on the British Renown. We therefore protested strongly both here and in Tehran. The Iranians have now informed the Head of our Interests Section that Iran does not wish to get involved with any act of hostility against Britain, and have confirmed that they would be content should British Ministers wish to say this in reply to further questions in Parliament.
3. The view of our representatives in Tehran, which on the basis of the available evidence we share, is that this attack was most likely a mistake. That is no excuse. But it does have implications for our further reactions to it. We need to strike a balance, bearing in mind our wider political and commercial interests in Iran. Genscher came back from his recent visit to Tehran convinced that the Iranians now want to improve their relations with the West (including with the UK). Several of our European partners are showing increased interest in the commercial opportunities. Our own exports to Iran are already running at a substantial level: £630 million in 1983 (to which Talbot contributed over £100 million). The

/Iranians



Iranians have recently made clear that they will regard our response on the tank spares as a touchstone of our good faith which could have implications for our overall commercial relationship. There is, therefore, a good deal at stake.

4. The Defence Secretary's minute sets out the practical difficulties we could face in seeking (i) to freeze all action on the Yarrow ships, where our final agreement on oversight arrangements came into effect on 10 July, and (ii) to identify the categories of spares which may be released. The ships (for which the Iranians have paid £17.9 million) will not be ready to leave for about three months. The question of freezing their delivery arises most obviously at that point. The Iranians regard the tank spares as effectively frozen now.

5. This is a difficult choice. But bearing in mind our wider relations, and the fact that the attack on the British Renown does not seem to have been a deliberate attack on a British ship, I agree with the line proposed by the Defence Secretary. We should hold to our decision to get this problem out of the way by releasing the Yarrow ships and the non-lethal tank spares, provided, as the Defence Secretary says, there is no further deliberate attack by the Iranians against British shipping in the period before delivery, and no serious deterioration of the situation in the Gulf. We have put a great deal of effort into preparing the ground for release, both with the United States and with the Arab countries, and seem to have made some headway.

6. I consider that we should make clear to the Iranians that if there are any further attacks by Iranian forces on British shipping, delivery of the Yarrow ships and the tank spares would not take place. For good measure, we should add that any further difficulties involving British interests, for

/example



example over Talbot - the importance of which the Secretary of State for Trade and Industry describes in his letter to me of 23 July - could also call into question the military contracts. That might provide a degree of additional security for British shipping in the Gulf, and, if there are no further attacks, would enable us to clear up a major part of this long-running problem and prevent it casting a shadow over our wider commercial relationship with Iran.

7. I am sending copies of this minute to the Defence Secretary, the Secretary of State for Trade and Industry, the Lord President of the Council and to Sir Robert Armstrong.

GEOFFREY HOWE

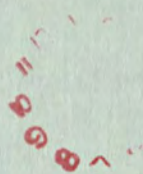
Foreign and Commonwealth Office  
25 July 1984

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DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

23 July 1984

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London SW1

*D. Geoffrey*

IRAN: SUPPLY OF DEFENCE EQUIPMENT

I have noted the Prime Minister's comments in her Private Secretary's letters of 9 and 10 July on the proposal in your minute of 5 July for gradual release of non-lethal armoured vehicle spares to Iran. I have also seen Michael Heseltine's comments in his minute of 13 July. - with CP?

2 I accept that release of these spares must remain in abeyance until the circumstances of the deplorable attack on a British ship in the Gulf have been clarified. If, subject to clarification, it becomes possible to proceed on the lines you propose I would strongly support doing so.

3 If we can ultimately agree to release the non-lethal spares I think it should be made clear to the Iranians that our willingness to supply them is dependent on them releasing the outstanding Letters of Credit for Talbot. I recognise that in telling the Iranians that we regard the civil and defence transactions as linked, we risk creating a precedent for linkage between defence sales and civil trade which they might try to exploit to our disadvantage in other contexts. The Iranian need for the tank spares does, however, appear to provide us with an effective means of exerting pressure on them for Talbot's benefit and I do not think we should be inhibited from doing so by apprehensions about possible precedents for the future. If it suits transactions, I would expect them to do so anyway and we shall have to deal with those situations as and when they arise.

4 You stressed the difficulties facing Talbot (UK), 2,000 of whose employees at the Stoke (Coventry) plant are engaged in manufacture of car kits for Iran. 500 employees have already been

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laid off as a result of Iranian payment delays and the situation will worsen rapidly if the current problems are not resolved within the next month. Moreover, Talbot's problems go beyond this immediate question. Earlier this year, with considerable difficulty, my Department reached an understanding with the company's French parent, PSA, on the continuation of its UK operations which employ 5,000-6,000 people in the West Midlands.

5 A factor in the PSA decision was the prospect of good returns from the major Iran contract set against the marginal profitability of current model production at Ryton. My concern is that, faced with the possibility of substantial losses from a lengthy disruption to the Iran business, and with significant problems of its own in France, PSA will be driven to carry out a fresh review of its involvement here over which we should be able to exercise little influence. In that event, I would not regard any part of its operations as safe. Any measure we can reasonably take to bring about a resumption of Iranian payments to Talbot is, therefore, very much to be desired.

6 I fully agree about the need for a carefully prepared public position in defence of a decision to release the spares, to minimise the risk of damaging repercussions to our important trade interests in Iraq and her supporters in the Gulf.

7 I am copying this letter to the Prime Minister, other members of OD(EM), the Secretary of State for Employment and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Tebbit', with a stylized flourish above the name.

NORMAN TEBBIT

JH5AEH

IBAR  
Went to  
Park 4

24 JUL 1984



GRS 695

**CONFIDENTIAL**

CONFIDENTIAL

FM MUSCAT 181040Z JUL

TO IMMEDIATE FCO

TELEGRAM NUMBER 244 OF 18 JULY 84

INFO IMMEDIATE MODUK (DS11)

YOUR TELEGRAM NUMBER 226: PRIME MINISTER'S MESSAGE

1. I HAD AN AUDIENCE OF THE SULTAN IN SALALAH YESTERDAY IN ORDER TO DELIVER THE PRIME MINISTER'S MESSAGE.
2. AFTER READING THE MESSAGE THE SULTAN COMMENTED THAT IT WAS EXTREMELY CLEAR: HE WAS MOST GRATEFUL TO THE PRIME MINISTER FOR TAKING THE TROUBLE TO WRITE. HE WAS ALSO VERY GRATEFUL TO THE BRITISH GOVERNMENT FOR RESPONDING SO QUICKLY TO HIS REQUEST BY AGREEING TO DEPLOY A NIMROD AIRCRAFT TO OMAN ON EXERCISE. THE SULTAN SAID THAT HE TOOK THIS AS A FURTHER DEMONSTRATION OF BRITISH SUPPORT FOR OMAN: I REPLIED THAT IT SHOULD CERTAINLY BE SEEN IN THAT SENSE.
3. TURNING TO THE SECOND PARAGRAPH OF MRS THATCHER'S MESSAGE, THE SULTAN SAID THAT HE HAD BEEN CONCERNED ABOUT THE POSSIBLE DEPLOYMENT OF SAUDI FIGHTER AIRCRAFT TO THE UAE, PARTLY BECAUSE IT WOULD REPRESENT A FURTHER EXTENSION OF SAUDI INFLUENCE, BUT ALSO BECAUSE IT MIGHT SEEM PROVOCATIVE TO THE IRANIANS. THE UAE, LIKE OMAN, HAD SO FAR AVOIDED BECOMING TOO MUCH INVOLVED IN THE IRAN/IRAQ WAR: THE UAE HAD DONE NOTHING TO OFFEND IRAN AND IRANIANS HAD RECIPROCATED BY LEAVING THE UAE ALONE. IF THE UAE ALLOWED SAUDI FIGHTERS TO BE STATIONED ON HER TERRITORY, THIS SITUATION MIGHT CHANGE. THE PRESENCE OF THE SAUDI FIGHTERS MIGHT DETER THE IRANIANS FROM LAUNCHING AN AERIAL ATTACK, BUT THE IRANIANS PRESUMABLY HAD OTHER WAYS IN WHICH THEY COULD MAKE THINGS DIFFICULT FOR THE UAE. THE SULTAN WENT ON TO SAY THAT AS FAR AS HE WAS AWARE, NO SAUDI AIRCRAFT HAD, IN FACT, ARRIVED IN THE UAE SO IT LOOKED AS IF SHEIKH ZAID HAD MANAGED TO AVOID ACCEPTING THE SAUDI PROPOSAL.
4. TURNING TO THE GENERAL SITUATION IN THE LOWER GULF, QABOOS SAID THAT HE THOUGHT THAT THIS WAS NOW LESS TENSE THAN WHEN WE HAD LAST DISCUSSED IT MY TELEGRAM NUMBER 203). THE MOST ENCOURAGING THING WAS THAT THE SAUDIS AND IRANIANS WERE NOW TALKING TO EACH OTHER. HE HAD FIRST HEARD OF THESE CONTACTS THROUGH KING HUSSEIN BUT THEY HAD SUBSEQUENTLY BEEN CONFIRMED TO HIM BY A SPECIAL EMISSARY FROM KING FAHAD. THE IRANIANS HAD INVITED PRINCE SAUD TO VISIT TEHRAN BUT HE WAS HESITANT AND QABOOS BELIEVED THAT IT WOULD BE BETTER FOR ANY MEETING BETWEEN SAUD AND A SENIOR IRANIAN TO TAKE PLACE ON NEUTRAL GROUND (SEE ALSO PARA 3 OF DOHA TELEGRAM NUMBER 129 TO FCO).

**CONFIDENTIAL**

/5.

Muslat

## CONFIDENTIAL

5. QABOOS WENT ON TO SAY THAT HE UNDERSTOOD THAT THE IRANIANS HAD SUGGESTED TO THE SAUDIS THAT THEY (THE SAUDIS) COULD HELP TO END THE WAR BY BRINGING ABOUT THE RESIGNATION OF SADDAM HUSSEIN: THE SAUDIS HAD REPLIED THAT THIS WAS FOR THE IRAQI PEOPLE THEMSELVES TO DO. QABOOS REGARDED THIS REPLY AS VERY SIGNIFICANT IN THAT THE SAUDIS SEEMED TO BE HINTING TO THE IRANIANS THAT THEY WERE NOT 100 PER CENT BEHIND SADDAM. QABOOS ADDED THAT ALL THE GCC GOVERNMENTS, IN THEIR HEART OF HEARTS, REGARDED IRAQ AS A POTENTIALLY GREATER THREAT TO THEIR STABILITY THAN IRAN. AS FAR AS THE GULF ARABS WERE CONCERNED, IRAN WAS A FOREIGN COUNTRY SPEAKING A FOREIGN LANGUAGE. SO HER POTENTIAL FOR UNDERMINING THEIR REGIMES (WITH THE POSSIBLE EXCEPTION OF BAHRAIN) WAS LIMITED. IRAQ, ON THE OTHER HAND, WAS AN ARAB COUNTRY WITH A LONG HISTORY OF SUBVERSIVE MEDDLING IN THE OTHER GULF STATES.

6. IN CONCLUSION THE SULTAN SAID THAT HE WISHED TO RETURN TO THE QUESTION OF BRITISH/OMAN RELATIONS. HE HAD NO REGRETS ABOUT ENTERING INTO THE DEFENCE ARRANGEMENT WITH THE AMERICANS, WHICH HE BELIEVED HAD CONTRIBUTED TOWARDS THE STABILITY OF THE AREA. BUT HE DID NOT WISH TO BE WHOLLY DEPENDENT ON THE UNITED STATES. THE RELATIONSHIP BETWEEN OMAN AND BRITAIN WAS MUCH DEEPER AND OF MUCH LONGER STANDING. HOWEVER HARD THEY TRIED, THE AMERICANS WOULD NOT BE ABLE TO TAKE OVER THE BRITISH POSITION IN OMAN. HE THEREFORE WISHED TO REPEAT HIS GRATITUDE TO THE BRITISH GOVERNMENT FOR AGREEING TO THE DEPLOYMENT OF THE NIMROD AND ALL OUR OTHER HELP. I SAID THAT I WAS DEEPLY GRATEFUL FOR THE SULTAN'S KIND WORDS. THE BRITISH GOVERNMENT ALSO GREATLY VALUED THE RELATIONSHIP AND I ASSURED HIM THAT WE WOULD CONTINUE TO ASSIST OMAN WHENEVER WE COULD.

SLATER

LIMITED

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PS

PS/MR LUCE

SIR J LEAHY

COPIES TO

PS/N010 D ST.

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CONFIDENTIAL

CCPE



MO 26/9/15

FOREIGN AND COMMONWEALTH SECRETARYIRAN: SUPPLY OF DEFENCE EQUIPMENT

Thank you for sending me a copy of your minute of 5th July to the Prime Minister. I have also seen copies of the letters of 9th and 10th July recording the Prime Minister's view that the supply of the two Yarrow support ships and the armoured vehicle spares to Iran should be frozen at least for the time being in response to the attack on the British RENOWN.

2. No doubt you will be providing the Prime Minister with an assessment of the circumstances of the attack, and the implications for our relations with Iran. So far as the supply of defence equipment is concerned a decision to freeze all action will cause some difficulty. In the case of the Yarrow ships IMS and Yarrows have in hand the work of preparation of the ships but the actual supply will not take place for some time, as we agreed when the decision was made to go ahead. We have only just signed the agreement for naval oversight of their completion and the arrangements came into effect on 10th July. The signature of the agreement helped to reduce some of the pressure on the outstanding contract matters from the Iranians. Nevertheless it was abundantly clear from the discussions Dr Kashan had with MOD officials and with IMS Ltd and British Aerospace that there is still very strong pressure to make progress on a settlement of the outstanding sales issues. It is clear that there is a link between them in the sense that a helpful decision on one can produce a better prospect in others - such as the Talbot problem.



3. So far as the spares are concerned the indication from the discussions is that there is every prospect that the Iranians would accept as satisfactory a decision during the next couple of weeks that they can have spares in Categories C and D as suggested in your minute of 10th April to the Prime Minister and that there is a possibility of subsequent release of some at least in Category B(ii). They would be quite relaxed about the prospect that delivery could subsequently take many weeks; and would be prepared to agree arrangements to ensure that the process of delivery attracted no publicity. They appear also to have dropped their insistence that there should be some decision on the supply of the lethal items among the spares within three months. It is not too optimistic to assume that if a concession on Categories C and D and possibly on B(ii) can be achieved by then the Iranians will accept a reaffirmation of a decision that there can be no supply of lethal spares while the conflict continues as part of the final settlement of the spares agreement. If we do not make progress there are potentially costly repercussions in the defence field as well as for the Talbot problem and other civil business with Iran. Dr Kashan said that for political and constitutional as well as financial reasons, he wants to achieve a settlement before the end of the year on the contracts negotiated with the Shah's Government for tanks and armoured recovery vehicles and on those with British Aerospace - mainly for Rapier. A helpful decision on armoured vehicle spare parts would obviously be of assistance in dealing satisfactorily with these other outstanding matters.

4. I accept entirely the point the Prime Minister has made about the implications of the attack on the British RENOWN and I would look to you to advise us on what action we should take with the Iranians. My own view would be that, despite the quite deplorable nature of the attack, we must consider what is in the best interests of this country. I see no gain to us from a gesture of "retaliation", and possible damage if they decide to escalate further. My own view would therefore be that on balance we should go ahead and get these problems



out of the way after the effort that has been put into explaining our contractual position. A decision should not, of course, be conveyed for two or three weeks so there will be an opportunity to change our mind if the situation in the Gulf deteriorates or if it becomes apparent that these events are to be repeated. Indeed you may feel it desirable to let Iran know that if any further attack on British shipping took place we would not then proceed.

5. I am sending copies of this minute to the Prime Minister, other members of OD(EM), the Trade and Industry Secretary and Sir Robert Armstrong.

*M. J. G. G.*

[ Approved by the Secretary of State and signed in his absence ]

Ministry of Defence

13th July 1984



46 JUL 1984



SECRET



By: P.C

EW  
35

10 DOWNING STREET

*From the Private Secretary*

12 July, 1984

SUPPLY OF DEFENCE EQUIPMENT TO SYRIA

The Prime Minister has considered the Defence Secretary's minute of 27 June reporting discussions in Geneva on possible sales of defence equipment to Syria. She has also noted the Foreign and Commonwealth Secretary's Minute of 9 July on the same subject.

The Prime Minister agrees with Sir Geoffrey Howe that we have reached the end of this episode and that the Defence Secretary should now reply to General Tlass's approach by saying that we should be ready to supply some of the less contentious items on the list but only in the context of a developing relationship and on a step-by-step basis.

I am sending a copy of this letter to Roger Bone (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

R. Mottram, Esq.,  
Ministry of Defence

SECRET

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CCP  
EDP  
127

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

11 July 1984

Len Appleyard Esq  
Private Secretary to the  
Secretary of State for Foreign & Commonwealth Affairs

*Dear Len*

**IRAN: SUPPLY OF DEFENCE EQUIPMENT**

The Chancellor has seen your Secretary of State's minute of 5 July and the Prime Minister's comments recorded in Charles Powell's letter of 9 July. He does not dissent.

I am copying this letter to Charles Powell, to the Private Secretaries of other members of OD(EM) and to Richard Hatfield (Cabinet Office).

*Yours ever  
David*

D L C PERETZ

*11:4 PM*

1801 JUL 11



10 DOWNING STREET

cc: DTI  
EMP  
CO  
Members of OD(EM):  
LPO  
FCO bc: PC  
HMT  
MOD

*From the Private Secretary*

9 July 1984

Iran: Supply of Defence Equipment

Sir Geoffrey Howe minuted the Prime Minister on this subject on 5 July.

The Prime Minister agrees, reluctantly, and subject to the views of colleagues, that we should now go ahead with release of the non-lethal items amongst the armoured vehicle spare parts for Iran. This is subject to there being no major change in the military situation on land. She has commented that she hopes this will not affect potential defence orders from the Gulf and Saudi Arabia.

The Prime Minister recalls from Sir Geoffrey Howe's minute of 10 July that further decisions will be required within three months on what to do about the lethal items. This will plainly be very difficult.

I am sending copies of this letter to Callum McCarthy (Department of Trade and Industry), David Normington (Department of Employment), to the Private Secretaries to members of OD(EM) and to Richard Hatfield (Cabinet Office).

C.D. Powell

R.B. Bone, Esq.,  
Foreign and Commonwealth Office

CONFIDENTIAL

ECL

PRIME MINISTER

Supply of Defence Equipment to Syria

You agreed in May that MOD officials could explore the prospects of arms sales to Syria. You were sceptical.

You were quite right. The Defence Secretary's minute (Flag A) attached shows that the Syrians only real interest is in items which it would be impossible to supply: tanks, Jaguars and Blindfire.

*Passage deleted and retained under Section 3(4). Wayland 23 May 2014*

The Defence Secretary recognises he has drawn a blank. He wants to tell the Syrians that we would be ready to supply some less contentious items but only in the context of a developing relationship and on a gradualist basis. Only if the Syrians responded positively would he go ahead with the proposed visit to Damascus by officials which was earlier agreed.

Sir Geoffrey Howe (Flag B) agrees that we have reached the end of this particular line but also wants to keep the door ajar for the future.

Agree course proposed by Defence Secretary?

*CDP*

*Yes no*

11 July 1984



cc/c  
To await 33  
DTI cannot

PM/84/116

PRIME MINISTER

Supply of Defence Equipment to Syria

1. I have seen a copy of the minute of 27 June from the Secretary of State for Defence.
2. I think we have reached the end of this particular episode, but I agree that the Secretary of State for Defence should now reply to General Tlass on the lines he proposes. Even if we judge that there is little room to expect a useful Syrian reply, we should leave the door open for the future. We must also protect the prospects for our wider political dialogue with Syria.
3. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Secretary of State for Defence, and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

9 July 1984

Middle East Line Sales A3

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PM/84/112A

PRIME MINISTER

- CCPC ①
- Prime Minister.
1. Re Talbot point is a weighty one.
  2. No lethal items are involved.
  3. Agree, subject to colleagues' views, to ~~release~~ release of spares provided no major change in military situation?

Iran: Supply of Defence EquipmentCDP  
5/7

1. In my minute of 10 April I set out my proposals for the gradual release of the non-lethal items amongst the armoured vehicle spare parts for Iran. Your agreement to our going ahead on the lines I proposed was conveyed in Mr Coles' letter of 16 April to my Private Secretary.
2. The spate of attacks on shipping in the Gulf shortly thereafter prompted further consideration of whether we should still go ahead at that time. In his minute of 1 June proposing that we should proceed with signature of the oversight contract for the Yarrow ships, the Defence Secretary suggested that we could leave the question of the spares a little longer, and in my minute of 11 June I agreed. The Yarrow ships contracts are now through. IMS signed their contract in April, and the Iranians have paid the bulk of the money outstanding (£17.9 million). The 'oversight agreement' is about to be signed, probably this week.
3. The Iranians had earlier sought to link signature of the Yarrow contracts to assurances from us on release of the spare parts. We have successfully avoided this, but are now coming under increasing pressure from the Iranians for a very early decision on the spare parts. Our Interests Section in Tehran were closely questioned on this by Dr Kashan, the Iranian chief negotiator at the beginning of June; he is now in London and has raised the question again. There could be serious repercussions on our relations with Iran if we do not show early progress on this question.

/4.





4. A new and potentially weighty consideration is that our Interests Section report that progress on the spares may well be a determining factor in securing the release of letters of credit, totalling £14 million, to Talbot (UK), without which Talbot will be in increasing difficulties and will have to lay off 2,000 men at their Stoke factory. (Talbot's exports to Iran contribute more than £100 million per annum to our export earnings.) Since all foreign firms are having temporary difficulties in securing payment because of the drop earlier this year in Iranian foreign currency earnings, it will require a decision to discriminate positively in Talbot's favour to restore their position. The same Iranian officials deal with our exports, including those from Talbot, and with the problem of the non-lethal spares.

5. From the viewpoint of our bilateral relations with Iran, it would be very much to our advantage now to begin the gradual release of these items to the Iranians. The main complication is of course the continuing conflict with Iraq, where a major Iranian land offensive has been forecast since February, and may be launched in the next few weeks. It would clearly look odd to release any of the spares while the offensive was actually in progress. On the other hand, if it does not in fact take place, or is a total failure, it is likely that the Iranians will revert to the somewhat less intransigent stance we have seen lately: for example they agreed to the UN Secretary-General's 10 June call for a cessation of attacks on civilian centres, accepted the presence of UN observers to monitor this, and played a relatively more constructive role in recent discussions in the UN Security Council. They have also announced that if the Iraqis made no further attacks on shipping in the Gulf, they would exercise the same restraint. Gradual release of the spares to them at this stage could therefore perhaps be defended as a gesture of appreciation for their somewhat more moderate and realistic approach.

/Equally,



Equally, if the situation deteriorates and they go back on the international undertakings they have made, refusal to continue with the release of spares could more easily be justified.

6. We have explained our policy on both the ships and the spare parts to the Americans, to the Iragis and to most of the other Arab states, who seem, albeit reluctantly, to understand even though they do not accept our policy. Going ahead now would both remove an increasing irritant from our relations with the Iranians and enable us to take advantage of the present relative understanding on the part of the Arabs for such a move. It may also help to tip the balance on the Talbot case. It was noteworthy that the Americans made no mention of deliveries of defence equipment to Iran during the Political/Military talks in London this week. None of this means of course that we shall escape criticism if and when news of a decision leaks out. We shall need to have a carefully prepared public line, and to deploy it vigorously with critics of our policy.

7. I hope therefore that you and other members of OD(EM) can now confirm your earlier agreement to our going ahead on the lines I proposed in my minute of 10 April, provided that there is no major change in the military situation on land.

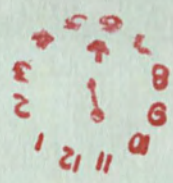
8. In view of the implications for British industry of the Talbot problem, I am sending copies of this minute to the Trade & Industry and Employment Secretaries, as well as to OD(EM) members and Sir R Armstrong.

GEOFFREY HOWE

Foreign &amp; Commonwealth Office

5 July 1984

IRACEL: Iraq/Iran #4



- 4 JUL 1984



*cell 32*  
*Await reply from FCS & Mr. Robbitt*  
*CDP 25/6*

MO 26/9/4

PRIME MINISTERSUPPLY OF DEFENCE EQUIPMENT TO SYRIA

Following your agreement that we should maintain contact with the Syrians two of my officials visited Geneva to discuss with General Tlass's nominated representative plans for an official visit to Damascus.

2. As a result of that meeting it is clear that, although this approach has been authorised at the highest level, it is unlikely that the Syrian Government would regard the proposed deal as having particular significance for future political relationships between Britain and Syria. Of the five items included on General Tlass's list, the Syrians regard Hawk trainers and early warning radars as secondary. Their real interest centres on tanks, Jaguars and Blindfire Rapier: while one of these three items might be negotiable, they would not want to proceed if the British Government was unwilling to give the green light to supply at least two of the three. The Syrians also made it clear that, while they accepted that a package of this size would take at least four years to complete, they would not agree to delivery dates being artificially delayed for political reasons. They also felt that any discussion in Damascus with General Tlass could only profitably and constructively take place after the terms and scope of the deal had been established through representatives; substantive discussions in Damascus were not possible.

3. We therefore appear to have little scope for our preferred option of a gradualist approach based on an initial Hawk and radar sale with other items being considered for supply later. As a result of enquiries during the visit to Geneva we have heard that the Syrians would be



prepared to forgo tanks from the package but the supply of Blindfire Rapier and Jaguar aircraft would still pose clear political and security problems.

4.

*Passage deleted and retained under Section 3(4).  
C. Wayland, 23 May 2014*

Despite the value of the potential orders we have always recognised the political difficulties surrounding supply and the need to work cautiously on a step by step basis. This new information makes such an approach all the more necessary. But the response from General Tlass's representative appears to rule it out.

5. I have not so far formally replied to General Tlass's approach. With colleagues agreement I intend to reply saying that, while we would be willing to consider the supply of some of the items required, we should want to put this in the context of a developing relationship between the two countries and to proceed on a gradualist basis. If, unexpectedly, this reply received a positive response we could then go ahead with the Damascus visit as previously proposed.

6. I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and Sir Robert Armstrong.

Ministry of Defence

27th June 1984

SECRET



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da  
31

10 DOWNING STREET

*From the Private Secretary*

29 May 1984

Supply of Defence Equipment to Syria

The Prime Minister has seen the correspondence on this subject ending with your Secretary of State's minute of 17 May and the Foreign and Commonwealth Secretary's minute of 23 May.

Mrs. Thatcher agrees (with some reluctance) that one or more MOD officials should visit Damascus in July. But she does not believe that we shall be able to supply most of the equipment which the Syrians are allegedly seeking. She therefore entirely agrees with the Foreign and Commonwealth Secretary that no undue expectations should be aroused by the handling of the visit and agrees that all the reasons for approaching this subject with caution, which were set out in Roger Bone's letter of 25 April, still apply.

I am copying this letter to Roger Bone (FCO), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

A. J. COLES

Richard Mottram, Esq.,  
Ministry of Defence.

SECRET

CONFIDENTIAL

*gpc*



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

24 May 1984

R C Mottram Esq  
Private Secretary to the  
Secretary of State for Defence  
Main Building  
Whitehall  
LONDON SW1

*Dear Richard*

*with ATJC?*

SUPPLY OF DEFENCE EQUIPMENT TO SYRIA

The Chancellor has seen your Secretary of State's minute of 17 May to the Prime Minister and the signal from HM Ambassador. He has asked me to repeat the points made in my letter of 30 April - any further response to General Tlass should be low key and should avoid arousing undue Syrian expectations.

Copies as before.

*Yours ever  
David*

D L C PERETZ  
Principal Private Secretary

24 MAR 1982

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22 24 26 28 30  
32 34 36 38 40  
42 44 46 48 50

10 12 14 16 18 20  
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PRIME MINISTER

SUPPLY OF DEFENCE EQUIPMENT TO SYRIA

You will remember that in a minute of 5 April (Flag A) the Defence Secretary reported a formal Syrian request for a large range of military equipment - namely, Challenger tanks, Jaguar aircraft, Hawk trainer aircraft, Rapier and an early warning radar system.

You said that you would like reactions to this proposal in writing. The Trade Secretary (Flag B) favours exploratory talks with the Syrian Defence Minister at least about those arms which we had previously said we were prepared to supply. The Chancellor (Flag C) shares the general concern about supplying such defence equipment to Syria, doubts whether they could pay for it, but favours a low-key exploratory response.

A discussion (Flag D) between our Ambassador and the Syrian Defence Minister in early May gave no confidence that the Syrian request was a serious one and produced the new information, if it can be believed, that the Libyans would finance the deal.

It is worth your reading in full the Foreign Secretary's analysis of the various factors which is at Flag E. This sets out clearly all the arguments against supply. But he also believes that we should encourage pro-Western tendencies in Syria and draws attention to the fact that we have already cleared the supply of Hawk trainer aircraft and the daylight version of the Rapier. He therefore favours avoiding an outright refusal - and instead conducting further discussions with the Syrians to see how serious their approach is and to encourage <sup>them</sup> the Syrians to restrict their interest to the less contentious items.

The Defence Secretary has now suggested (Flag F) that MOD staff at middle/senior management level should visit Damascus in early July to make this contact. The Foreign Secretary accepts

/ this suggestion

this suggestion but emphasises that all the reasons for caution that he has set out earlier must still apply and that we should not arouse undue expectations. This would be satisfactory to the Chancellor.

Do you therefore agree that one or more MOD officials should visit Damascus in July to conduct discussions on the basis set out by the Foreign Secretary?

A.S.C.

Reluctantly yes. But I really  
do not think we could supply  
most of the things they allegedly  
seek. not

24 May 1984



PM/84/84

PRIME MINISTER

Supply of Defence Equipment to Syria

with AJC?

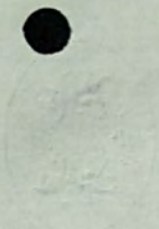
1. I have seen a copy of the minute of 17 May from the Secretary of State for Defence.
2. I agree that the 1984 British Army Equipment Exhibition is not a very suitable forum at which to pursue this matter, although the Syrians should, as the Ambassador says, be invited to attend that exhibition.
3. The reasons for approaching this subject with caution, set out in my Private Secretary's letter of 25 April, still apply. But I can agree to the proposal that the matter would best be pursued by means of a visit to Damascus by one or more officials from MOD, on the basis that such contacts would be a natural step in our bilateral dealings with the Syrians, and that no undue expectations would be aroused by the level of the visit or the way it was handled. This implies that the visit should be conducted at the level of Assistant Secretary or below, and I should like to be consulted in advance about the details, as well as about the brief on which the visitor(s) would operate.
4. I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

23 May, 1984

CONFIDENTIAL



20 JUL 1984



*u/s*

MO 26/9/4

PRIME MINISTERSUPPLY OF DEFENCE EQUIPMENT TO SYRIA

You will have seen the signal from HMA ~~Amman~~ reporting on the outcome of his meeting with General Tlass, the Syrian Minister of Defence.

2. Not unexpectedly, given previous experience of meetings with General Tlass, the discussion was rather inconclusive but I would endorse the Ambassador's view that we should keep the door open.
3. However, I do not believe that the 1984 British Army Equipment Exhibition is a suitable forum in which to pursue these discussions. We could not guarantee the level of Syrian attendance, and it would be extremely difficult amidst all the activity and the competing demands from other foreign delegations to conduct meaningful discussions with the Syrians. In my view contact should be made by means of a visit to Damascus by my staff at middle/senior management level. This could be arranged for early July, as soon as possible after the end of Ramadam. It would not preclude us from inviting an official delegation at working level to BAEE, which should be seen by the Syrians as a helpful gesture. I should be grateful for colleagues agreement that I should reply to General Tlass in this sense.
5. I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and Sir Robert Armstrong.

*WJH*

Ministry of Defence

17th May 1984

MIDDLE EAST: Arms Sales

PT3



10 MAY 1978

S E C R E T

*all 30*



Foreign and Commonwealth Office

London SW1A 2AH

14 May, 1984

*Dear John,*

Defence Sales to Syria

I wrote to you on 25 April about a request from Syria's Minister of Defence, General Tlass, for the supply of a large package of British military equipment. The Trade and Industry Secretary and the Chancellor of the Exchequer have since commented.

Our Ambassador in Damascus was summoned to see the Syrian Minister of Defence, General Tlass, on 5 May for a briefing on Syrian intentions. I enclose a copy of Mr Lucas' report on the meeting. An important point is made at the end of paragraph 10: that, in Mr Lucas' view, Tlass has no mandate from his government or the Baath Party for his detailed shopping list; which would be financed by Libya. This is of course hardly plausible.

I am sending copies of this letter to Richard Mottram (MOD), David Peretz (HM Treasury), Callum McCarthy (DTI) and Richard Hatfield (Cabinet Office).

*Yr ever,  
P F Ricketts*

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

S E C R E T

DAMSCUS TL  
GRS#110

SECRET

TELELETTER

FROM I T M LUCAS DAMASCUS

087/1 8 MAY 1984

FOLLOWING FOR C W LONG ESQ, NENAD, FCO

DEFENCE SALES TO SYRIA

SUMMARY

1. PROBING THE DEFENCE MINISTER'S THINKING ON HIS DEFENCE EQUIPMENT PACKAGE GAVE ME NO CONFIDENCE THAT THIS IS A CONSIDERED AND SERIOUS SYRIAN REQUEST. BUT WE SHOULD KEEP THE DOOR OPEN.

DETAIL

2. AS FORESHADOWED IN YOUR TELNO 119 I WAS DULY SUMMONED TO SEE GENERAL TCLASS ON 5 MAY. MY DEFENCE ATTACHE ACCOMPANIED ME AND INTERPRETERS WERE USED.

3. TCLASS BEGAN BY SAYING THAT HE WANTED CLOSER CO-OPERATION WITH BRITAIN IN THE DEFENCE FIELD, PARTICULARLY IN THE PROVISION OF EQUIPMENT, AND ASKING WHETHER IT WOULD BE A GOOD IDEA FOR US TO SEND A TEAM TO DAMASCUS TO DISCUSS THE POSSIBILITIES.

4. I SAID THAT WE WISHED TO PROMOTE CLOSER ANGLO/SYRIAN RELATIONS, BUT I THOUGHT MY GOVERNMENT WOULD WANT TO HAVE MORE SPECIFIC INFORMATION ABOUT WHAT THE SYRIANS HAD IN MIND BEFORE THEY DECIDED ON ANY FURTHER STEPS OVER DEFENCE PROCUREMENT. I WAS OF COURSE AWARE THAT GENERAL TCLASS HAD SUBMITTED AN AMBITIOUS SHOPPING LIST TO MR HESELTINE. SOME OF THE ITEMS INVOLVED HAD ALREADY BEEN THE SUBJECT OF LENGTHY NEGOTIATIONS, WITHOUT FIRM SYRIAN ORDERS BEING PLACED. THERE WAS ALSO THE CASE OF THE ADDITIONAL REQUIREMENT FOR GIANT VIPER, THE DEADLINE FOR WHICH (30 APRIL) HAD PASSED WITHOUT ANY SYRIAN RESPONSE TO OUR OFFER. IF THERE WERE FINANCIAL OR OTHER PROBLEMS ABOUT THESE COMPARATIVELY SMALL ITEMS, HOW COULD I PERSUADE MY GOVERNMENT THAT THE SYRIANS MEANT BUSINESS ON THE LARGER DEAL?

Received in NENAD  
on 11/5

↓  
Why not by tel?  
CP 11/5



5. TCLASS REPLIED THAT THERE WOULD BE NO PROBLEM ABOUT THE GIANT ORDER. ON THE BROADER ISSUE, HE WANTED MY OPINION ON WHETHER WE COULD MATCH THE CZECH ARRANGEMENTS, OR WHAT HE CLAIMED THE FRENCH HAD OFFERED THE EGYPTIANS, NAMELY PAYMENT OF 15% DOWN AND THE REST IN INSTALMENTS. THIS WAS THE CRUCIAL POINT. I SAID THAT THIS WAS THE KIND OF DETAIL WHICH COULD BE DISCUSSED ONLY WHEN WE HAD A CLEARER IDEA OF WHETHER THE SYRIAN APPROACH WAS IN THE NATURE OF A PRELIMINARY ENQUIRY OR A SERIOUS INTENTION. I PUT A NUMBER OF QUESTIONS ABOUT THE FINANCIAL AND POLITICAL IMPLICATIONS FOR THE SYRIANS OF THE PROPOSED DEAL.

6. TCLASS SAID THAT THE LIBYANS WOULD PAY - THE SYRIANS WERE NOT INVOLVED IN BRITAIN'S CURRENT QUARREL WITH LIBYA. I COMMENTED THAT NEVERTHELESS THIS HAD OCCURRED AFTER GEN TCLASS HAD WRITTEN TO MR HESELTINE: WAS HE STILL CONFIDENT THAT THE LIBYANS WOULD BE PREPARED TO PUT THIS AMOUNT OF BUSINESS IN BRITAIN'S WAY? TCLASS ANSWERED THAT HE HAD INTENDED TO VISIT TRIOLI IN THE NEXT DAY OR TWO TO PURSUE THIS QUESTION, BUT THAT THE 'CURRENT SITUATION' HAD OBLIGED HIM TO POSTPONE THIS PLAN. 11

7. AS REGARDS THE POLITICAL IMPLICATIONS, THERE HAD BEEN NO PROBLEM WITH THE SOVIETS WHEN THE SYRIANS BOUGHT 30 GAZELLE HELICOPTERS FROM THE FRENCH, SO THAT NEED NOT BE A CONSIDERATION.

8. I ASKED ABOUT THE TIME-SCALE HE ENVISAGED FOR THE SUPPLY OF THE EQUIPMENT HE HAD REQUESTED. HE REPLIED 'THREE YEARS'. I REPEATED THE QUESTION TO MAKE SURE HE UNDERSTOOD TO WHAT PERIOD I WAS REFERRING, AND HE GAVE THE SAME ANSWER. I MADE CLEAR THAT THIS SOUNDED A TALL ORDER. TCLASS ADDED THAT HE KNEW ABOUT TANKS AND WAS SURE THAT THE NEW GENERATION OF CHIEFTAIN WAS THE BEST AVAILABLE. BUT HE WAS LESS INFORMED ON AIRCRAFT: WAS THE JAGUAR (ABOUT WHICH HE QUOTED THE WRONG FIGURE COMPARED WITH THAT IN HIS LETTER TO THE DEFENCE SECRETARY) BETTER THAN THE AMERICAN F15? I REPLIED THAT THE JAGUAR WAS THE BEST AIRCRAFT OF ITS KIND IN THE WORLD SEMI CLN BUT, WITH RESPECT, THE FACT THAT HE HAD PUT THE QUESTION RAISED SOME DOUBT IN MY MIND ABOUT THE SERIOUSNESS OF HIS SHOPPING LIST.

9. IN ANSWER TO A DIRECT QUESTION, TCLASS CONFIRMED THAT THE CONTACTS (UNNAMED) WHO HAD BEEN DEALING WITH MY DEFENCE ATTACHE AND CERTAIN BRITISH FIRMS HAD HIS FULL AUTHORITY.

CONCLUSIONS

10. BOTH THE MANNER AND THE SUBSTANCE OF THIS CONVERSATION SERVED ONLY TO CONFIRM THE DOUBT EXPRESSED IN MY TELNO 189. TCLASS GAVE US NO REASON TO BELIEVE THAT HIS REQUEST TO MR HESELTINE WOULD BE FOLLOWED UP WITH ANY MORE VIGOUR THAN THE CONCRETE OFFERS I MENTIONED. HIS WHOLE APPROACH WAS VAGUE AND UNBUSINESSLIKE. HIS CONFIDENT REFERENCES TO THE LIBYANS AND THE RUSSIANS SEEMED TO ME LUDICROUSLY NAIVE. I AM LEFT WITH THE IMPRESSION THAT HIS LETTER TO MR HESELTINE WAS A PUT-UP JOB, PROBABLY INSPIRED BY ONE OF THE MIDDLEMEN INVOLVED SEMI CLN THAT TCLASS IS WELL-BRIEFED ON THE QUALITY OF OUR TANKS BUT ON NOTHING ELSE SEMI CLN AND THAT HE CERTAINLY HAS NO SPECIFIC MANDATE FROM THE GOVERNMENT OR THE PARTY FOR HIS DETAILED SHOPPING LIST.

11. NEVERTHELESS WE CANNOT AFFORD EITHER POLITICALLY OR COMMERCIALY TO DISMISS IT OUT OF HAND. A DOWNRIGHT REFUSAL TO CONSIDER THE MATTER FURTHER WOULD BE INTERPRETED BY TCLASS, AND NO DOUBT CONVEYED TO HIS COLLEAGUES, AS A SLAP IN THE FACE. IN SPITE OF ALL THE DISCOURAGING FACTORS TO WHICH I HAVE ALLUDED, THERE MAY YET BE SOME BUSINESS FOR US IN ALL THIS. I WAS THEREFORE CAREFUL TO EMPHASISE THAT MY QUESTIONS WERE NOT DESIGNED TO PLACE DIFFICULTIES IN THE WAY, THAT I WOULD FAITHFULLY TRANSMIT WHAT HE AD TOLD ME AND THAT, WHILE I COULD OBVIOUSLY MAKE NO COMMITMENT, BOTH I AND MY DA STOOD READY TO HELP IN ANY WAY WE COULD.

12. I BELIEVE THAT THE BEST METHOD OF KEEPING THE DOOR OPEN WOULD NOW BE FOR THE DEFENCE SECRETARY, BY WAY OF REPLY TO TCLASS' LETTER OF 16 MARCH, TO INVITE HIM OR A REPRESENTATIVE TO THE BAEE IN JUNE (ON WHICH, DESPITE CONSTANT REMINDERS FROM HERE, WE STILL HAVE NO REPLY FROM MOD EVEN ON THE PRINCIPLE OF SYRIA BEING INVITED), AND TO SUGGEST THAT FURTHER TALKS BE HELD IN THE MARGINS OF SUCH A VISIT IN ORDER TO CLARIFY SOME OF THE POINTS RAISED IN MY CONVERSATION WITH HIM. TCLASS MAY WELL BE UNABLE TO ACCEPT SEMI CLN BUT AT LEAST THE BALL WOULD BE BACK IN HIS COURT.

CCN PARA 10 LINE 8 WA LETTER MR HEL///// HESELTINE

I T M LUCAS

MIDDLE EAST: Am Sales P13

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CCN PARA 10 LINE 8 WA LETTER MR HEL\ \ \ \ HESLITINE

I-T M LUCAS

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TO IMMEDIATE WASHINGTON  
TELEGRAM NUMBER 826 OF 3 MAY  
INFO PRIORITY BAGHDAD, TEHRAN, AMMAN, GULF POSTS, UKDEL NATO,  
UKMIS NEW YORK  
MY TELNOS. 283 TO AMMAN AND 285 TO BAGHDAD: ARMS SALES TO  
IRAN.

1. THE ARABS (INCLUDING THE IRAQIS) NOW SEEM SATISFIED WITH OUR ASSURANCES THAT WE ARE NOT SUPPLYING ARMS TO IRAN AND UNDERSTAND (EVEN IF THEY DO NOT WHOLLY AGREE WITH) OUR POSITION OVER THE KHARG, THE YARROW SUPPORT SHIPS AND THE ARMoured VEHICLE SPARES.
2. THE SOURCE OF THE LONG AND WILDLY INACCURATE LIST GIVEN TO CALLAN ON 15 APRIL (BAGHDAD TELNOS 218 AND 219) IS UNCLEAR. WE HAD WONDERED ABOUT THE AMERICANS, BUT AL-ZAHAWI TOLD HASKELL ON 30 APRIL THAT MANY OF THE ENGLISH NAMES WERE MISSPELLED BECAUSE OF TRANSLATION FROM AN ARABIC ORIGINAL. (WHILE THE AMERICANS MIGHT HAVE PROVIDED AN ARABIC TRANSLATION, THEY WOULD PRESUMABLY HAVE HANDED OVER AN ENGLISH VERSION ALSO).
3. NEVERTHELESS THE AMERICAN ATTITUDE OVER THE PAST FEW MONTHS HAS BEEN UNWELCOME. THEIR LOBBYING HERE WITH FCO AND MOD HAS BEEN EXCESSIVE AND HEAVY-HANDED. IN FEBRUARY THERE WERE (INACCURATE) PRESS LEAKS FROM OFFICIAL US SOURCES ABOUT SPEY ENGINES AND MISSILES SPARES, FOR WHICH THE AMERICANS SUBSEQUENTLY APOLOGISED. ON 2 APRIL MR SHULTZ'S REMARK TO THE TIMES THAT OUR ATTITUDE OVER ARMS SUPPLIES TO IRAN WAS 'UNHELPFUL' WAS NOTED AND RESENTED, THOUGH WE MADE NO PROTEST AT THE TIME. WE NOW LEARN THAT DURING MURPHY'S VISIT TO AMMAN ON 19/20 APRIL HE ASSURED KING HUSSEIN THAT BRITISH MILITARY SPARES WERE BEING SENT TO IRAN. (IF, AS WE PRESUME, HE WAS REFERRING TO THE INTERIM PACKAGE THIS REMARK WAS INACCURATE, SINCE NO SPARES HAVE YET BEEN RELEASED: MORE SERIOUSLY, HE SEEMS TO HAVE LEFT THE KING WITH AN EXAGGERATED

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IDEA OF THE SIZE AND SIGNIFICANCE OF THE PACKAGE). FINALLY, THE EGYPTIAN EMBASSY TOLD US ON 3 MAY THAT THE STATE DEPARTMENT HAVE BEEN ENCOURAGING THEM TO PRESS US TO ADOPT AN EVEN TOUGHER LINE ON SUPPLY TO IRAN.

4. PLEASE SPEAK AT SUITABLY HIGH LEVELS IN THE PENTAGON AND STATE DEPARTMENT TO EMPHASISE THAT WE ARE BECOMING IRRITATED AT WHAT APPEARS TO BE US MISCHIEF-MAKING BETWEEN THE UK AND OUR ARAB FRIENDS. YOU SHOULD DRAW ON OUR TURS FIRMLY TO REFUTE ANY SUGGESTION THAT WE ARE SUPPLYING IRAN WITH EQUIPMENT WHICH MIGHT MEASURABLY ENHANCE HER MILITARY POTENTIAL. YOU SHOULD PARTICULARLY STRESS THAT:

(A) TOTAL DELIVERIES OF ALL LICENSABLE DEFENCE EQUIPMENT TO IRAN IN THE 4 YEARS 1980 TO 1983 AMOUNTED TO ONLY ABOUT POUNDS 10 MILLION, AND THIS INCLUDED ITEMS LIKE CIVIL AIRCRAFT ENGINES, CIVIL RADAR SPARES, DISTRESS FLARES AND OTHER SUCH ITEMS, WHICH ARE NOT REMOTELY WARLIKE. WE WOULD BE INTERESTED TO KNOW HOW MUCH THE US EXPORTED IN THESE CATEGORIES OVER THE SAME PERIOD.

(B) IN THIS CONNECTION WE HAVE JUST BEEN ASKED TO GIVE A TRANSSHIPMENT LICENCE FOR POUNDS 250,000-WORTH OF US-MANUFACTURED RADAR SPARES FOR THE IRANIAN AIR FORCE. SINCE THE SPARES HAVE BEEN GIVEN A US DEPARTMENT OF COMMERCE EXPORT LICENCE, WE SEE NO REASON TO REFUSE, BUT THOUGHT THE AMERICANS MIGHT BE REASSURED TO KNOW HOW STRICT OUR MONITORING IS.

(C) WE HAVE DENIED OURSELVES MAJOR NEW EXPORT OPPORTUNITIES, E.G. THE 300 CHIEFTAIN TANK ENGINES AND, VERY RECENTLY, A POUNDS SEVEN MILLION ORDER FOR CHAFF-DISPENSING SYSTEMS FOR IRANIAN SHIPS.

(D) THE LIST GIVEN US BY THE IRAQIS APPEARS TO BE A MIXTURE OF MISUNDERSTANDINGS AND PURE FANTASY. WE NOTICE HOWEVER THAT IT INCLUDES 200 SIDEWINDER MISSILES, WHICH ARE US-MANUFACTURED. HAVE SUCH ITEMS PERHAPS BEEN SUPPLIED TO IRAN THROUGH THIRD COUNTRIES?

(E) WE CONSTANTLY HEAR REPORTS OF OTHER US-ORIGIN WEAPONS REACHING IRAN BY CIRCUITOUS ROUTES, ESPECIALLY FROM ISRAEL. WHAT IS BEING DONE TO CHOKO OFF THIS SOURCE OF SUPPLY?

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5. YOU SHOULD CONCLUDE BY EMPHASISING THAT OUR BASIC ATTITUDE TO THE IRAN/IRAQ WAR IS IDENTICAL TO THE AMERICAN ONE. WE WANT TO SEE THE EARLIEST POSSIBLE NEGOTIATED END TO THE FIGHTING: AND IN THE MEANTIME WE WANT TO PREVENT ANY HARMFUL ESCALATION. WE HAVE EXPLAINED OUR POSITION ON ARMS SALES CLEARLY, FULLY AND CONSISTENTLY, AND WE HAVE COOPERATED TO THE FULL IN CONTINGENCY PLANNING. BUT WE DO NOT LIKE 'BEING BAD-MOUTHED' BY THE AMERICANS WITH THE ARABS, AND WANT THIS TO STOP. THE PROPENSITY OF 'OFFICIALS' TO GIVE GARBLED VERSIONS OF CONFIDENTIAL INFORMATION TO THE PRESS COULD PRECLUDE US FROM BEING AS FRANK WITH THEM IN FUTURE.
6. IN REPORTING THE RESULTS OF YOUR DEMARCHE YOU MAY CARE TO SPECULATE ON THE US MOTIVATION (INCLUDING THE PERSONALITIES RESPONSIBLE FOR KEEPING THE CAMPAIGN GOING). IF THE RESPONSE IS UNSATISFACTORY WE MAY NEED TO CONSIDER RETURNING TO THE CHARGE AT MINISTERIAL LEVEL.

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IRAN/IRAQ

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CONFIDENTIAL

MR COLES

SUPPLY OF DEFENCE EQUIPMENT TO SYRIA

The Syrian request for large quantities of British military equipment is odd and there are obvious arguments against a favourable response, at least for the whole package (eg Jordan, US and Israeli reactions, Syrian/Iranian links). But I hope that we can avoid a cut and dried negative reply. We should neglect no opportunity of weakening Syrian links with the Soviet Union. A Syrian break with Moscow seems on the face of it at present highly unlikely. But there have been dramatic changes in the past in the Middle East, most notably Sadat's dismissal of the Russians in 1972. The Soviet position in Syria, as in other Third World countries not actually abutting on the Soviet Union, is not fundamentally strong. The internal situation in Syria shows signs of reverting to traditional instability. There may be openings. Expression of interest and careful exploration seems the right answer.

u

PERCY CRADOCK

1 May 1984

c.d.k.

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Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

30 April 1984

A J Coles Esq.  
10 Downing Street  
LONDON  
SW1

Await defence treaty  
and S.U. to me on  
7 May.

AR 1/5.

Dear John

**SUPPLY OF DEFENCE EQUIPMENT TO SYRIA**

In your letter of 10 April to Richard Mottram you asked for written reactions to the recent proposal from the Syrians.

The Chancellor shares colleagues' concerns about the political and security difficulties of supplying large quantities of advanced defence equipment to Syria. He is also aware that, even if the Syrian approach is a serious one, which seems questionable, in her current economic state Syria could not afford to pay for anything like the proposed quantity of equipment and there is no guarantee that the Saudis or anyone else would be prepared to supply the cash.

In these circumstances therefore the Chancellor supports the Foreign Secretary's suggestion of a low key exploratory response through our Ambassador in Damascus. It will be important not to give the Syrians any reason to believe that it will be possible for us to supply the more contentious items on the list.

The Chancellor would wish to be kept in touch with developments. I am copying this letter to Richard Mottram, and the other recipients of your letter of 10 April.

Yours sincerely  
David Peretz

D L C PERETZ  
Principal Private Secretary



Middle East ft 3

Amis Sales





Foreign and Commonwealth Office

London SW1A 2AH

25 April 1984

*Await Chancellor**John S. ...*Supply of Defence Equipment to Syria

In your letter of 10 April you asked for written reactions to the proposal by the Syrian Minister of Defence, General Tlass, inviting us to supply a massive package of British military equipment.

This is only the latest of a number of ambitious but indirect Syrian requests for defence equipment. Most of the items on the latest list have been included earlier; the only completely new item is Jaguar. In 1980 the Syrians expressed interest in Hawk jet trainers; in 1981 in Chieftain tanks, Swingfire anti-tank missiles, Rapier surface-to-air missiles, NAIAD (nerve agent detectors) and Lynx helicopters and in 1983 they asked Vickers Ltd about main battle tanks, 150 mm Howitzers, submarines and fast patrol boats.

In response we gave in 1980 political clearance for the supply of Hawk trainers and in 1981 for Rapier. Other items which we have agreed to supply are fast patrol boats (1976), Lynx helicopters, Bofors guns and tank transporters (all in 1981). Last year we authorised Vickers Ltd to proceed with discussions with the Syrians but without commitment to supply. Despite the hopes raised here and the effort invested in this subject no (no) major sales to Syria have resulted.

Since the Israelis in June 1982 destroyed much of the Syrian Air Force, the Soviet Union has supplied large quantities of sophisticated new equipment. The Syrians therefore probably have as much new equipment as they can expect to absorb for some time. It is clear, however, that some senior Syrian officials would like to diversify Syria's sources of supply and so reduce their dependence on the Soviet Union. The Syrians have made overtures in the last few months to the Federal Republic of Germany and Belgium. They will also have discussed their requirements with the French.

/The current



The current political instability in Syria is a relevant factor. President Assad's illness last November sharpened the struggle for the succession between the President's brother, Riffat-al-Asad, and his rivals. This has abated somewhat, but may only be resolved in open violence. General Tlass is not, however, involved in this. He holds an important post, is close to the President, and has some popularity in the army; but he is not thought to have a power base of his own. The weakness of the Syrian economy and shortage of foreign exchange are further factors of uncertainty. Although British Aerospace have told us that the Syrians expect the Saudis to pay for Western equipment, we cannot be sure that the Saudis will do so and their budget is under some strain.

The Syrians may not expect us to take their latest equipment request as it stands and purely at face value. It is difficult to tell whether it is a considered bid, properly agreed at the political level. We shall need more hard information before we can assess it correctly and respond appropriately. As an Arab, General Tlass will not expect an early yes or no to the package bid he is dangling before us. There is plenty of scope for bargaining: and he must know that several of the items are simply not possible. The Syrians will, however, look carefully at the tone and manner of our initial response. Even a much reduced list might ultimately produce valuable sales, and useful political fall-out.

Apart from its commercial implications for British industry, the main argument for responding favourably, at least in part, to this enquiry is the general Western interest in loosening Syria's ties with the Soviet Union. A major Western arms deal would be a severe blow to the Soviet position in the Middle East. By signing such a deal, the Syrians might even risk a rupture with Moscow comparable to the Soviet/Egyptian break in 1972. But there is no serious evidence that the Syrian leadership is ready to take such a risk. The Syrians might be tempted by that course only if they were sure that the United States was ready to change its policies towards the Middle East radically: and that is hardly likely, at least in the near future. Tlass's approach may therefore be intended primarily to test European attitudes: any European willingness to supply may, moreover, help Syria in her bargaining with the Soviet Union.

/There are



There are important arguments against the supply of large quantities of advanced defence equipment to Syria. These arguments would diminish if the quantities and types of equipment were scaled down. In particular:

- a) King Hussein of Jordan sees Syria as a major threat. He would react badly to the supply of equipment which could be used against him.
- b) Although the Americans claim that they share the objective of weaning Syria away from the Soviet Union, they have recently been in direct confrontation with the Syrians in Lebanon. They would strongly oppose the supply of equipment which increased Syria's offensive capability.
- c) Syria continues to occupy part of Lebanon. Its claim to be there at the invitation of the Lebanese Government is increasingly threadbare. Our policy is to promote reconciliation and the withdrawal of all foreign forces, including those of Syria. Major British arms sales at this time might appear to endorse continuing Syrian occupation of parts of Lebanon.
- d) With the exception of Challenger, none of the equipment sought by General Tlass would add significantly to the offensive capability of Syria. Although supply would therefore not (not) upset Israel's present military advantage over Syria, Israel and her friends in this country would vigorously oppose it, especially at a time when we are refusing to supply lethal equipment to Israel.
- e) Syria has close links with Iran. We could not guarantee that equipment supplied to Syria would not end in Iranian hands, thereby prolonging the war and damaging our relations with Iraq and the Gulf. The Amir of Bahrain expressed his anxiety on this point to the Prime Minister last week.

Against this background, Sir Geoffrey Howe thinks that we should not reject the Syrian approach out of hand. It is in our interest to encourage pro-Western tendencies there. But the disadvantages of agreeing to supply major items like Jaguar bombers and tanks clearly far outweigh the possible benefits. Security arguments would be likely to rule out Challenger tanks and the Blindfire version of Rapier. We could however seek to scale down the Syrian bid and respond favourably as far as we could to the balance. We have already cleared supply of Hawk trainer aircraft and the daylight version of Rapier. Subject to clarification of Syrian requirements, we see little difficulty about Plessey early warning radar.

/In concrete



In concrete terms, Sir Geoffrey Howe thinks the next step might be to instruct our Ambassador in Damascus, perhaps reinforced by a senior MOD emissary, to seek an interview with General Tlass. The aim would be to express interest in his letter, explore its implications, try to obtain first-hand indications of how serious this latest approach may be and encourage Syrian interest in the less contentious items on the list. The Ambassador might also be instructed to raise with Vice President Khaddam the question of how far the Syrians want to build up their military co-operation with us. This might give us some idea of how far General Tlass's letter has the backing of the regime as a whole. In the light of the results, Ministers could then take decisions on a more firmly-based Syrian shopping list.

I am sending a copy of this letter to Richard Mottram (Ministry of Defence), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry) and to Richard Hatfield (Cabinet Office).

*You are*

A handwritten signature in blue ink, appearing to read 'R B Bone'.

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

Middle East : Arms Sales A3.



SECRET AND PERSONAL

CF

26 Copy 11  
Hold until SS/Def, FCO  
and Chancellors have  
minuted

AT 19/4

PRIME MINISTER

SYRIAN REQUEST FOR DEFENCE EQUIPMENT

In your Private Secretary's letter of 10 April you invited written reactions to the Syrian Defence Minister's request, reported in Michael Heseltine's minute of 5 April, for the supply of a wide range of military equipment.

2 I believe that the request is of sufficient interest and importance to warrant very careful consideration indeed.

The commercial advantage is clear cut. Although the Syrian shopping list reflects earlier requests, there is the important addition of the Jaguar attack bomber. It therefore offers important opportunities for the aerospace, electronics and advanced engineering sectors of British industry which are particularly welcome at a time when orders for similar equipment are not forthcoming from countries hard-pressed by external debt problems. Quite apart from the defence sales themselves, any goodwill

SECRET AND PERSONAL



SECRET AND PERSONAL

created by defence sales would improve the climate for increasing our share of the civil market in Syria. I recognise that defence sales would have to be mainly on a cash basis; Syria's economic prospects would preclude ECGD credit for more than a modest proportion of the shopping list. British Aerospace, who have been closely involved in the negotiations with Syria, tell me that there is every prospect of cash payments: when Rapiers were under negotiation, the Syrians were prepared to put down a 10 per cent deposit with their order; and make substantial further advance payments.

3 Security objections to the supply of some items on the Syrian shopping list are primarily for others although I would hope that we would be as flexible as possible. Political animosity to defence sales to Syria are also predictable, particularly from the United States, Israel, Jordan and possibly Iraq too unless we are able to pre-empt any indirect benefit to the Iranians. Against these considerations, however, must be weighed the strong possibility that the balance of power in the area would be altered anyway, since the French will be a potential supplier; and the opportunity to undermine Soviet influence in Syria by weaning the Syrians off their total dependence

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SECRET AND PERSONAL

on Soviet arms supplies. We should also consider the possibilities for leverage on Syrian policies towards Lebanon, Israel and the Iran/Iraq war; but one should perhaps not expect too much in that direction.

4 The commercial benefit and possible political gains argue for taking the Syrian approach very seriously. I therefore favour exploratory talks with the Syrian Defence Minister at least about those requirements in respect of which we have previously indicated a readiness to supply.

5 I am sending a copy of this letter to Geoffrey Howe, Nigel Lawson and Michael Heseltine, and to Sir Robert Armstrong.

NJ

N T

18 April 1984

JH1ALD

SECRET AND PERSONAL

Middle East: Army Sales #73.



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TO IMMEDIATE FCO

TELEGRAM NUMBER 123 OF 11 APR 84

INFO PRIORITY WASHINGTON, UKMIS NEW YORK, UKDEL NATO, TEHRAN  
BAGHDAD, GULF POSTS

FROM EGERTON

YOUR TELNO 659 TO WASHINGTON: GULF CONTINGENCY PLANNING: OMANI  
REACTIONS

1. SUMMARY. OMAN ACCEPTS THE NEED FOR PLANNING BUT IS WORRIED BY MEMORIES OF LEBANON: A HASTY US INVOLVEMENT, MISJUDGEMENTS IN WASHINGTON, A WITHDRAWAL OF PUBLIC SUPPORT AND AN UNDIGNIFIED EXIT, LEAVING FRIENDS IN THE MIRE. BRITAIN'S ROLE SEEN AS SLOWING THE AMERICANS DOWN AND FINE-TUNING THEIR RESPONSES. PRINCIPLES OF THE APPROACH TO THE PLANNING EXERCISE EXPLAINED, ALSO THAT IN A SUDDEN CRISIS IDEAL COURSES MAY NOT BE POSSIBLE. NO SPECIFIC OMANI WORRIES, OR REQUESTS.

2. WHEN I CALLED WITH HM AMBASSADOR ON YOUSUF AL ALAWI ON 9 APRIL, I TOOK HIM THROUGH THE PRINCIPLES WE ARE SEEKING TO ESTABLISH WITH THE US IN OUR CONTINGENCY PLANNING. DIPLOMATIC ACTION SHOULD BE THE FIRST RECOURSE IN ANY CRISIS, MILITARY ACTION SHOULD BE KEPT TO THE MINIMUM NECESSARY TO MEET THE THREAT, AND SHOULD BE AT THE PUBLISHABLE INVITATION OF ONE OR MORE GULF STATES OR ORGANISATIONS. THE GULF SHOULD NOT BE ALLOWED TO BECOME ANOTHER AREA OF EAST-WEST CONFRONTATION. I ADDED THAT IT SEEMED TO US IMPORTANT TO CONSULT OUR GULF FRIENDS AT EVERY STAGE OF THIS EXERCISE (HENCE MY VISIT TO OMAN AND THE UAE), SO THAT THEIR VIEWS COULD BE FED IN AND TAKEN ACCOUNT OF. OUR PLANNING WAS STARTING TO FOCUS ON OTHER THAN WORST CASE SCENARIOS, EG THE MORE SUBTLE PROBLEMS POSED BY IRANIAN-INSPIRED TERRORISM OR SUBVERSION OF THE FABRIC OF, OR AMENITIES IN, THE GULF STATES, INCLUDING THREATS TO OFFSHORE OIL INSTALLATIONS, DISTILLATION PLANTS ETC. HOW DID OMAN SEE SUCH THREATS IN RELATION TO HERSELF? HAD THEY DISCUSSED THEM WITH THE AMERICANS? HOW DID THEIR RELATIONS WITH THE US MILITARY NOW STAND?

3. ALAWI SENT HIS WARMEST REGARDS TO MR LUCE. OMAN WAS ALARMED AT THE SCALE OF US CONTINGENCY PLANNING AND THE VERY DETAILED NAVAL AND AIR FORCE MOVEMENTS THAT LAY BEHIND IT. IT SEEMED CALCULATED TO SCARE RATHER THAN DETER IRAN. HE WOULD PURSUE THESE QUESTIONS WITH UNDER-SECRETARY MURPHY, NOW DUE HERE NEXT WEEK, AND PERHAPS WITH VICE-PRESIDENT BUSH DURING HIS 3-DAY VISIT IN MID-MAY. THE BASIC OMANI FEAR WAS THAT THE AMERICANS WOULD DASH IN QUICKLY TO CORRECT AN IRANIAN 'PROVOCATION',

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mo  
/USE

USE TOO MUCH FORCE IN DOING SO, FIND THEMSELVES ENMESHED IN A SITUATION WHICH NEEDED THE PRESENCE OF GROUND FORCES (WHICH COULD ONLY BE PROVIDED BY THE US), AND THEN PULL OUT WITH THE JOB HALF-FINISHED, IN DEFERENCE TO CONGRESS OR AMERICAN PUBLIC OPINION, AS IN LEBANON. THIS WOULD LEAVE AMERICA'S PARTNERS<sup>AND FRIENDS</sup> UP AGAINST A BRUISED AND REVENGEFUL IRAN. OMAN LOOKED TO THE UK TO PERSUADE THE AMERICANS TO BE REALISTIC BOTH IN THEIR CONTINGENCY PLANNING AND ABOVE ALL, IN THEIR RESPONSES TO IRANIAN PROBING AND PINPRICKS. "YOU MUST SLOW THE US DOWN". THE GCC AS SUCH WOULD NOT REACT TO US CONTINGENCY PLANS PUT TO INDIVIDUAL MEMBERS, AND OF THEM, PERHAPS ONLY SAUDI ARABIA AND BAHRAIN WOULD TAKE CONTINGENCY PLANNING TALKS WITH THE US SERIOUSLY. HE IMPLIED THAT OMAN WOULD DO SO TOO, BUT WOULD NOT (NOT) BE RUSHED INTO IT.

4. I SUGGESTED THAT OMAN OR INDEED THE GCC MIGHT ADOPT SOME OF THE UK'S PRINCIPLES, AS I HAD EXPLAINED THEM, IN RESPONDING TO US APPROACHES TO GET DOWN TO BRASS TACKS. A US TEAM WAS IN LONDON THAT DAY AND IT WAS LARGELY DUE TO THE OMANI REQUEST FOR AN MCM FORCE IN DECEMBER THAT OUR CONTINGENCY PLANS HAD MADE SO MUCH PROGRESS. THAT FORCE HAD NOW REACHED GIBRALTAR AND WOULD LEAVE FOR THE EASTERN MEDITERRANEAN ON 14 APRIL. WE HAD NO (NO) INTENTION AT PRESENT OF MOVING IT CLOSER TO THE REGION, SINCE WE VERY MUCH AGREED WITH THE OMANI VIEW THAT NOBODY SHOULD CONTRIBUTE TO GRATUITIOUS BUILDING-UP OF TENSION. ON THE OTHER HAND AN INCIDENT COULD FLARE UP QUICKLY, AND WOULD HAVE TO BE DEALT WITH PROMPTLY. HENCE OUR PLANNING.

5. I GAVE ALAWI A BRIEF ACCOUNT OF HOW THE HOSTILITIES ON THE GROUND STOOD, AND SUGGESTED THAT WHILE THE SHORT TERM PROSPECTS FOR IRAQ WERE NOT TOO BAD, THIS WAR WOULD NOT GO AWAY.

6. ON THE DETAILED POINTS IN PARA 9 OF YOUR TUR, ALAWI CERTAINLY ACCEPTS (A) THE NEED FOR A PUBLISHABLE REQUEST. HE IS A LEADING EXPONENT OF (C), APPROVAL FOR REQUIRED FACILITIES NOT (NOT) TO BE TAKEN FOR GRANTED (THE DIFFICULT NEGOTIATIONS OVER THUMRAIT). FURTHERMORE THE WHOLE TENOR OF HIS REMARKS SUGGESTS THAT HE GRUDGINGLY ACCEPTS (D), BUT HOPES AGAINST HOPE THAT ANY US MOVE WILL BE PRAGMATIC, PROPORTIONATE TO THE THREAT, AND INTERNATIONALLY DEFENSIBLE. I DISCUSSED (D) - EXTRA HELP AGAINST SUBVERSION - WITH TEMPLE, HEAD OF ORD. HE IS ALERT TO THE THREAT OF INFILTRATORS FROM IRAN BUT IS CONFIDENT THAT THOUGH THEY COULD CARRY OUT AN ACT OF MINOR SABOTAGE ON A "ONE-OFF" BASIS, THEY WOULD HAVE INADEQUATE BACK-UP FOR ANYTHING MAJOR AND WOULD BE QUICKLY EXPOSED AMONGST A SMALL AND SECURITY CONSCIOUS POPULATION (INCLUDING FOREIGN LABOUR).

2  
SECRET ECLIPSE

/7.

SECRET ECLIPSE

7. ON THE "GATEHOUSE" CONCEPT, WHEN I FLEW TO GOAT ISLAND IN THE HORMUZ STRAIT ON 10 APRIL I SAW ABOUT 12 TANKERS AND FREIGHTERS ASSEMBLED AND LYING SOUTH OF KHOR FAKKAN. THERE THUS EXISTS AN UNOFFICIAL BUT HABITUAL GATHERING POINT OUTSIDE THE STRAIT. IN THEORY SOME KIND OF CHECK OF THE NEUTRAL AND INNOCENT NATURE OF THESE VESSELS SHOULD BE EASY TO ARRANGE, AND PUBLICISE INTERNATIONALLY.

SLATER

THIS TELEGRAM  
WAS NOT  
ADVANCED

IRAN/IRAQ  
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DEFENCE DEPT  
MR EGERTON  
CABINET OFFICE

ADDITIONAL DISTRIBUTION  
IRAN/IRAQ

3  
SECRET ECLIPSE

KCPC

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Foreign and Commonwealth Office

London SW1A 2AH

11 April 1984

Dear John,

AA 1/4

h-a.

UK Defence Assurances to the UAE

I attach the original of the reply from Shaikh Zaid, President of the UAE, to the Prime Minister's message of 7 February on UK defence assistance to the UAE. We received an advance copy of the text in Abu Dhabi telegram no 67 of 26 March.

The reply is very warm in tone, and HM Ambassador was assured by the Head of the President's Office that Shaikh Zaid was genuinely pleased with the Prime Minister's assurances.

It is unlikely that the UAE will want to pursue this subject further at the highest level. However, the Director of Military Assistance Overseas visited Abu Dhabi in February and made a number of offers of military training and assistance, which are being followed up with the UAE authorities.

I am copying this letter to Richard Mottram (MOD).

Yours ever,

(P F Ricketts)  
Private Secretary

Peter Ricketts

A J Coles Esq  
10 Downing Street

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Middle East Annals Series  
Pt 3

Foreign and Commonwealth Office  
London, W 1A 1AA



1 APR 1984





file

cc: P.C.

24

R07

10 DOWNING STREET

From the Private Secretary

10 April, 1984

Len Lilford,

SYRIAN REQUEST FOR ARMS

The Prime Minister has seen your Secretary of State's minute of 5 April reporting that he has received a formal request from the Syrian Minister of Defence inviting us to supply a wide variety of military equipment.

Before considering whether to call a meeting on this matter, the Prime Minister would be grateful for written reactions to the Syrian proposal from the Foreign and Commonwealth Secretary, the Trade and Industry Secretary and the Chancellor of the Exchequer.

Mrs. Thatcher's first reaction is that she very much doubts whether it will be possible to agree to supply the weapons requested by the Syrians.

I am sending a copy of this letter to Len Appleyard (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry) and to Richard Hatfield (Cabinet Office).

Yours ever  
for Cole.

R. Mottram, Esq.,  
Ministry of Defence.



JCCPC



Prime Minister.

MO 26/9/4

Would you like a meeting, after Easter, with :-

I would rather get their reaction in writing first. I just don't think it's possible to give to supply them

- Defence Secretary
- Trade Secretary
- Foreign Secretary
- Chancellor ?

PRIME MINISTER Wapors.

mt

A. J. C. 9/4

You will wish to be aware that I have received a formal request from the Syrian Minister of Defence inviting us to supply Challenger tanks, Jaguar ground attack aircraft, Hawk trainer aircraft, Rapier air defence missiles and an early warning radar system. I attach a copy of his letter to me, together with a translation.

2. The value of the total order is very broadly £4 billion. This would be an immense prize for British industry: even an order for just one of the equipments the Syrians have mentioned would be very valuable. But the political difficulties speak for themselves - the effect on the Middle East military balance, the Israeli reaction, the American view and so on. My officials are now undertaking an urgent assessment of the implications of the Syrian approach, and they will be in touch with other departments as necessary. But because of the very unusual nature of this request, I think that it would be helpful if you were to call a meeting with the Ministers most directly concerned to discuss it in advance of the completion of the assessment by officials. I know that Norman Tebbit agrees with me that such a meeting would be helpful.

3. I am sending a copy of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry, and to Sir Robert Armstrong.

Ministry of Defence  
5th April 1984



الرقم / ٢١٢٢ /  
التاريخ ٢١ / ٢ / ١٤٠٦ هـ  
الموافق ١٦ / ٢ / ١٩٨٤

العماد مصطفى طلاس

السيد مايكل هزل تامين المحترم

وزير الدفاع البريطاني

تحية وبعد :

يرجى الموافقة على تزويد القوات المسلحة السورية بالعتدة

البريطانية التالية :

- ١ - منظومة دفاع جوى من طراز (RaaPersBlend) عدد عشرة
  - ٢ - طائرات مقاتلة قاذفة من طراز جاكوار ( ١٢٠ ) طائرة  
• اضافة ( ٦ للتدريب )
  - ٣ - دبابات شيفتين او تشالنجر من الجيل الجديد ( ٣٥٠ ) دبابة
  - ٤ - طائرات هوكس للتدريب ( ٦٠ ) طائرة •
  - ٥ - نظام قيادة وانذار وتوجيه رادارى من شركة ( بلسي ) وفي حال موافقتكم على هذه البنود او بعضها نرغب اعطاء توجيهاتكم الى المختصين في وزارتكم للتوجه الى دمشق للتباحث مع مكتب تأمين الجيش لدينا حول الاسعار ومواعيد التسليم •
- مع اطيب التمنيات لكم بالصحة لتمكنوا من تحمل اعباء مسؤولياتكم •

المخلص

العماد مصطفى طلاس

نائب القائد العام - نائب رئيس مجلس الوزراء

وزير الدفاع



TRANSLATION OF LETTER RECEIVED FROM THE SYRIAN MINISTER OF DEFENCE

Ref: 3124 dated 16th March 1984

---

The Hon. Michael Heseltine,  
Ministry of Defence

Greetings,

We would appreciate it if you could supply the Syrian Armed Forces with the following British products:-

1. Rapier Air Defence Missile System - "Blindfire"  
Quantity: 10 Batteries
2. Jaguar Attack Bombers  
Quantity: 120 aircraft plus 6 training aircraft
3. Chieftan or Challenger tanks (latest model)  
Quantity: 350 vehicles
4. Hawk Trainer Aircraft  
Quantity: 60 aircraft
5. Early Warning Radar System - to be supplied from Plessey

In the event of your agreement to the following items (or some of them), we would like you to send a team from your Ministry to Damascus to discuss with the "Requirements Office", prices and the delivery dates of the products.

Best greetings and regards

Maj.General Moustafa TALAS

Deputy Commander of the Armed Forces

Deputy Prime Minister and Minister of Defence



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CEPC

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B.06715

PRIME MINISTER

c Sir Robert Armstrong

OD: Supply of Naval Equipment to Iran

BACKGROUND

Flag A

1. The Secretary of State for Defence minuted the Foreign and Commonwealth Secretary on 23 March, saying that an urgent decision was required on whether to grant Wallop Industries an export licence to honour a contract to supply a naval chaff decoy system, known as Barricade, to Iran. The firm was given initial approval to supply the system in April 1983, following the customary interdepartmental consultations. They subsequently negotiated a contract worth £7.85 million to supply 15 systems, with deliveries commencing in March this year. To date they have committed £4 million to the contract, and provided the Iranians with a guarantee of £400,000 against shortfalls in meeting the contract.

Barricade is of little effectiveness when deployed on ships of frigate size and above, but could limit the effectiveness of anti-ship missiles, such as those in our own armoury, when fired at smaller craft such as the small attack craft operated by the Iranian navy.

2. The situation in the Iran/Iraq war has deteriorated since the initial approval for export of this equipment was given, and there is now a real possibility that Western naval forces might have to engage Iranian forces in the Straits of Hormuz if Iran attempted to carry out its threat to block the Gulf. The question of whether Barricade should be exported to Iran has therefore been reviewed. The Defence Secretary acknowledges that if we were to find ourselves engaged in operations against Iranian forces, it would be difficult to justify the fact that we had supplied Iran with



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even a relatively unsophisticated decoy system, but points out that there is little doubt that they would be able to obtain similar equipment from elsewhere if an export licence were to be withheld. If a licence were to be withheld, the judgement is that the firm would go bankrupt in a matter of days. The Royal Navy has no requirement for equipment of this type, and there is no other defence work which could be brought forward to help out the firm. The Defence Secretary acknowledges that the problem presents a difficult political choice. To refuse a licence, and allow the firm to go bankrupt would attract considerable criticism. But to allow the sale to proceed would also attract criticism, not least from the Americans, although it could be pointed out to them that the system is limited in capability, would not be fitted for six months, and that the Iranians could easily obtain something similar from an alternative source of supply.

3. Mr Heseltine reports that there is strong military advice that a licence should be refused. But on balance, and in view of the industrial consequences and the fact that Barricade is a defensive system and supplying it would therefore be consistent with British policy, Mr Heseltine takes the view that a licence should be granted. If a licence were not granted, and in the light of earlier assurances given to the firm, the Defence Secretary believes that it would be necessary to consider compensation.

Flag B

4. The Foreign and Commonwealth Secretary, in his minute of 28 March, says that in the normal course of events he would be prepared to agree the release of Barricade to Iran as being consistent with the Government's general policy towards arms sales to Iran and Iraq. But Sir Geoffrey Howe draws attention to the difficult question of timing relative to our discussions with the Americans over contingency



SECRET

planning against the possibility that the situation in the Gulf deteriorates further and the Straits of Hormuz are blocked. Given Barricade's potential use in defending Iranian naval craft against British missiles, a decision to release it would be difficult to present to the Americans, who are preoccupied by the possibility of 'Kamikaze' attacks, and will react very adversely to anything which might increase Iranian forces' effectiveness. Reluctantly, Sir Geoffrey Howe believes it may be necessary to refuse a licence because of the potential implications for our own and our allies' forces.

Flag C

5. The Secretary of State for Trade and Industry, in his letter of 29 March to the Defence Secretary, supports the granting of a licence on the grounds that a refusal would force Wallop Industries out of business, and would be difficult to defend if the Iranians could readily obtain similar equipment from elsewhere.

Flag D

6. The Chancellor of the Exchequer, in his letter of 30 March to the Defence Secretary, has indicated that he would be content to see an export licence withheld in this case, if the Defence Secretary and the Foreign and Commonwealth Secretary agreed with this course. He is not satisfied that a case for paying compensation to Wallop Industries has been established and, if this is agreed, would expect it to be found from within existing expenditure programmes.

Flag E

7. The Chancellor of the Duchy of Lancaster, in his minute of 30 March to the Foreign and Commonwealth Secretary, records his impression that British policy had been not to supply ammunitions of war to either side involved in a conflict. Lord Cockfield believes that the distinction between "offensive" and "defensive" equipment is untenable, and observes that in the case of this particular equipment, although it is



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intrinsically defensive in nature, its purpose is to allow an offensive system to operate. The Chancellor of the Duchy also expresses misgivings as to why the initial approval to export the equipment was ever given. He is unconvinced by the argument that the Americans would react sharply to the supply of Barricade to Iran, but believes the right course is to refuse to grant a licence, even if that involves paying compensation to the firm.

8. The Secretary of State for Trade and Industry will be unable to attend the meeting and will be represented by the Minister of State, Department of Trade and Industry (Mr Lamont). The Chief Secretary, Treasury, has also been invited to attend.

#### HANDLING

9. You should invite the Defence Secretary to introduce the discussion. The Foreign and Commonwealth Secretary and the Minister of State, Department of Trade and Industry might then be invited to comment. The central issue for decision is whether the industrial arguments in favour of granting a licence outweigh the foreign policy and defence considerations in favour of refusal. Points to establish in discussion are -

a. When Ministers in OD(EM) last considered the question of arms sales to Iran and Iraq, and the particular issue of tank-related spares for Iran (OD(EM)84 1st Meeting, Item 2), concern was expressed that if Britain frustrated the Iranians' desire to obtain certain items of defence equipment which British firms had contracted to supply to them, they might retaliate by taking terrorist reprisals against British interests. How seriously will Iran react to a decision to refuse an export licence for Barricade? Might the Iranians resort to terrorist reprisals against British interests?



SECRET

b. Do the Committee agree that the distinction between "lethal" and "non-lethal" items of defence equipment is a real one, and that the sale to Iran of Barricade could convincingly be presented as being entirely consistent with the Government's policy on arms sales to Iran and Iraq during the present conflict?

c. How seriously would a decision to let the sale go ahead prejudice consultation with the United States about contingency planning in the Gulf?

d. In what terms was initial approval for the contract given to Wallop Industries? How clearly would the company have understood that approval did not carry any guarantee that an export licence would be granted? Has the company any legal claim against the Government if an export licence is refused?

e. The Government has hitherto taken the position that compensation is not paid to commercial interests which are affected by measures taken in the national interest. For example, British Caledonian were not compensated for the revenue lost as a consequence of the cessation of their services to Argentina as a result of the Falklands conflict. If an export licence is to be refused, should an exception to this practice be made to compensate Wallop Industries? Would this create an undesirable precedent?

f. Irrespective of the decision reached in this case, do the arrangements for granting initial approval to export military equipment need to be reviewed?

#### CONCLUSION

10. Subject to the points made in discussion, you will wish the Committee to reach decisions on -





SECRET

- i. whether an export licence for the sale of Barricade to Iran should be granted to Wallop Industries;
- ii. if not, whether the Government should consider compensating the firm for its lost business.

The Committee might also agree -

- iii. to invite the Secretary of State for Defence, in consultation with the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry, to review the arrangements for granting initial approval for the export abroad of arms and defence equipment.

*David Goodall*

A D S Goodall

4 April 1984

SECRET



*u pc*  
*21*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

30 March 1984

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
London SW1

*To be discussed in OD.*

*A.S.C. 7/4.*

*John Michael*

SUPPLY OF NAVAL EQUIPMENT TO IRAN

Thank you for sending me a copy of your minute of 23 March to Geoffrey Howe. I have also seen his reply of 28 March.

There are good arguments both for and against granting an export licence. It is a difficult decision and whichever way it goes it is bound to cause public controversy. I note that the weight of the advice given by your Department and the FC0 is against granting a licence. If you and Geoffrey agree to go along with that advice, then I should be content.

You suggest that if a licence is refused we should consider compensation to Wallop Industries. I take it that we have no obligation to pay compensation, given that the initial approval granted a year ago did not guarantee an export licence, and that any payment would be ex gratia. The situation in the Gulf has worsened considerably since initial approval was given a year ago, and Wallop Industries must have been aware of the risks involved in such a contract. But, clearly, we need to know the terms of the initial approval and other relevant facts - I suggest our officials should get together right away.

If compensation is agreed, then I shall expect the money to be found from within existing expenditure programmes.

I am copying this letter to the Prime Minister and other colleagues in OD.

*John*  
*Nigel*

NIGEL LAWSON

MIDBUS EAST. Arms Sales  
PK3



-2 APR 1984



Chancellor of the Duchy of Lancaster

*APC*  
20  
To be discussed at  
ad next week.

FOREIGN AND COMMONWEALTH SECRETARY

*A.S.C. 30/3.*

SUPPLY OF NAVAL EQUIPMENT TO IRAN

Thank you for copying to me your minute of 28 March to the Secretary of State for Defence in response to his minute to you of 23 March.

1. I do not know whether there are firm guidelines on the policy to be followed where a state of war exists. But my impression had always been that in such circumstances we did not supply munitions of war to either of the combatants. Any attempt to distinguish between "offensive" and "defensive" equipment seems to me to be quite unreal. London during the war was defended by a combination of anti aircraft guns and barrage balloons. Were both "defensive"? Or were the guns "offensive" - because AA guns could and were used as ordinary artillery - and the balloons "defensive"? In the present case we are dealing with "defensive" equipment designed to allow an "offensive" weapon viz a fast motor torpedo boat, to operate. The distinction is untenable.
2. What worries me is why "initial approval" was ever given. Was it because of lack of proper guidelines? Or a failure to understand the guidelines? Or a simple mistake?
3. The reference to the Americans I find unconvincing in view of their attitude to the supply of arms to the Argentine. But leaving that element of prejudice on one side, I would think that the right answer is to say "no" even if it means paying compensation. We were with good reason pretty outraged at our ships being sunk by French Exocets.
4. I am copying this minute to the recipients of yours.

*A.C.*  
A C

30 March 1984



JU97

Secretary of State for Trade and Industry

cc JE 19 (10)

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

29 March 1984

SECRET

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
London SW1

Await OD discussion.

A.T.C.  $\frac{29}{3}$ .

*R Michael,*

SUPPLY OF NAVAL EQUIPMENT TO IRAN

Thank you for sending me a copy of your minute of 23 March to Geoffrey Howe. I have also seen the minute from the Foreign Secretary.

2 I agree that in the circumstances surrounding this case the decision is a very difficult one but I am sure that you are right in taking the view that on balance the export licence should be granted. It would be very unfortunate if a small company like Wallop Industries, after devoting substantial efforts and resources to securing an important contract in the expectation that the export would be approved, were forced out of business. It would be difficult to defend a refusal, if the Iranians could readily obtain similar equipment from elsewhere.

3 I am copying this letter to OD colleagues and to Sir Robert Armstrong.

*Norman*

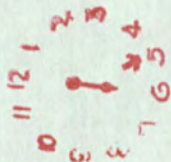
NORMAN TEBBIT

SECRET

Middle East : Arms Sales : P/B



29 MAR 1984





FCS/84/96

SECRETARY OF STATE FOR DEFENCE

18  
This is to be discussed  
at OD next week.

A. &amp; C. 29/3

f.a.

Supply of Naval Equipment to Iran

1. Thank you for your minute of 23 March, on the application by Wallop Industries to supply their naval chaff decoy system, known as 'Barricade', to Iran. This is clearly a difficult problem, and I note that, although you are on balance inclined to take the view that we should agree to supply, there is strong military advice that the application should be refused.
2. Our policy on arms sales to Iran and Iraq is that as long as the present conflict continues we should supply lethal equipment to neither side. 'Barricade' however is a defensive system, and in the normal course I would be inclined to agree to its release; indeed this was our original view, until we learnt that there might be operational difficulties for our own or friendly forces, if it was supplied to the Iranians.
3. This, however, is a particularly difficult time, in that we are in close contact with the Americans over contingency planning, against the possibility that the situation in the Gulf will deteriorate further and the Straits of Hormuz become blocked. As you know, the Americans have shown themselves very sensitive over arms sales to Iran, and we have had to defend our stance in detail. In the course of his visit to Washington last week, Richard Luce laid particular stress on our own interest in ensuring that nothing was supplied to either side which could subsequently be used against us. This

/point



point was well taken by the Americans. If the Ministry of Defence view is indeed that, while the 'Barricade' system is of little use to ships of frigate size and above, it could, nevertheless, help small vessels such as the fast attack craft of the Iranian Navy to limit the effectiveness of our missiles, a decision to release it will be difficult to defend to the Americans. They are much preoccupied by the possibility of 'kamikaze' attacks, and will react very adversely to anything which might increase Iranian effectiveness.

4. Although I am reluctant to suggest this course, I believe it may be necessary to refuse this application, notwithstanding the advanced stage of the proposal, because of its implications for our own and our allies' forces. But I should welcome OD colleagues' views before we come to a final decision.

5. I am copying this minute to the Prime Minister and other colleagues on OD.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
28 March 1984



Middle East Arms Sales Pt 3

28 FEB 1984



# RESTRICTED

GRS 100

RESTRICTED

FM PARIS 271530Z MAR 84

TO ROUTINE FCO

TELEGRAM NUMBER 392 OF 27 MARCH

INFO BEIRUT, DAMASCUS, WASHINGTON, UKMIS NEW YORK

INFO SAVING TEL AVIV

MY TELNOS 377 AND 389 : FRANCE/LEBANON

1. THE QUA I HAVE CONFIRMED TO US THE ACCURACY OF PRESS REPORTS THAT THE FRENCH ARE TO SEND ABOUT 40 OBSERVERS TO BEIRUT. THE OBSERVERS, OFFICERS AND NCO'S OF THE FRENCH ARMY, ARE TO ARRIVE BEFORE THE DEPARTURE OF THE LAST ELEMENTS OF THE FRENCH CONTINGENT ON 31 MARCH, AND ARE BEING SENT AT THE REQUEST OF THE LEBANESE GOVERNMENT AND MAIN OPPOSITION GROUPS. ACCORDING TO THE QUA I THEIR PRECISE TASKS ARE STILL UNDER DISCUSSION, BUT BASICALLY THEIR FUNCTION WILL BE TO SUPERVISE THE CEASEFIRE AGREED IN LAUSANNE.

FCO PASS SAVING TEL AVIV

FRETWELL

(REPEATED AS REQUESTED)

MULTINATIONAL FORCE IN LEBANON (MNF)  
LIMITED PS  
NENAD PS/LADY YOUNG  
MED PS/MR LUCE  
DEFENCE DEPT PS/FUS  
FUSD SIR J BULLARD  
NEWS DEPT SIR J LEAHY  
UND SIR W HARDING  
NAD MR WRIGHT  
WED MR CARTLEDGE  
SED MR MACINNES  
ECD(E) MR ADAMS  
FINANCE DEPT MR JENKINS  
PROTOCOL DEPT MR EGERTON  
PLANNING STAFF  
NED

[COPIES SENT TO NO 10 DOWNING ST]

COPIES TO:

MOD DS11

MR GOODALL )CABINET  
SIR R ARMSTRONG)OFFICE

SIR P MOORE  
BUCKINGHAM PALACE

THIS TELEGRAM  
WAS NOT  
ADVANCED

# RESTRICTED

SUBJECT

cc نكلا  
بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. 84E/84



نائب رئيس دولة الإمارات العربية المتحدة  
رئيس دولة الإمارات العربية المتحدة

CONFIDENTIAL

27th March, 1984.

The Right Honourable Mrs. Margaret Thatcher,  
Prime Minister,  
Great Britain.

Your Excellency,

I was extremely pleased to receive your personal letter delivered by H.M. Government's Ambassador to the U.A.E. and in which you responded to the question I raised with Mr. Richard Luce in Abu Dhabi on 18th December, 1983 during our meeting in which we reviewed the development of fighting on the Iraqi Iranian front and the risks of escalated military operations on the Arabian Gulf in a way that threatens the vital interests of the free world.

The member countries of the Gulf cooperation council have a deep sense of the importance of the responsibilities incumbent upon them to guarantee the security and stability of this strategically vital and sensitive region of the world and they work with utmost vigour to coordinate their efforts in all defence matters to ensure the free flow of oil supplies to the free world. They also fully appreciate the close cooperation they jointly have with H.M. Government in the fields of supply of necessary defence equipment and training, a cooperation that is historically rooted in friendship and a history of dealings over successive generations.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



زايد بن سلطان آل نهيان  
رئيس دولة الإمارات العربية المتحدة

- 2 -

As I mentioned during my meeting with Mr. Luce, and before him Mr. Moberly, the United Arab Emirates attaches special importance to the depth of bilateral relations it has with H.M. Government and with the British people and desires to strengthen and develop these ties in way that best serves the mutual interests of the two friendly peoples. Therefore I was particularly pleased with the speedy response of Your Excellency in defining the areas in which H.M. Government can contribute, in coordination with the United States in particular and with friendly nations in general, in facing the possible escalation of military operations in way that may threaten the national security of the United Arab Emirates and the Arabian Gulf region with its sea lanes. I was confident that this would be your response since it comes in line with the ancient bonds of friendship that exist since centuries between our two countries.

In thanking Your Excellency for your immediate and speedy response and interest, we look forward to maintaining direct and close contact so as to delineate areas of possible cooperation in accordance with the development of existing circumstances (on the war front)

With best wishes,

Zayed Bin Sultan Al Nahyan  
President of U.A.E.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



زايد بن سلطان آل نهيان

رئيس دولة الإمارات العربية المتحدة

صاحبة الفخامة السيدة مارغرت تاتشر الموقرة  
رئيسة وزراء بريطانيا - لندن .

تحية طيبة وبعد ،

لقد سررت كثيرا باستلام رسالتك الشخصية والتي قام بتسليمها سعادة السفير البريطاني المتضمنة جواب فخامتكم على الاستفسار الذي كنت قد وجهته الى السيد ريشارد لوس في ١٨ ديسمبر ١٩٨٣ اثناء مقابلتى له في ابوظبي لاستعراض تطورات القتال على الجبهة العراقية الايرانية ومخاطر تصعيد العمليات العسكرية على منطقة الخليج العربي بشكل يهدد المصالح الحيوية للعالم الحر .

ان دول مجلس تعاون الخليج تشعر بأهمية المسئولية المطلقة على عاتقها لضمان أمن واستقرار هذه المنطقة الحساسة في العالم وهي تعمل جاهدة للتنسيق في جميع أمورها الدفاعية لتأمين حرية امدادات العالم الحر بالبتترول . كما وانها تقدر ككل التقدير التعاون الوثيق القائم مع الحكومة البريطانية في مجالات التزويد بالمعدات الدفاعية اللازمة والتدريب وهو تعاون له جذور تاريخية من الصداقة والتعامل عبر أجيال متلاحقة .

وان دولة الامارات العربية المتحدة وكما ذكرت اثناء لقائى مع السيد ريشارد لوس ومن قبل ذلك مع السيد موبلى ، تعلق أهمية خاصة على عمق العلاقات الثنائية القائمة بينها وبين حكومة صاحبة الجلالة والشعب البريطاني وترغب في توطيد هذه العلاقات وتطويرها بشكل يخدم مصالح الشعبين الصديقين . ولهذا فلقد سمعت بالتجاوب الفوري لفخامتكم بتحديد المجالات التي يمكن فيها لحكومة صاحبة الجلالة المساهمة فيها بالتنسيق مع الولايات المتحدة الامريكية بشكل خاص والدول الصديقة بشكل عام لمواجهة احتمالات تصعيد العمليات العسكرية بشكل قد يهدد الامن القومى لدولة الامارات العربية المتحدة ولمنطقة الخليج العربي وممراته البحرية . واننا كنا على ثقة من هذا التجاوب تمشيا مع علاقات الصداقة القوية القائمة بين بلدينا منذ امد طويل .

واننا ان نشكر فخامتكم لاهتمامكم الفوري والسريع نتطلع الى ان نبقى على اتصال وثيق ومباشر لتحديد امكانيات التعاون حسب تطور الظروف القائمة .

مع أطيب التحيات

زايد بن سلطان آل نهيان

رئيس دولة الامارات العربية المتحدة

ابو ظبي :  
بتاريخ : ٢٠ / ١٤٠٤ هـ  
الموافق : ٢٢ / ٣ / ١٩٨٤ م

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FM ABU DHABI 260928Z MAR 84  
TO ROUTINE FCO  
TELEGRAM NUMBER 67 OF 26 MAR 84

RPTD SAVING TO DUBAI, MUSCAT, WASHINGTON, DOHA, BAHRAIN,  
KUWAIT, JEDDA, PARIS, AND UKDEL NATO.

( FCO PSE PASS SAVING TO ALL EXCEPT DUBAI, DOHA AND BAHRAIN )

M I P T

UK DEFENCE ASSISTANCE TO THE UAE

1. THE FOLLOWING IS THE ENGLISH TRANSLATION SUPPLIED OF SHAIKH  
ZAID'S MESSAGE TO THE PRIME MINISTER OF 22 MARCH :

BEGINS " YOUR EXCELLENCY ,

I WAS EXTREMELY PLEASED TO RECEIVE YOUR PERSONAL LETTER  
DELIVERED BY H.M. GOVERNMENT'S AMBASSADOR TO THE U.A.E. AND IN  
WHICH YOU RESPONDED TO THE QUESTION I RAISED WITH MR. RICHARD  
LUCE IN ABU DHABI ON 18TH DECEMBER, 1983 DURING OUR MEETING IN  
WHICH WE REVIEWED THE DEVELOPMENT OF FIGHTING ON THE IRAQI IRAN-  
IAN FRONT AND THE RISKS OF ESCALATED MILITARY OPERATIONS ON THE  
ARABIAN GULF IN A WAY THAT THREATENS THE VITAL INTERESTS OF THE  
FREE WORLD.

THE MEMBER COUNTRIES OF THE GULF COOPERATION COUNCIL  
HAVE A DEEP SENSE OF THE IMPORTANCE OF THE RESPONSIBILITIES INCUM-  
BENT UPON THEM TO GUARANTEE THE SECURITY AND STABILITY OF THIS  
STRATEGICALLY VITAL AND SENSITIVE REGION OF THE WORLD AND THEY  
WORK WITH UTMOST VIGOUR TO COORDINATE THEIR EFFORTS IN ALL DEFENCE  
MATTERS TO ENSURE THE FREE FLOW OF OIL SUPPLIES TO THE FREE WORLD.  
THEY ALSO FULLY APPRECIATE THE CLOSE COOPERATION THEY JOINTLY  
HAVE WITH H.M. GOVERNMENT IN THE FIELDS OF SUPPLY OF NECESSARY  
DEFENCE EQUIPMENT AND TRAINING, A COOPERATION THAT IS HISTORICALLY  
ROOTED IN FRIENDSHIP AND A HISTORY OF DEALINGS OVER SUCCESSIVE  
GENERATIONS.

AS I MENTIONED DURING MY MEETING WITH MR. LUCE, AND BEFORE  
HIM MR. MOBERLY , THE UNITED ARAB EMIRATES ATTACHES SPECIAL  
IMPORTANCE TO THE DEPTH OF BILATERAL RELATIONS IT HAS WITH H.M.  
GOVERNMENT AND WITH THE BRITISH PEOPLE AND DESIRES TO STRENGTHEN  
AND DEVELOP THESE TIES IN WAY THAT BEST SERVES THE MUTUAL INT-  
ERESTS OF THE TWO FRIENDLY PEOPLES. THEREFORE I WAS PARTICULARLY

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PLEASED WITH THE SPEEDY RESPONSE OF YOUR EXCELLENCY IN DEFINING THE AREAS IN WHICH H.M. GOVERNMENT CAN CONTRIBUTE, IN COORDINATION WITH THE UNITED STATES IN PARTICULAR AND WITH FRIENDLY NATIONS IN GENERAL, IN FACING THE POSSIBLE ESCALATION OF MILITARY OPERATIONS IN WAY THAT MAY THREATEN THE NATIONAL SECURITY OF THE UNITED ARAB EMIRATES AND THE ARABIAN GULF REGION WITH ITS SERYL BTM. I WAS CONFIDENT THAT THIS WOULD BE YOUR RESPONSE SINCE IT COMES IN LINE WITH THE ANCIENT BONDS OF FRIENDSHIP THAT EXIST SINCE CENTURIES BETWEEN OUR TWO COUNTRIES.

IN THANKING YOUR EXCELLENCY FOR YOUR IMMEDIATE AND SPEEDY RESPONSE AND INTEREST, WE LOOK FORWARD TO MAINTAINING DIRECT AND CLOSE CONTACT SO AS TO DELINEATE AREAS OF POSSIBLE COOPERATION IN ACCORDANCE WITH THE DEVELOPMENT OF EXISTING CIRCUMSTANCES (ON THE WAR FRONT)

WITH BEST WISHES,

ZAYED BIN SULTAN AL NAHYAN  
PRESIDENT OF U.A.E '' ENDS.

2. THE ORIGINAL OF THE LETTER FOLLOWS BY BAG ( TO MED).

WALKER

(REPEATED AS REQUESTED)

IRAN/IRAQ

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MR EGERTON

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FM ABU DHABI 260927Z MAR 84

TO ROUTINE FCO

TELEGRAM NUMBER 66 OF 26 MARCH 84

RPTD SAVING TO DUBAI, MUSCAT, WASHINGTON, DOHA, BAHRAIN, KUWAIT  
JEDDA, PARIS, UKDEL NATO.

( FCO PSE SAVING TO ALL EXCEPT DUBAI, DOHA AND BAHRAIN)

MY TELNO 38: UK DEFENCE ASSISTANCE TO THE UAE

1. THIS MORNING THE DIRECTOR OF THE PRESIDENT'S DIWAN HANDED ME THE REPLY OF THE PRESIDENT OF THE UAE, DATED 22 MARCH, TO THE PRIME MINISTER'S MESSAGE OF 7 FEBRUARY. THE ENGLISH TRANSLATION SUPPLIED IS IN MIFT.
2. IN CONVERSATION ALI SHURAFI ASSURED ME THAT SHAIKH ZAID HAD BEEN GENUINELY PLEASED WITH THE PRIME MINISTER'S MESSAGE AND TOLD ME THAT THE REPLY HAD BEEN CLEARED WITH THE CHIEF OF STAFF AND SHAIKH KHALIFA ( ABU DHABI HEIR APPARENT) AS WELL AS OF COURSE THE PRESIDENT HIMSELF.

WALKER

[REPEATED AS REQUESTED]

IRAN/IRAQ

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DEFENCE DEPT  
MR EGERTON  
MR J THOMAS  
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NO 26/9/15

Prime Minister.

You should be aware of this  
 authorized case - but you may  
 wish to await colleagues views  
 before intervening. Yes m/s.

A.J.C. 23/3.

Await other views.

A.J.C. 26/3.

SUPPLY OF NAVAL EQUIPMENT TO IRAN

An urgent decision is required on whether to grant Wallop Industries an export licence to honour a contract which they have won to supply their naval chaff decoy system, known as Barricade, to Iran. The firm was given approval last year to supply this equipment and negotiated a contract in good faith. They were given no indication before February of this year that a licence might be refused. They have committed considerable sums to this order in the expectation of receiving an export licence and will go bankrupt very shortly if one is not granted. Against this the situation in the Gulf has deteriorated and we now have to face the fact that supply of this equipment would enhance the capability of the Iranian navy at a time when the possibility of deploying Western naval forces to keep open the Straits of Hormuz is under consideration.

2. Wallop Industries were given initial approval to supply Barricade to Iran in April last year. On this basis they negotiated a contract in December 1983 worth £7.85M to supply and fit 15 systems and immediately applied for an export licence. Initial approval does not guarantee that an export licence will be granted but the firm, which is a small one employing only 180 people in all, provided the Iranians with a performance bond of £400,000 and started work on the order since deliveries were due to commence in March 1984. They have now manufactured just over one quarter of the whole order valued at some £2.0M and have committed £4M to the contract altogether. There is no question that they were justified in doing this, given the indications they had been given that export would be allowed. There is little doubt that the firm would go bankrupt within a matter of days if an export licence was withheld.



3. Barricade is a private venture, passive decoy system designed to counter a missile attack. It is not used by the Royal Navy which has more sophisticated systems. As such no objections were raised when Wallop Industries first applied for approval to supply to Iran early in 1983. The system is of little use to ships of frigate size and above but could, when deployed in an intelligent and timely way on smaller ships, such as the fast attack craft of the Iranian navy, limit the effectiveness of our own missiles against these craft. This led to concern being expressed in February, that given the escalation of the Gulf war, there was a possibility that Western Naval forces might be required to engage Iranian forces in the Straits of Hormuz. In this eventuality it would be difficult to justify the fact that we had supplied Iran with even a relatively unsophisticated decoy system. On the other hand, there is little doubt that the Iranians would be able to obtain similar equipment from elsewhere without very much delay if we withheld an export licence from Wallop Industries.

4. In the last few days we have examined a number of possible solutions to this problem, but none seems to offer an easy way out. The Royal Navy have no requirement for the Barricade system and would not be prepared to purchase this equipment from Wallop Industries. There is no other defence work which we can bring forward to assist the firm in their immediate difficulties, nor are there any other export orders in prospect which would assist them in the required timescale. It has been suggested that the firm should be allowed to export the equipment but not to install it (the installation programme would run from mid-summer to the autumn). But the Government has no powers to prevent installation, the firm would lose its performance bond and the Iranians could probably get the system fitted relatively easily by a third party.

5. We are therefore left with a difficult political choice to make. On the one hand Wallop Industries is virtually certain to go bankrupt if the export licence is refused and, whilst this could be defended in the light of the deteriorating situation in the Gulf,



our decision would arouse considerable controversy. The firm would have very justifiable cause for complaint in view of the assurances they had been given. On the other hand there is the prospect, which is far from certain, that our own forces and those of our allies could be deployed in the Gulf against small patrol craft of the Iranian Navy whose capability would be improved by the supply of British equipment. There would be considerable criticism from the Americans although this could be deflected by pointing to the limitations of the system, the fact that it will not be fully fitted for some six months and that the Iranians could easily obtain something similar from elsewhere if we refuse supply.

6. This is a very balanced decision. There are powerful arguments in favour of withholding the licence and I should tell my colleagues that there is strong military advice that it should be refused. On the other hand, as Barricade is a defensive system, a decision to grant a licence would not be inconsistent with our policy on the supply of other non-lethal equipment. Having regard to the fact that there is no alternative means available to the firm of disposing of the equipment I am on balance inclined to take the view that we should agree to supply. If colleagues felt that we could not proceed and, in view of the fact that the company were justified in proceeding with the order on the basis of the indications they had been given, I believe that it would be necessary to consider compensation. I should be grateful for your very early views.

*I incline  
to agree  
subject  
to other  
views  
NB*

7. I am copying this minute to our colleagues in OD and to Sir Robert Armstrong.

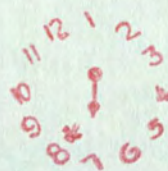
*Mitcham, private secretary*

*[ Draft approved by the Secretary of State ]*

Ministry of Defence

23rd March 1984

23 11 1984



GR 1400

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Prime Minister

clearly the issue will soon  
have to come back to us.

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FM TEHRAN 230930Z FEB 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 126 OF 23 FEBRUARY

A.S.C. 27/2.

YOUR TELNO 50: DEFENCE INDUSTRY CONTRACTS.

1. AT A MEETING ARRANGED BY KASHAN, I HAD AN UNCOMFORTABLE TWO HOURS THIS MORNING WITH COL AFRAKHTEH (VICE MINISTER OF DEFENCE FOR LEGAL QUESTIONS), KASHAN AND COL GERAMI (ALTERNATE LEADER IN THE NEGOTIATIONS). I SPOKE IN ACCORDANCE WITH YOUR PARAS 2 TO 4.

2. ON THE MOU, KASHAN CONFIRMED THAT THE IRANIAN SIDE HAD NO MORE AMENDMENTS TO SUGGEST, OTHER THAN THOSE COMMUNICATED TO IMS. AFTER OUR CONVERSATION BEFORE MY VISIT TO LONDON, HE HAD SENT A LETTER CONFIRMING THESE TO THE MFA FOR TRANSMISSION TO YOU THROUGH THE LONDON EMBASSY. HE PROMISED ME ANOTHER COPY. I EXPLAINED WE SHOULD HAVE SOME FURTHER AMENDMENTS OF OUR OWN WHICH DID NOT AFFECT THE SUBSTANCE OR DIMINISH THE IMPORTANCE WE ATTACHED TO THE DOCUMENT. KASHAN SAID HE WOULD AWAIT OUR CLEAN TEXT.

3. WE CAME ON TO THE INTERIM PACKAGE. I EXPLAINED WE WERE NOT SEEKING TO BACK OUT OF THIS OR SEEK ANY CHANGES UNLESS THEY WERE ESSENTIAL. WE WERE HOWEVER BOUND BY OUR POLICY OF NEUTRALITY. PUBLIC OPINION WOULD NOT UNDERSTAND IF WE WERE SEEN TO BE SUPPLYING LETHAL ITEMS TO EITHER SIDE WHATEVER THE TIMING OF THE CONTRACT TO WHICH THEY WERE RELATED. OUR PROBLEM WAS COMPOUNDED BY REPORTS OF INTENSIFICATION OF THE FIGHTING, TOGETHER WITH THE INCREASING DANGER OF AN ESCALATION IN THE GULF AREA, WHICH HAD SERVED TO FOCUS PUBLIC ATTENTION ON THE WAR TO A GREATER DEGREE THAN BEFORE. FOR THAT REASON IT HAD BEEN NECESSARY FOR US TO REVIEW ALL THE SPARE PARTS IN THE INTERIM PACKAGE TO ENSURE OUR POLICY WAS NOT BREACHED. WE WOULD COMPLETE OUR REVIEW AS SOON AS POSSIBLE AND NOTIFY THE IRANIANS IMMEDIATELY OF OUR CONCLUSIONS. IN THE MEANTIME WE WOULD BE READY, IF THEY SO WISHED, TO PUSH AHEAD SEPARATELY WITH THE SUPPORT SHIPS CONTRACTS: AND WE WOULD SEE NO DIFFICULTY IF THE IRANIAN AUTHORITIES WANTED SOME OF THEIR 50 IRANIAN NAVY PERSONNEL ALREADY IN UK TO PREPARE THE KHARG ALSO TO WORK ON THE SUPPORT SHIPS. WITH THE WAR GOING ON IT WAS NOT GOING TO BE EASY FOR THE BRITISH GOVERNMENT TO EXPLAIN THE RELEASE OF THESE SHIPS TO IRAN: IT WAS AN EARNEST OF OUR GOOD FAITH THAT WE WERE PREPARED TO GO AHEAD.

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4. KASHAN'S IMMEDIATE REACTION WAS THAT THIS NEW POSITION OF THE BRITISH GOVERNMENT CHANGED THE WHOLE ATMOSPHERE IN WHICH WE HAD HITHERTO BEEN NEGOTIATING. THE IRANIANS HAD ALWAYS RECOGNISED THAT THERE WERE SOME ITEMS - EG AMMUNITION - ON WHICH EXPORT LICENCES WOULD NOT BE FORTHCOMING FOR THE DURATION OF THE WAR, BUT HE HAD BEEN GIVEN TO UNDERSTAND THAT THIS WOULD NOT APPLY TO THE ITEMS IN THE INTERIM PACKAGE. HE COULD NOT PREDICT THE REACTION OF HIGHER AUTHORITY BUT HE FEARED OUR DECISION COULD JEOPARDISE EVEN THOSE PARTS OF THE SETTLEMENT WHICH HAD ALREADY BEEN AGREED. HE DOUBTED WHETHER THE IRANIANS WOULD WANT TO NEGOTIATE FOR THE YARROW SHIPS ON THEIR OWN. WE SEEMED TO WANT TO GO AHEAD WITH THOSE CONTRACTS (LIKE THE SHIPS AND IPC) WHERE THERE WAS MONEY IN IT FOR US, WHILE DENYING THE IRANIANS THE EQUIPMENT WHICH WAS OF MORE USE TO THEM. AFRAKHTEH SAID THAT NOT ONLY WERE WE HOLDING UP THE DECISION ON THESE ITEMS: WE WERE EVEN INCREASING OUR CLAIMS AS THE MONTHS WENT PAST.

5. GERAMI SAID THAT AGREEMENT HAD BEEN REACHED ON THE SPARES DURING THE NEGOTIATING ROUND (WHERE HE HAD LED) AT THE END OF 1982. THE BRITISH GOVERNMENT HAD HAD MORE THAN ENOUGH TIME SINCE THEN TO DECIDE ON WHAT WAS LETHAL AND WHAT WAS NOT. OUR LATEST ANNOUNCEMENT SEEMED A MERE DEVICE FOR POSTPONING FULFILMENT OF OUR OBLIGATIONS. HE QUESTIONED IN THESE CIRCUMSTANCES WHAT WAS THE USE OF THE MOU. ALL BUT 10 OF THE 46 CONTRACTS COVERED BY THE MOU WERE TO OUR ADVANTAGE AND THESE WERE THE ONES WE WERE HOLDING UP.

6. REPEATING THAT OUR DECISION WOULD AFFECT THE WHOLE PACKAGE OF UNDERSTANDINGS WE WERE TRYING TO REACH, GERAMI SAID THERE WOULD BE AN IMMEDIATE EFFECT ON THE IPC AGREEMENT. THE NDIO HAD ALREADY RECOMMENDED IMPLEMENTATION TO BE HELD UP UNTIL OUR DECISION ON THE INTERIM PACKAGE WAS KNOWN: ACCORDINGLY THE LETTERS OF CREDIT HAD NOT YET BEEN OPENED. HE SAID HE COULD SEE NO REASON WHY WE SHOULD NOT GO AHEAD ON IPC, A MUTUALLY USEFUL AGREEMENT WHICH HAD BEEN FREELY AGREED ON. HE HOPED HE WAS NOT SAYING THAT THE IRANIANS PLAN TO RENEGE ON THEIR AGREEMENT: ANY DECISION TO DELAY IT WOULD BE VERY BADLY RECEIVED IN LONDON. KASHAN SAID THAT NDIO WOULD BE PROPOSING TO IMS IN THE NEXT DAY OR TWO A FURTHER ROUND OF NEGOTIATIONS TO CONFORM SOME 'TECHNICAL' POINTS. THERE WAS A CLEARLY STATED INTER-RELATIONSHIP BETWEEN IPC AND THE CONTRACTS IN THE INTERIM SETTLEMENT, BUT HE THOUGHT IT WOULD BE BEST FOR BOTH SIDES TO ATTEMPT TO PURSUE THIS QUESTION SEPARATELY. COMMENT. IT WOULD INDEED SEEM BEST FOR IMS TO RESPOND TO ANY NEW PROPOSAL FROM NDIO ON ITS MERITS, UNLESS THE IRANIANS FORMALLY CONNECTED IT TO AGREEMENT ON THE INTERIM SETTLEMENT.

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7. AFRAKHTEH ASKED THAT WE CONFIRM OUR POSITION IN A LETTER SO THAT HE WOULD KNOW PRECISELY WHAT TO SUBMIT TO HIGHER AUTHORITY. IT SHOULD SET OUT THE POSITION AS HE HAD DESCRIBED IT, INDICATING HOW WE PROPOSED TO PROCEED ON THOSE ITEMS WHICH WE COULD DELIVER AND THOSE WHICH (BECAUSE THEY WERE LETHAL) WE COULD NOT. KASHAN SAID IT WOULD BE USEFUL IF WE COULD CONTINUE TO NEGOTIATE EVEN ON THE LATTER TO THE POINT OF AGREEING A FINANCIAL SETTLEMENT, COMBINED WITH AN AGREEMENT TO FREEZE THE AGREEMENT REACHED UNTIL SUCH TIME AS DELIVERY BECAME POSSIBLE. AFRAKHTEH CONCLUDED BY REPEATING A POINT HE HAS MADE BEFORE, THAT THE IRANIANS WANTED ALL NEGOTIATIONS UNDER THE PACKAGE, WHETHER WITH BRITISH COMMERCIAL COMPANIES OR HMS, TO BE UNDER THE CONTROL OF THE RESPECTIVE GOVERNMENTS. THE NEGOTIATIONS HAD TO BE PURPOSEFUL: IRAN HAD ALREADY SPENT A HUGE AMOUNT OF TIME ON THESE NEGOTIATIONS, WHICH A COUNTRY AT WAR COULD NOT AFFORD IF THEY WERE TO HAVE NO RESULT. SHE REMAINED WILLING TO REACH A SETTLEMENT THROUGH NEGOTIATIONS, WITH OTHER WESTERN COUNTRIES AND EVEN THE US AS WELL AS WITH THE UK, BUT IF THE NEGOTIATIONS FAILED OTHER OPTIONS WERE OPEN, INCLUDING RESORT TO LITIGATION. WE SHOULD BEAR IN MIND THAT THE IRANIAN GOVERNMENT TOOK AN OVERALL VIEW OF ITS COMMERCIAL RELATIONS WITH THE UK: FAILURE IN ONE AREA SUCH AS THE DEFENCE NEGOTIATIONS WOULD AFFECT THE IRANIAN ATTITUDE TO OTHER TRANSACTIONS ACROSS THE BOARD.

8. HE SAID HE WOULD REPORT OUR CONVERSATION AND BE IN TOUCH WITH KASHAN AGAIN ONCE HE HAD THE CLEAN TEXT OF THE MOU AND ANY FURTHER INSTRUCTIONS. IT IS NOT CLEAR HOW HIGH UP THE TREE AFRAKHTEH WILL IMMEDIATELY REPORT OUR CONVERSATION, BUT THEY WILL BE INFORMING THE MFA. EGERTON'S INTERLOCUTORS MAY WELL THEREFORE CHOSE TO RAISE THE SUBJECT.

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IRAN/IRAQ

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FM WASHINGTON 231850Z FEB 84

TO PRIORITY FCO

TELEGRAM NUMBER 618 OF 23 FEBRUARY

INFO BAGHDAD, TEHRAN, AMMAN, PARIS, UKMIS NEW YORK, UKDEL NATO  
AND GULF POSTS

FCO TELNO 333: ARMS SALES TO IRAN

SUMMARY

1. LEAHY TOLD AMBASSADOR FAIRBANKS THAT UK WAS NOT A MAJOR SUPPLIER TO REGION. UK POLICY TO SUPPLY NO LETHAL WEAPONS TO EITHER SIDE, BUT IN PRACTICE HAD BEEN MORE FAVOURABLE TO IRAQ. UK WELL AWARE OF U S CONCERNS AND KEEN TO KEEP IN TOUCH. FAIRBANKS NOT DISPOSED TO PRESS THE ISSUE: APPARENTLY SUBDUED IN WAKE OF GUARDIAN LEAK.

DETAIL

2. LEAHY WENT OVER UK POLICY ON ARMS SALES TO IRAQ WITH AMBASSADOR FAIRBANKS ON 22 FEBRUARY. HE SAID THAT THE UK WISHED TO CONSULT CLOSELY ON THIS AND ALL OTHER GULF ISSUES. WE WERE IN NO SENSE A MAJOR SUPPLIER TO THE REGION. WE HAD TAKEN THE DECISION TO SELL NO LETHAL WEAPONS TO EITHER SIDE. THERE WAS NO LEGAL DEFINITION OF LETHAL IN THE UK; IN PRACTICE WE HAD INTERPRETED THE TERM MORE LIBERALLY FOR IRAQ THAN IRAN. WE HAD SUPPLIED NOTHING TO IRAN THAT WE CONSIDERED MILITARILY SIGNIFICANT: THIS WOULD CONTINUE TO BE OUR POLICY. BUT A FIRM DECISION HAD BEEN TAKEN TO LET THE SHIPS GO. IF THE AMERICANS STUDIED THE DETAILED INFORMATION ABOUT THEM (WHICH LEAHY READ OUT) THEY WOULD SEE THAT THEY WOULD NOT AFFECT THE FIGHTING BETWEEN THE TWO COUNTRIES.

3. FAIRBANKS SAID THAT THE U S CONTINUED TO HOPE THAT NEITHER SIDE WOULD WIN A CLEAR VICTORY IN THE CONFLICT. IN THE U S VIEW, IRAN WAS THE MORE INTRANSIGENT, HENCE THE INTEREST IN ARMS SALES TO THAT COUNTRY IN PARTICULAR. HE ACKNOWLEDGED THE LIMITED NATURE OF UK SALES (AND SHOWED LITTLE INTEREST IN THE SHIPS) BUT ADDED THAT THERE WAS ALSO A PRESENTATIONAL, POLITICAL DIMENSION TO ANY SALE. U S CONCERN, HOWEVER, WAS DIRECTED PARTICULARLY AT THE ACTIVITIES OF OTHER EUROPEANS, WHO WERE SELLING ITEMS THAT WOULD ENHANCE IRAN'S ABILITY TO PROJECT ITS POWER. THE U S HOPED THAT THE UK MIGHT BE ABLE TO BRING ITS OWN INFLUENCE TO BEAR IN SUCH CASES.

4. LEAHY SAID THAT THE UK HAD NO INTENTION OF SELLING ITEMS SUCH AS MINES OR PATROL BOATS. NOR HAD WE ANY EVIDENCE OF BRITISH EXPERTS WORKING WITH THE IRANIAN ARMED FORCES; THERE WERE CERTAINLY NO SERVING BRITISH OFFICERS OR MEN INVOLVED. OUR LICENSING PROCEDURES WOULD ALSO RULE OUT ITEMS SUCH AS GUN BARRELS OR AMMUNITION. BUT IN OUR VIEW THE CASE OF AUTOMOTIVE AND ELECTRICAL SPARE PARTS FOR ARMoured VEHICLES, ABOUT WHICH WE KNEW THE AMERICANS TO BE CONCERNED, WAS MUCH LESS CLEAR CUT. A FINAL DECISION HAD NOT BEEN REACHED ON THESE.

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5. FAIRBANKS WELCOMED LEAHY'S ASSURANCE THAT WE WERE WELL AWARE OF U S CONCERNS AND WOULD CONTINUE TO BE CIRCUMSPECT. ON THE SPECIFIC ISSUE OF SPARE PARTS FOR ARMoured VEHICLES, HE SAID THAT THE U S WOULD BE GRATEFUL FOR FURTHER DISCUSSION BEFORE A FINAL DECISION WAS TAKEN. LEAHY AGREED.

6. FAIRBANKS AND HIS COLLEAGUES TOOK A SOMEWHAT SUBDUED LINE THROUGHOUT THIS EXCHANGE, PROBABLY AS A RESULT OF EMBARRASSMENT OVER THE GUARDIAN REPORT FROM WASHINGTON OF OFFICIAL U S ANGER AT ALLEGED BRITISH SALES. HE APOLOGISED AT LENGTH FOR THE LEAK AND AGREED THAT THE ISSUE SHOULD BE DISCUSSED PRIVATELY AND CALMLY. WHEN LEAHY TOUCHED ON IT SUBSEQUENTLY WITH KEMP (NSC), THE LATTER READILY AGREED THAT OUR SALES SHOULD BE SEEN IN THEIR PROPER PROPORTION.

WRIGHT

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10 DOWNING STREET

*From the Private Secretary*

15 February, 1984

ARMS SALES TO SAUDI ARABIA

Thank you for your letter of 13 February about the recent French arms contract with Saudi Arabia and British sales prospects in that country. The Prime Minister has noted its contents.

A. J. COLES

R.C. Mottram, Esq.,  
Ministry of Defence

CONFIDENTIAL



MINISTRY OF DEFENCE  
 MAIN BUILDING WHITEHALL LONDON SW1  
 Telephone 01-230 7622 218 2111/3

MO 5/3/3

13th February 1984

Prime Minister <sup>(2)</sup>

You enquired about reports of  
 a major France/Saudi Arabia  
 arms deal.

Dear John,

Dms  
14/2ARMS SALES TO SAUDI ARABIA

In your letter of 18th January, you asked for an analysis for the Prime Minister of the content and significance of the new French contract for the supply of arms to Saudi Arabia. I have delayed replying to your letter until we could also incorporate information on the outcome of Mr Heseltine's recent visit to Saudi Arabia.

The French Contract

This programme is a continuation of the French Crotale contract commenced in 1975 but it is genuinely new business. Although the full programme if completed would be worth £3Bn, the Saudis have not committed themselves to that extent. Information about the deal was released and manipulated by the French partly in response to the down-turn in their 1983 defence sales figures compared with those for 1982 (a 25% fall in real terms). We do not know the value of the initial contract but it will be certainly far less than that of the total programme if completed. We understand that it was signed on 11th January between M. Hernu and Prince Sultan. Rumours of a deal were circulated before Christmas but we had no firm information until the recent press reports. The secrecy adopted is comparable to that surrounding the signature of the major naval contract between the French and Saudis several years ago. Sources within Saudi Arabia are unusually scathing about the possible 'personal gains' involved.

The new programme appears to embrace a low level air defence system based on Crotale missiles (manufactured by Matra but developed with Saudi money from 1975 onwards) which has since been named Shahine. The Saudis already have 36 Shahine 1 systems. The new programme could involve 100 Shahine 2 systems complete with radars and an integrated command, control and communications system. Thomson-CSF will be lead contractor. Deliveries would be spread over 8-10 years.

A J Coles Esq



The ability of the Saudi defence budget to absorb a contract of this magnitude is doubtful. We anticipate considerable downward pressure on their defence equipment programme because of their declining oil revenues. However we are informed that this contract would be an arms-for-oil deal and that the Saudis may be producing an additional ten million barrels of oil in the first part of 1984 to supply to France as part payment.

### British Sales Prospects

M When the Defence Secretary met Prince Sultan (the Saudi Defence Minister) on his visit to Saudi Arabia at the end of last month it was agreed that we would make formal proposals to sell Saudi Arabia Tornado IDS aircraft and Hawk aircraft. Officials are in Saudi now framing the basis of these proposals with the Royal Saudi Air Force and we hope to go forward with British Aerospace to the negotiating stage quickly: Prince Sultan suggested that good financial offers, including buy back of existing British aircraft, could persuade him to override 'for higher political reasons' the Air Force's wish to standardise on the US F15 aircraft. These political reasons almost certainly include concern that purchase of a ground attack fit for the F15 would have to be cleared by the US Congress and Prince Sultan would not wish the embarrassment of another close-run Senate vote which in this case might go against him. We for our part will need to carry the Germans with us over a sale of Tornado IDS.

Prince Sultan also asked to be kept aware of our latest thinking on Airborne early Warning aircraft and an expert team will be visiting Saudi soon about this. Prince Sultan was dismissive of the possibility of our selling Challenger although he agreed that it had trialled well in Abu Dhabi; but he and his officials were encouraging over the prospects for naval equipment sales and training and for Electronic Warfare equipment for the Army.

I should also mention that there was strong criticism of the MOD's management of the SANGMED and SANGCOM projects (together worth some £170M pa) by officials of the National Guard. The Defence Secretary agreed to look personally at these criticisms and intends to respond to Crown Prince Abdullah, during his visit to the UK from February 20th.

I am copying this letter to Peter Ricketts, FCO.

*Yours ever  
Nich. Evans*

*for* (R C MOTTRAM)

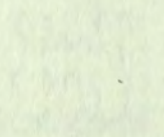
MIDDLE EAST: Army Sales Pt 3



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COMMUNICATIONS



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TO ROUTINE FCO

TELNO 038 OF 13 FEBRUARY 1984

INFO MUSCAT, DUBAI AND WASHINGTON

AND TO SAVING FOR INFO DOHA, BAHRAIN, KUWAIT, JEDDA, BAGHDAD,

BIS TEHRAN, PARIS, UKMS NEW YORK AND UKDEL NATO

*W. G. Gles*

*A-F-C-15/2*

*h-a-*

YOUR TELNO 31 : UK DEFENCE ASSISTANCE TO THE UAE.

1. THIS MORNING I HANDED THE PRIME MINISTER'S MESSAGE, TOGETHER WITH A CAREFUL ARABIC TRANSLATION, TO THE HEAD OF THE PRESIDENT'S DIWAN. IN SO DOING I MADE ALL THE POINTS IN PARAGRAPHS 2 AND 3 OF YOUR TUR.

2. SHAIKH SUROUR BIN MUHAMMAD SAID HIT WAS A GOOD MESSAGE. HE WOULD HAND HIT TO SHAIKH ZAHID WHEN AS HE EXPECTED HE RETURNED TO ABU DHABI WITHIN THE NEXT FEW DAYS. SUROUR ALSO COMMENTED THAT HE COULD THINK OF NO POLITICAL OR DIPLOMATIC MEASURES BY WHICH THE IRAN/IRAQ WAR COULD BE BROUGHT TO AN END.

3. OTHERWISE THERE WAS NO SUBSTANTIVE DISCUSSION OF THE MESSAGE AS SUCH. SUROUR'S MIND WAS VERY MUCH ON LEBANON, NO DOUBT AS A RESULT OF A LENGTHY DISCUSSION HE HAD JUST BEEN HAVING WITH THE US AMBASSADOR. HE COMMENTED THAT GIVEN THE POSSIBILITY THAT THE CHRISTIANS MIGHT BE PUSHED BACK INTO A MINI-STATE AROUND JOUNIEH HE COULD ENVISAGE THE REST OF LEBANON BECOMING A BASE FOR TERRORIST ACTIVITIES THROUGHOUT THE AREA. IN THAT CONNECTION HE MENTIONED THAT SO FAR THE UAE AUTHORITIES HAD NO INFORMATION ABOUT THE IDENTITY OF THE ASSASSIN OF THE UAE AMBASSADOR IN PARIS BEYOND THE CLAIM MADE BY THE ISLAMIC REVOLUTIONARY BRIGADES.

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10 DOWNING STREET

THE PRIME MINISTER

7 February 1984

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 21/84

Your Highness.

When you kindly received Mr. Richard Luce on 18 December, you told him of your concern that an escalation of the conflict between Iran and Iraq might put the United Arab Emirates (UAE) in danger of an Iranian attack. You asked him to indicate whether and in what way the United Kingdom would be prepared to help the UAE defend itself against such an attack. Your request has been given very careful and detailed consideration by Her Majesty's Government, and I am now able to provide a reply.

You will recall that when hostilities first began between Iran and Iraq in 1980, and fears were expressed that they might spread to other parts of the Gulf, Mr. Moberly visited you to convey a personal assurance from Lord Carrington that in the spirit of our very long-standing friendship we stood ready in principle to provide military assistance of a defensive nature if asked. Mr. Luce told you in December that we stood by this commitment, which I am happy to re-affirm.

In considering the United Kingdom's own defence needs, we have been guided by the belief that the best defence is collective self-defence. We have been substantially increasing our own defence expenditure in real terms. In the same way, we welcome the development of increased co-operation on defence issues between the member countries of the Gulf Co-operation Council (GCC), including their first joint military exercises last autumn. As hitherto, we are anxious to provide all the assistance in our power, by way of training and advice in the United Kingdom and locally,

/and through

Bm

and through meeting the GCC's defence equipment needs, to help the UAE and its partners to continue building up their capabilities for self-defence. General Dennis has just visited the UAE with a mandate to ascertain what more we can do to help you in these areas. If you believe that the UAE has specific needs which are being overlooked, I should be grateful if you could let me know immediately.

I also understand, however, that in the short term you are concerned that the UAE's own resources might not be wholly adequate to counter an Iranian threat, and have asked what forces the United Kingdom might be able to make available if the UAE called for our assistance. Although the United Kingdom's primary defence responsibilities will continue to be in the NATO area, one lesson of the Falklands crisis is that we need to retain and enhance our capacity to act outside that area. We therefore possess a number of defensive military capabilities, including naval mine counter-measures and escort vessels, tactical air defence, maritime reconnaissance aircraft, and air defence missiles and radar, that could in principle, and subject to availability at the time, and overriding national needs, be used to support such action; it would be imprudent to decide at this stage that particular forces would be allocated to specific tasks or specific areas of the Gulf, in the event of an escalation of the Iran/Iraq war, since we should need to deploy them where the need was greatest, taking due account of the capabilities of other friendly nations. Chief among these is of course the United States, with whom we are in close touch about the measures that might need to be taken if there were any escalation.

I cannot emphasise too strongly that the continued safety and security of the UAE is a matter of great importance to us. As I have said, if the UAE has specific defence needs which are not at present being met, I should be grateful if you would let me know. I should in any case like to keep in the closest possible contact with you until we are agreed that the threat of Iranian action against the UAE has passed.

Yours sincerely  
Nayant Shah

His Highness Shaikh Zayed bin Sultan Al Nahyan, G.C.M.G.



73/121





10 DOWNING STREET

Prime Minister.

The text of this letter to  
Shah Zayed has already  
been telegraphed. We now need  
to follow up with a signed  
version.

"Your Highness."

A.D.C. 6/2.

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FM FCO 031535Z FEB 84  
TO IMMEDIATE ABU DHABI  
TELEGRAM NUMBER 32 OF 3 FEBRUARY  
INFO PRIORITY BAGHDAD, TEHRAN, WASHINGTON, PARIS, UKMIS NEW  
YORK, UKDEL NATO, GULF POSTS

MIPT: UK DEFENCE ASSISTANCE TO THE UAE

1. FOLLOWING IS TEXT OF PRIME MINISTER'S MESSAGE TO SHAIKH ZAID  
BEGINS

'WHEN YOUR EXCELLENCY KINDLY RECEIVED MR RICHARD LUCE ON 18 DECEMBER, YOU TOLD HIM OF YOUR CONCERN THAT AN ESCALATION OF THE CONFLICT BETWEEN IRAN AND IRAQ MIGHT PUT THE UNITED ARAB EMIRATES (UAE) IN DANGER OF AN IRANIAN ATTACK. YOU ASKED HIM TO INDICATE WHETHER AND IN WHAT WAY THE UNITED KINGDOM WOULD BE PREPARED TO HELP THE UAE DEFEND ITSELF AGAINST SUCH AN ATTACK. YOUR EXCELLENCY'S REQUEST HAS BEEN GIVEN VERY CAREFUL AND DETAILED CONSIDERATION BY HER MAJESTY'S GOVERNMENT, AND I AM NOW ABLE TO PROVIDE A REPLY.

YOU WILL RECALL THAT WHEN HOSTILITIES FIRST BEGAN BETWEEN IRAN AND IRAQ IN 1980, AND FEARS WERE EXPRESSED THAT THEY MIGHT SPREAD TO OTHER PARTS OF THE GULF, MR MOBERLY VISITED YOU TO CONVEY A PERSONAL ASSURANCE FROM LORD CARRINGTON THAT, IN THE SPIRIT OF OUR VERY LONG-STANDING FRIENDSHIP, WE STOOD READY IN PRINCIPLE TO PROVIDE MILITARY ASSISTANCE OF A DEFENSIVE NATURE IF ASKED. MR LUCE TOLD YOU IN DECEMBER THAT WE STOOD BY THIS COMMITMENT, WHICH I AM HAPPY TO REAFFIRM.

IN CONSIDERING THE UNITED KINGDOM'S OWN DEFENCE NEEDS, WE HAVE BEEN GUIDED BY THE BELIEF THAT THE BEST DEFENCE IS COLLECTIVE SELF-DEFENCE. WE HAVE BEEN SUBSTANTIALLY INCREASING OUR OWN DEFENCE EXPENDITURE IN REAL TERMS. IN THE SAME WAY, WE

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WELCOME THE DEVELOPMENT OF INCREASED CO-OPERATION ON DEFENCE ISSUES BETWEEN THE MEMBER COUNTRIES OF THE GULF CO-OPERATION COUNCIL (GCC), INCLUDING THEIR FIRST JOINT MILITARY EXERCISES LAST AUTUMN. AS HITHERTO, WE ARE ANXIOUS TO PROVIDE ALL THE ASSISTANCE IN OUR POWER, BY WAY OF TRAINING AND ADVICE IN THE UNITED KINGDOM AND LOCALLY, AND THROUGH MEETING THE GCC'S DEFENCE EQUIPMENT NEEDS, TO HELP THE UAE AND ITS PARTNERS TO CONTINUE BUILDING UP THEIR CAPABILITIES FOR SELF-DEFENCE. GENERAL DENNIS HAS JUST VISITED THE UAE WITH A MANDATE TO ASCERTAIN WHAT MORE WE CAN DO TO HELP YOU IN THESE AREAS. IF YOU BELIEVE THAT THE UAE HAS SPECIFIC NEEDS WHICH ARE BEING OVERLOOKED, I SHOULD BE GRATEFUL IF YOU COULD LET ME KNOW IMMEDIATELY.

I ALSO UNDERSTAND, HOWEVER, THAT IN THE SHORT TERM YOU ARE CONCERNED THAT THE UAE'S OWN RESOURCES MIGHT NOT BE WHOLLY ADEQUATE TO COUNTER AN IRANIAN THREAT, AND HAVE ASKED WHAT FORCES THE UNITED KINGDOM MIGHT BE ABLE TO MAKE AVAILABLE IF THE UAE CALLED FOR OUR ASSISTANCE. ALTHOUGH THE UNITED KINGDOM'S PRIMARY DEFENCE RESPONSIBILITIES WILL CONTINUE TO BE IN THE NATO AREA, ONE LESSON OF THE FALKLANDS CRISIS IS THAT WE NEED TO RETAIN AND ENHANCE OUR CAPACITY TO ACT OUTSIDE THAT AREA. WE THEREFORE POSSESS A NUMBER OF DEFENSIVE MILITARY CAPABILITIES, INCLUDING NAVAL MINE COUNTER-MEASURES AND ESCORT VESSELS, TACTICAL AIR DEFENCE, MARITIME RECONNAISSANCE AIRCRAFT AND AIR DEFENCE MISSILES AND RADAR, THAT COULD

IN PRINCIPLE, SUBJECT TO AVAILABILITY AT THE TIME AND OVER-RIDING NATIONAL NEEDS, BE USED TO SUPPORT SUCH ACTION. IT WOULD BE IMPRUDENT TO DECIDE AT THIS STAGE THAT PARTICULAR FORCES WOULD BE ALLOCATED TO SPECIFIC TASKS OR AREAS OF THE GULF IN THE EVENT OF AN ESCALATION OF THE IRAN/IRAQ WAR, SINCE WE SHOULD NEED TO DEPLOY THEM WHERE THE NEED WAS GREATEST, TAKING DUE ACCOUNT OF THE CAPABILITIES OF OTHER FRIENDLY NATIONS. CHIEF AMONG THESE IS OF COURSE THE UNITED STATES, WITH WHOM WE ARE IN CLOSE TOUCH ABOUT THE MEASURES THAT MIGHT NEED TO BE TAKEN IF THERE WERE ANY ESCALATION.

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I CANNOT EMPHASISE TOO STRONGLY THAT THE CONTINUED SAFETY AND SECURITY OF THE UAE IS A MATTER OF GREAT IMPORTANCE TO US. AS I HAVE SAID, IF THE UAE HAS SPECIFIC DEFENCE NEEDS WHICH ARE NOT AT PRESENT BEING MET, I SHOULD BE GRATEFUL IF YOU WOULD LET ME KNOW. I SHOULD IN ANY CASE LIKE TO KEEP IN THE CLOSEST POSSIBLE CONTACT WITH YOUR EXCELLENCY UNTIL WE ARE AGREED THAT THE THREAT OF IRANIAN ACTION AGAINST THE UAE HAS PASSED.'

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FM FCO 031530Z FEB 84

TO IMMEDIATE ABU DHABI

TELEGRAM NUMBER 31 OF 3 FEBRUARY

INFO PRIORITY BAGHDAD, TEHRAN, WASHINGTON, PARIS, UKMIS NEW YORK,  
UKDEL NATO, GULF POSTS

UK DEFENCE ASSISTANCE TO THE UAE

1. MIFT CONTAINS A MESSAGE FROM THE PRIME MINISTER IN RESPONSE  
TO SHAIKH ZAID'S APPEAL TO MR LUCE ON 18 DECEMBER. SIGNED  
ORIGINAL FOLLOWS BY BAG.

2. IN DELIVERING THIS MESSAGE YOU SHOULD DRAW PARTICULAR  
ATTENTION TO THE NEED FOR A COLLECTIVE RESPONSE TO ANY THREAT,  
BOTH FROM THE GCC COUNTRIES THEMSELVES AND FROM THE WEST.  
YOU MAY ALLUDE TO OUR WILLINGNESS TO BRING OUR MCM FORCE TO  
A HIGHER STATE OF READINESS (SEE SEPARATE TEL. TO MUSCAT)  
AS RECOGNITION OF A POSSIBLE NEED BY ALL THE GULF COUNTRIES,  
NOT OMAN ALONE.

3. YOU SHOULD HOWEVER ALSO MAKE IT CLEAR THAT THE SITUATION  
DOES NOT (NOT) IN OUR VIEW YET JUSTIFY ANY FURTHER MEASURES OF  
MILITARY PREPAREDNESS, AND THAT IF THE POSSIBILITY OF ESCALATION  
INCREASES, WE SHALL CONTINUE TO LOOK FIRST TO POLITICAL AND  
DIPLOMATIC MEASURES TO COUNTER IT. WE SHALL OF COURSE, AS  
THE MESSAGE MAKES CLEAR, WISH TO REMAIN IN CLOSE CONTACT WITH  
THE UAE AND OUR OTHER FRIENDS IN THE GULF AS LONG AS THE  
RISK OF ESCALATION PERSISTS.

4. FOR YOUR OWN INFORMATION, MINISTERS HAVE ASKED THAT THE  
POTENTIAL COST OF BRITISH MILITARY ASSISTANCE TO GULF STATES BE  
EXAMINED. YOU WILL NOTE WHAT IS SAID IN OUR SEPARATE TEL. TO  
MUSCAT ABOUT OMANI RESPONSIBILITY FOR BEARING COSTS OF OUR MCM  
FORCE (POSSIBLY ON BEHALF OF THE GCC AS A WHOLE). WE WOULD  
EXPECT THAT THE COST OF ANY ASSISTANCE PROVIDED TO THE UAE  
AT THEIR SPECIFIC REQUEST, AS DISTINCT FROM ACTION TAKEN IN  
PROTECTION OF DIRECT BRITISH INTERESTS, WOULD LIKEWISE BE MET BY  
THEM. (WE REALISE THAT IN THE EVENT IT MAY NOT BE EASY TO  
DISTINGUISH BETWEEN THE TWO AND THAT COSTS MAY SOMEHOW HAVE

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TO BE SHARED). AT SOME STAGE, THEIR RESPONSIBILITY FOR COSTS WILL NEED TO BE MADE CLEAR TO THE UAE AUTHORITIES, BUT THE MANNER AND TIMING OF THIS ARE AT YOUR DISCRETION. YOU NEED NOT MAKE THE COSTS POINT WHEN DELIVERING THE PRIME MINISTER'S MESSAGE, IF YOU JUDGE THAT TO DO SO WOULD DETRACT FROM ITS IMPACT.

5. SEE MIFT.

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FROM AMMAN 021125Z FEB 84  
TO ROUTINE FCO  
TELNO 120 OF 02 FEB 84  
AND TO INFO ROUTINE MOD (D14B) AND WASHINGTON.

*Mr. [unclear] (o/s)*  
*312*

MY TELNO 111: US MILITARY AND FOR JORDAN.

1. I LEARNED FROM THE NEW HEAD OF THE ROYAL COURT THIS MORNING THAT, JUST BEFORE KING HUSSEIN'S DEPARTURE, THE AMERICANS HAD PRESENTED TO HIM THE DRAFT OF SOME ANSWERS THEY PROPOSED TO USE WITH CONGRESS IN REPLY TO QUESTIONS CONCERNING THE US DOLLARS 220 MILLION AID PACKAGE TO JORDAN. QASEM SAID THAT THE KING HAD REACTED EXTREMELY BADLY, AS THE PROPOSED REPLIES SEEMED CALCULATED TO PUT JORDAN IN THE WORST POSSIBLE LIGHT WITH HER MODERATE ARAB FRIENDS AND TO PLAY INTO THE HANDS OF THEIR OPPONENTS. QASEM SAID THAT HE HIMSELF HAD BEEN HORRIFIED BY WHAT THE AMERICANS WERE PROPOSING TO SAY AND WONDERED WHO DRAFTED SUCH STUFF: THEY CERTAINLY SEEMED TO BE NO FRIENDS OF JORDAN.

URWICK  
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THIS TELEGRAM  
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SIR J LEAHY  
MR GERTON  
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cc Lord Pres.  
FCO  
HMT  
MOD

*From the Private Secretary*

SIR ROBERT ARMSTRONG  
CABINET OFFICE

---

Thank you for your minute of 1 February.

The Prime Minister has noted your conclusion that there is nothing in the assurances already given to the Gulf States which is inconsistent with the conclusions of OD(EM) that British ground forces and/or air defence aircraft should be deployed to the Gulf only if British interests are directly threatened. She has also noted that these assurances are not inconsistent with OD(EM)'s further conclusion that final decisions on the deployment of forces to the Gulf must remain with the British Government.

The Prime Minister agrees that the formula in paragraph 6 regarding a mine countermeasures force may be included in the proposed message to the Sultan of Oman and that the Ambassador in Muscat should be given authority to pass the message to the Sultan as quickly as possible.

With regard to the proposed message to the President of the United Arab Emirates, the Prime Minister is content with its terms subject to the following amendments:

- a) In paragraph 3 delete the first three words ("That is why") of the second sentence.
- b) In paragraph 4 amend the third sentence to read as follows: "We therefore possess a number of defensive military capabilities, including naval mine countermeasures and escort vessels, tactical air defence, maritime reconnaissance aircraft, and air defence missiles and radar, that could in principle, subject to availability at the time and overriding national needs, be used to support such action; it would be imprudent to decide at this stage that particular forces would be allocated to specific tasks or specific areas of the Gulf in the event of an escalation of the Iran/Iraq war, since we should need to deploy them where the need was greatest, taking due account of the capabilities of other friendly nations."

Unless the Foreign and Commonwealth Secretary or Defence Secretary wish to comment further, the message as revised may be

/ transmitted

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transmitted on the Prime Minister's behalf by Her Majesty's Ambassador at Abu Dhabi. I shall let the Foreign and Commonwealth Office have a signed version to follow up the telegraphic message.

I am sending copies of this minute to the Private Secretaries of the members of OD(EM).

A. J. COLES

2 February 1984

Prime Minister.

13

See questions in margin.

Ref. A084/363

PRIME MINISTER

UAE

See # on

A. S. C. 1/2.

p. 2. - we must

- include somewhere the point of subject to overriding national need or

attached

At the meeting of OD(EM) on 26 January (OD(EM)(84) 1st Meeting), the Sub-Committee concluded that deployment of British ground forces and/or air defence aircraft to the Gulf area should be countenanced only as a measure of last resort if British interests were directly threatened; and that final decisions on any such deployment must rest with the British Government. I was instructed to arrange for officials to examine whether this conclusion was consistent with the various assurances about potential British assistance which had already been given to certain Gulf States. The following examination of the question has been agreed by officials of the Treasury, Foreign and Commonwealth Office and Ministry of Defence.

2. No formal treaty commitments exist which would oblige the United Kingdom to come to the defence of the Gulf States in time of need. Informal assurances have, however, been given to the United Arab Emirates (UAE) and to Oman, as follows:

(a) UAE

In October 1980 Mr Moberly (Assistant Under Secretary of State at the Foreign and Commonwealth Office) called on Shaikh Zaid with a personal message from Lord Carrington saying that, in the spirit of our very long-standing friendship, we stood ready in principle to provide military assistance if asked. Such assistance would be defensive in nature.

(b) Oman

On 2 December 1981 Mr Hurd (the Minister of State at the Foreign and Commonwealth Office) told Sultan Qaboos that the United Kingdom intended to maintain its close defence relationship with Oman. It had been decided to keep in being certain forces that could be used outside the NATO area either with an ally (for example the United States) or alone. The elements that could be made available could include a



naval escort task group, mine clearance units, some combat aircraft, and one or two infantry battalions or commandos with support for land or amphibious operations. Subsequently, you wrote to Sultan Qaboos on 15 July 1982 to assure him "that we are fully committed to the security of Oman". You will however see from the attached copy of your letter that this assurance was directly linked to the use of British Loan Service Personnel in time of internal or regional conflict.

3. In the case of the UAE, the assurance given is in general terms and does not commit us to any specific form of assistance. It is therefore consistent with OD(EM)'s conclusion that deployments of British ground forces and/or air defence aircraft to the Gulf should be countenanced only as a measure of last resort if British interests are threatened, and that final decisions on deployment must rest with the British Government.

4. In the case of Oman, the list of military resources mentioned by Mr Hurd was purely illustrative, and in no sense constituted a commitment to make any particular one of them available if requested. The guidelines for Loan Service Personnel are, as agreed by OD(EM), now being reviewed.

5. We therefore conclude that there is nothing in the assurances already given to the Gulf States which is inconsistent with the conclusions that British ground forces and/or air defence aircraft should be deployed to the Gulf only if British interests are directly threatened. Nor is either assurance inconsistent with the conclusion that final decisions on the deployment of forces to the Gulf must remain with the British Government.

6. I was further instructed to arrange for officials to examine whether the language of the proposed message to Sultan Qaboos about the possible deployment of British mine countermeasures vessels was consistent with the assurances which had been given to the Omanis. The formula now proposed is as follow:

The mine countermeasures force would be deployed to the Gulf in response to an Omani request, subject only to Her Majesty's Government's overriding national requirements,



to agreement between Her Majesty's Government and the Omani Government, and to the availability of adequate defence arrangements for the force on arrival in Gulf waters.

Given that no specific commitment to deploy a mine countermeasures force to the Gulf area has been made in the past, this formulation would be in keeping with the assurances that have already been given. It is also explicitly consistent with OD(EM)'s conclusion that final decisions on deployment of the force must rest with the British Government. Her Majesty's Ambassador at Muscat and the Chief of the Omani Defence Staff believe that the proposed formula should be acceptable to Sultan Qaboos. The

*Prime Minute*

*Content?*

*A.F.C. 1/2*

Ambassador would like authority to pass the message to the Sultan as quickly as possible; I should be grateful to know whether you are content for him to proceed. *Yes not*

7. Finally, I was instructed to have the proposed message to Shaikh Zaid recast in order to ensure that it was consistent with undertakings already given to the United Arab Emirates, preserved the British Government's right to take a final decision on the deployment of British forces to assist them, and was as forthcoming as possible. A revised text of the proposed message is at Annex;

*Prime Minute*

*Content?*

*A.F.C. 1/2*

I should be grateful for your approval to its terms. I recommend that the message be transmitted on your behalf by Her Majesty's Ambassador at Abu Dhabi. It should also be made clear to Shaikh Zaid that the UAE would be expected to meet the cost of any assistance provided to them; and the Ambassador should therefore be instructed to make this point clear at an appropriate stage.

*See # 10  
p. 2*

8. I am sending copies of this minute to the other members of OD(EM).

*REA*

ROBERT ARMSTRONG

1 February 1984

DRAFT MESSAGE TO SHAIKH ZAID

When you kindly received Mr Richard Luce on 18 December, you told him of your concern that an escalation of the conflict between Iran and Iraq might put the United Arab Emirates (UAE) in danger of an Iranian attack. You asked him to indicate whether and in what way the United Kingdom would be prepared to help the UAE defend itself against such an attack. Your request has been given very careful and detailed consideration by Her Majesty's Government, and I am now able to provide a reply.

You will recall that when hostilities first began between Iran and Iraq in 1980, and fears were expressed that they might spread to other parts of the Gulf, Mr Moberly visited you to convey a personal assurance from Lord Carrington that in the spirit of our very long-standing friendship we stood ready in principle to provide military assistance of a defensive nature if asked. Mr Luce told you in December that we stood by this commitment, which I am happy to reaffirm.

In considering the United Kingdom's own defence needs, we have been guided by the belief that the best defence is collective self-defence. ~~That is why~~ We have been substantially increasing our own defence expenditure in real terms. In the same way, we welcome the development of increased co-operation on defence issues between the member countries of the Gulf



Co-operation Council (GCC), including their first joint military exercises last autumn. As hitherto, we are anxious to provide all the assistance in our power, by way of training and advice in the United Kingdom and locally, and through meeting the GCC's defence equipment needs, to help the UAE and its partners to continue building up their capabilities for self-defence. General Dennis has just visited the UAE with a mandate to ascertain what more we can do to help you in these areas. If you believe that the UAE has specific needs which are being overlooked, I should be grateful if you could let me know immediately.

I also understand, however, that in the short term you are concerned that the UAE's own resources might not be wholly adequate to counter an Iranian threat, and have asked what forces the United Kingdom might be able to make available if the UAE called for our assistance. Although the United Kingdom's primary defence responsibilities will continue to be in the NATO area, one lesson of the Falklands crisis is that we need to retain and enhance our capacity to act outside that area. We therefore possess a number of defensive military capabilities, including naval mine counter-measures and escort vessels, tactical air defence, maritime reconnaissance aircraft, and air defence missiles and radar, that could in principle, ~~be made~~ <sup>be used</sup> available to support such action; it would be imprudent to decide at this stage that particular forces would be allocated to specific ~~areas or tasks~~ <sup>tasks or specific areas of the Gulf</sup>, in the event of

and subject to availability at the time, 1

and overriding national needs?



an escalation of the Iran/Iraq war, since we should need to deploy them where the need was greatest, taking due account of the capabilities of other friendly nations. Chief among these is of course the United States, with whom we are in close touch about the measures that might need to be taken if there were any escalation.

I cannot emphasise too strongly that the continued safety and security of the UAE is a matter of great importance to us. As I have said, if the UAE has specific defence needs which are not at present being met, I should be grateful if you would let me know. I should in any case like to keep in the closest possible contact with you until we are agreed that the threat of Iranian action against the UAE has passed.

M  $\frac{2}{2}$ .



CONFIDENTIAL

✓



10 DOWNING STREET

C. LCO.  
FCO.  
HMU.  
LPO.  
MOD.  
LPSO.  
COL  
CO.

*From the Private Secretary*

30 January 1984

Anti-Riot Training for the Saudi National Guard

The Prime Minister has seen your Secretary of State's minute of 13 January, the Foreign and Commonwealth Secretary's minute of 26 January and the Northern Ireland Secretary's minute of 27 January.

Mrs Thatcher has noted Mr. Prior's reservations but in view of the arguments advanced by Mr. Heseltine and Sir Geoffrey Howe, has decided that it would be right to accede to the Saudi request for further riot training for their National Guard. Since your Secretary of State wished to convey the decision to the Saudi authorities during his visit to Saudi Arabia today, this decision was conveyed orally to the Ministry of Defence over the weekend.

I am copying this letter to the Private Secretaries of other members of OD and to Sir Robert Armstrong.

A. J. COLES

Richard Mottram, Esq.,  
Ministry of Defence.

CONFIDENTIAL

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PRIME MINISTER

ANTI-RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

You will be familiar with the Secretary of State for Defence's proposal to provide assistance in anti-riot training to the Saudi National Guard. The Foreign Secretary and other members of OD support this proposal but in the papers sent to you in the weekend box there was a minute by the Secretary of State for Northern Ireland expressing reservations about the proposal. He feels that the United Kingdom could be accused of profiteering from the experience gained in Northern Ireland. I understand that you suggested that this should be considered at OD.

The Secretary of State for Defence is now in Saudi Arabia and has a meeting tomorrow with the Crown Prince. He wishes to be in a position to give the Crown Prince a decision on this. If this is to be done he will need instructions by 0915 a.m. our time tomorrow.

As well as asking for an early decision, Mr. Heseltine wishes to put additional arguments.

(i) having spoken to our Ambassador, he feels the Crown Prince will not understand why he is unable to give a decision. The request is three months old; it is a relatively small request for two officers and two NCOs for a period of six months; and it is the only positive point he has to offer the Crown Prince at the meeting tomorrow.

(ii) we are already providing military assistance through the Military Mission.

(iii) this assistance in Saudi Arabia is necessary to compliment the training already given in the United Kingdom. The fear is that the Saudi officers who have been trained here will not be able to pass on their knowledge without further assistance. In short there is a danger of leaving the project half completed.

CONFIDENTIAL

/In

In the light of the urgency and the new arguments put forward by Mr. Heseltine do you:-

- (i) agree his proposal; or
- (ii) still feel that a discussion in OD is required.

Yes

Moller

for A. Turnbull  
29 January, 1984

I agree - no  
further discussion  
required in OD.

mb.

CONFIDENTIAL

(1)

PRIME MINISTER

ANTI-RIOT TRAINING FOR THE  
SAUDI NATIONAL GUARD

The Foreign Secretary and the Defence Secretary are agreed that it would be right to accede to a Saudi request for further riot training for their National Guard. This would be an exception to our normal policy on riot control training for foreign forces. <sup>Army</sup>

The Northern Ireland Secretary disagrees. He is worried that providing training for the Saudi National Guard would leave us vulnerable to the charge that we were profiting from the riot control techniques learned in Northern Ireland.

Would you like to express a view at this stage, or - if the Northern Ireland Secretary maintains his view - allow the matter to come forward for collective discussion at OD?

DMS

Yes MS

27 January 1984

CONFIDENTIAL

**CONFIDENTIAL**



NORTHERN IRELAND OFFICE  
WHITEHALL  
LONDON SW1A 2AZ

SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Main Building  
Whitehall  
LONDON  
SW1

27 January 1984

*Dear Michael*

ANTI-RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

Thank you for sending me a copy of your minute of 13 January to Geoffrey Howe.

I fully appreciate our wider commercial interests in helping the Saudis, but now that the immediate case for providing Army training has receded, I think we would be unwise to be led further away from the principle that the British Army does not provide riot control training for foreign forces. This would be a direct breach of that principle, and for no clear or specific reason. I do not think we can safely rely on the decision being kept under wraps and if it were known I do not think our position would be defensible. Certainly it would leave us very vulnerable to the charge that we were profiting from the riot control techniques learned in Northern Ireland.

I would much prefer, therefore, that we rely on the training provided by IMS. I am sure they could find sufficient experienced former ranks of the security forces to undertake the necessary training to the standard the Saudis require and I would hope we could persuade them of that.

I am copying this letter to the members of OD.

*[Handwritten signature]*

**CONFIDENTIAL**



FCS/84/25

CONFIDENTIAL

Prime Minister<sup>(1)</sup>

FCS and Defence Secretary are agreed that it would be right to offer further anti-riot training to the Saudi National Guard.

Content, subject to any further points raised by colleagues?

DMUS  
26/1

SECRETARY OF STATE FOR DEFENCE

Anti-Riot Training for the Saudi National Guard

1. Your minute of 13 January raised the question of how we should respond to a further request from the Saudi National Guard for training in this area.
2. I share your view that we should go ahead with the further training requested. We have a strong interest in the stability of Saudi Arabia and the training we have provided is directly related to the Saudis' main internal security concerns. It could be detrimental to us if those we have already trained are not fully able to carry out their duties as instructors for want of six months' supervision.
3. It is important that we should be willing to help at the present time. The threat of escalation of the Iran/Iraq war has made Saudi Arabia, and indeed all the Gulf States, acutely aware that they may need Western support to maintain both their external and internal security. As you point out, the Saudis will look mainly to the US, but it is of considerable advantage to our credibility in general if we are seen to offer practical assistance where we can.
4. I am copying this minute to other members of OD and the Secretary of State for Northern Ireland.

GEOFFREY HOWE

Foreign and Commonwealth Office

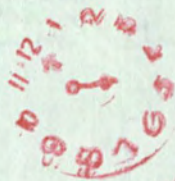
26 January 1984

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MIDDLE EAST; Arms Sales

P+3

26 JAN 1984





PM/84/17

PRIME MINISTER

Iran/Iraq: Supply of Defence Equipment

1. In my minute of 20 December to the Secretary of State for Defence, I said that I concluded the balance of advantage lay in going ahead with an interim settlement of a package of defence industry contracts with Iran. At that time, I acknowledged that the decision was not an easy one, and that we must expect criticism from Iraq's Arab friends. Since December, awareness of Iran's encouragement of terrorist acts in Lebanon and Kuwait has grown and the likelihood of a spring campaign against Iraq has increased. This on the one hand underlines Iran's determination to press on with the war however much help Iraq receives from others; on the other, it increases the risks for third countries suspected by Iran of abandoning their professed neutrality between the parties.

2. HM Ambassadors in Baghdad, Jedda and Amman have again warned against going ahead with the deal now (their telegrams have been circulated separately). While they acknowledge that the release of the Yarrow support ships could perhaps be successfully defended with moderate Arab leaders, they have advised particularly against releasing the tank spares, which form the most sensitive part of the package. HM Ambassador Washington has said that the Americans are likely to see the problem in similar terms, and will hope that we can find a

/pretext





pretext for delaying delivery of the tank spares until hostilities are over. On the other hand, the Head of the British Interests Section at Tehran has underlined the importance the Iranians attach to this interim settlement, which they will regard as a touchstone of our good faith, and has said that withholding non-lethal items, including non-lethal tank spares, will cause real trouble with them.

3. As I see it, we have three possible courses of action. Option A is to proceed with the package as planned, while doing our best to defend and explain it to potential critics. The following points could be made:

- (a) the contracts are long-standing ones, which we have an obligation to fulfil. Failure to do so could leave us open to claims for compensation totalling perhaps £400 million. We have, nevertheless, been scrupulous in ensuring that this will not compromise our policy of not supplying lethal items to either side.
- (b) the support ships are designed to facilitate ocean-going naval operations, and therefore have no relevance to the present conflict. Moreover, we have sought and received assurances that they will not be used to support operations against Iraq;
- (c) the spare parts will make no appreciable difference to the overall military balance;
- (d) we believe it important to maintain a working relationship with the Iranians, so that we can continue to encourage them towards a peaceful settlement. They have no contact with the Americans and French: it is important that someone in the West should be able to talk to them.

/Failure



Failure to go ahead with the package would not just mean a missed opportunity: it would set our whole relations back several years;

- (e) we are at the same time determined to work against any escalation of the war, and have made it clear that we place a very high value on the security of the Arab Gulf states and freedom of navigation in the Straits of Hormuz.

These arguments could be drawn on as appropriate with our Arab friends, and the Americans, and to deflect press and parliamentary criticism. With Parliament, the considerations at (a) and (d) above would be most telling.

4. Option B would be to tell the Iranians that we cannot proceed with the package for the time being, at least until there is some hope of a peaceful settlement, or the Iranians themselves can prove that they are actively working to achieve one. However, as an earnest of our good faith, we could agree to release the Yarrow support ships immediately, and indeed proceed with any of the other contracts which do not involve tank spares. While this option has some attractions, it would not be acceptable to the Iranians, since the package as at present constituted contains a balance of advantages: the Iranians want the tank spares, whereas we have most interest in the financial benefits to us of releasing the support ships. Without the tank spares, the package has little or nothing in it to attract the Iranians. This would, therefore, in all probability, provoke a complete refusal. They would accuse us of leading them up the garden path since last May, if not longer, and might even conclude that we had abandoned our policy of neutrality between the parties. If they did so, they might conceivably decide to incite action against our Embassies in Beirut or the Gulf, or indeed against our MNF contingent in Lebanon. As I made clear in my minute of 20 December, there

/is also



is also a considerable financial penalty if the interim package falls through. There is a possible loss to ECGD of £15 million on the Yarrow ships contract, and the Iranians have made it clear that they will not be willing to open negotiations on £100 million worth of ECGD-covered civil debts unless the interim package goes through. We might also be open to claims of about £400 million if we are taken to arbitration.

5. Option C would be to explore ways of making the package less openly contentious: in particular, by seeking to obtain Iranian agreement to the deletion of some further specifically tank-related items eg spares for the hulls themselves, in addition to gun-related spare parts and ammunition. We may in this way avoid having to describe the remaining items as tank spares at all. We would also seek Iranian help over presenting the package in as low-key a manner as possible. As with Option B, we could make it clear to the Iranians that we had no objection to the release of the Yarrow support ships. There might indeed be advantage in encouraging the Iranians to proceed with arrangements for taking them over so that publicity surrounding release of the ships would be well separated from that stemming from the rest of the package. Ultimately we would still have to face a choice between going ahead with the package and breaking faith with the Iranians. But the extra time required for negotiation could be used not only to make the package less contentious, but also to get the Americans and others more used to the idea of it and to reduce the exposure of British targets in the Middle East, including our MNF contingent, to terrorist action.

6. There is no easy solution. But I believe that despite the uncertainties involved in further negotiation, Option C is to be preferred.

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7. I am copying this minute to other members of OD(EM).

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

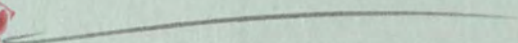
(GEOFFREY HOWE)

Foreign and Commonwealth Office  
25 January 1984

CONFIDENTIAL

Middle East Lt 3

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CONFIDENTIAL

B.06952

PRIME MINISTER

c Sir Robert Armstrong

OD(EM): Iran/Iraq: Supply of Defence Equipment

BACKGROUND

Para A.

1. The Foreign and Commonwealth Secretary minuted the Defence Secretary on 20 December 1983, saying that he had concluded that the balance of advantage to the United Kingdom lay in going ahead with an interim settlement of a package of defence industry contracts with Iran.

Para B.

Mr Heseltine's reply of 23 December 1983 agreed the approach proposed. The background to our present defence

Para C.

trading relationship with Iran is set out in my minute to Mr Coles of 20 January 1984, which has been copied to the other members of OD(EM). That minute mentioned that the Foreign and Commonwealth Secretary was giving further consideration to the way forward in the light of recent advice from HM Ambassadors in Amman, Baghdad and Jedda, who argued against completion of the proposed deal, and HM Representative in Tehran, who was in favour.

Para D.

2. The Foreign and Commonwealth Secretary's minute to you of 25 January 1984 contains the results of his further consideration of the problem. He identifies three possible ways ahead: to proceed as previously planned (Option A); to tell the Iranians that we cannot proceed with those elements of the package involving tank spares for the time being, particularly in the absence of any proof that the Iranians are genuinely trying for a negotiated settlement (Option B) and lastly, to attempt to spin out the negotiations over the tank-related items with the Iranians in the hope of achieving a more defensible position relative to



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the moderate Arab States and the Americans while letting Iran have the support ships now, as previously agreed by Ministers (Option C).

3. None of these courses of action is without drawbacks. To proceed as previously planned would incur the displeasure of the moderate Arabs and the Americans, as well as inviting adverse domestic comment particularly regarding the elements of the package comprising tank spares. To tell the Iranians we would not proceed at this stage with those elements of the package involving tank spares would anger them, and the Foreign and Commonwealth Secretary draws attention to the possibility that they might conceivably decide to retaliate against our Embassies in Beirut, the Gulf, or against the MNF contingent in the Lebanon if they concluded that we had abandoned our policy of neutrality between the parties. It is relevant that the latest draft JIC assessment, which has not yet been cleared by the Committee, suggests that the Iranians could seek to justify attacks on British targets on the basis of the recent (completely untrue) allegations that the United Kingdom has supplied Iraq with materials for chemical weapons. To attempt to spin out what have already been long-drawn and difficult negotiations would not be easy, but the Foreign and Commonwealth Secretary recommends that we should nevertheless adopt Option C as being potentially the least damaging course. He suggests that ways might be found of making the package less openly contentious, for example by deleting the most specifically tank-related items as well as gun-related spare parts and ammunition. The extra time gained might also enable us to convince moderate Arabs and the Americans that eventual completion of the package would not represent any change of policy on our part.



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4. The Secretary of State for Energy, the Chief of the Defence Staff and Sir Antony Acland have been invited to attend.

HANDLING

5. You should invite the Foreign and Commonwealth Secretary to introduce the discussion: the Defence Secretary might then be invited to comment. The main point to establish in discussion is whether the Sub-Committee are content with the compromise solution proposed.

CONCLUSION

6. Subject to the points made in discussion, you could guide the Sub-Committee to conclude -

(i) that the earlier decision to allow the contracts for the supply of two support ships to Iran should be confirmed;

(ii) that the United Kingdom negotiators should seek to prolong the negotiations with Iran over the remaining elements of the package, and seek to devise means of making the package, particularly that part involving tank spares, more acceptable presentationally to domestic and international opinion;

(iii) that further efforts should be made to explain our policy of even-handedness in the supply of non-lethal items of defence equipment to both Iran and Iraq to American and moderate Arab opinion.

*David Goodall*

A D S Goodall

25 January 1984





Jo K

10 DOWNING STREET

*From the Private Secretary*

MR. GOODALL

Iran/Iraq: Supply of Defence Equipment

Thank you for your minute of 20 January.

The Prime Minister agrees that this subject should be added to the agenda for OD(EM) on 26 January.

A. J. Cole.

23 January 1984

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CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

23 January 1984

R C Mottram Esq  
Private Secretary to the Secretary of State  
for Defence  
Ministry of Defence  
Main Building  
London SW1

*Amint reg from FCS.*

*RR 24/1*

*Dear Richard,*

The Chancellor has seen your Secretary of State's minute of 13 January to the Foreign Secretary about anti-riot training for the Saudi national guard.

I understand that the plan is to charge the Saudis for this training. If so, the Chancellor would be entirely content with your Secretary of State's proposals.

Copies of this letter go to the offices of those who received your Secretary of State's minute.

*Yours ever,*  
*J O Kerr*

J O KERR

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MIDDLE EAST; Arms Sales  
PK)



27 JAN 1984

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9165

*B/f with reply from  
FCS when received.*

*Dus  
23/1*

CONFIDENTIAL



Chancellor of the Duchy of Lancaster

CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2AS

20 January 1984

*Dear Richard,*

ANTI RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

The Chancellor of the Duchy has seen the Defence Secretary's minute of 13 January to the Foreign and Commonwealth Secretary.

Lord Cockfield has commented that our commercial interests in the Middle East, and particularly in Saudi Arabia, are very great. He believes that we should exert our efforts where our interests lie. He entirely agrees with the Defence Secretary's proposal.

I am copying this letter to the Private Secretaries to members of OD and the Northern Ireland Secretary.

*Yours sincerely,*

*Alex Galloway*

A K GALLOWAY  
Private Secretary

R C Mottram Esq  
Ministry of Defence

Middle East Arms Pt 3

...V1984

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D H  
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CONFIDENTIAL

Prime Minister

①

Agree that this question should be added to the OD(EN) agenda for

26 January?

Yes not

A.F.C. 20/1

B.06944

MR COLER

Iran/Iraq: Supply of Defence Equipment

1. In your minute of 3 January to Mr Hatfield, you said that the Prime Minister would find it helpful to have a short note summarising the issues raised in the recent correspondence between the Foreign and Commonwealth Secretary and the Defence Secretary on this subject (Sir Geoffrey Howe's minute of 20 December 1983, and Mr Heseltine's reply of 23 December 1983).

2. The background is as follows. At the time of the Iranian revolution, 74 defence contracts with Iran belonging to IMS Ltd were interrupted. In 1981, however, the Iranians approached us with a view to beginning negotiations to unravel the contractual tangles that had resulted from the interruption. Ministers agreed that such discussions should take place, but negotiations did not really get under way until May 1982. The talks have now reached the stage where agreement between the two sides has been reached on a package of some 36 contracts (list at Annex) which it is now proposed should proceed to completion. The Government, and British commercial interests, will benefit from such completion, which would also pave the way for opening discussions as to the eventual disposal of the remaining large number of contracts, six of which, including a major tank contract, could involve substantial sums in the settlements.

3. The commercial and other advantages involved in completion of the contracts have, of course, to be viewed in the light of the Government's general policy on arms sales to Iran and Iraq while these two countries are at war. This was last considered by Ministers in October 1982, when it was agreed that the previous policy of neutrality between the two belligerents should continue. As part of this policy, the United Kingdom should not sell lethal items such as ammunition to either side while hostilities continued. While lethal items were to be interpreted in the narrowest possible sense, no list of such items has been agreed. The major decision taken to date where



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this policy was an important factor, was that in July 1983 to refuse an export licence for the supply of 300 Main Battle Tank engines to Iran. However, another important consideration was the risk that Defence Sales would suffer disproportionately in other Arab countries, particularly Saudi Arabia, if the tank engines were supplied to Iran. Within this framework, Ministers agreed in September 1982 that the British team negotiating with the Iranians should tell them in the event of agreement being reached on settlement of the various contracts, the Government would agree to the equipments concerned being delivered to Iran, except in the case of lethal arms and ammunition.

4. The Foreign and Commonwealth Secretary's proposals, with which the Defence Secretary agrees, have been framed against this background. The two ships being completed at Yarrows are naval supply ships, and are therefore not considered to fall within the narrowly-defined range of lethal equipment. (The Prime Minister will recall that, as recorded in your letter to Mr Ricketts dated 17 November 1983, she agreed that the Government would not try to prevent the delivery of these two ships even if the rest of the package as a whole could not be successfully negotiated with Iran.) The package of contracts does, however, include a number of spares for armoured fighting vehicles. Of these, the Foreign and Commonwealth Secretary recommends that contracts for the supply of barrels for tank-mounted machine guns and tank gun spares should not be agreed, since these clearly fall within the narrowly-defined criterion of lethality. These items are in value some £460,000 out of a total of £11m. worth of tank spares, the remainder of which, it is judged, do not fall within the narrow definition of lethality.

*What worries me is that we shall never sell any tanks if we refuse to supply spares just when the tanks are needed*

5. As you indicated in your minute of 3 January, the criterion of lethality has difficulties both from the point of view of our public line and for international relations when applied to fighting vehicles; and HM Ambassadors at Amman, Baghdad and Jeddah have advised against proceeding with the package as it is now constituted. There are particular difficulties about the tank spares. Whereas it is possible to argue, for example, that a patrol vessel can be used for a number



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of purposes apart from providing naval gunfire, any spares for a fighting vehicle would be likely to appear to the public as being dedicated to the narrow purpose of making its firepower available. Therefore if the completion of the proposed package of contracts with Iran is agreed, public presentation of the decision on the Chieftain and Scorpion spares will require very careful handling. The best line that we could take in these circumstances would be to stress that the decision is entirely consistent with our policy of evenhandedness in the supply of non-lethal defence equipment to Iran and Iraq; that this is not a question of new defence sales, but rather the fulfilment of existing contracts, the non-fulfilment of which has been a source of irritation to our relations with Iran. We would be doing no more than handing over to the Iranians items which, in the case of the tank spares, they have already paid for some six or more years ago.

*So we can supply tanks to Iran to cover the loss!*

6. There is also the international dimension. The Americans have already approached us, albeit orally and at a low level, with a request to consider stopping any sales of military equipment to Iran at least until a ceasefire is in place. They reminded us of this approach on 9 January. It would be necessary before any decision became public to stress to them that no change of policy is involved, and to emphasise the importance of keeping open lines of communication between Iran and at least one Western country; no other nation is as well placed to ensure this as ourselves. And we could also say that we may shortly be taking similar decisions on the supply of non-lethal items to Iraq (patrol boat engines and helicopter sights) ← ?

7. The proposed settlement of the contracts with Iran is the only issue in this area on which Ministerial decisions are required now, although for the sake of completeness, the Foreign and Commonwealth Secretary also included in his minute details of other potential sales to Iran and Iraq. Further submissions will be made on these items in due course.

8. You will be aware that the Foreign and Commonwealth Secretary is considering the way forward on this issue in the light of recent





CONFIDENTIAL

advice from HM Ambassadors in Amman, Baghdad and Jeddah and from HM Representative in Tehran (who is in favour). He plans to circulate his views before the OD(EM) meeting arranged for 26 January to consider the possible consequences of an escalation in the Gulf War, and I propose therefore, if the Prime Minister agrees, that this item should be added to the Agenda for that meeting. In view of this, I am sending copies of this note to the Offices of those Ministers attending the OD(EM) meeting on 26 January, and to Sir Robert Armstrong.

*David Goodall*

A D S Goodall

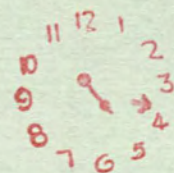
20 January 1984

Copies:

PS/Lord President of the Council  
PS/Foreign and Commonwealth Secretary  
PS/Chancellor of the Exchequer  
PS/Secretary of State for Defence  
PS/Secretary of State for Energy  
PS/Chief of Defence Staff  
Sir Robert Armstrong



20 JAN 1984

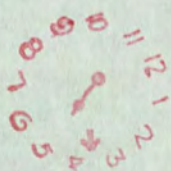
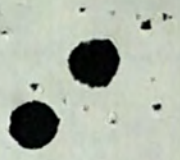


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ANNEX

<u>Number of Contracts Involved</u>	<u>Description</u>	<u>Estimated Value</u> <u>£m</u>
1	Yarrow Ships	22.9
17	Contracts covering spares for Chieftain and Scorpion Tanks for which the Iranians pre-paid £11m in 1977	11.0 (already paid by the Iranians)
1	Mobile Workshops for tank equipment maintenance in the field	0.2
15	Contracts for the supply of instructional and miscellaneous equipment, instructors and advisers to establish a Technical High School at Masjid-e-Suleiman and to provide an Ordnance Support Team and Tehran Maintenance Centre (financial settlement only outstanding)	1.9
2	Contracts covering crew training courses and technical oversight of the Kharg, built by Swan Hunter (financial settlement only outstanding)	0.02

Middle East : Arms Sales A3



20.11.1984

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

19 January 1984

*Dear John,*

*Await  
letter letter from*

Iran/Iraq: Supply of Defence Equipment

*R/c.o.  
A.J.C. 19.*

HM Ambassadors at Baghdad and Jedda have recently commented on the implications for our relations with the Arab world of a decision to release tank spares for Iran (Jedda telno 40, Baghdad telno 28 and Amman telno 64 enclosed).

The Foreign Secretary is considering whether this further advice affects the recommendations in his minute of 20 December, which were generally endorsed by the Defence Secretary in his minute of 23 December. Sir Geoffrey's considered views on this point will be circulated before the OD(EM) meeting on 26 January which may, I understand, take this subject in addition to Consequences of the Gulf War.

I am copying this letter to Private Secretaries of Ministers on OD(EM) and to Richard Hatfield (Cabinet Office).

*Yours ever,*

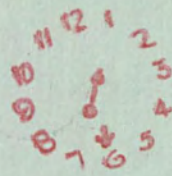
*Peter Ricketts*

(P F Ricketts)  
Private Secretary

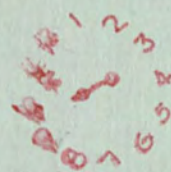
A J Coles Esq  
10 Downing Street

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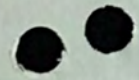
20 JAN 1984



20 JAN 1984



FOR THE DIRECTOR, FBI  
RECEIVED THE FOLLOWING INFORMATION



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FM BAGHDAD 161045Z JAN 84

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TO IMMEDIATE F C O

TELNO 28 OF 16 JAN 84

INFO IMMEDIATE WASHINGTON, IMMEDIATE TEHRAN, IMMEDIATE GULF  
POSTS, IMMEDIATE AMMAN

PRIORITY PARIS, UKMIS NEW YORK AND UKDEL NATO

YOUR TELEGRAM NO 74 TO WASHINGTON: **ARMS SALES TO IRAQ AND IRAN.**

1. WE MIGHT CONCEIVABLE GET AWAY WITH THE SAILING OF THE KHARG WITHOUT SERIOUS DAMAGE TO OUR RELATIONS WITH IRAQ SINCE LORD CARRINGTON IN MARCH 1981 WARNED THE THEN IRAQI FOREIGN MINISTER, HAMMADI, OF THIS POSSIBILITY. BUT THE RELEASE OF THE TWO NAVAL SUPPORT SHIPS AND STILL MORE THE TANK SPARES IS QUITE ANOTHER MATTER. WHILE I AM WELL AWARE OF THE IMPORTANT FINANCIAL CONSIDERATIONS WHICH GIVE US A STRONG INTEREST IN CONCLUDING A CLAIM SETTLEMENT WITH IRAN ON THE SUSPENDED DEFENCE INDUSTRY CONTRACTS, THERE IS NO WAY IN WHICH THE IRAQIS WILL BE PERSUADED THAT TANK SPARES ARE PROPERLY TO BE REGARDED AS NON-LETHAL. THEY ARE BOUND TO SEE THESE SPARES AS A MATERIAL CONTRIBUTION TO IRAN'S WAR EFFORT AND AS A DEPARTURE IN FAVOUR OF IRAN FROM OUR OFTEN-DECLARED POLICY OF NEUTRALITY, PARTICULARLY IN THE ABSENCE OF ANY PROSPECTS AT PRESENT OF BALANCING SALES OF LETHAL EQUIPMENT TO IRAQ. THE IRAQIS WILL PARTICULARLY RESENT THIS AT A TIME WHEN THE IRANIANS CONTINUE TO TAKE A MOST UNYIELDING ATTITUDE TOWARDS THE POSSIBILITY OF ANY PEACE SETTLEMENT WITH PRESIDENT SADDAM HUSSAIN AND THE BATH PARTY (CF SHAIKHOESLAM'S COMMENTS TO MR SIMPSON-ORLEBAR - HIS LETTER OF 29 DECEMBER 1983 TO HASKELL) AND WHEN IRAQI HOPES OF BRINGING THE WAR TO AN END DEPEND ON THE IRANIAN LEADERSHIP'S BEING MADE TO REALISE THAT THEY CANNOT ACHIEVE THEIR AIMS AGAINST IRAQ EITHER ON THE BATTLEFIELD OR BY ECONOMIC MEANS. WE SHOULD BE UNDER NO ILLUSION, THEREFORE, THAT WE SHALL BE ABLE TO MAINTAIN OUR MORE FAVOURABLE POSITION HERE (THERE IS INCREASING EVIDENCE OF A POSITIVE STEEP IN FAVOUR OF BRITISH COMPANIES) IF THE IRAQIS LEARN OF THE

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RELEASE TO IRAN OF TANK SPARES, WHICH THEY ARE BOUND TO REGARD AS A HOSTILE AND IRRESPONSIBLE ACT, TENDING TOWARDS PROLONGATION OF THE WAR. OUR ACTION WILL STAND OUT IN CONTRAST WITH THE GREATER UNDERSTANDING THE IRAQIS BELIEVE THEY ARE ACHIEVING INTERNATIONALLY, NOTABLY FROM THE UNITED STATES.

2. IN THE CIRCUMSTANCES I STRONGLY RECOMMEND OUR DELAYING ANY RELEASE, PARTICULARLY OF THE TANK SPARES, AT LEAST UNTIL THE IRANIANS HAVE GIVEN SOME SIGN OF BEING WILLING TO GO FORWARD WITH REASONABLE MEDIATION PROPOSALS. WHILE IT IS NOT FOR ME TO SAY, I WOULD HAVE THOUGHT THAT THE AMERICANS AND ALL OUR MODERATE FRIENDS IN THE ARAB WORLD WOULD ALSO BE SHOCKED BY A SIGNIFICANT TILT TOWARDS IRAN IN PRESENT CIRCUMSTANCES.

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FM JEDDA 171110Z JAN 84

TO IMMEDIATE FCO

TELNO 40 OF 17 JAN

INFO IMMEDIATE WASHINGTON, BAGHDAD, TEHRAN

INFO ROUTINE GULF POSTS, AMMAN, PARIS, UKMIS NEW YORK, UKDEL NATO,  
RIYADH

FROM H OF C (AMBASSADOR IS IN EASTERN PROVINCE WITH THE GOVERNOR  
OF THE BANK OF ENGLAND)

YOUR TELS 74 AND 76 TO WASHINGTON, AND BAGHDAD TELNO 29 TO FCO:  
ARMS SALES TO IRAN AND IRAQ

SUMMARY

1. THE RELEASE TO IRAN OF THE ''KHARG'' AND OTHER SUPPORT SHIPS  
COULD BE DEFENDED HERE. BUT THE RELEASE OF TANK SPARES WOULD  
SERIOUSLY ENDANGER OUR INTERESTS IN SAUDI ARABIA, AND I STRONGLY  
RECOMMEND AGAINST IT.

DETAIL

2. I HOPE IT IS NOT TOO LATE TO OFFER ADVICE ON THE AGREEMENT WE  
ARE ABOUT TO REACH TO RELEASE ''A CONSIDERABLE QUANTITY OF NON-  
LETHAL ITEMS, INCLUDING SOME TANK SPARES AND TWO NAVAL SUPPORT  
SHIPS'' TO IRAN (YOUR TELNO 76 TO WASHINGTON). I MAY HAVE MISSED  
SOMETHING, BUT SO FAR AS I CAN SEE FROM OUR FILES, THE ONLY  
PREVIOUS MENTION OF TANK SPARES WAS IN EGERTON'S TELELETTER OF 17  
FEBRUARY 1983 TO MR MOBERLY IN BAGHDAD, IN WHICH HE CONSULTED  
POSTS IN THE ARAB WORLD ABOUT A PROPOSAL, LATER DROPPED, THAT  
ROLLS ROYCE SHOULD BE ALLOWED TO EXPORT 300 TANK ENGINES TO IRAN.  
IN PARA 4 (B) OF HIS TELELETTER, EGERTON SAID THAT ONE OF THE  
ARGUMENTS THAT MIGHT BE USED IN DEFENCE OF SUCH A SALE WAS THAT  
''WE HAVE OPERATED A POLICY OF STRICT NEUTRALITY AND HAVE SO FAR  
PREVENTED EXISTING CONTRACTS WITH IRAN FOR TANK SPARES AND AMMUNI-  
TION FROM BEING IMPLEMENTED. WE INTEND TO MAINTAIN THIS EMBARGO  
ON AMMUNITION AND LETHAL ITEMS.''

3. I THINK THAT THE RELEASE OF THE ''KHARG'' AND OTHER SUPPORT  
SHIPS COULD BE DEFENDED HERE (THOUGH I CAN SEE THAT THE IRAQIS  
MIGHT BE MORE SENSITIVE). SINCE SUCH VESSELS ARE PRESUMABLY  
UNARMED, AND IRRELEVANT TO THE CONDUCT OF NAVAL OPERATIONS IN  
THE GULF, IT DOES NOT STRAIN THE ORDINARY MEANING OF ''NON-LETHAL''  
TO DESCRIBE THEM AS SUCH. THE SAUDIS, AS THEY TOLD YOU HERE  
LAST WEEK, WOULD PREFER US TO COME DOWN ON THE SIDE OF IRAQ,  
BUT THEY WOULD, I THINK, UNDERSTAND IF WE CONTINUED TO ACT NEUT-  
RALLY, AND SUPPLY NON-LETHAL ITEMS TO BOTH SIDES.

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4. BUT I AGREE WITH HMA BAGHDAD (HIS TELNO 28) THAT THE RELEASE OF THE TANK SPARES WOULD BE REGARDED BY THE IRAQIS AND THEIR FRIENDS AS A HOSTILE ACT. IT IS NOT AS THOUGH WE WERE CONSIDERING AUTHORISING THE EXPORT OF A CONSIGNMENT OF CYLINDER HEAD GASKETS OR SPARKING PLUGS IN THE NORMAL COURSE OF TRADE, AND COULD LATER ARGUE THAT THESE COMPONENTS COULD HAVE HAD A CIVILIAN APPLICATION SEMICLN THIS IS A SUBSTANTIAL PACKAGE OF EQUIPMENT IDENTIFIED BY BOTH SIDES AS TANK SPARES. ITS DELIVERY WOULD NOT JUST ENHANCE IRAN'S ABILITY TO CARRY ON THE WAR IN A GENERAL WAY SEMI COLON IT WOULD ENABLE THE IRANIAN TO RETURN TO THE BATTLEFIELD, OR KEEP THERE FOR LONGER, A LARGE NUMBER OF HIGHLY EFFECTIVE FIGHTING MACHINES. IN THE CIRCUMSTANCES, I DO NOT SEE HOW WE CAN PERSUADE EVEN OURSELVES THAT THESE ITEMS ARE 'NON-LETHAL'. CERTAINLY WE COULD NOT SO PERSUADE THE SAUDIS.

4. FROM THE POINT OF VIEW OF OUR RELATIONS WITH SAUDI ARABIA, THIS WOULD BE A PARTICULARLY BAD TIME FOR US TO HELP IRAN IN THE WAY PROPOSED. YOU KNOW AT FIRST HAND HOW CONCERNED THE SAUDIS ARE ABOUT THE WAR. THEY SEE IRAN UNDER KHOMEINI AS AN IMPLACABLE AND UNPREDICTABLE ENEMY WHICH POSES A CURRENT THREAT OF SUBVERSION AND SABOTAGE, AND A POTENTIAL THREAT OF DIRECT MILITARY ACTION, AGAINST THEM. BOTH THREATS WOULD BE GREATLY INCREASED IF IRAQ WERE DEFEATED. THE NEED TO CONTINUE TO MAKE LARGE PAYMENTS TO IRAQ IS PLACING GREAT STRAIN ON THE SAUDIS AT A TIME WHEN THEIR OIL REVENUES HAVE BEEN SEVERELY REDUCED. THE SAUDIS ARE ALSO TAKING CONSIDERABLE RISKS BY ALLOWING MILITARY SUPPLIES FOR IRAQ TO BE SHIPPED TO SAUDI PORTS AND TRANSPORTED OVERLAND. AND THE FACT THAT THE AMERICANS, INFLUENCED BY IRAN'S RESORT TO TERRORIST BOMBINGS AND HER CONTINUED REJECTION OF ALL OVERTURES SEEKING TO END THE WAR, HAVE NOW TILTED MARKEDLY TO THE IRAQ SIDE, WOULD MAKE IT INEXPLICABLE TO THE SAUDIS WERE WE TO CHOOSE THE PRESENT MOMENT TO TAKE A SIGNIFICANT STEP IN THE OTHER DIRECTION.

5. WE KNOW THAT THE SAUDIS ARE PARTICULARLY SENSITIVE ABOUT ARMS SUPPLIES TO IRAN. THEY RECENTLY TOOK PRECIPITATE ACTION IN DETAINING SHIPS VISITING SAUDI PORTS AND CARRYING 'DANGEROUS' CARGO OF ANY KIND DESTINED FOR THIRD COUNTRIES, UNTIL ASSURANCES WERE OBTAINED FROM THE GOVERNMENTS OF THOSE COUNTRIES THAT THE CONSIGNMENTS WERE PROPERLY AUTHORISED. SIMILARLY, THEY NOW REQUIRE ASSURANCES FROM THE COUNTRIES OF DESTINATION OF AIRCRAFT CARRYING MUNITIONS OF WAR, BEFORE THEY WILL GRANT OVERFLIGHT CLEARANCES. WE BELIEVE THESE MEASURES ARE DESIGNED TO PREVENT SUCH GOODS FROM REACHING IRAN.

6. WHAT WOULD THE SAUDIS DO? (WE MUST ASSUME THAT WE COULD NOT CONCEAL OUR ACTION FROM THEM - MR MOBERLY'S TELELETTER OF 24 OCTOBER 1983 TO HASKELL REFERS.) WITH LUCK, THEY WOULD SUMMON US BEFORE TAKING ANY ACTION, AND ASK FOR AN EXPLANATION. THEN THEY WOULD, AT THE LEAST, ISSUE A STATEMENT DEPLORING OUR ACTION IN STRONG TERMS. ANY PUBLIC SECTOR CONTRACT WHICH WAS UNDER CONSIDERATION AT

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THE TIME, FOR WHICH BRITISH COMPANIES WERE IN COMPETITION WITH FOREIGN ONES, WOULD GO TO OUR COMPETITORS. (THE 250-300 MILLION POUND CONTRACT FOR AERO ENGINES, ABOUT WHICH THE PRIME MINISTER RECENTLY SENT A MESSAGE TO THE KING, IS A CASE IN POINT.) AND, AS IN THE 'DEATH OF A PRINCESS' SAGA, THERE WOULD BE A SUBSTANTIAL KNOCK-ON EFFECT IN THE PRIVATE SECTOR. THE DAMAGE TO OUR POLITICAL RELATIONSHIP, WHICH IS IN GOOD SHAPE FOLLOWING YOUR VISIT HERE, WOULD BE SEVERE. I AM SURE ALL THIS WOULD BE MIRRORED IN OTHER GULF COUNTRIES.

7. THERE MAY HAVE BEEN A TENDENCY IN SOME QUARTERS IN LONDON, WHEN ARMS SALES TO IRAN AND IRAQ ARE DISCUSSED, TO DRAW UP A BALANCE SHEET OF OUR INTERESTS IN THOSE TWO COUNTRIES ONLY, WHEN CONSIDERING THE LIKELY EFFECT OF SOME PARTICULAR PROPOSAL. OR IF, WHEN A SALE TO IRAN IS PROPOSED, OTHER ARAB COUNTRIES ARE TAKEN INTO ACCOUNT, IT IS ONLY POTENTIAL EXTRA BUSINESS IN THE FUTURE IN THOSE COUNTRIES WHICH IS THOUGHT TO BE AT RISK. (SEE THE CORRESPONDENCE BETWEEN HASKELL AND MARTIN, DOT, IN OCTOBER 1983.) BUT, AS WE HAVE SAID BEFORE FROM HERE, THERE IS A STRONG POSSIBILITY, IF WE ARE PERCEIVED BY THE ARABS TO BE FAVOURING IRAN, OF DAMAGE TO OUR EXISTING POLITICAL AND COMMERCIAL POSITION IN THE ARAB COUNTRIES, ON A SCALE THAT WOULD FAR OUTWEIGH THE POTENTIAL BENEFITS OF A RAPPROCHEMENT WITH IRAN. I CANNOT UNFORTUNATELY SAY THAT WE SHALL REAP SUBSTANTIAL REWARDS HERE IF WE REMAIN NEUTRAL - WE WOULD HAVE TO LEAN FAR MORE TOWARDS IRAQ TO BE GIVEN LARGE CONTRACTS FOR POLITICAL REASONS, AS THE FRENCH HAVE DONE - BUT WE CANNOT AFFORD TO HELP IRAN. I MUST RECOMMEND STRONGLY THAT THE TANK SPARES NOT BE RELEASED.

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FROM AMMAN 181145Z JAN 84  
TO IMMEDIATE FCO  
TELNO 64 OF 18 JAN 84  
AND TO INFO IMMEDIATE BAGHDAD, AND ROUTINE GULF POSTS  
PARIS, RIYADH, TEHRAN, UKMIS NEW YORK, UKDEL NATO AND WASHINGTON.

BAGHDAD TELNO 28: ARMS SALES TO IRAN AND IRAQ.

1. MOST UNFORTUNATELY THE KEY TELEGRAM IN THIS EXCHANGE (YOUR TELNO 38 TO WASHINGTON) WAS NOT REPEATED TO AMMAN AND I HAVE ONLY JUST RECEIVED IT. WE ALSO SEEM TO BE MISSING SOME OF THE OTHER REFERENCES.
2. JORDAN IS PERHAPS IRAQ'S CLOSEST ALLY IN THE CONFLICT WITH IRAN AND HAS IN THE PAST TAKEN A LEADING ROLE IN SEEKING THROUGH DIPLOMATIC CHANNELS TO PREVENT OTHER COUNTRIES FROM SENDING ARMS OR MILITARY EQUIPMENT TO IRAN. KING HUSSEIN SEES IRAQ AS FIGHTING A BATTLE ON BEHALF OF THE OTHER ARABS AND BELIEVES IRAQ'S DEFEAT WOULD HAVE THE MOST SERIOUS CONSEQUENCES FOR THE WHOLE REGION (FOR RECENT CONFIRMATION OF HIS ATTITUDE, SEE PARA 9 OF MY TELNO 42 ON THE KING'S TALK WITH FIELD MARSHAL BRAMALL). THE KING HAS IN THE PAST SHOWN CONSIDERABLE NERVOUSNESS OVER THE POSSIBLE SUPPLY OF BRITISH WEAPONS TO IRAN (SEE FOR EXAMPLE MY EXCHANGE WITH MIDDLE EAST DEPARTMENT RESTING WITH HASKELL'S TELELETTER TO ME OF 1 DECEMBER 1983 CONCERNING PRESS REPORTS OF A POSSIBLE JAGUAR SALE TO IRAN). WE HAVE OF COURSE BEEN THROUGH MANY OF THE SAME ARGUMENTS IN THE CONTEXT OF A POSSIBLE SALE OF TANK ENGINES TO IRAN BY WHAT WAS THEN THE DIESEL SUBSIDIARY OF ROLLS ROYCE/VICKERS.
3. GIVEN THE VERY CLOSE RELATIONSHIP BETWEEN IRAQ AND JORDAN, THE ARGUMENTS IN BAGHDAD TELNO 28 APPLY WITH ALMOST EQUAL FORCE TO JORDAN. LIKE MOBERLY, I THINK THE RELEASE OF THE TWO SUPPORT SHIPS COULD GIVE US SERIOUS TROUBLE HERE, ALTHOUGH I AM UNSIGHTED ON THE BACKGROUND TO THIS AND HOW FAR WE COULD CLAIM THAT WE WERE MERELY FULFILLING OLD CONTRACTS. THE TANK SPARES WOULD OF COURSE BE MUCH WORSE. WE HAVE CERTAINLY, AS FAR AS I KNOW, TAKEN NO STEPS TO FOREWARN THE JORDANIANS CONCERNING ANY OF THESE ITEMS (AS LORD CARRINGTON APPARENTLY WARNED THE IRAQIS IN MARCH 1981 CONCERNING THE KHARG).

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4. IT FOLLOWS FROM THIS THAT I STRONGLY ENDORSE PARA 7 OF JEDDA TELNO 40 AND I THINK KING HUSSEIN WOULD BE DEEPLY DISTRESSED AND ALSO ANGERED BY WHAT WE PROPOSE TO DO AND PARTICULARLY BY THE INVOLVEMENT OF IMS, WHICH HAS BEEN SO HELPFUL TO JORDAN OVER THE KHALID TANK PROGRAMME. IF THE NEWS WERE TO BREAK SHORTLY BEFORE THE STATE VISIT, IT WOULD COMPOUND THE EMBARRASMENT VIS A VIS THE KING.

5. PARA 4 OF YOUR TELNO 12 TO BIS TEHRAN. WOULD WE NOT RISK EXPOSING OURSELVES TO THE STRONGEST PUBLIC CRITICISM IF, HAVING WARNED AGAINST ANY ATTEMPT TO CLOSE THE GULF SHIPPING LANES, WE WERE THEN SEEN APPARENTLY TO BE SUPPLYING IRAN WITH SUPPORT VESSELS WHICH MIGHT HELP HER TO DO SO. I AM NOT SAYING THAT THE SUPPORT VESSELS WOULD MAKE A SIGNIFICANT DIFFERENCE TO IRANIAN NAVAL CAPABILITY IN THE GULF, BUT THAT THIS <sup>IS</sup> HOW IT WOULD APPEAR TO THE PUBLIC.

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DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422  
GTN 215 .....  
(Switchboard) 215 7877



JH 615

Secretary of State for Trade and Industry

19 January 1984

The Rt Hon Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London SW1

B/F

Amint msg from

Foreign Secretary.

A.S.C. 23/1

*D. Geoffrey.*

ANTI-RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

*with AIC?*

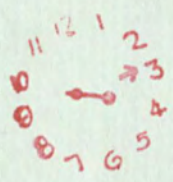
I agree with the Secretary of State for Defence that it would be in our wider commercial interest to assist Saudi Arabian National Guard training, and support his proposal that we should attach two officers and two NCOs to the British Military Mission in Saudi Arabia for about six months to provide supervision.

2 I am copying this letter to the recipients of yours.

NORMAN TEBBIT



20 84





10 DOWNING STREET

*From the Private Secretary*

18 January 1984

French Arms Contract with Saudi Arabia

The Prime Minister has expressed interest in recent reports of a new and large (£3 billion) French contract for the supply of arms to Saudi Arabia.

BF | She would be grateful for an analysis of the content and significance of this agreement. Is it a genuinely new agreement or is it, as I believe has turned out to be the case with similar French contracts in the past, to some extent a rearrangement of previous contracts? What impact is this development likely to have on our own efforts to sell arms to Middle Eastern countries?

I am copying this letter to Peter Ricketts (FCO).

A. J. COLES

Richard Mottram, Esq.,  
Ministry of Defence.





MO 5/3/3

*Amint ref from  
Foreign Secretary.*

FOREIGN AND COMMONWEALTH SECRETARY

*A.F.C. 207  
/1.*

ANTI-RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

You may recall that I wrote to you in May last year (my MO 5/3/3 dated 12th May 1983) seeking your views, together with those of other OD members and the Secretary of State for Northern Ireland, on whether we should provide a package of anti-riot training for the Saudi National Guard (SANG). The point at issue was whether we should, in this particular case, make an exception to our normal policy that the British Army does not provide riot control training for foreign forces.

2. In the light of the comments that I received, I agreed that the Army should train some Saudi instructors in the UK as our direct contribution to a package which included equipment sales and in-country training, both under IMS auspices. Unfortunately the equipment sales possibility collapsed when the SANG decided that they could meet most of their immediate requirements from stocks. Despite this change in the commercial arguments, it was decided that the Army should give training to Saudi instructors in the UK, because of our political and other commercial interests. IMS gave in-country training as originally planned.

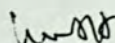
3. The SANG are now pressing for Army assistance with the next phase of their riot control training programme. Their problem is that the Saudis trained so far are not fully capable of instructing the remaining units, whom the Saudis wish to receive this training, without some supervision. They are therefore seeking the assistance of a team of two officers and 2 NCOs who would be attached to the British Military



Mission in Saudi Arabia for about six months to provide supervision. The task is not unlike that already done by IMS, but SANG are pressing quite specifically for assistance from UK serving officers and NCOs, apparently because, although the IMS training was adequate, it was not of such high quality as that given by the Army to the group who came to the UK.

4. The arguments for and against the provision of this training supervision are much the same as those I outlined in my minute to you last May on the previous proposal. There are however now **no direct commercial reasons** for us to give this assistance, since it is not proposed that it should form part of a package linked with sales of any particular equipment. Nevertheless the point that it would be in **our wider commercial and other interests** to assist the Saudis remains as strong as ever. We recently considered an OD paper (OD(EM)4) which looked at the possible range of requests that could come from Gulf States in the light of events in the region. This concluded (Annex D, para 3) that while the Saudis will look mainly to the US, **they could welcome some token contribution from the UK and the present proposal could be put forward as evidence of such a contribution.** Given the closed nature of Saudi society, and their unwillingness to admit that they have needed help from outside, I believe that the possibility of adverse publicity stemming from the proposed assistance is small.

4. My own recommendation therefore, would be that we should in this instance agree to provide the further assistance requested by the SANG. Before taking a final view however, I should welcome your views and those of OD colleagues and the Secretary of State for Northern Ireland, to whom I am copying this minute. Since this subject may well arise during my visit to Saudi Arabia at the end of January, I would be grateful for your views as soon as possible.

  
Ministry of Defence  
13th January 1984

Middle East Arms Sales #3

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10 DOWNING STREET

*From the Private Secretary*MR. HATFIELD  
CABINET OFFICEIRAN/IRAQ: SUPPLY OF DEFENCE EQUIPMENT

You will have seen the minute of 20 December by the Foreign and Commonwealth Secretary and the further minute of 23 December by the Defence Secretary on the above subject. It may be that other members of OD(EM) will wish to comment.

BF

I believe that the Prime Minister would find it most helpful if, when the correspondence is complete, the Cabinet Office could let her have a short paper summarising the issues and pointing out the implications of the various decisions. I have not so far shown the Prime Minister the two minutes referred to above and would prefer not to do so since they contain a good deal of detail which is not readily comprehensible without background knowledge of the issues. It would therefore be helpful if your own paper could be self-contained.

There is one point which is perhaps not sufficiently covered in the correspondence so far, namely the line we shall take in public about any decision to proceed with sales of defence equipment to Iran. I am told that a number of journalists (some French and German) are pursuing a story that the British are about to do a major arms deal with Iran. It would presumably be in Iranian interests to make the most in public of a decision to proceed with the proposed package. That could lead to trouble with the Arabs, the Americans and perhaps some domestic elements.

/I wonder

I wonder, also, whether it will be credible to argue in public that only a small proportion of the \$11 million for tank spares is for lethal equipment. The Iranians are known to be desperate for spares for their Chieftain tanks and common sense argues that any tank spares would help the Iranian war effort directly. So it appears that, if we are to proceed with this package, the public line needs to be clearly thought out in advance.

AJC

3 January 1984



MO 26/9/5

*Minute to R. Haffill.**At 3.  
1*FOREIGN AND COMMONWEALTH SECRETARY

In your minute of 20th December you recommended a package which included a positive decision on supplies for Iraq as well as a decision to proceed with the interim package of 36 contracts with Iran. You also added the suggestion that we might take a positive decision on the aircraft components factory for Iran.

2. I welcome the recommendation to go ahead with the interim settlement with Iran. The package is on the whole beneficial in itself; but far more important is the need to start the negotiations on the contracts for the tanks and armoured recovery vehicles which were ordered by the Shah and stopped by the Iranian Revolution. The Iranians are suggesting that negotiations on the contracts might resume in January with a reasonable amount of goodwill on their part rather than a continuing problem over this interim package. A great deal of money could be at stake if the negotiations on those major contracts went badly.

3. Because of the need to maintain some moderate goodwill there is a presentational problem about the matter of the tank spares. I recognise and fully support the need to maintain our policy that we do not supply lethal equipment to either side. Certainly gun barrels - which represented only a very small proportion of the value of the items - would come into that category: arguably all gun related spares might be so considered, as you suggest. The difficulty is that the Iranians will have to be told that they cannot



have these spares because of the lethal equipment policy. The only alternative would be to try to maintain that the items were lost along with almost £1M worth of other Iranian supplies in the recent fire at COD Donnington. However, we have already told them the true amount lost and to claim at this stage that a further £0.5M - including the most obviously sensitive items - had been destroyed would be stretching our credibility to breaking point: we should justifiably be accused of duplicity in operating the policy of non supply but trying to conceal the fact. There is therefore in my judgement, more to be said for frankly stating the policy as the cause of withholding supply. No doubt however you will be considering this presentational problem and giving very early guidance to the negotiating team.

4. I have some doubts about whether the proposal about the aircraft components factory for Iran is free from difficulty. There may be some problems about the proposal for transfer of technology in respect of forging for aircraft engines and I would like to consider this further. As you point out however this particular proposal is by no means an essential part of the whole package and I hope therefore that the rest of the proposal can go ahead without waiting for a final decision on the factory.

5. As for the proposal for supplies to Iraq, I agree that our position of neutrality can be underlined by agreeing to the requests in respect of patrol craft engines by Paxman Diesels and a helicopter sight system by British Aerospace - although in the latter case the American attitude towards the proposal will be crucial.

6. I am copying this minute to the Prime Minister, other members of OD(EM) and to Sir Robert Armstrong.

MIDDLE EAST: Arms Sales  
Pg 3

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DWB

22/12

MR. COLES

IRAN/IRAQ: SUPPLY OF DEFENCE EQUIPMENT

CF

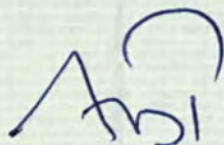
Await minute from MoD

I have carefully read the Foreign Secretary's minute of 20 December. I do not think that the Prime Minister should take a decision until she has had time to consider the pros and cons fully.

I understand the pressures to go ahead with the package as proposed. If we do not, we will have difficulties with the Iranians and the solution of these problems from the past will become more complicated as time passes. We will probably lose a fair amount of money.

If we go ahead, we must accept that there is likely to be trouble. I know from French and German journalistic contacts that they are hot on a story, which is circulating in Tehran, that the British are about to do a major arms deal with Iran. It would be in Iranian, and French, interests to make the most in public of our package. If there is publicity, we will have trouble with the Arabs, the Americans and possibly some certain elements in the House of Commons. It will be difficult to maintain the "non lethal" line. For example, the Iranians are desperate for spares for their Chieftan tanks. It will not be easy to argue that only a small proportion of the £11 million for tank spares are lethal and are thus being withheld until the end of hostilities. Commonsense argues that any tank spares would help the Iranian war effort directly.

What I am saying is that, if it is decided for reasons of commercial interests that we must go ahead with this package, our public line must be well and thoroughly thought out. We must assume that we will need to deploy it shortly after the agreement is concluded.



A.D. PARSONS  
21 December 1983

CONFIDENTIAL



*CGAP*

*Avail below Secretary minute.*

FCS/83/270

*A.S.C. 21/12*

SECRETARY OF STATE FOR DEFENCE

*h-a.*

Iran/Iraq: Supply of Defence Equipment

1. In my minute to you of 16 November I proposed that specific authority should be given to allow International Military Services Limited (IMS) to enter into negotiations to sign a Variation Agreement with Iran in respect of the two Yarrow support ships. I undertook to reflect further on the rest of the package which would constitute an interim settlement of these contracts. In doing so, I have had in mind the points made in paragraph 4 of your minute to me dated 21 November.

2. I have now considered this problem, together with a number of other applications for sales of defence equipment to Iran and Iraq which have been held up. Details of these applications are set out at Annex I. My concern was to look at the issue in the round and to ensure that the policy we have been following for the last three years is consistent. I have now concluded that the balance of advantage lies in going ahead with each of the elements in this package. The immediate benefits to the United Kingdom would derive from a decision to go ahead with the UK/Iran Interim Agreement. The release of the two naval supply ships built at Yarrow would produce a gain of some £25 million as against a possible loss to ECGD of £15 million if we do not go ahead with these contracts. The Iranians have also made it clear that success at this stage will govern their attitude to those contracts which constitute the balance of the negotiations, and should also lead to their willingness to open negotiations on the £100 million ECGD-covered civil debts. Failure to go ahead with this package could, additionally, leave us open to claims of about £400 million if the Iranians take us to arbitration.



3. This is not an easy decision. We must expect criticism from Iraq's Arab friends, perhaps encouraged by the French, if we proceed with the Interim Agreement with Iran. We have also recently been approached by the Americans with a request to consider stopping any sales of military equipment to Iran at least until a ceasefire is in place.

4. The policy we have pursued since the outbreak of this conflict has been that, consistent with our position of neutrality, we would not supply lethal arms or ammunition to either side. I consider that we should maintain this position and insist that any lethal elements in these contracts should be withheld until hostilities end. The only items for Iran which fall clearly into this category are some of the tank spares, which amount to some £460,000 out of £11 million for the total tank spares contract.

5. We can do more to underline our position of neutrality by taking a positive decision on the contracts for patrol craft engines and TOW helicopter sights for Iraq. Not least for presentational reasons, I would regard this as a vital element in the package which I am recommending.

6. The American approach, which has been made to a number of other governments as well, reflects a shift in US policy away from strict neutrality and towards support for Iraq. The Americans have told the Iraqis what they have done and news of it has already leaked to a Washington-based journalist. We shall need to consider further whether we should follow the United States in this change of alignment as regards future contracts. So far, our policy of strict neutrality has enabled us to maintain our civil trade with both sides and to avoid being drawn into their dispute. Unlike the Americans, we do not hold sequestered Iranian assets, nor do we have a treaty

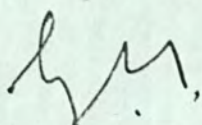
/mechanism

CONFIDENTIAL

mechanism like the Algiers Agreement through which we can ensure that our claims are met. I propose, therefore, that we should reply to the Americans at this stage that our present policy is a balanced one of supplying non-lethal equipment to both sides and that we have incurred as a result certain obligations to honour existing contracts; we would, however, be happy to discuss with them what policy we and they - and other Western countries - should adopt over future arms sales in the area.

7. On this basis, I should welcome your agreement, and that of colleagues, to going ahead with each of the contracts at Annex I. (The aircraft components factory for Iran is a decision which might conveniently be taken at the same time as the rest of the package I have described.) We could discuss at the meeting of OD(EM) already scheduled for 21 December if it were desirable.

8. I am copying this minute and its annex to the Prime Minister, to other members of OD(EM) and to Sir Robert Armstrong.



(GEOFFREY HOWE)

Foreign and Commonwealth Office  
20 December 1983



ANNEX I

Interim Agreement on UK/Iran Negotiations on Defence  
Industry Claims

1. The contracts which comprise this interim agreement (Annex ID) represent a careful balance of interest between the United Kingdom and Iran. The sale of the two Yarrow support ships will benefit the UK, and the release of the blocked tank spares contracts is the quid pro quo for Iran. It is clear from the negotiations we have had with the Iranians that without the latter element they will not support the interim agreement, and this in turn will seriously affect the chances of satisfactorily resolving disputes on the remainder of the original contracts.
  
2. Officials have looked closely at the various tank spares contracts and have concluded that the lethal elements - tank gun spares and machine gun barrels - constitute a very small proportion of them: in value terms, some £460,000 out of a total of £11m.
  
3. There is a further subsidiary difficulty. In order to achieve a satisfactory financial settlement of these contracts, MOD and IMS have accepted an Iranian proposal which calls for an undertaking on continuity of supply. Officials have told the Iranians that in accepting this obligation the United Kingdom would have to retain the right to decide the nature and volume of any new supplies. This is spelt out in the attached draft Minutes of Discussion (MOD) (Annex III) which the Iranian side is still considering. If the Iranians decline to sign such a document, it will be necessary to write into any contract covering the supply of future spares the caveat that now exists in the draft MOD.



#### Patrol Craft Engines for Iraq

4. Paxman Diesels have been approached by the Iraqi Navy with a requirement to re-engine their Soviet-built Ossa naval patrol craft. This contract would be worth £1.3m for each of 12 Ossa naval patrol craft: i.e. some £15m if Paxman Diesels were asked to re-engine them all. Paxman Diesels have submitted a bid, but no Iraqi decision has yet been forthcoming. The engines are not "lethal" but the craft are armed, and have been used in the war against Iran. We have previously agreed to the re-engining and repair of Iranian navy hovercraft, but stipulated that their armaments should be removed (which is not feasible for the Ossa patrol craft). However, the work would take some eight months to complete: i.e. it would be the second half of 1984 at the earliest before the craft were back in service. The contract would, therefore, have no bearing on Iraq's ability to interfere with Iran's oil exports in the short to medium term, and would not be open to the same degree of criticism as the French supply of Super Etendard aircraft and Exocet missiles to Iraq.

#### TOW Sights for Iraqi Helicopters

5. BAe have asked for clearance to promote and supply a helicopter sight system to Iraq. This system is associated with TOW missiles and has been developed jointly with BAe and the Hughes Aircraft Company.

6. Ministers agreed in February 1981 on the general principle that sights might be supplied to Iraq, but there are two points which complicate this otherwise simple request:

- (a) we have refused to allow UK companies to fit weapons racks to German helicopters assembled in Spain for delivery to Iraq; and

/(b)




(b) a willingness to supply the sights could lead us into difficulties with the US administration's total embargo on the supply of defence equipment to either belligerent.

7. The Americans may be amending this policy in favour of closer support for Iraq.

8. There is no value attached to this; BAe are seeking authority on principle.

Iran - Aircraft Components Factory

9. Davy McKee have recently been approached by Iran aircraft industries, inviting them to submit bids for a forging complex to make various forgings on the aircraft and aircraft engines. Davy McKee estimate that a successful bid could result in £5 million worth of business for the UK with a substantial business thereafter, as the Iranian industry developed. The machinery could not be delivered and installed in under 2 years. The bid will be for two contracts, the first involving a transfer of technology and training of personnel (there is no legal constraint so far as the Export of Goods Control Order is concerned). The second contract would involve the supply of metal working machinery, furnaces, dies, hammers, presses, heat treatment plant, measuring equipment etc. There is German and Netherlands competition.



ANNEX II

<u>Contract Ref</u>	<u>Description</u>
96.12.192	Yarrow ship
96.12.252	Test equipment and tools
96.12.258	Training equipment
96.12.07	Chieftain tanks I (spares only)
96.12.08	Chieftain tanks II (spares only)
96.12.10	S.S.A.
96.12.15	Chieftain radios
96.12.23	Chieftain support equipment
96.12.30	Scorpion spares
96.12.40	Chieftain spares
96.12.169	L60 spares
96.12.41	Chieftain spares II
96.12.57	Scorpion radio
96.12.85	Chieftain spares II
96.12.122	Driving simulators
96.12.062	Electronic target ranges
96.12.064	Scorpion tools and equipment
96.12.076	Second echelon training equipment
96.12.092	Scorpion training aids
96.12.128	Chieftain spares and training aids
96.12.140	Training aids
96.12.162	Special lighting equipment
96.12.177	Scorpion stage II spares
96.12.186	22 Rifle spares
96.12.188	Rifle brackets and target equipment
96.12.049	Mobile workshops
96.12.027	Supervisory advisory and architectural services
96.12.127	Supply of goods for Masjid Soleiman*
96.12.221	Masjid Soleiman additional expatriate instructors *
96.12.196	Technical High School - THS II*
96.12.262	Technical High School - THS III*
96.12.206	Ordnance support team (OST III)
96.12.239	Ordnance support team (OST IV)
96.12.291	Ordnance support team (OST V)

\* - no equipment involved





ANNEX II (Contd)

<u>Contract Ref</u>	<u>Description</u>
96.12.217	Technical support services (TSS III)
96.12.215	Tehran maintenance centre (TMC III)
96.12.203	Kharg crew training
96.12.158	Kharg overseeing
96.12.022	Additional ARV's (cancelled)
96.12.234	Left hook-engine refurbishment



ANNEX III

Draft UK/Iran Minutes of Discussion (MOD)

The purpose of these Minutes of Discussion (MOD) is to record the negotiations and agreements between the delegation from the Ministry of Defence and the Bureau of International Legal Service of the Islamic Republic of Iran and the delegation from the Ministry of Defence and the Foreign and Commonwealth Office of the United Kingdom and public and private companies since July 1982 until the date of signing this MOD, concerning the past contractual relations between Iranian companies and entities and the United Kingdom companies and entities. These negotiations resulted in the following understanding.

1. Of all the contracts under negotiation (Exhibit No 1), the status of the contracts (Exhibit No 2) has been determined. The relevant Minutes of Discussion (MODs) concerning the contracts in Exhibit No 2 and the understandings recorded therein have been prepared and signed by the parties concerned.
  
2. The two Governments, with due knowledge of these negotiations, will take measures to facilitate the complete, timely and precise implementation of the provisions of the MODs and will obviate all the obstacles hampering such implementation. Included in such measures will be the issuance by the United Kingdom Government of the necessary permits to export the goods, the subject matter of the MODs, if so required, as well as facilitation of performance of the services the subject therefore provided that in respect of the supply of further spares or related equipment required by the Ministry of Defence of the Islamic Republic or Iran under the Supply Support Contract referred to in the Memorandum of Discussion

/between

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ANNEX III (Contd)

between the Ministry of Defence of the Islamic Republic of Iran and International Military Services Limited dated 1983 such measures will be subject to the general policy of the Government of the United Kingdom at the time of such supply.

3. Negotiations concerning the other contracts listed in Exhibit No 1 will continue by the relevant representatives, and the two Governments will continue their best endeavours over the negotiations to ensure an outcome acceptable to all parties to each such contract.

4. Negotiations will be undertaken by representatives of the relevant parties for resolution of outstanding matters concerning the past contractual relations between Iranian companies and entities and British companies and entities which were also the subject of insurance from the British Export Credit Guarantee Department, but which were not the subject of these discussions. The two Governments will use their best endeavours over the negotiations to ensure an outcome acceptable to both parties of each such contract.

5. This MOD is prepared in two copies in Persian and English, both copies being equally valid, and the signatories thereof are legally authorised to execute them.

20 DEC 1983

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GRS 600

No. 10  
(I)

Prime Minister.

relevant to the ad(ers)  
discussion on Wednesday.

A.F.C. to  
CCM  
T.M.A.C.

CONFIDENTIAL  
ECLIPSE  
FROM ABU DHABI 181600Z DEC 83  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 303 OF 13 DEC  
REPEATED INFO IMMEDIATE WASHINGTON  
REPEATED INFO ROUTINE AMMAN, BAGHDAD, DAMASCUS,  
GULF POSTS, PARIS, MODUK

FROM PS/MR LUCE

MR LUCE'S VISIT TO THE UAE: CALL ON PRESIDENT.

NBE	OZC/K
RECEIVED UNIVERSITY RD.	
19 DEC 1983	

1. MR LUCE HAD TWO HOURS WITH SHAIKH ZAYD THIS MORNING. AFTER INITIAL COURTESIES HE ASKED HIS ADVISERS TO WITHDRAW THE REST OF THE SESSION WAS THEN DEVOTED TO A STRONG PLEA FOR BRITISH HELP IN DEFENDING THE UAE IN THE EVENT OF AN IRANIAN ATTACK.

2. SHAIKH ZAYD TOOK THE LINE THAT BRITAIN WAS THE TRIED AND TRUSTED FRIEND OF THE EMIRATES. THE SAME WAS NOT TRUE OF NEW ALLIES SUCH AS THE AMERICANS OR THE FRENCH. THEIR WILLINGNESS TO MATCH FINE WORDS WITH ACTION WHEN THE CRUNCH CAME HAD YET TO BE PROVEN. HE PRESSED HARD FOR A BLANKET ASSURANCE THAT BRITAIN WOULD PROVIDE WHATEVER ASSISTANCE THE UAE REQUIRED TO DEFEND ITSELF OR, FAILING THAT, FOR A PRECISE INDICATION OF THOSE AREAS IN WHICH WE COULD COMMIT OURSELVES FIRMLY TO HELP. WHAT PRECISELY COULD WE OFFER, FOR INSTANCE, IN RESPONSE TO AN IRANIAN ATTACK ON ONE OF THE UAE OIL INSTALLATIONS?

3. MR LUCE REMINDED SHAIKH ZAYD THAT OUR MILITARY RESOURCES WERE LIMITED, AND SAID THAT WE COULD NOT REALISTICALLY PROMISE THAT WE ALONE COULD PROVIDE ALL THE HELP THE UAE MIGHT REQUIRE. WE WERE THEREFORE KEEPING IN CLOSE TOUCH WITH THE AMERICANS. IT WAS IMPORTANT THAT WE TAKE FORWARD OUR PLANNING TOGETHER, WITH THE AMERICANS TAKING THE LEAD IN AREAS WHERE THEY WERE BEST QUALIFIED TO DO SO. IN CERTAIN FIELDS WE HAD EXPERTISE TO OFFER. FOR INSTANCE, WE HAD ALREADY MADE A SPECIFIC COMMITMENT TO THE SULTAN OF OMAN ON MINE COUNTER MEASURES IN THE STRAITS OF HORMUZ.

4. SHAIKH ZAYD WAS UNMOVED. HE SAID THAT THE GCC HAD SHOWN ITSELF UNWILLING TO GRASP THE NETTLE OF ASKING FOR OUTSIDE HELP. HE WAS NOT GOING TO LET THEIR INDECISION DEFLECT HIM FROM PROTECTING THE UAE'S VITAL INTERESTS. HE THEREFORE NEEDED TO KNOW URGENTLY WHAT HELP WE COULD GIVE THE UAE. MR LUCE REITERATED THAT WE STOOD BY OUR COMMITMENTS TO THE UAE

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/ AND

2182136

John Kenny

AND THAT, IF SHAIKH ZAID SO DESIRED, A MILITARY EXPERT COULD VISIT ABU DHABI IN THE NEW YEAR TO DISCUSS MATTERS FURTHER WITH HIS ADVISERS. THIS COULD COVER HELP WITH THE TRAINING OF THE UAE FORCES AS WELL AS BRITISH HELP IN RESPONDING TO AN OUTSIDE ATTACK. SHAIKH ZAID ASKED THAT THE ADVISER'S VISIT SHOULD TAKE PLACE AS SOON AS POSSIBLE, BUT REMAIN OBVIOUSLY WORRIED AND DISAPPOINTED AT THIS RESPONSE.

5. MR LUCE MADE CLEAR THAT, IF WE WERE TO GIVE MILITARY HELP, THIS MUST BE IN RESPONSE TO A CLEARLY AND PUBLICLY EXPRESSED INVITATION FROM THE GULF STATES.

6. THE TOPIC RESURFACED AT MR LUCE'S CALL ON THE COURT CHAMBERLAIN, SHAIKH SUROUR, THIS AFTERNOON. THE LATTER SAID THAT HE HAD BEEN BRIEFED BY SHAIKH ZAID ON THE MORNING'S CONVERSATIONS, BUT THEN PROCEEDED TO TAKE A RELAXED LINE. HE BRUSHED ASIDE TALK OF CONTINGENCY PLANNING ON THE GROUNDS THAT THERE WAS NO REAL THREAT OF A DIRECT IRANIAN ATTACK. DESTABILISATION MEASURES OF THE SORT SEEN IN KUWAIT WERE MUCH MORE LIKELY.

COMMENT

7. WHILE THESE CONTRADICTIONARY SIGNALS LEAVE A CONFUSED PICTURE, MR LUCE BELIEVES THAT WE SHOULD RESPOND AS QUICKLY AS AND AS FAVOURABLY AS WE CAN TO SHAIKH ZAID'S REQUEST. EVEN BEFORE DMAO'S VISIT, THE AMBASSADOR SHOULD HAVE AUTHORITY TO TELL THE PRESIDENT'S OFFICE VERY PRECISELY WHAT WE CAN COMMIT OURSELVES TO PROVIDING IN THE EVENT OF ATTACK. IT IS CLEAR THAT THEY SEE A SPECIFIC OFFER AS A LITMUS TEST OF OUR COMMITMENT TO THEM: VAGUE UNDERTAKINGS TO CONSIDER REQUESTS SYMPATHETICALLY WILL CUT LITTLE ICE HERE.

WALKER

LIMITED  
MED  
DEFENCE D  
PUSD  
PS  
PS/MR LUCE  
PS/PUS  
SIR J LEAHY  
MR WRIGHT  
MR EGERTON



MO 29/9/15

*ca AP*FOREIGN AND COMMONWEALTH SECRETARY*n bpm  
Dms  
22/11*UK/IRAN NEGOTIATIONS ON DEFENCE INDUSTRY CLAIMS

Thank you for your minute of 16th November on this subject. I have also seen the minute of 17th November recording the Prime Minister's views.

2. I agree that it is to our overall advantage to give IMS the assurance they are seeking on the two Yarrow Support Ships to the effect that an export licence will be granted to allow the Iranians to remove their vessels if a satisfactory settlement can be reached. This would be consistent with the line which we are taking on the Kharg and would allow both ECGD and IMS to recover the sums due to them. Presumably you would arrange for our Arab customers to be briefed on the reasons for this decision at the time the vessels leave for Iran.
3. It is possible that, as with the Kharg, the Iranians may require some further assistance from the Royal Navy before removing the vessels. If asked we shall endeavour to provide this assistance as discreetly as possible but we shall first need to recover from the Iranians just over £250,000 which is owed to us for overseeing vessels before the original contract was suspended.
4. You mention in your minute that you wish to think further about the remainder of the 36 contracts on which an interim settlement has been reached with the Iranians. Although the sums involved are not as large, the terms agreed by the Iranians are advantageous both to the MOD and IMS. There are some lethal items in the MOD



spares package but these are relatively minor comprising some £460K worth of gun-related spares. The package as a whole, worth £8.5M, has all been paid for by the Iranians but has been held by the MOD since the revolution.

5. I am copying this minute to our OD colleagues and Sir Robert Armstrong.

*WMS*

Ministry of Defence  
21st November 1983



MIDDLE EAST  
Army Sales  
Pt 3

22 NOV 1983



RESTRICTED



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

21 November 1983

J E Holmes Esq  
Private Secretary to the  
Secretary of State for  
Foreign and Commonwealth Affairs

*n bpm*  
*JMB*  
*21/11*

*New Idn,*

UK/IRAN NEGOTIATIONS ON DEFENCE INDUSTRY CLAIMS

The Chancellor has seen your Secretary of State's minute of 16 November to the Secretary of State for Defence, and agrees with its recommendations.

Copies of this letter go to all recipients of the minute.

*Yours ever,*  
*J O Kerr*

J O KERR  
Principal Private Secretary

RESTRICTED

m/East  
Dms Sales  
Pt 3

21 NOV 1983



CONFIDENTIAL

VC,



C DTI LCA  
COL  
LPSO  
MOD  
LPO  
HWA

10 DOWNING STREET

*From the Private Secretary*

17 November 1983

UK/Iran Negotiations on Defence Industry  
Claims

The Prime Minister has seen the minute of 16 November by the Foreign and Commonwealth Secretary to the Secretary of State for Defence on this subject.

Subject to the views of OD colleagues, Mrs Thatcher agrees that we should give IMS an assurance that HMG will not try to prevent the delivery of the two Yarrow support ships for the Iranian Navy.

I am copying this letter to the Private Secretaries of other members of OD and to Sir Robert Armstrong.

A. J. COLES

P.F. Ricketts, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

R



FCS/83/235

SECRETARY OF STATE FOR DEFENCE

UK/Iran Negotiations on Defence Industry Claims

1. OD colleagues will be aware of the lengthy discussions with the Iranians about blocked defence equipment contracts and Iranian debts to the Ministry of Defence and to International Military Services Ltd (IMS). These talks were authorised by OD on 9 April 1981 and have been in progress continuously since July 1982.
2. A point has now been reached at which agreement may be possible on a package comprising some 36 of the 102 contracts under negotiation, including virtually all those on which the UK stands to gain by a settlement. However, such an interim agreement would involve the release of a large quantity of Iranian-owned equipment, such as tank spares, a small part of which would be lethal items. We have hitherto refused to supply such items to either Iran or Iraq while the war between them continues.
3. This prospect raises a number of difficult political issues on which I would like to reflect further before deciding what course of action to recommend. But there is one point on which an urgent decision is required. One of the most important contracts in the package concerns two Yarrow support ships for the Iranian Navy. IMS need to know before the end of November whether there is any objection to their signing a Variation Agreement in respect of these ships. This would oblige the Iranians to pay some £20 million of the outstanding cost of the ships, and would free ECGD of some £15 million worth of potential liabilities. However, since such an Agreement would be legally binding, IMS would not wish to sign it unless they were assured that Ministers would not prevent the ships being handed over to the Iranians.



4. The Iranians have given us oral assurances that the ships would not be used in hostile operations against Iraq. This procedure, which was agreed with the Attorney-General in March/April 1982, is the same as that adopted for the Kharg, which we have told the Iranians they are free to remove. Moreover, delivery of the ships would take at least 3 to 4 months after signature of a Variation Agreement, and would almost certainly be followed by sea trials. The ships would not reach Iranian waters until mid-1984 at the earliest.

5. I conclude that it would be right to give IMS the assurance they seek, namely that Ministers would not try to prevent these ships being delivered to Iran, regardless of what happens to the rest of the interim settlement package. Since time is short, may I take it that OD colleagues are in agreement unless I hear to the contrary by Tuesday 22 November?

6. I am copying this to members of OD and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

16 November, 1983

CONFIDENTIAL

da

4 November 1983

Iran/Iraq: Sale of Arms

Thank you for your letter of 2 November, the contents of which the Prime Minister has noted.

A J COLES

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

2 November 1983

*mf*  
Prime Minister.

A.J.C.  $\frac{3}{u}$ .

Dear John,

Iran/Iraq: Sale of Arms

You will recall that during the briefing meeting for President Mitterrand's recent visit, the Prime Minister asked how it was that international rules of neutrality apparently prevented us from delivering the Kharg to Iran, while the French were able to get away with the delivery of Super Etendards to Iraq. The Foreign Secretary asked officials to produce a detailed analysis of our policy in this area. The following is a summary of the conclusions.

At the beginning of the Iran/Iraq war, the FCO Legal Adviser was asked for an opinion on the obligations imposed by our policy of neutrality in this conflict. His conclusion was that, if a government wishes to maintain a strictly neutral posture, it should refrain from authorising an export licence in respect of the export of arms, munitions of war or war material of any kind to one belligerent if it is not prepared to offer the same facilities to the other belligerent. Subsequently, at the OD meeting on 29 January 1981 ((OD(81)1st Meeting), Ministers decided that items of defence equipment (including the Kharg) should not be released to Iran unless and until the British subjects then in detention there were freed. They also agreed that a narrowly-defined range of lethal weapons such as ammunition should not be sold to either side while the Iran-Iraq war lasted. However, they agreed that every opportunity should be taken to exploit Iraq's potential at that time as a promising market for the sale of defence equipment; and that to this end "lethal items" should be interpreted in the narrowest possible sense where supply to Iraq was concerned, and the obligations of neutrality should be interpreted as flexibly as possible.

/The end





The end to the problem of our detainees in Iran, and the US Embassy hostages, has permitted us to bring our policy towards both belligerents more closely into balance. On receipt of oral assurances that the Kharg would not be used in pursuit of the war with Iraq, Ministers agreed in September that we should tell the Iranians that we were prepared to issue an export licence for the Kharg. This we have done, and we are therefore no longer obstructing its delivery at a time when the vessel may be of more use to Iran than a year ago. The Iranians are making arrangements to sail the vessel away, but these will take some weeks or months to complete.

French policy differs from our own in that they have chosen, despite protestations of neutrality, to ignore their international obligations in order to protect their very substantial commercial interests in Iraq. No doubt the French believe this to be in their overall interest, although the bomb explosions in Beirut, whether Syrian or Iranian-inspired, show that an overtly pro-Iraqi policy carries its own risks. Nevertheless, Sir Geoffrey believes that for the sake of our commercial interests in both countries, and especially in the medium term in Iran, it would be wrong to depart from the broadly even-handed policy endorsed by Ministers hitherto.

I am sending a copy of this letter to Richard Mottram at the Ministry of Defence.

Yours ever,

Peter Ricketts

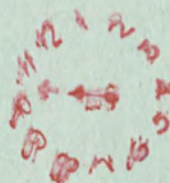
(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

Middle East: Arms Sales

Pt B

3 NOV 1983



CONFIDENTIAL

Sub



10 DOWNING STREET

*From the Private Secretary*

1 November 1983

The Prime Minister has noted your letter of 28 October in which you stated that agreement had been reached between the Kuwait Ministry of Defence and British Aerospace for the sale of 12 Hawk trainer aircraft to the Kuwait Air Force.

A. J. COLES

S.H. Lowe, Esq.,  
Ministry of Defence.

CONFIDENTIAL

Sub



MINISTRY OF DEFENCE  
 MAIN BUILDING WHITEHALL LONDON SW1A 2HB  
 Telephone 01-~~305822~~ 218-2111/3

MO 3/7/3

Prime Minister.

28th October 1983

good news.

A.P.C.  $\frac{31}{10}$ 

ms

Dear Tim,

The Prime Minister may wish to be aware that agreement has now been reached between the Kuwait Ministry of Defence and British Aerospace, for the sale of 12 Hawk trainer aircraft to the Kuwait Air Force. I attach a copy of a letter which Mr Pattie, the Minister of State for Defence Procurement, has signed on behalf of my Secretary of State to the Kuwait Minister of Defence. This sets out the Government's part in the agreement, as well as marking the successful conclusion of negotiations.

The sale is worth just under £73M to British Aerospace and was achieved against strong competition. It is a particularly important agreement as it represents the first major British equipment sale to Kuwait since Chieftain tanks were purchased in the mid 1970s. However its wider significance is that it considerably enhances the prospects of further sales of Hawk in the region, including to Saudi Arabia whose requirement for trained aircraft is considerably larger than that of Kuwait.

Signature of the contract is due to take place in Kuwait on 31st October. This sale should help pave the way for a successful visit to Saudi Arabia and Kuwait, which my Secretary of State hopes to make in December.

I am copying this letter to Peter Ricketts at the Foreign and Commonwealth Office.

Yours ever  
 Mick Evans  
 for (S H LOWE)

Tim Flesher Esq



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALING 01-218 2111/3

MO 3/7/3

27 October 1983

*John W. Excellency*

I am very glad that agreement has now been reached between the Kuwait Ministry of Defence and British Aerospace for the supply of 12 Hawk advanced trainer aircraft to the Kuwait Air Force. As I said when we met in London last summer, the Hawk is a first class aircraft and will, I am sure, meet Kuwait's needs very well indeed. I am particularly glad that Britain is once again to provide the Kuwait Air Force with military aircraft. I know this will reinforce the close and long standing relations between our two countries in the field of defence cooperation. My officials have kept in close touch with the progress of the negotiations and with British Aerospace, and you may be sure that the project will have the closest support from the UK Ministry of Defence.

During the course of the negotiations a number of points were raised on which your representatives asked for specific assurances by the British government. I have had these points examined and I am happy to give the following assurances which you require:

His Excellency Shaikh Salim Al Sabah



- a. Delivery. The delivery time of 22 months specified in the contract for the supply of the first aircraft is, in the view of the UK Ministry of Defence, both reasonable and realistic. Nevertheless, my staff will use their good offices with British Aerospace to see if this delivery period can be reduced.
- b. Production standards. As you know British Aerospace is accorded the highest category of defence manufacturing standards (DEFCON 05/21) by the British Ministry of Defence. The aircraft supplied to Kuwait will be built to the same exacting standards. In addition, the United Kingdom Ministry of Defence will give close support to this project through supervision and coordination with BAe regarding the standards of manufacture.
- c. Spares supply. This is an important aspect of any equipment purchase and we have impressed upon British Aerospace the need to ensure that your requirement for spares is met promptly and in full. My staff will monitor the supply of Hawk spares to the Kuwait Air Force and you may be assured of our best endeavours to see that the company fulfills its obligations.
- d. After sales support. I know the great importance which you and your Air Force attach to this aspect of the contract. My staff have already impressed upon British Aerospace the need for this service to be of the highest level and the company have given us their assurance that they too attach great importance to their after sales service in support of the Hawk purchase by Kuwait. The UK Ministry of Defence will be monitoring closely British Aerospace's performance in this area.



A further point which was raised during the negotiations was the question of bank guarantees on progress payments to British Aerospace. As you know, British Aerospace will provide a bank guarantee to cover the advance payment of 20%. I am grateful for the concession granted by your Ministry of Defence over the provision by the company of bank guarantees on the progress payments and over the retention of 5% of the contract price as an insurance safeguard. You have my assurance that all progress payments made by the government of Kuwait will only be used by British Aerospace for the fulfilment of the Hawk contract. On the question of a 5% retention bond you also have my assurance that my staff will make every endeavour through their close contacts with British Aerospace to ensure that the contract is implemented in every respect to your satisfaction. I should be grateful if you would convey these assurances to your Ministry of Finance. I should like to take this opportunity to confirm to your Excellency that the government of the United Kingdom, through the Ministry of Defence, is ready to do all within its power to ensure that the interests of the Kuwait government are properly safeguarded in the execution of this contract.

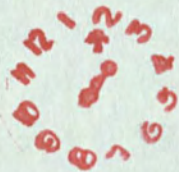
I am also glad to tell you that the UK Ministry of Defence is prepared to back up the supply of Hawk to Kuwait with an offer of training, without charge, for two Kuwait Air Force instructors in either flying or weapons training. We are also ready to meet your request for places for flying training in RAF flying schools for 20 Kuwaiti student pilots up to Hawk standard, starting next year.

In conclusion, may I say how much I enjoyed our meeting in London earlier this year. I look forward to renewing our acquaintance and to my discussions with you when I visit Kuwait in December.

*Yours sincerely*  
*John Palmer*  
*on behalf of*

Michael Heseltine

28 OCT 1983







FILE

JR

MOD

10 DOWNING STREET

THE PRIME MINISTER

18 October, 1983

*Dear Derek*

Thank you for your letter of 26 September in which you referred to a letter which Mr. David Plastow wrote to me in April about the supply of tank engines to Iran.

I have, of course, replied to Mr. Plastow's letter. I understand that he has no objection to my letting you have a copy of my reply, which is enclosed with this letter. You will see that, in accordance with our policy on the sale of defence equipment to either combatant in the Iran/Iraq war, it was decided that export licences could not be approved for these tank engines during current hostilities. However, I understand that Rolls Royce now entertain hopes of obtaining alternative work from Iran which would not be embargoed under our present policy.

It might, I suggest, be useful if you first discussed the present position with Rolls Royce and then, if you wished, talk with Geoffrey Pattie at the Ministry of Defence.

Thank you for writing to me.

*Yours sincerely  
Margaret Thatcher*

Derek Conway, Esq., MP.

—

CM

CONFIDENTIAL



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-~~230 7222~~ 218 2111/3

MO 26/9/22

5th October 1983

Dear Tim

IRAQ: SALE OF NIMROD AIRCRAFT

The Prime Minister's brief for her talks and lunch tomorrow with Mr Taha Ramadhan, the First Deputy Prime Minister of Iraq, included reference to the possible sale of Nimrod Aircraft to Iraq. The British Aerospace/MOD team referred to in the brief returned from Baghdad last night, and you might find it useful to know the latest position.

BAe's formal response to the Iraqi request for a Company-to-Government contract was given by two senior directors, who explained that the deal could only be achieved on a Government-to-Government basis, given the background of the Iraqi request for onerous bank guarantees. The Iraqis took this in good heart (not least because the message was given at senior level) and after some discussion the Iraqis agreed to reconsider Government-to-Government terms. The plan is to return to Iraq towards the end of November with a draft Government contract.

The fact that the Iraqis have reverted to a Government-to-Government structure is no panacea. The problems that caused the breakdown of the Government-to-Government talks in March will still have to be resolved (for example, a settlement of the bank guarantee problem, payment terms, applicable law and termination liability). Moreover, the Iraqis made no secret of their acute financial problems and made it clear that they could not accept the substantial advance payments required by BAe. In order to maintain a positive cash flow on the sale - essential given the volatile political scene in the region - we would be looking for around 30% on signature with at least 5% every 6 months thereafter. The Iraqis also referred to the possibility of credit for Nimrod, but in line with OD Committee's decision in November 1982 it was made clear that the deal had to be on cash terms.

T Flesher Esq

CONFIDENTIAL



None of the points arising from the discussions in Baghdad alter the original Defence Sales assessment in the brief on Nimrod. We are effectively in an end-game; a sale seems increasingly unlikely (the Iraqis have not yet heard the full prices of around £1.8bn on forward fixed rates); and our best short-term hopes are to disengage amicably and to try again later when Iraqi finances (or her Arab backers) allow. The Prime Minister's firm statement of support to Mr Ramadhan for the deal will therefore be a key feature in this short-term strategy.

I am copying this letter to John Holmes (FCO) and Ruth Thompson (DTI).

Yours  
A H Lowe

(S H LOWE)

- 5 OCT 1943

10 11 12 1  
9 8 7 6 5 4 3 2

CONFIDENTIAL



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-~~XXXXXX~~ 218 6169

D/S of S/PS/10

5th October 1983

*Dear David,*

*Mr Rickett  
on 10/10*

In his letter of 30th <sup>abused</sup> September, Willie Rickett asked me for a draft reply for the Prime Minister to send to Mr Derek Conway MP who wrote to her about Rolls Royce tank engines for Iran.

*PPS* Mr Plastow wrote to Mrs Thatcher on this subject on 26th April. After prolonged and detailed consideration of the request to supply 300 CV12 engines to Iran for their Chieftain tanks, it was decided by OD Ministers that approval could not be given and the Prime Minister so informed Mr Plastow in her letter of 1st July.

Subsequently it was agreed by Ministers in August that Rolls Royce should be allowed to supply 2 CV12 engines to Iran to allow the Iranians to test the feasibility of their installation in the tanks, and thus assist the company in keeping the contract open should there be an early end to the war.

Very recently we have also informed Rolls Royce that there would be no objection to their supplying Iran with a smaller unclassified commercial engine, the CV8, to re-engine their tank transporters. This engine is suitable for neither tanks nor light armoured vehicles. Since tank transporters have been supplied to Iraq since the outbreak of the war, supply of these engines to Iran would be in accordance with our 'even-handed' policy, and should not cause difficulties with our important Arab customers.

I attach a draft letter for the Prime Minister to send to Mr Conway. As you will see, this reflects the suggestion which Willie Rickett made in his letter that the Prime Minister would perhaps find it more appropriate for the Member of Parliament to discuss matters such as this with the appropriate Departmental Minister, rather than with herself.

*Yours ever,  
Barry Neale*

(B P NEALE)  
Private Secretary

David Barclay Esq

DRAFT

Derek Conway MP  
House of Commons

I understand that he has  
no objection to my letting  
you have a copy of my reply,  
which is enclosed with  
this letter.

*your letter of*

Thank you for writing to me on 26<sup>th</sup> September in which you referred to a letter which Mr David Plastow wrote to me in April about the supply of tank engines to Iran.

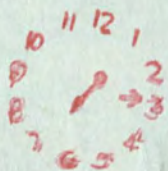
I have, of course, replied to Mr Plastow's letter. ~~and I suggest that you should approach him for a copy of my reply.~~ However, ~~I can tell you that,~~ in accordance with our policy on the sale of defence equipment to either combatant in the Iran/Iraq war, it was decided that export licences could not be approved for these tank engines during current hostilities. However, I understand that Rolls Royce now entertain hopes of obtaining alternative work from Iran which would not be embargoed under our present policy.

It might, I suggest, be useful if you first discussed the present position with Rolls Royce and then, if you wished, talk with either Geoffrey Pattie or Ian Stewart at the Ministry of Defence.

Thank you again for writing to me.

*OK 1/10.*  
~~I have no objection to your having a copy of my reply, provided that Mr. Plastow has none. Perhaps you would kindly approach him.~~

= 5 OCT 1983



Derek CONWAY MP

7/10 HL



ACK 30/9.

10 DOWNING STREET

*From the Private Secretary*

30 September 1983

I enclose a copy of a letter to the Prime Minister from Mr. Derek Conway, M.P. about the Iranian order for power packs which would be manufactured by Rolls Royce. He asks for a meeting with the Prime Minister to discuss this matter. I should be grateful for a draft reply for the Prime Minister to send to Mr. Conway by Friday 7 October. She has always said in the past that she feels it makes more sense for Members of Parliament to discuss matters such as this with the relevant Departmental Minister, and I do not think she is likely to make an exception in this case.

W. F. S. RICKETT

Barry Neale, Esq.,  
Ministry of Defence.





cc FM

2 pr's

(10)

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

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JU579

Secretary of State for Trade and Industry

28 September 1983

**SECRET**  
COMMERCIAL IN CONFIDENCE

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall SW1

*M. Heseltine*

*Dear Michael,*

SALE OF TORNADO AIRCRAFT TO SAUDI ARABIA

Thank you for sending me a copy of your minute of 19 September to Geoffrey Howe.

2 The industrial case for pursuing export sales of Tornado, particularly to Saudi Arabia, is, in my view, overwhelming. Tornado production at BAE's Warton Division for the national air forces of the UK, Germany and Italy has now reached a plateau and, given current uncertainties over the next generation of advanced agile combat aircraft, there is increasing concern about the future workload. That concern is shared by the many British suppliers of equipment and avionics for Tornado. Unless export orders for Tornado can be secured, the prospects for the industrialists beyond 1985/86 are very discouraging.

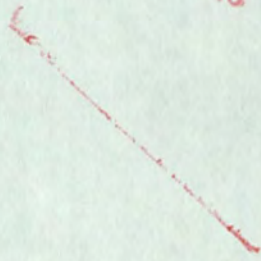
3 The sale of Tornado to Saudi Arabia would be especially significant since, as your paper makes clear, that country is very much a key to the Middle East market. Furthermore, the future of British Aerospace's lucrative defence support contract with the Saudis is dependent on further purchases of UK aircraft. This contract, renewed last year until 1985, has provided income of some £1 billion over the past 10 years.

4 For these reasons, I strongly support your proposal actively to promote sales of Tornado IDS to Saudi Arabia.

5 I am copying this letter to the members of OD.

*Yours faithfully,*  
*Michael Heseltine*

Middle East Arms  
Sales Pt 3



1987



135.  
e F ?

DEREK CONWAY, MP.,  
Member for Shrewsbury & Atcham,  
House of Commons,  
London SW1A 0AA.  
Telephone: 01-219-3000.

26 September 1983

Dear Prime Minister,

ROLLS ROYCE SHREWSBURY WORKS

During April, David Plastow of Vickers wrote to you in connection with an order from Iran for power-packs which would be manufactured at the above works in my constituency.

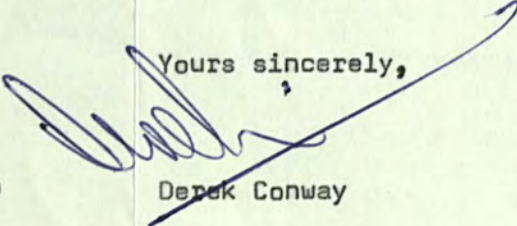
I gather that a decision has now been made on this subject and it would be a great help to me if a copy of your reply could be provided.

The Government's position with regard to Iranian military orders is quite understandable, but in the context of NATO Allies supplies could result in our industry losing vital orders to support a stand not shared throughout the West.

If you are unable to approve the export licence required for this order, I would welcome an opportunity to discuss the matter with you when Parliament returns from the Recess.

Kindest regards,

Yours sincerely,

  
Derek Conway

Rt. Hon. Margaret Thatcher MP  
Prime Minister,  
No 10 Downing Street,  
London SW1.

# Middle East Arms Sales

## Pt 3

1000

ROLLS ROYCE SHREWSBURY WORKS

Dear Sir,

I am in connection with an order for your  
engines which will be required  
of the above works in connection with the

I am sorry that a mistake has been made in  
the order and it is a great help to

The Government's position with regard to the  
affairs of the Middle East is a delicate one,  
and it is our policy to supply arms to  
the countries of the area in order to  
maintain a balance of power in the region.

If you are unable to supply the engines  
required for this order, I would welcome an  
opportunity to discuss the matter with you  
at an early date.

Yours sincerely,

Rolls Royce

Rolls Royce  
Shrewsbury Works  
Barnoldswick  
Lancashire



Wh  
26/9

FCS/83/183

SECRETARY OF STATE FOR DEFENCE

Sale of Tornado Aircraft to Saudi Arabia

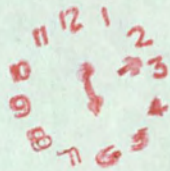
1. Thank you for your minute of 19 September about your intention to discuss the possibility of such a sale when you visit Saudi Arabia. I entirely agree with your analysis that the effect on the military balance in the Middle East is not likely to be significant, and should not deter us from attempting to secure the substantial commercial opportunity which this potential sale promises. But we should be under no illusions about the Israeli reaction; they will do all in their power to prevent the sale going ahead. They may well concentrate on the Germans, but we must be prepared for a row.
  
2. As regards our relations with the Germans, I see no need for any further formal communication to them about our intentions. Nevertheless, I believe it would be prudent, in the course of our routine official contacts, to inform them orally of the likelihood that possibly supply of the IDS version of Tornado will be discussed during your visit, and that it is our intention to seek actively to promote its sale to Saudi Arabia. The exact manner and timing of this action can, I suggest, be agreed between our officials.
  
3. I am copying this to other members of OD and to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

26 September 1983

26 SEP 1983



SECRET



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10 DOWNING STREET

*From the Private Secretary*

22 September 1983

Sale of Tornado Aircraft to Saudi Arabia

The Prime Minister has seen your Secretary of State's minute of 19 September to the Foreign and Commonwealth Secretary. Subject to Sir Geoffrey Howe's comments, she agrees that we should actively promote the sale of Tornado aircraft to Saudi Arabia.

I am copying this letter to the Private Secretaries to the members of OD and to Richard Hatfield (Cabinet Office).

W. F. S. RICKETT

Richard Mottram, Esq.,  
Ministry of Defence.

SECRET



9

Chancellor of the Duchy of Lancaster

Foreign and Commonwealth Secretary

SALE OF TORNADO AIRCRAFT

TRM  
(in box)

I would support the Defence Secretary's proposal, in his minute to you of 19 September, that he should actively pursue the possibility of selling the Tornado IDS to Saudi Arabia.

It is very much in our own interests that we should do so. Our relations with Saudi Arabia have gone through a number of difficult patches in recent years. A willingness to supply Tornado would do a great deal to help in this connection. Our trade with Saudi Arabia is large - but nothing like as large as it could be. A general improvement in the atmosphere could be valuable. In the broader political context it is very much in our interests to promote our position in the Middle East.

Whether the Germans would place so generous an interpretation on "consultation" as the Defence Secretary does, only time will tell. But I see no reason to provoke them: and if they have been told at official level I would argue that it is up to them to take the next step.

I am copying this minute to OD colleagues and to Sir Robert Armstrong.

A.C.

A C

21 September 1983



Middle East : Arms Sales IIS

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21 SEP 2003

SECRET

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MR. COLES

SALE OF TORNADO AIRCRAFT TO SAUDI ARABIA

I have read the attached minute from the Defence Secretary. I doubt if there will be opposition to his proposal. If there is, I believe that it should be squashed. My principal criterion for arms sales to Middle East Countries is whether or not they would make a further round of hostilities between the Arabs and the Israelis more likely. For this reason, I opposed the sale of Jaguar to Egypt in the early 1970s.

In this case, I do not believe that the sale of Tornado to Saudi Arabia would make another war more likely. The Israelis would make a fuss but would not be inclined to make a pre-emptive strike against Saudi Arabia. The Saudis, under the present regime, will never launch hostilities against Israel. We cannot afford to cater for the possibility of the Saudi regime being overthrown and being replaced by something much worse. If we took this factor into account, we would never sell any significant military equipment to Third World countries. Politically, the acquisition by the Saudis of Tornado would act as something of a deterrent to Iran if the situation in the Gulf area were to hot up in years to come. From the point of view of defence sales, a sale of Tornado to Saudi Arabia would be an enormous break-through.

I am sure therefore that we should go ahead, in spite of the difficulties we are likely to encounter from eg the Germans, the Americans and the Israelis.

AS

A.D. PARSONS  
20 September 1983

SECRET



MO 5/3/3

Agree - and hope  
we succeed

FOREIGN AND COMMONWEALTH SECRETARY

cc AF 7  
Prime Minister  
Subject to Sir Geoffrey's views,  
Content that we should  
promote the sale of ground  
attack Tornados to Saudi  
Arabia? Tony Parsons  
comments are  
at A.  
LM

SALE OF TORNADO AIRCRAFT TO SAUDI ARABIA WJg

We agreed in principle at OD(81) 2nd meeting on 12th February 1981 to the sale of Tornado to overseas customers, particularly in the Middle East. Since then, despite much interest and considerable marketing efforts, no sale has resulted. We have been informed, however, that a recommendation has recently been made to Prince Sultan that when the Royal Saudi Air Force (RSAF) Lightnings are phased out, probably in 1987, they should be replaced by the IDS (ground attack) version of the Tornado. I believe there is substance in this report which my people recently discussed with Richard Luce. We know that the Saudis were very impressed with the aircraft when they flew it in 1981 and we believe that they are anxious to maintain a capability against the possibility of a first strike attack. The numbers of aircraft involved are not large, probably between 20 and 60, but this prospect is of particular importance since a sale in the key Saudi market would revitalise our air defence relationship with the RSAF, and also assist our efforts to market the aircraft elsewhere in the Gulf. It would make it particularly difficult for the Saudis to refuse to support the choice of Tornado in, for example, Oman, where they are putting up the funding. Any success in this market would provide welcome support for British Aerospace, who face the prospect of serious underloading if they do not secure overseas sales. On present plans I hope to visit Saudi Arabia towards the end of November when I intend to broach this matter with Prince Sultan. We need to establish our attitude to the possible sale of Tornado before then.



### Military Implications

2. Although the supply of Tornado IDS would provide a significant capability for the RSAF, its impact on the overall balance of power in the Middle East would be marginal given the large fleets of air to ground capable aircraft already fielded by other Arab states, some more hostile to Israel than Saudi Arabia. Tornado would however add to the Arab States' ability to operate at night, although other aircraft currently in service or about to be acquired by other Arab states possess a limited capability in this regard. Nevertheless, Israel's air defences should be capable of countering this threat adequately.

3. A detailed assessment of the effect of the sale of Tornado to Saudi Arabia on the local military balance is at Annex.

### Political Implications

4. Without doubt there would be a strong reaction from the Israeli Government to any sale. They would argue that the obvious role of the IDS version was attack rather than defence. They would lobby us and probably the Germans hard, and the Israeli lobby here would doubtless support them. Even greater pressure might be brought to bear by the Israeli lobby in the US, and this could affect us directly if the US Government were persuaded to withhold permission for the supply of US-sourced components for Tornado. On the other hand there would be public and parliamentary pressure here to agree a sale on commercial and employment grounds: a decision that we could not sell Tornado would leave a clear field to the French, who have Mirage 2000 with equipment similar to the IDS version ready to sell now. More substantially, the Saudis have traditionally played a cautious role in Middle East politics. They are painfully aware of the inferiority of their armed forces however sophisticated their equipment and it is difficult to imagine circumstances in which they might try to launch a pre-emptive attack. The Saudi regime looks as stable as any in the Middle East, but even if they were to be replaced



by hardliners, the odds would probably deter them too from launching an attack on Israel with or without Tornado.

5. We believe we could contain criticism of such a sale on the basis that Saudi Arabia is a moderate, with no record of precipitating or participating in hostilities. She is also a traditional customer for British military aircraft. In supplying the Tornado IDS we would be providing them with a new generation of British aircraft to replace existing ones in numbers which would be insignificant to the overall military balance in the Middle East. Turning the sale down could upset the Saudis, and reduce our prospects of firming up our relationship with them in a range of fields.

#### Collaborative Aspects

6. We do not expect any difficulty in securing Italian agreement to promote Tornado in the Middle East. The Germans, however, are likely to be difficult about proposals to sell Tornado, particularly the IDS version. The recent Anglo-German MOU on Sales of Collaborative Projects signed by Herr Woerner and myself on 25th May would allow the UK to take political responsibility for this sale subject only to an obligation to consult Germany. Nevertheless, the MOU does not give us carte-blanche on sales and the Germans have always made it clear that the sale of Tornado to most Arab countries would be strongly opposed by them. The Germans have been informed, at official level, that the Saudis are interested in Tornado (without specifying the variant) and that this interest is being followed up. If we agree to pursue this Saudi interest but there is no sign of a German reaction by the beginning of next month, I consider that we should be justified in putting a proposal to the Saudis on the strength of the provision in the recent Anglo/German MOU which allows us to initiate marketing on joint projects of this kind provided that we consult them.

#### Conclusion

7. I should be grateful for your agreement and that of other OD



colleagues to whom this minute is copied that we should actively promote Tornado IDS to Saudi Arabia recognising that we may need to approach the German Government bilaterally if there are any difficulties in securing German agreement to supply. It would be very useful to have replies by the middle of next week.

*WMA*

Ministry of Defence  
19th September 1983

MILITARY IMPLICATIONS OF THE SALE OF TORNADO IDS TO SAUDI ARABIA

The likely affect of the sale of Tornado IDS to Saudi Arabia on the military balance in the Middle East can be summarised as follows:

a. Enhancement of Arab States' Capabilities

i. A force of 20 to 60 Tornado IDS aircraft would provide a significant strike capability for RSAF. Nevertheless, the Saudi Government is likely to regard such a force as providing a second strike deterrent against a potential aggressor rather than as a pre-emptive strike force;

ii. The Lightnings, F15s and F5Es currently in the Saudi inventory all have an air-to-ground capability. The phasing out of the Lightning would reduce this somewhat. The addition of the Tornado would provide the capability to carry a larger payload than the F5Es and the Lightnings but not significantly greater than the F15 and would provide a longer range capability. This in itself would not be unduly significant. The Saudis already possess about 60 F15s (with a future 18 on order). If they were prepared to risk a breach with the USA, the Saudis could use these aircraft to cover the whole of Israel from their northern bases;

iii. One significant additional capability that Tornado possesses is Terrain Following Radar (TFR) which enables high speed, low level penetration of ground defences at night and in bad weather. This would not, however, present an insurmountable threat to Israel (see below). Although TFR is likely to be given UK clearance for Saudi Arabia, albeit in a downgraded version, it is nevertheless a US equipment and US clearance could present problems. Other options are, however, available such as Terrain Avoidance Radar which, depending on the system and skill of the pilot could allow penetration at night down to about 1000 ft (as opposed to 200 ft for TFR). The Mirage F1Es currently being delivered to both Jordan and Iraq have such a capability and this reduces the special advantage for night attack which Tornado would give the Saudis;

iv. In terms of daylight attack capability, the other Arab states within striking distance of Israel already field large numbers of aircraft among which 20 - 60 Tornados would be a small factor. A list of aircraft is appended at Appendix 1 and their approximate payload ranges are compared with Tornado at Appendix 2. Tornado IDS would be unlikely to be delivered before 1987. By that time, other aircraft will have been added to the Arab States air inventories.

The Americans are discussing with the Jordanians the possible supply of F16 aircraft which would have a sophisticated ground strike capability parallel to that of Tornado and which would be located closer to Israel's doorstep than the Saudi aircraft. Iraq will probably consider further Soviet or French aircraft if a continuing state of hostilities with Iran rules out the consideration of other alternatives. Syria will probably not obtain anything more potent than the Mig 23s and Su 20s she already possesses. The Russians may be reluctant to release the Fencer with its night attack capability. Egypt will also receive the F16 and Mirage 2000 in the timescales envisaged.

b. Impact on Israeli Defensive Capability

i. Israel's main defence against Tornado would be provided by their improved Hawk Surface to Air Missiles, their E2c Airborne Early Warning Systems (AEW) and their F15 fighters which possess a look down/shoot down capability. These assets allied to Israel's very well integrated Air Defence system would provide a formidable threat to penetrating aircraft even those with Tornado's capabilities. Tornado equipped with TFR would, however, oblige Israel to maintain AEW missions during the hours of darkness in the event of tension but they would need to do this anyway since night attacks are possible with aircraft lacking this capability, albeit at higher altitudes where they are much more vulnerable to Surface to Air Missiles (SAMs) and Anti-Aircraft Artillery (AAA);

ii. In order to reduce losses to acceptable levels penetrating aircraft would require advanced ECM jamming systems. It is not our policy to allow these to be exported freely; nor is it likely that the US or France would agree to the supply of such equipment. Without the availability of such equipment to the Saudis, Israel would have a perfectly adequate defensive capability against the Tornado;

iii. We can assume that the Israelis will continue to improve their air defence and that by the time Saudi Arabia acquired Tornado in 4 or 5 years time, they would have even less reason to fear it. As Israel takes deliveries of AMRAAM in the later 1980s, their defensive capabilities will increase, giving their F16s too a look down/shoot down capability and enabling their F15s to engage multiple targets simultaneously. Further, by 1978, Israel will have taken delivery of additional F16s and possibly F18s.



ARAB STATES AIR INVENTORIES WITH AIR TO GROUND CAPABILITY - 1983

Saudi Arabia

F15s	59 (18 on order)
F5s (Tiger 1 and 2)	85
Lightnings	25

Syria

Mig 21	240
Mig 23	59
Su 20/22	49
Su 7	15 - 30

Iraq

Mig 21	120
Mig 23/27 (export version)	130 (of which 25 are Mig 27)
Su 7	30
Su 20/22	80
Tu 22	11

Egypt

Mirage III	66
F4	35
Mig 21	100 - 150
Su 20	15
Su 7	35
F16	40 (on order)
M2000	20 (on order)

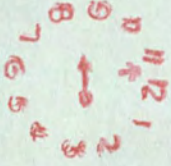
Jordan

F1E	33
F5E	58
F5A	29

PAYLOAD RANGE COMPARISON

<u>Aircraft</u>	<u>Payload</u>	<u>Radius of Action (Hi-Lo-Hi)</u>
Tornado	4 x 1000 lbs	900 nm
Mig 21	1 x 1000 lbs	390 nm
Mig 23/27 (export version)	3 x 1000 lbs	490 nm
Su 7	2 x 1000 lbs	290 nm
Tu 22	7 x 1000 lbs	1220 nm
F1E	4 x 1000 lbs	500 nm
F5	2 x 1000 lbs	500 nm
F15	To be advised	

Middle East: Arms Sales PV3.



20 SEP 1983



DEPARTMENT OF TRADE AND INDUSTRY

Room 11.01 Ashdown House 123 Victoria Street SW1E 6RB

Telex 8813148  
Telegrams Advantage London SW1  
Telephone Direct Line 01-212 3301  
Switchboard 01-212 7676

Secretary of State for Trade & Industry

4 August 1983

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
London SW1

*DF*  
*4/8*

*Dear Michael,*

TANK ENGINES FOR IRAN

I agree with the recommendation in your minute of 26 July to the Prime Minister that export licences should be issued for two CV12 engines to Iran. This makes every sense if as the company believe, supply of these engines will keep open the possibility of completing the main contract at a later date.

2 I am copying this letter to the Prime Minister, OD colleagues, and to Sir Robert Armstrong.

*Yours Ever,*  
*Leal*

Middle East!  
Arms Sales  
#3.

4 AUG 1983

11 12 1 2  
3 4 5  
6 7 8 9  
10



FCS/83/159

SECRETARY OF STATE FOR DEFENCE

JD  
3/8

Tank Engines for Iran

1. I have seen a copy of your memorandum MO 26/9/15 dated 26 July addressed to the Prime Minister and copied to members of OD proposing that we should allow Rolls Royce Motors to export two CV 12 diesel engines to Iran.
2. I agree with what you propose and am content for an export licence to issue.
3. I am copying this to OD Colleagues and to Sir R Armstrong.

JD

Foreign and Commonwealth Office  
3 August 1983

M/Bast  
Arms Sales  
pt 2

- 5 AUG 1983

0 11 12 1 2 3  
4 5 6 7 8 9

cc HO WPSO  
WCO CDL  
FO D/TM  
HMCT CO  
WPO

CONFIDENTIAL FILE

TRUP



Middle East

10 DOWNING STREET

*From the Private Secretary*

1 August 1983

*Dear Richard*

TANK ENGINES FOR IRAN

The Prime Minister has now seen your Secretary of State's minute of 26 July about tank engines for Iran. She has agreed that, subject to the views of colleagues, your Secretary of State may agree to the issue of an export licence for two CV12 engines to Iran.

I am copying this to the Private Secretaries to Members of OD and to Richard Hatfield (Cabinet Office).

*Tim*

TIMOTHY FLESHER

Richard Mottram, Esq.,  
Ministry of Defence.





MO 26/9/15

Prime Minister

Subject to colleagues, contact  
for my direction to issue an  
export licence for these two  
prototype RR engines?

PRIME MINISTER

Yes no WJ  
29/7

TANK ENGINES FOR IRAN

Mr Plastow (Rolls Royce) has now received your letter of 1st July 1983 and the company has accepted that an export licence for the supply of 300 tank engines to Iran will not be issued until hostilities between Iran and Iraq cease. The company has informed the Iranian authorities of HMG's decision.

2. Before Rolls Royce signed the contract with Iran in March this year for the 300 tank engines we had informed the company that we would be prepared to approve the issue of an export licence for the supply of two prototype engines to Iran in order to enable the Iranians to test and prove the feasibility of installation in their Chieftain tanks.

3. Rolls Royce have now sought our approval for the issue of an export licence for two engines in an attempt to keep open the contract for 300 engines until hostilities end. The company are prepared to supply the prototypes free of charge.

4. In discussions with the company, my officials have insisted that we were not prepared to consider issuing an export licence for the prototypes unless they could first obtain from the Iranian authorities a written undertaking that these two engines would no longer form part of the main contract which is in abeyance. Rolls Royce have now received such an undertaking.



5. Subject to the views of my OD colleagues, I therefore propose to agree to the issue of an export licence for two CV12 engines to Iran. Given the fact that we have stopped the company getting business worth £45M, and in view of our earlier undertaking, it would be unreasonable not to go this far in helping them keep their feet in the door against the day when they may be able to supply replacement engines for the Chieftains.

6. I am copying this letter to my OD colleagues and to Sir Robert Armstrong.

*WJH*

Ministry of Defence  
26th July 1983

M/Est,  
Arms Sales,  
Pt 3

29 JUL 1983



1121  
94  
0763



Alan

OK or GR to keep?



c. lto	CO	WFO
wco	CDL	MOD
HMT	LPS	DTI
PCO	WFO	

Kay  
4/7

10 DOWNING STREET

THE PRIME MINISTER

1 July 1983

Key  
Alan  
Naked  
Kay  
5/7  
ours -  
AJ 5/7

Dear Mr Plastow,

Thank you for your letter of 26 April concerning the proposal to supply Rolls Royce diesel engines to Iran to be fitted to their Chieftain Main Battle Tanks. I am sorry for the delay in replying but, as you will appreciate, it has been necessary to consider most carefully all aspects of this difficult matter.

As you know the Government has adopted a position of neutrality in the conflict between Iraq and Iran. Any proposal to supply defence equipment which would make a major contribution to the military capability of either country during the hostilities has to be considered in the light of our overall policy in this respect. We also have to take account of the impact which the sale of any equipment making a direct and substantial contribution to the Iranian war effort might have on our commercial and defence business in the Arab world.

/I have considered

Paul

I have considered these issues in conjunction with the Ministers chiefly concerned and we are agreed that it would not be appropriate to grant export licences for the supply of these tank engines to Iran whilst hostilities continue or to authorise the supply of conversion kits for civil diesel engines. I know this decision will be unwelcome to you but I firmly believe it to be in the overall national interest.

Yours sincerely  
Raymond Delisle

---

D. A. S. Plastow, Esq.



10 DOWNING STREET

I seem to  
Prime Minister remember it. Was  
urgent! not  
The Defence Secretary delayed this reply  
while he considered whether new work  
could be found for Rolls Royce  
Shrewsbury to compensate them for the  
loss of the Iranian order. He has  
not been able to find such  
work.

The decision will come as no  
surprise to Rolls Royce, with  
when ROD officials have been  
in touch since Ministers decided  
not to grant the export licence.

A. & C.  $\frac{29}{11}$ .

CONFIDENTIAL

2pp's



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1A 2HB  
Telephone 01-~~222 7022~~ 218 2111/3

MO 26/9/15

27th June 1983

Type letter pl.

A.S.C. 27/6.

Dear John,

TANK ENGINES FOR IRAN

Thank you for your letter of 13th May indicating that the Prime Minister has now agreed that export licences should be refused for the supply of tank engines to Iran. I am sorry for the delay in replying but Mr Heseltine has been looking at the question of whether anything can be done to put additional work to Rolls Royce Shrewsbury to compensate them for the loss of the Iranian order. As you will see from his letter to Mr Parkinson of the 23rd June, this has not proved to be possible.

The way is therefore clear for the Prime Minister to reply to Mr Plastow's letter of 26th April. I enclose a draft which has been approved by my Secretary of State. As you will see the draft does not seek to refute the points made by Mr Plastow in any detail. These have already been covered exhaustively in previous discussions between MOD officials and the firm. Rolls Royce will therefore be fully aware of the reasons for the decision which Ministers have taken.

I am copying this letter and the enclosure to the recipients of yours.

Yours ever

Mich Evans

(N H R EVANS)

A J Coles Esq

CONFIDENTIAL

DRAFT LETTER FROM THE PRIME MINISTER TO D A S PLASTOW ESQ

Thank you for your letter of 26~~th~~ April concerning the proposal to supply Rolls Royce diesel engines to Iran to be fitted to their Chieftain Main Battle Tanks. I am sorry for the delay in replying but, as you will appreciate, it has been necessary to consider most carefully all aspects of this difficult matter.

As you know the Government has adopted a <sup>position</sup> ~~posture~~ of neutrality in the conflict between Iraq and Iran. ~~and~~ <sup>any</sup> proposal to supply defence equipment which would make a major contribution to the military capability of either country during the hostilities has to be considered in the light of our overall policy in this respect. We also have to take account of the impact which the sale of any equipment making a direct and substantial contribution to the Iranian war effort might have on our commercial and defence business in the Arab world.

I have considered these issues in conjunction with the Ministers chiefly concerned and we are agreed that it would not be appropriate to grant export licences for the supply of these tank engines to Iran whilst hostilities continue or to authorise the supply of conversion kits for civil diesel engines. I know this decision will be unwelcome to you but I firmly believe it to be in the overall national interest.



Middle East: Ann Sals: Pt 3

28 JUN 1987

12 11 25 4  
10 9 8 7 6 5 4 3 2 1

CONFIDENTIAL



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 8000  
DIRECT DIALING 01-218 2111/3

MO 26/9/15

23rd June 1983

Dear Cecil,

TANK ENGINES FOR IRAN

*will revert if requested*  
In his letter of 13th May Patrick Jenkin asked whether we might bring forward some of our prospective engine orders for Vickers/Rolls Royce to compensate them in some measure for their loss of the Iranian CV12 order.

I have looked at this very carefully but I am afraid there is little that can be done so far as MOD work for the Shrewsbury factory is concerned. We and our prime contractors do, of course, seek to secure coherent and sustainable loading patterns at individual plants so as to facilitate efficient and economical production. But the timing of the production of engines, as of all components, has to be matched in with the assembly of complete equipments by the main contractor.

Of the prospective orders to which I referred in my minute of 12th May the CV8 engine is for the new mechanised combat vehicle which is still in the development stage, and full production cannot be approved until that stage is successfully completed. A production order for additional CV12 tank engines for Challenger will depend on the outcome of the Ministry of Defence Long Term Costing which I am currently considering. I am afraid that I cannot anticipate financial and operational decisions on the LTC by giving the additional

1

The Rt Hon Cecil Parkinson MP

CONFIDENTIAL

CONFIDENTIAL



tanks special priority in relation to other demands on my budget.

I am copying this letter to the Prime Minister, to other members of OD and to Sir Robert Armstrong.

*You see*

A handwritten signature in black ink, consisting of several large, stylized loops and a long horizontal stroke at the end.

Michael Heseltine

CONFIDENTIAL

Middle East: Arms Sales: Pt 3.

28 JUN 1983



CONFIDENTIAL



QUEEN ANNE'S GATE  
LONDON SW1H 9AT

18 May 1983

Dear Michael

A.S.C. 19/5

h.a.

ANTI-RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

Thank you for copying to me your minute of 12 May to the Foreign and Commonwealth Secretary about the proposal that British Army training of Saudi instructors here should form part of a package of anti-riot equipment and training to be sold to the Saudi Arabian National Guard.

I also have copies of the letter of 16 May about this from the Secretary of State for Northern Ireland to you and from the Prime Minister's Private Secretary to yours.

Like the Prime Minister and Jim Prior, I do not object to the proposal.

I am copying this letter to OD colleagues and the Secretary of State for Northern Ireland, and to Sir Robert Armstrong.

Yours  
L.H.H.

The Rt. Hon. Michael Heseltine

CONFIDENTIAL

MIDDLE EAST : ARMS SALES : Pt 3.



Tank Engines - FCS to PM  
for Iran (PM/83/35)  
13/5



10 DOWNING STREET

I have discussed the attached  
with the Prime Minister who does  
not wish to reopen her earlier  
decision that the export licence  
should be refused.

A. d. C.  $\frac{17}{5}$

p. a.



N. S. P. R.

FCS/83/99

A. J. C. 17/5

SECRETARY OF STATE FOR DEFENCE

f.a.

Anti Riot Training for the Saudi National Guard

1. Your minute of <sup>12<sup>47</sup></sup>13 May raised the question of how we should respond to a request from the Saudi National Guard for training in this area. As you point out, the National Guard are our main defence sales customers in Saudi Arabia and our credibility - on which orders worth potentially hundreds of millions of pounds depend - could be dented by a negative response. The immediate commercial loss to IMS also might not be negligible. Politically, the Saudis would, I think, find it odd were we to refuse their urgent request for help in training them to counter Iranian disturbances at the time of the annual Pilgrimage, when we have long made a point of assuring them of our readiness to help, in so far as we can, in countering threats to Gulf security.

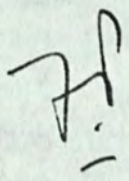
2. I accept that there is a presentational risk domestically in the provision of this sort of training: but I believe that the terms of the package worked out by IMS should minimise this. In particular, there is a risk of comparisons later on between Saudi handling of disturbances and the methods of the security forces in Northern Ireland which could cause us some embarrassment. But we will be able to argue that the package is a commercial one, and (where necessary) that the Army's involvement in the training of instructors in the initial stage is on methods and equipment authorised for use in Britain. I would have thought too that there would be some public sympathy for the argument that we could not turn down a Saudi request for help, where we have the means, in meeting a serious threat to their security.

/3. I am

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3. I am copying this minute to other members of OD, and to the Secretary of State for Northern Ireland.

  
(FRANCIS PYM)

Foreign and Commonwealth Office  
17 May 1983

Middle East : Arms Sales & Military Assistance Pt 3

117 12/11/77

11/11/77  
11 22 33  
44 55  
66 77

CONFIDENTIAL



NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

The Rt Hon M Heseltine  
Secretary of State for Defence  
Main Building  
Whitehall  
LONDON  
SW1

16 May 1983

N.B.P.N.

A.S.C. <sup>16</sup>/<sub>5</sub>

K.A.

Dear Michael

ANTI-RIOT TRAINING FOR THE SAUDI ARABIAN NATIONAL GUARD

Thank you for sending me a copy of your minute of 12 May to the Foreign and Commonwealth Secretary about the proposal to sell anti-riot equipment and training to the Saudi Arabian National Guard.

The proposed sale clearly creates particular sensitivities in Northern Ireland. It is capable of being misrepresented in a variety of ways. As you point out, the Army's involvement in anti-riot work is highlighted. The provision of equipment not available to the Security Forces in Northern Ireland would raise the question in the minds of some of whether we planned to change our techniques or equipment in the Province. It would also remain to be seen how far we could effectively dissociate ourselves if the Saudis subsequently undertook their anti-riot duties in a way not in accordance with the standards which we would wish to observe.

That said, I recognise the importance of the order and would not wish to obstruct it. I gather that you do not propose to offer any of the initial training in Northern Ireland, and I attach importance to holding to that point. Equally, it is essential that the Army and IMS are made fully alert to the Northern Ireland angle. This is relevant not only now; it is important that people at all levels

.... /

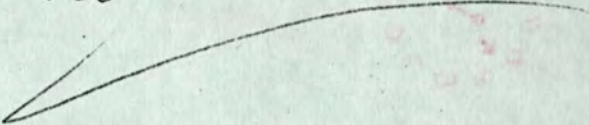
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CONFIDENTIAL

understand throughout the programme the need to minimise the risk of unfortunate parallels being drawn between what they are doing and Northern Ireland. On this basis I am happy that the proposal should go ahead.

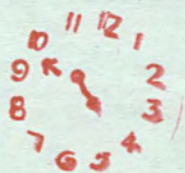
I am sending a copy of this letter to members of OD and Sir Robert Armstrong.

*Y  
man  
J  
ben*



CONFIDENTIAL

6 June 1983



289

cc: OD

*File*



HO LPSO  
LCO D/Trade  
FCO C&HO  
AMT + NIO  
LPO CO

10 DOWNING STREET

*From the Private Secretary*

16 May 1983

ANTI-RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

The Prime Minister has seen your Secretary of State's minute of 12 May to the Foreign and Commonwealth Secretary.

Unless her other colleagues, to whom the minute was copied, have strong objections, the Prime Minister is prepared to agree to the solution proposed by Mr. Heseltine and in particular that, as part of a commercial training package, the Army should provide a course in the United Kingdom for some twenty Saudi instructors on UK riot control philosophy and techniques.

I am sending copies of this letter to the Private Secretaries of other members of OD, and to John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

2.1.10.1983

Richard Mottram, Esq.,  
Ministry of Defence.

289

111 dots  
copy  
H.M. Secy



PM/83/35

PRIME MINISTER

But they have not made such a decision. We are going to have a meeting. There are many issues.

rec R J

Prime Minister

To see (I have already covered your desire that an export licence should be

Tank Engines for Iran

refused.)

A.F.C. 13/5

1. I fully support the points made in Michael Heseltine's minute of 12 May replying to your comments (your Private Secretary's letter of 28 April). I would add the following.

Talbot

2. I do not think that the Talbot passenger car contract with Iran is likely to be affected by our decision on this question. It is in both Iran's interest and our own that the contract should continue (that is why it is continuing); and since it survived even the imposition of trade sanctions on Iran by the UK during the hostage crisis, it ought to survive a decision not to release 300 tank engines. I understand this is also Patrick Jenkin's view (his letter of 9 May).

Arab Views

3. Following your comments, I arranged for the further views of Sir James Craig and of certain other Posts to be obtained. In short, HM Representatives in Arab posts maintain their advice that the release of these engines would be detrimental to our commercial and political interests in Arab countries. On your point about exploiting our refusal to release these engines to Iran so as to obtain firm orders in Arab countries, Sir James Craig advises that to try to tie anything up beforehand would look like blackmail. But after the event we should certainly take the opportunity to explain what the refusal had cost us, and press the Saudis (and other GCC members) to place defence orders with Britain.

I do not see why the Germans /The should get the order without their interests being damaged. When we apparently would rather encourage - get not for competitive orders not



The 'Generator Option'

4. HM Representatives also advise that the indirect supply of these engines in a civil guise would be seen in Arab eyes as little different from direct supply. Sir James Craig says that some of the more sophisticated Saudis might understand that we lacked powers to block supply by this route: but Prince Sultan (the Defence Minister) would be unlikely to be forgiving, and our defence sales prospects would be at great risk.

*How many orders has Prince Sultan given us?*

The German Angle

5. I have also consulted HM Ambassador in Bonn, since we may lay ourselves open to criticism when it becomes clear that Rolls Royce's German competitors are pursuing the 'generator' route to secure the business. It is clear that the ability of the Federal Government to prevent German companies from exporting civil diesel engines would have to be tested in court, and that the German authorities are unlikely to be responsive to any representations we make to block supply. We might also risk forfeiting German goodwill in areas which matter more to us, such as the conclusion of the Memorandum of Understanding on future defence production and sales, which might in particular affect the issue of the supply of Tornado to Oman. However, once we have taken our own decision we shall obviously need to consider carefully whether we should make representations to the Germans. On balance I believe we should do so, but it will be useful to have OD colleagues' comments.

/6. I am



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6. I am copying this minute to OD colleagues and to Robert Armstrong.

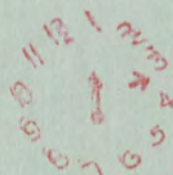
A handwritten signature in dark ink, appearing to be 'FP', written in a cursive style.

(FRANCIS PYM)

Foreign and Commonwealth Office  
13 May 1983

CONFIDENTIAL

13 MAY 1983



CONFIDENTIAL FILE

Middle East



cc	HO	WPSO
	LCO	DOT
	FRO	CDL
	HMT	D/Ind
	WFO	CO

10 DOWNING STREET

From the Private Secretary

13 May 1983

Dear Richard,

Tank Engines for Iran

The Prime Minister has seen your Secretary of State's minute of 12 May setting out further arguments for the proposition that we should refuse Rolls Royce Motors an export licence to supply tank engines to Iran. She is also aware of the previous correspondence on this subject including the minute of 4 May by the Secretary of State for Trade and Caroline Varley's letter to you of 9 May.

Subject to any further views which the recipients of this correspondence wish to express, the Prime Minister agrees that the export licence should be refused.

I am copying this letter to the Private Secretaries to the other members of OD, the Secretaries of State for Trade and Industry and to Richard Hatfield (Cabinet Office).

*Yours ever*

*John Gales*

Richard Mottram, Esq.,  
Ministry of Defence.

CONFIDENTIAL

*dg*



MO 5/3/3

*Handwritten notes:*  
Reading in  
15th Day Know  
the UK is. Under other  
colleges have shop operators  
I am prepared to give  
S of S's solution  
not

*Mr. Heseltine seeks colleagues views on whether the Army should train 20 Saudi instructors in riot control, in order that SDS may obtain a £38 million contract for anti-riot equipment. This would be a departure from established policy (see para. 2).*

*You may want to await colleagues' views before commenting.*

*A. J. C. 23/5*

FOREIGN AND COMMONWEALTH SECRETARY

ANTI-RIOT TRAINING FOR THE SAUDI NATIONAL GUARD

For some time now the Saudi National Guard have been showing an interest in the improvement of their anti-riot capability. They have asked International Military Services Ltd (IMS) to quote for an equipment and training package to equip and train up to two battalions for anti-riot duties by the end of August with a total of four battalions to be trained and equipped in time for the 1984 Mecca pilgrimage. It was made clear that the equipment purchase is dependent upon the provision of the training - which the Saudis see taking the form of a training course in the UK for some 20 Saudi instructors and the subsequent attachment of an advisory/training team to oversee the training of the four battalions. They have asked for this training to be provided by the Army.

2. As you know, it has long been our policy that the Army should not provide training in riot control for foreign forces - because of the considerable domestic political sensitivity attached to any overt Army involvement in the maintenance of law and order. In recent years this political sensitivity has been reinforced by the desire not to draw attention gratuitously to the Army's role in Northern Ireland.

3. Further difficulties also arise out of some of the items of equipment which the National Guard propose to purchase. These include water cannon and the Arwen baton round gun which are not used by the British Army, and CS smoke. In the case of the water



cannon there is no Army expertise in either the particular design required by the Saudis or in the tactics for the use of water cannon generally. In the case of Arwen there is no expertise in the technicalities of the weapon, although the Army's general expertise in the use of baton rounds may be relevant. Also neither of these devices are in UK service and they have not been subject to the stringent testing, including consideration by an independent medical committee, which is applied to Service equipment of this sort. In the absence of such testing and in the event that the devices required by the National Guard proved to be unsafe we could be held responsible by the Saudis and by public opinion here and the risk of this would be much greater if the Army is associated with the training needed to bring the equipment into service than if IMS simply sell the equipment to the National Guard. Supply of CS smoke is also politically sensitive - and the Army have little experience of it in the climatic conditions found in Saudi Arabia.

4. These factors point to a decision not to provide the training sought by the National Guard. It is, however, clear that the Saudis will not proceed with the equipment package, worth £38M over 2 years, without the training. More important there are implications for our broader sales relationship with the National Guard and their view of the British Military Mission. The National Guard is our largest single customer for defence sales in Saudi Arabia and other substantial business could be affected by our decision. This includes a government to government communications project, worth £200M in the current two year phase, and a similar government to government medical project, the renewal of which is now being negotiated and which could be worth a further £200M over the next two years. Although there is no direct link between these projects and the current request, HMG's credibility as a source of equipment and training could be brought into question if we appear unwilling to meet the National Guard's request for assistance. Our efforts to promote further defence equipment sales (and we are currently pursuing prospects for Blowpipe, Rapier and Challenger in the National Guard) for which MOD training support would also be



required, could also be put at risk.

5. A solution to this problem would be a commercial training package. However, although IMS consider that they could put together a training package to cover the in-country requirements of the National Guard, they cannot cover the UK training of Saudi instructors. The instructors cannot be trained in Saudi Arabia because the equipment will not be delivered there in time for training to take place before the 1983 pilgrimage.

6. Therefore, even if the National Guard could be persuaded to accept a commercial training package, it would still be necessary for the Army to provide some of the training. If this were kept to the minimum necessary to bridge the gap between the requirement and what IMS can provide, it would involve a course in the UK for some 20 Saudi instructors. Such an approach would not avoid the risk of drawing attention to the Army's involvement in riot control, but it would keep this risk at a relatively low level and would avoid the problem of association with equipment that is not approved for Service use. Any offer along these lines would have to make it clear that the British Army instruction would cover the basics of UK riot control philosophy and techniques and that any special purpose equipment covered by the course would be that equipment in UK service rather than that to be purchased by the National Guard.

7. HMA Jeddah considers that a proposal along these lines might well be acceptable to the National Guard. Before I take a final view I should welcome your views and those of OD colleagues and the Secretary of State for Northern Ireland, to whom I am copying this minute. HMA has asked for guidance in time to meet the National Guard deadline of 15th May - this is clearly impossible in view of the short notice and the pressure of other commitments but I should be grateful for your comments as soon as possible.

*Wm*  
Ministry of Defence  
12th May 1983

1  
MAY 1983

9 10 11 12 1  
8 7 6 5 4 3 2



✓CRJ. ①

MO 26/9/15

Prime Minute

I think this letter covers all the points you made and makes a convincing case. The Foreign, Trade and, on balance, the Industry Secretary agree.

Agree that export licence should be refused?

A.S.C.  $\frac{12}{5}$ PRIME MINISTERTANK ENGINES FOR IRAN

I have noted your comments on my minute of 22nd April, contained in your Private Secretary's letter of 28th April, and I have studied the letter which Mr David Plastow sent to you on 26th April. I have also seen the letters dated 28th April from Patrick Jenkin and 4th May from Arthur Cockfield.

2. In my view, we would be perfectly consistent in refusing Rolls Royce Motors an export licence to supply tank engines to Iran. Since last summer our policy has been to relax gradually the restrictions on military equipment which we would be prepared to sell to Iran, without releasing items which would make a direct and significant contribution to the Iranian war effort thereby jeopardising our much greater defence sales business with the Arabs. Correspondence between Ministers in June and July last year, in the context of resumed negotiations with the Iranians on our historic claims against the previous regime, resulted in agreement to divide equipment of interest to the Iranians into two lists. List I comprised equipment which we could now release to the Iranians whereas List II comprised those items which should remain embargoed. Most of the items mentioned in Mr Plastow's letter either appear on List I or fall within the policy framework agreed at the time. The CV12 engine was placed firmly on List II. We must acknowledge that our policy takes into account the perceptions of the Arab world and there can be no doubt that they would regard the supply of 300 engines for Iran's Main Battle Tank as falling into a totally different category





from the equipment which we have so far been prepared to release. Detailed comments on the points in Mr Plastow's letter are set out in an Annex to this minute.

3. I entirely agree that we should not deny ourselves defence business in Iran against the mere prospect of sales to the Arab nations and that if we hold back we should seek to extract some credit for doing so from the Arabs. In the first place there is real business at stake here. In 1982 new defence contracts worth £779M were signed with Saudi Arabia and the Gulf States, including the MOD managed support scheme for the Saudi Air Force (£370M) and the communications project for the Saudi National Guard (£200M). Since the beginning of the year we have concluded, against stiff French and US competition, the sale of Hawk to Abu Dhabi worth £96M. We have just concluded a very successful demonstration of Hawk in Saudi Arabia, Kuwait and Bahrain which has already lead to a request for firm proposals from Bahrain and considerable interest in Kuwait. Following the floating Defence Sales Exhibition in February and March an armour demonstration featuring Challenger, Valiant and MCV80 is to be held in the UAE this summer for all states in the Gulf Co-operation Council including Saudi Arabia. We must remember that Rolls Royce Motors have a considerable stake in this demonstration but any adverse reaction by the Arabs would affect a wide spread of main systems and component manufacturers throughout the country. In addition negotiation on the second phase of the hospital management project for the Saudi Arabian National Guard (worth £210M over two years) is now at a critical stage.

4. As for securing credit from the Arabs for holding back on Iran, I would propose, if the timing seems right, to send similar messages to other Arab leaders when important contracts are close to completion. The French have recently been stressing with some success the extent to which they have supported Iraq and the financial penalties of doing so. There is no reason why we should not take a leaf out of their book.



5. On the other side of the coin you asked whether the Talbot car project might be affected by a refusal to supply tank engines to Iran. It is for my colleagues to assess the likelihood of this but I understand that this project has survived the most difficult period of Anglo-Iranian relations, including the imposition of sanctions, and that the Iranians are now well locked into it. Certainly they are well aware of our current restrictions on the supply of defence equipment and they would have no grounds for regarding a refusal to supply tank engines as a shift of policy on our part.

6. Against this, you should be aware that, if the negotiations on our historic claims were to reach a satisfactory settlement in the near future, we might be obliged to release 22 L60 tank engines and certain other equipment which has been in MOD hands since the 4030 contract was terminated at the time of the Revolution. It is impossible to predict when or if such a settlement might be reached, but I have no hesitation in saying that we could justify the release of this small number of engines both to Rolls Royce Motors and the Arabs on the grounds that they relate to contracts placed by the Shah, were manufactured before the Revolution and will not make a significant contribution to Iran's military capability.

7. I note that Arthur Cockfield accepts that we should not supply engines for Iran's main battle tanks while the war is in progress. Patrick Jenkin argues that we should allow Rolls Royce Motors to supply commercial diesel engines for conversion on the spot. This ignores the fact that conversion could only be carried out with the help of certain key components which are subject to licensing controls and the use of MOD drawings and documentation. In Arab eyes we would be just as heavily involved as if we had agreed to supply tank engines direct. Nor would they readily understand that we could control the export of tank engines but not commercial engines.



8. Finally, I doubt whether the industrial implications are as bleak as Rolls Royce Motors have claimed. Their factory at Shrewsbury will certainly not close since we depend upon it for our own Challenger and MCV80 engines. While the plant is not working to full capacity at present - outstanding orders for the British Army and Jordan total 520 CV12 engines over the next three years - its current loading is in the MOD's view sufficient to sustain it at very much its present level. Moreover, there are firm prospects for future orders of CV12s for the Army's Challenger tank totalling some 200 engines. In addition, the new Mechanised Combat Vehicle which it is planned should enter production in 1985, will be powered by the related CV8 engine, also produced at Shrewsbury.

9. I am copying this minute to our OD colleagues, the Secretaries of State for Trade and Industry and to Sir Robert Armstrong.

MHL [private secretary]

Approved by Mr Hereltrie and signed in his absence

Ministry of Defence

12th May 1983

TANK ENGINES FOR IRAN - DETAILED COMMENTS ON THE POINTS MADE IN MR PLASTOW'S LETTER OF 26 APRIL

The comments below refer to the paragraphs of the Memorandum enclosed with Mr Plastow's letter of 26 April to the Prime Minister.

Para 3 - It is not correct to say that the CV12 engine requires an export licence because the MOD has classified it as "lethal" equipment. The Export Goods Control Order states that an export licence is required for:-

"engines specially designed or essentially modified for military use ...."

The CV12 diesel engine was originally designed as a power plant to produce high power output for a number of uses, tanks, tank transporters, heavy vehicles or commercial generators. It was based on a conventional commercial design but Rolls Royce developed this to fit the 4030 Main Battle Tank supplied to the Shah. Variants at different horsepower ratings now power Chieftain and Challenger tanks. It requires an export licence because it is a tank engine, not because it is regarded as "lethal equipment".

Para 4 - The German MAN engines are civil diesel engines which do not require an export licence under current German regulations. The MTU engine is a tank engine and supply of this would be at odds with declared German policy on arms sales to the Middle East. However, because of the restrictive policy they have hitherto adopted on arms sales, Germany has far less at stake in terms of defence sales elsewhere in the Arab world.

Similarly the supply of American Teledyne engines from the United States via Belgium would be contrary to current American policy. Steps can be taken to check this out but the United States has consistently shown, through their support for Israel, that they have the power and prestige to override the political sensitivities of the Arabs and still obtain defence business from them.

Para 5 -

a. The overhaul of Olympus gas turbines for the Iranian Navy was considered by Ministers in June/July last year. It was agreed that the Government had no power to prevent overhaul work under present regulations and approval was subsequently given to the export of two new engines on the grounds that these would not make a significant contribution to the war effort and might help the negotiations over outstanding claims.

b. The Alvis Samaritan Tracked Ambulance featured in List I behind Sir John Nott's minute of 16 June 1982. Alvis have been told that we would be prepared to approve supply but have not yet submitted an application for an export licence. We would only agree to the supply of vehicles with engines installed and essential spares. We would certainly be alert to any attempt to re-engine the Iranians Scorpions by acquiring engines ostensibly for Samaritans.

c. A licence has been granted for twenty W30 helicopters as air ambulances for the Red Crescent (not Lynx helicopters for the Army). Approval has also been given, but no export licence yet issued, for the supply of six Sea King helicopters for search and rescue purposes. No weapons or offensive installations are to be fitted to these helicopters. Spares for American Bell helicopters featured on List II and could not be exported from this country under present policy. However, there is no way of preventing repair work being undertaken in Iran if these spares were to be obtained from other sources.

d. The supply of field telephones is fully consistent with the present distinction between lethal and non-lethal equipment. A number of export licences for non-lethal communications equipment for Iran have been granted.

e. No export licence has yet been granted for engines to re-power Iranian tank transporters.

f. No export licence has yet been granted for either Leyland Scammell tank transporters or the Rolls Royce CV12 engines which would power these. However, since a significant number of tank transporters have been supplied to Iraq during the course of the war, due account would need to be taken of our policy of even-handedness in considering any application.

Middle East Arms Sales A 3

12 MAY 1983  
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12 MAY 1983

CONFIDENTIAL

cc Mr. Jackling

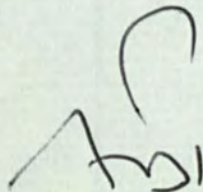
Prime Minute.

MR. COLES

A.J.C.  $\frac{12}{5}$ TANK ENGINES FOR IRAN

I have seen the Defence Secretary's minute to the Prime Minister of 12 May. I agree with the contents. I have felt all along that Rolls Royce, with whom I have much sympathy, are overstating the consequences for the Shrewsbury factory of not fulfilling the order for Iran (para 8 of the Defence Secretary's minute).

The trouble on the Arab side is that we will never be certain of being able to clinch deals with them on the strength of our refusal to supply Iran. All we can be reasonably sure of is that we will not be able to secure Arab orders if we do supply the engines to Iran. This leaves us with the insoluble problem of proving a negative.



A.D. PARSONS  
12 May 1983

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PB/ Secretary of State for Industry

JF3435

Jc 25

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

9 May 1983

Richard Mottram Esq  
Private Secretary to the  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
LONDON  
SW1A 2HB

A.S.C.  $\frac{10}{5}$

f.a.

*Dear Richard,*

In his letter of 28 April, John Coles mentioned the possible repercussions for Talbot's contract with Iran if export licences were refused for the Rolls Royce engine business.

2 Given the unpredictability of the Iranians, it would be unwise entirely to write off the possibility but the Department's judgement is that the Talbot business is unlikely to be jeopardised. At the present time Talbot are producing kits for Iran at a rate of around 70,000 per annum and the Iranians have been pressing for these volumes to be increased to satisfy the large domestic demand. As it would be a major, expensive and time-consuming exercise for the Iranians to switch from Talbot as a source of supply, this would not therefore be an easy or attractive option for the Iranians as a retaliatory measure. It is conceivable that they might slow down payments under the contract (which they did to Talbot's cost a year or so ago) but the Iranians will know that, on the previous occasion, the disruption to shipments brought PSA to the brink of pulling out of this business and they would think very carefully indeed before embarking on a repeat performance.

3 I am copying this letter to the recipients of John Coles'.

*Yours ever,*

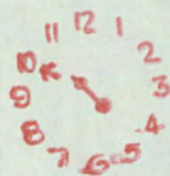
*Caroline Varley*

CAROLINE VARLEY  
Private Secretary



Middle East: Arms Sales  
Pt 3

10 MAY 1983





CONFIDENTIAL

SRTJ

Await letter from rad.

PRIME MINISTER

A.J.C. 5/5.

TANK ENGINES FOR IRAN

I have seen the recent correspondence, most recently your Private Secretary's letter of 28 April to the Ministry of Defence.

According to Mr Plastow, Rolls Royce have a "signed contract" to supply "Main Battle Tank" engines to Iran. If he is correct - and he ought to know - the suggestion of fudging the matter by supplying civil engines which would subsequently be converted to military use has been dropped. We are back therefore to the very simple proposition of exporting armaments of war to Iran while the war with Iraq is still in progress. My own view is that we should not do so. Perhaps I should add that I have the primary legal responsibility for the issue of the export licence and we need to take care to ensure that any decision taken cannot be challenged in the Courts on procedural grounds.

Copies go to members of OD, the Secretary of State for Industry and to Sir Robert Armstrong.

A.C.

Department of Trade  
1 Victoria Street  
London, SW1H 0ET

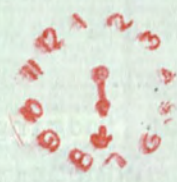
LORD COCKFIELD

4 May 1983

CONFIDENTIAL



14 MAY 1988





Secretary of State for Industry

JU544

Middle East ce R.J.  
DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301  
Switchboard 01-212 7676

28 April 1983

Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall SW1

Prime Minister  
To be aware, pending  
an ROD reply to a further  
letter which I sent today.

A.J.C.  $\frac{28}{4}$

Dear Secretary of State,

TANK ENGINES FOR IRAN

Thank you for sending me a copy of your minute to the Prime Minister of 22 April about the above.

2 I find this an extremely difficult issue. The Iranian order is very important for Rolls Royce and cancellation, as well as incurring financial penalties, would undoubtedly have a damaging effect on its overall engine business, particularly as there is a real opportunity of significant follow-up business. I am nevertheless impressed by the weight of the risks which the issue of export licences would involve for the major military and civil sales prospects elsewhere in the Middle East and, on balance, I agree that it would be wrong to allow this contract to go forward.

3 I am, however, a good deal less certain that it would be either sensible or desirable to carry this decision further by putting special pressure on Rolls Royce to prevent their meeting the Iranian requirement by other means. In terms of the risks, it seems one thing for Government to be seen to be facilitating the supply of military hardware by the issue of an export licence; and quite another for a company (legitimately) to supply a civil product which the Iranians might then convert for military use. It is not clear from the memorandum enclosed with your minute whether the judgment of our Ambassadors in the Middle East applies equally to the "compromise" solution as to the supply of military engines and therefore whether the risks to export business in these markets would be as great as you suggest. In view of the serious implications involved for Rolls Royce, of a failure to perform in Iran, I believe it would be sensible to have further urgent study made of the "compromise" option before final decisions are taken.

4 I am copying this letter to the recipients of yours.

Yours sincerely  
Patrick Jenkin

PATRICK JENKIN

(approved by the Secretary of State and signed in his absence)

Middle East: Arms Sales  
P43

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18 APR 1983

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18 APR 1983

Middle East file v.c.



10 DOWNING STREET

 c. Ho.  
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 Bllnd.  
 CO.

bc SIA Parsons.

From the Private Secretary

28 April 1983

Dear Richard,

Tank Engines for Iran

The Prime Minister has seen the Defence Secretary's minute of 25 April containing the recommendation of Mr. Heseltine and Mr. Pym that Rolls Royce Cars should not be granted an export licence to fulfil this contract and should be discouraged from meeting Iran's requirements by other means. She has also seen the letter of 22 April from the Industry Secretary to Mr. Heseltine.

I enclose with this letter a copy of a letter which Mr. David Plastow sent to the Prime Minister on 26 April.

Mrs Thatcher has made the following comments on this issue.

Paragraphs 4 and 5 of the enclosure to Mr. Plastow's letter refer to a number of other Iranian contracts in respect of which British firms have either been granted export licences or have been told that there is not likely to be governmental objection to their implementation. Mrs Thatcher has noted in particular that we seem prepared to envisage the supply of Sea King helicopters by Westlands and tank transporters, containing Rolls Royce engines, by Leyland Scammell. She feels that we must be consistent in our arms export policy and would be grateful for further comments.

The Prime Minister assumes that possible unfavourable repercussions for the Talbot car project, if we refuse this export licence, have been considered and that we judge that it will not be adversely affected.

The Prime Minister has further stated that if we are to refuse a licence we should do all we can to ensure that we secure orders from the Arab states in lieu. The mere prospect of Arab contracts is not enough. She comments that our competitors, especially the Americans and the French, are getting a large proportion of the available work in the area.

It would be helpful to have the further views of the Secretary of State for Defence as soon as possible. The Prime Minister will be out of London later today and tomorrow. It would therefore be convenient if she could consider further

/ advice

CONFIDENTIAL

- 2 -

advice over the weekend. But if the requirement for a decision by the end of this week is absolute I shall try to consult the Prime Minister before tomorrow evening.

I should, also be grateful if, when a decision has been taken, you could let me have a very early draft reply to Mr. David Plastow's letter.

I am copying this letter and enclosure to the Private Secretaries to the members of OD, the Secretaries of State for Industry and Trade and Sir Robert Amrstrong.

*you see  
for Col.*

Richard Mottram Esq  
Ministry of Defence

CONFIDENTIAL

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PRIME MINISTER

Rolls Royce Engines for Iran

I am sorry to put these papers back to you but we shall have to decide, probably when you are in Sheffield, whether or not to refuse an export licence for Rolls Royce.

You asked whether the Industry Secretary had been consulted. He was at an earlier stage and I attach a copy of his letter of 22 April to the Defence Secretary. In essence, he confirms that Rolls Royce Diesel are facing a very difficult industrial situation but he does not feel able to judge the effect of granting this export licence on possible arms sales elsewhere. He is considering this further overnight. But on the assumption that Mr. Jenkin does not wish to press the case of Rolls Royce more strongly, are you content that we should refuse this export licence?

I shall of course bring to the attention of the Defence and Foreign Secretaries the points you have made in your minute attached.

*John in the Bill -  
Staw - (f) in  
Plan B's letter - correct?  
if so, how can we refuse  
him?  
Westland, A. & C.  
table  
K...  
etc*

27 April 1983

CONFIDENTIAL



D. A. S. PLASTOW

VICKERS P.L.C.  
VICKERS HOUSE,  
MILLBANK TOWER,  
MILLBANK,  
LONDON, SW1P 4RA  
TELEPHONE: 01-828 7777

BY HAND

The Rt. Hon. Margaret Thatcher, MP,  
The Prime Minister,  
10, Downing Street,  
London, S.W. 1.

26th April, 1983.

*Dear Prime Minister,*

When we met after your splendid speech at the C.B.I. dinner last Tuesday evening, I very nearly took the opportunity to discuss a serious situation which has developed affecting a major part of Vickers. However, I was unsure then whether or not you were likely to be involved in making the decision which will materially affect the viability of our Rolls-Royce diesel engine business.

Subsequently I learnt that the final decision on the export licence for our engines, as part of the Iranian Chieftain Main Battle Tank Retrofit package, will be made by you, and I am, therefore, enclosing an appendix detailing the main points I would like to make.

Needless to say, we have discussed this matter with our sponsoring Ministry, the Department of Industry, and with the Ministry of Defence and the Foreign and Commonwealth Office, but as it is of such great importance to us, I hope that you will not mind my making a direct approach.

The Rolls-Royce diesel business is currently unprofitable. It has a first-class international reputation and is a major supplier to the British Army. Your decision to allow us to fulfil our Iranian contract will bring material benefits to the British Army and enable us to maintain our high commitment to research and development, as well as meeting the investment requirements to compete in world terms.

*Yours sincerely,*

*David Plastow*

ROLLS-ROYCE DIESEL ENGINES FOR IRAN

1. We have a signed contract for £30m. for 300 Chieftain Main Battle Tank Retrofit Power Packs. To this must be added at least another £10m. for spare parts and £5m. for workshop equipment, tools, test beds, etc., giving a total value of the immediate business of £45m. for delivery during the next 15/18 months.

In addition, the contract includes an option for the Iranian Army to increase the number by a further 200 Retrofit Packages. I am sure they will do this.

With this business established, we then have good opportunities for re-engining their Russian tank transporters, maybe some of their American M48 and M60 battle tanks and some of their Russian T62 battle tanks. All in all, the business to our factory in Shrewsbury could be worth well in excess of £100m., with ongoing spare parts business for many years.

2. The unemployment situation in Shrewsbury, now approaching 16%, is critical and, although we are still the largest private employer in the town, over the last 3½ years we have had to reduce our workforce by over a third, from 3,090 to 1,750. You will see, therefore, that it is of vital importance for us to be able to accept this contract, which would not only provide immediate full employment for our factory, but could also lead to the re-employment of additional people before the year end, plus providing an estimated 500-600 jobs with our many suppliers, including the Royal Ordnance Factory at Leeds.
3. Although the engines we wish to sell are basically only commercial/industrial generator set type engines, when packaged in this way (for re-engining Chieftains) they are being classified by our Ministry of Defence as "lethal equipment", thus requiring an export licence.
4. We know that two German MAN engines are in the Iranian Army's Teheran workshops and that they have been put into Chieftain tanks to assess the installation. The Managing Director of our diesel business has seen the relevant shipping documents and the German engineer's installation report.

We have also learnt that the West German Embassy in Teheran are pressing for the Army to consider German MTU engines for Chieftains, which we understand they propose to supply as "industrial generator set engines".

Furthermore, our latest information is that Teledyne Continental of the USA are offering to supply either new tank engines out of the States, or re-conditioned units from Belgium.

5. We understand and accept the necessity to exercise some control over arms sales, but it does seem rather hard if we are to be prevented from accepting this order, for what are basically commercial engines, when we are told that others are being permitted to supply military equipment, for example that:
- a. Rolls-Royce Limited have an export licence to supply two Olympus gas turbine engines to the Iranian Navy for their frigates.
  - b. Alvis have been told that an export licence would be available for the supply of FV104 Samaritan ambulances and associated parts, included in which are up to 200 Jaguar petrol engines of identical specification to those fitted in the Scorpion tank version operated by the Iranians.
  - c. Westland Helicopters have been assured that export licences will be available for Sea King helicopters to be supplied to the Iranian Army - admittedly in search and rescue versions. They are also expecting to be allowed to supply Lynx helicopters to the Army. Furthermore, we understand they are on the point of signing a contract to undertake the overhaul and repair in Iran of the Army's fleet of Bell U.S. helicopters.
  - d. Plessey are currently supplying field telephones to the Iranian Army.
  - e. We have been told that there would be no restriction on selling the Iranian Army engines for re-powering their Russian MAZ 537 tank transporters.
  - f. Leyland Scammell have been told they could supply tank transporters which could/would have Rolls-Royce engines of the same type that we wish to sell for the Chieftains.
6. The Consultants with whose help we have obtained this contract are also representing -
- Westland, whose immediate business prospect is estimated to be worth £150m.
  - Leyland, who have the possibility to supply up to 7,500 vehicles, including 2,500 buses worth approximately £200m.
  - Rolls-Royce diesel engined generator sets for the railways, worth up to £22½m.

Vsn.

25.4.83.

**CONFIDENTIAL**

PRIME MINISTER

ROLLS ROYCE ENGINES FOR IRAN

The Defence Secretary (see attached minute) and the Foreign and Commonwealth Secretary recommend that we should refuse an export licence for Rolls Royce Motors to supply 300 diesel engines to be fitted into Chieftain tanks.

The main factor which leads them to this conclusion is the likelihood of repercussions for political, commercial and defence links with the Arab countries. Sir Anthony Parsons agrees (see his minute attached).

I also attach a letter to you which David Plastow has just delivered. He wishes the contract, which has already been signed, to go ahead largely because of the critical unemployment situation in Shrewsbury and the viability of his diesel engine business. He also lists a number of cases where export licences have been granted to Rolls Royce and other firms for the supply of equipment to Iran (though a number of these cases do not involve lethal equipment).

Agree with the recommendation of Mr. Heseltine and Mr. Pym (subject to the views of other OD colleagues) that this export licence should be refused?

A.-J.-C.

① Have we consulted Industry Secretary?  
w.r. T. Abbott cons to Iran

② If we can't refuse we should merely see that we do not order for the British states in Iran.

Prospect  
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Americans &  
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26 April 1983

**CONFIDENTIAL**

MR. COLES

TANK ENGINES FOR IRAN

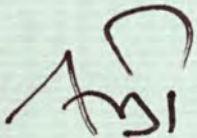
I have seen a copy of the Defence Secretary's minute of 22 April to the Prime Minister. I agree with the recommendation, namely that we should refuse an export licence to Rolls Royce.

I sent a note to the Prime Minister on this subject on 22 February (attached). I have not changed my views.

In this case, the risks of retaliation on the Arab side through our allowing Rolls Royce to export engines for the Iranian tanks, is greater than the risk of Iranian's retaliation because of our refusal. The only existing British interests against which Iran could retaliate are well established British joint ventures in Iran, eg Iran National, Leyland Motors Iran and, I think, one or two pharmaceutical firms. Retaliation against any of these would in the short term deprive the Iranians of products which are necessary to keep their people happy. In extreme circumstances, eg if we were to supply significant quantities of war-like equipment to Iraq, this would not worry Khomeini. But I doubt whether this would apply to a refusal to supply tank engines, which would come as no surprise to the Iranian Government in any case.

The probability of Arab retaliation against us for helping Iran's war effort is much stronger and more immediate. The Annex to the Defence Secretary's minute sets out our prospects in the Gulf States and Saudi Arabia. All these would be at risk since the Arabs would suffer nothing from rejecting our bids. They have plenty of alternative choices and they are not in vital need of the equipment anyway.

I recognise that Rolls Royce may well have a time gap at Shrewsbury with a shortage of orders for the CV.12 engine. However, with the existing orders from Jordan and from the British Army plus the prospects in Kuwait, Oman, the UAE and Saudi Arabia, there should be enough orders in the future to keep the Shrewsbury factory busy.

  
A.D. PARSONS  
26 April 1983

Talbot - can list?



MO 26/9/15

PRIME MINISTERTANK ENGINES FOR IRAN

Against strong Government advice, both at official and Ministerial level, Rolls Royce Motors have signed a contract with Iran to supply 300 diesel engines to be fitted into Chieftain tanks. This raises some difficult issues for us which I have discussed with the Foreign and Commonwealth Secretary. On the one hand, we have to take into account the company's urgent need for further work at their military engine plant in Shrewsbury, the possibility of this work going to Germany, and our wish to rebuild a more satisfactory political and commercial relationship with Iran in the longer term. On the other hand, there is little doubt that the supply of tank engines to Iran at this juncture could have serious repercussions for our political, commercial and defence links with the Arab countries who have steadfastly supported Iraq during the current conflict. There is so much at stake for us in the Arab world that Francis Pym and I have agreed that Rolls Royce Motors should not be granted an export licence to fulfil this contract, and should be discouraged from meeting the Iranian requirement by other means.

2. The background to the action taken by Rolls Royce and the conflicting issues involved are set out in the enclosed paper. This has been prepared by my officials but reflects the discussions I have had with Francis Pym.

3. This matter is now urgent since, under the terms of the contract they have signed, Rolls Royce Motors wish to ship the first two engines immediately an export licence is approved, in order to prove



the installation in a Chieftain in Iran. If we are to refuse an export licence, the firm should be informed by the end of the week. I should therefore be grateful for your views and those of my OD colleagues as soon as possible.

4. I am copying this minute and the enclosed paper to OD colleagues, the Secretaries of State for Industry and Trade, and Sir Robert Armstrong.

*WJL*

Ministry of Defence  
22nd April 1983

CONFIDENTIAL

TANK ENGINES FOR IRAN

The Request from Rolls Royce

Rolls Royce have signed a contract with Iran, against Government advice, to supply 300 CV12 diesel engines for Chieftain tanks. This order would be worth £40M with further contracts of the same order to follow and would bring much needed work to the Rolls Royce military engine plant at Shrewsbury where employment has fallen to 1,800 from a peak of 3,000 three years ago, with only half those remaining on a full five day week. The company say that their factory at Shrewsbury may not survive without further orders and claim that German commercial engines, which are not subject to export controls, may be supplied in place of the CV12. FCO staff in Teheran confirm that some German engines have already been supplied.

Current Policy on Arms Sales to Iran and Iraq

2. Since the war broke out in September 1980, our declared policy has been one of neutrality and even-handedness between Iran and Iraq. This has been interpreted as supplying no lethal equipment to either side during the war, and statements to this effect have recently been made in Parliament. However, in practice, we have leaned heavily towards Iraq. Contracts worth over £350M have been secured from Iraq for non-lethal military equipment and supplies since the outbreak of war and we have indicated that we would be prepared to sell them Barmine, refurbish captured Chieftain tanks and arrange for the up-gunning of T55 tanks through Egypt. The Iraqis have declined to take up any of these proposals.

3. Our reluctance to do business with Iran on the same scale as Iraq was initially governed by the detention of British subjects and the financial claims relating



CONFIDENTIAL

to contracts terminated at the time of the revolution. However, a more fundamental reason is that Saudi Arabia, the Gulf States, Jordan and Egypt, who account for the major share of all UK arms exports, have effectively sided with Iraq and would regard any significant resumption of arms sales to Iran as a betrayal. In recent months, a less restrictive approach has been agreed by Ministers on arms sales to Iran. The link with the outstanding contractual claims has been loosened and approval has been given to the supply of certain non-lethal equipment, but few contracts have been signed.

Arguments For and Against Rolls Royce Proceeding

4. In addition to Rolls Royce's urgent need for new orders at Shrewsbury, we should consider our longer term relations with Iran, which remains the dominant power in the region, is still strongly anti-Soviet and appears to be in better military and financial shape than Iraq at present. I have discussed these aspects with the Foreign and Commonwealth Secretary who agrees that we need to build up a new political relationship with Iran in the longer term but should not put our close political and commercial ties with the Arabs at risk at this stage by supplying equipment which could make an early contribution to the Iranian war effort.

5. Any resumption of arms sales that made a substantial contribution to Iran's combat capability would appear irresponsible, if not positively hostile, to several key Arab nations. Saudi Arabia and the other Gulf States have begun to embark on a major military re-equipment programme. The threat which they perceive from Iran has contributed to this policy. Military equipment purchases by these countries over the next three to four

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years could amount to £6000M, and, following a successful floating exhibition of British defence equipment earlier this year, UK companies are well placed to secure a good proportion of this business. A full list of current defence sales prospects in the Middle East which might be at risk is at Annex A. However, these sales prospects are dependent on the maintenance of a positive political climate in which the purchasing states see the UK as an ally concerned for their security and not motivated entirely by commercial considerations. Ambassadors in the countries concerned have, with the exception of Oman, all strongly recommended against the supply of tank engines to Iran.

6. Nor can we be sure that the adverse repercussions would be confined solely to defence business. Our substantial civil trade with the Arab countries of the Middle East might also suffer a set back. Events have shown that, unlike the Americans, we lack the clout to simply ignore Arab disapproval of our policies. As for the Germans, they have very little at stake in terms of military sales elsewhere in the Middle East.

#### Compromise Solutions

7. It has been suggested that Rolls Royce could supply civil generators to Iran which are not subject to export licensing control and could be converted to tank engines without undue difficulty. The components required for conversion would themselves require an export licence. Drawings and documentation would not but some of these are owned by MOD. Moreover, it is felt that this arrangement could not be concealed from the Arabs. Once discovered we would be open to charges of bad faith which would be much greater than if we had supplied the tank engines openly. The possibility of supplying modification kits through third parties or arranging for

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local manufacture has been suggested but these arrangements would be open to the same objections. We could not convince the Arabs that we were unable to prevent this.

Conclusion

8. Although an order for 300 tank engines worth £40M, with the prospect of further follow-on business, is of major importance to Rolls Royce and the future of their factory at Shrewsbury, these prospects are not in themselves sufficiently attractive for us to reverse our current policy and risk the much wider repercussions to our defence sales and other commercial prospects elsewhere in the Middle East. We may not be able to prevent Rolls Royce from supplying commercial generators and arranging for conversion on the spot. But this could be equally if not more damaging to our sales prospects elsewhere in the Middle East and we should exert maximum pressure to dissuade Rolls Royce from proceeding in this way. In doing so, we may face considerable political criticism for failing to prevent redundancies at Shrewsbury, particularly if the Iranians buy commercial engines from Germany. Against this, we would expect to obtain political and commercial credit with the Arabs by explaining our decision to them.

## DEFENCE SALES PROSPECTS IN THE MIDDLE EAST

Specific major sales prospects which the UK has a major prospect of achieving over the next 3 years in the Middle East are as follows:

### Iraq

Nimrod AEW	£800M
Hawk Jet trainer	£150M
(with longer term prospect of further local manufacture)	£2,000M)
Heavy recovery vehicles	£50M
Light gun (after the war)	£25M

### Bahrain

Hawk trainer aircraft	£50M
Vickers Valiant tanks	£50M
MCV 80 reconnaissance vehicles	£20M
Coastal patrol vessels	£8M
Sea Skua A/S missiles with radar	£25M

### Kuwait

Hawk trainer aircraft	£250M
Rapier SA missiles	£150M
AR3D radars and communications	£50M
Challenger MBT	£100M
Scorpion reconnaissance vehicles	£20M

### Oman

Tornado ADV aircraft	£160M
Martello radars	£20M
Scorpion and associated armoured vehicles	£25M
Chieftain MBT	£45M
Anti-tank missiles	£10M

Oman (continued)

Inter-service communications £100M  
Engineering work on workshop and  
a Naval Base £50M

(the majority of the foregoing  
projects are due to be funded by  
Oman's GCC partners)

Qatar

Rapier SA missiles £150M  
Joint Ops Centre £100M

Saudi Arabia

Hawk trainer aircraft £200M  
Nimrod AEW\* £250M  
Lynx helicopters £80M  
BH 7 hovercraft £85M  
Air defence radars £200M  
Rapier and Blowpipe for National Guard £100M  
Challenger MBT for Army and possibly  
National Guard £500M  
Various ammunition and artillery  
support packages £200M  
Engineer equipment £150M  
Air based security equipment £80M  
Extension of SANGMED hospital project  
for National Guard £400M  
Extension of communications project  
for National Guard £230M

UAE

Hawk ground attack aircraft £90M  
Nimrod AEW\* £200M  
AR3D radars £50M  
Tracked Rapier £70M  
Blowpipe £30M  
Challenger MBT £80M  
Scorpion and MCV 80 £20M  
105mm guns £25M  
Ops centres and associated communications £150M  
Electronic warfare system £100M

\* dependent on an Iraqi order to reopen the line



JF3285  
Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

27 April 1983

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
LONDON  
SW1A 2HB

*This will come to OD  
in the near future.*

*A.S.C. 25/4.*

*Dear Michael,*

TANK ENGINES FOR IRAN

Thank you for copying to me your letter of 12 April.

*not come to us,  
events have crept ahead  
letter  
(will request if  
required)*

2 There is no doubt that, as you have described, Rolls Royce Diesel are facing a very difficult industrial situation - the order from Iran would make a significant difference to the company's position and would result in the saving of jobs and greatly improve the position of a company badly affected by the recession.

3 The company have explained to officials here that their decision to proceed to contract signature was necessitated by the Iranian requirement that the order be accepted by a particular date. This was coupled with the threat of losing the business if the company did not comply. In view of the orders' significance their reaction is understandable, particularly when coupled with what I understand are the real prospects of further contracts with Iran, including the repowering of up to 400 tank transporters potentially valued at £10m.

4 I am also conscious that there are several other considerations involved in this situation which need to be given due weight, including the effect on possible arms sales elsewhere to which you refer. I do not have information on which to judge this. I do however think the industrial implications of this order are of major importance for Rolls Royce Diesel and should be given due weight in the final decision.



5 I am sending a copy of this letter to the Prime Minister and to Francis Pym.

You are  
Patel

M/East  
Arms Sales  
pt 3

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22 FEB 1983



*M/East**Secretary of State for Industry*

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

8 March 1983

J E Holmes Esq  
Private Secretary to the  
Foreign Secretary  
Foreign and Commonwealth Office  
London SW1

*A.S.C. 9/3**h.c.**Dear John*

TANK ENGINES FOR IRAN

Thank you for copying to Jonathan Spencer your letter of 25 February to Richard Mottram. In advance of Mr Hurd's meeting with Vickers/Rolls Royce, you will wish to be aware of some of the key industrial implications of this contract. These are set out in the attached annex.

2 Whilst these are very significant, and will clearly form an important part of Ministers' considerations, it is understood that they will not necessarily be the overriding consideration.

3 I am copying this letter to recipients of yours.

*Yours sincerely*  
*David Saunders*  
DAVID SAUNDERS  
Private Secretary

Encl.

M/Least  
Arms Sales  
-8  
A4-33



DRAFT ANNEX

TANK ENGINES FOR IRAN

This contract valued at £40m is for 300 power packs for tanks and includes spare engines and general spares. The engine involved is a CV 12 cylinder which would be manufactured at the Company's plant in Shrewsbury which has a capacity for this engine of 2500 per annum. Current production levels are down to 600 per annum. Total employment at the site is 1830 engaged in production and assembly on both the commercial and military side. There is a significant work shortage in the engineering workshops and assembly workers are on a 3 day week with 200 further redundancies being planned.

This order, which would be placed over a year, could be started almost immediately, with the £10m deposit negotiated as part of the contract providing essential funding for working capital requirements. The order would make a significant difference to the company's position and would result in the saving of the jobs currently at risk. There are also significant prospects of further contracts, including the repowering of up to 400 tank transporters, potentially valued at £10m.

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Foreign and Commonwealth Office

London SW1A 2AH

25 February, 1983

Prime Minister

A.F.C.  $\frac{25}{2}$

cc. to A. Parsons.

Dear Richard,

Tank Engines for Iran

As you will know, Rolls Royce Motors have received an offer from Iran to purchase 300 tank engines. They are pressing Ministers to agree to the necessary export licences. This will clearly be a difficult decision in view of the employment and other problems created if Ministers refuse, and of the consequences for our public and commercial position in the Arab world (particularly Iraq) if they agree. Mr Pym believes that Ministers will wish to consider it on the basis of detailed interdepartmental advice soon. To this end the views of our overseas posts concerned are being obtained, officials are meeting interdepartmentally and Mr Hurd (in the absence of Mr Pattie) is inviting Mr Plastow, the Managing Director of Vickers/Rolls Royce to call as soon as possible so that the implications of Rolls Royce's intentions can be further clarified.

I am copying this to John Coles (No 10), Jonathan Spencer (DOI) and John Rhodes (DOT).

Yours ever

J. E. Holmes

(J E Holmes)  
Private Secretary

Richard Mottram Esq  
Private Secretary  
Ministry of Defence

CONFIDENTIAL

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E. R.

CONFIDENTIAL

Sir A. Parsons

②

PRIME MINISTER

Rec me

AR 24/2

ARMS SALES TO IRAN/IRAQ

You will wish to see the attached minute by Sir A. Parsons.

As you know, OD considered last year our policy on this matter. As a result, we are well into discussions with the Government of Iraq for the supply of Nimrod aircraft and we are also discussing the supply of certain arms to Iran.

There will be an opportunity to look at these matters again when recommendations are put to Ministers about the supply of engines by Rolls Royce for the Iranian Chieftain tanks.

A. J. C.

23 February 1983

CONFIDENTIAL

CONFIDENTIAL

*file*  
cc: Mr. Jackling

*Bre.*

*Middle East*

SIR ANTHONY PARSONS

ARMS SALES TO IRAN/IRAQ

Thank you for your minute of 22 February. I think that your proposal, if I have understood it correctly, would amount to a major reversal of policy. For example, OD considered last November the question of the supply of Nimrod Airborne Early Warning and Tanker aircraft to Iraq. The Committee concluded that the Defence Secretary should continue negotiations with the Government of Iraq for the supply of Nimrod aircraft. There were discussions with the Iraqi President in December and further talks are going ahead.

Similarly, in September last year, the Prime Minister agreed with the Foreign and Defence Secretaries that we should agree to supply some lethal items to Iran and to continue discussions on a resumption of business on major weapons systems such as the main battle tanks and Rapier.

None of this means that the policy you advocate is necessarily wrong. But I suggest that the best way to proceed might be to discuss the matter with the FCO and see if they are prepared to put another paper to OD advocating your policy. I am rather reluctant to suggest to the Prime Minister that she should take a decision reversing the policy agreed in OD. You may wish to discuss.

A. J. COLES

22 February 1983

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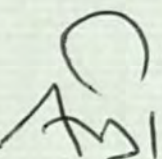
MR. COLES

ARMS SALE TO IRAN/IRAQ  
JEDDA TEL NO. 98

This is about the proposed sale by Rolls Royce of replacement engines for the Iranian fleet of Chieftain Tanks. Rolls Royce built a factory at Shrewsbury (which I have visited) entirely to build engines for the new generation of Chieftain Tanks which we were constructing for the Shah. From the point of view of employment, etc it is therefore important to Rolls Royce to continue to supply these engines to the Iranians. However, I have no doubt whatsoever that, if we are known to be supplying the essential component for the Iranian tank fleet, we will have a colossal row with the Arabs and our commercial interests, eg in Saudi Arabia, will suffer drastically and immediately.

By the same token, if we ever get close to a contract with Iraq for Nimrod, Hawk or Barmines, there is a corresponding danger of impulsive retaliation against our interests in Iran. As I minuted recently, our principal hostage there is the Iran National factory. If Khomeini closed it down out of rage at our supporting his enemy's war effort thousands of people would be thrown out of work in the Coventry area and a lucrative source of foreign exchange would be stopped.

My own feeling is that we have too much at stake on each side to take serious risks of impulsive action against our interests either in Iran or in the Arab world. I realise that these views would not be popular with certain sections of British industry and with Defence Sales. However, I conclude that our interests will be best served, so long as the war lasts, by refusing to sell anything to either side which is either directly lethal or calculated significantly to improve the military performance of Iran or Iraq. I wish I could go on to say that I thought there was a likelihood of an early cessation of hostilities. I do not.

  
A.D. PARSONS  
22 February 1983

Middle East: Arms Sales Pt 3

F.R.



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Subject

Vcc Master  
CPB



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. Dot

FLU

JD

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T 13/83

10 DOWNING STREET

THE PRIME MINISTER

11 February, 1983

Your Highness,

I was very pleased to hear last month of the signature by Your Highness of the contract with British Aerospace for the supply of Hawk Trainer aircraft to the United Arab Emirates' Air Force. This contract marks an important step in the development of military co-operation between our two countries. British Aerospace have the full support of the British Ministry of Defence in their task of building and delivering the aircraft you have ordered. We shall also be ready to supply your Air Force with the ground attack version of the Hawk should you decide to go ahead with that order.

I should like to reaffirm to Your Highness the wish of the British Government to extend our co-operation with you in the defence field and to provide you with assistance in the important areas of training and support. I am encouraged that there are several other military projects currently under discussion between us.

I hope that I shall have the opportunity of seeing you again in the not too distant future. I send Your Highness my best wishes.

Yours sincerely  
Margaret Thatcher

His Highness Lieutenant General Sheikh Khalifa bin Zayed al Nahayan

SW



10 DOWNING STREET

Prime Minister

You said you would write to the  
Crown Prince of Abu Dhabi  
once the Hawk contract had  
been ratified and the first  
payment made. This happened  
on 2 February.

A. J. C. '72.

CONFIDENTIAL

Middle East



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~930 7022~~ 218 2111/3

MO 26/9/4

9th February 1983

Type letter for P.M.'s signature.  
✓  
A.S.C. 9/2.

Dear John

In your letter of 6th January you said that the Prime Minister had agreed to send a short message to the Crown Prince of Abu Dhabi once the first payment of the Hawk contract had been made and the contract ratified. British Aerospace have informed us that this occurred on 2nd February. I therefore enclose the draft of a letter which the Prime Minister may like to send to Sheikh Khalifa to mark the event.

I am copying this letter to John Holmes (Foreign and Commonwealth Office), Jonathan Spencer (Department of Industry) and John Rhodes (Department of Trade).

Yours ever,  
Jane Ridley

(J E RIDLEY)

A J Coles Esq

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DRAFT LETTER FROM THE PRIME MINISTER TO:

His Highness  
Lieutenant General Sheikh Khalifa bin Zayed al Nahayan  
Deputy Supreme Commander  
United Arab Emirates

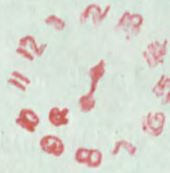
I was very pleased to hear last month of the signature by Your Excellency of the contract with British Aerospace for the supply of Hawk Trainer aircraft to the United Arab Emirates' Air Force. This contract marks an important step in the development of military cooperation between our two countries. British Aerospace have the full support of the British Ministry of Defence in their task of building and delivering the aircraft you have ordered. We shall also be ready to supply your Air Force with the ground attack version of the Hawk should you decide to go ahead with that order.

I should like to reaffirm to Your Excellency the wish of the British Government to extend our cooperation with you in the defence field and to provide you with assistance in the important areas of training and support. I am encouraged that there are several other military projects currently under discussion between us.

I hope that I shall have the opportunity of seeing you again in the not too distant future. I send Your Excellency my best wishes.

MIDDLE EAST: Arms Sales: Pt 3.

9 FEB 1985





cc FCO  
DUI  
DOT.

HL

10 DOWNING STREET

*From the Private Secretary*

6 January 1983

Thank you for your letter of 5 January containing the information that Crown Prince Sheikh Khalifa has now signed the contract with British Aerospace for the supply of Hawk trainer aircraft to the United Arab Emirates Air Force.

BF/ The Prime Minister has seen your letter and is pleased that these negotiations have reached a successful conclusion. She will be happy to send a short message to the Crown Prince when the first payment has been made and the contract has been ratified. I should be grateful for a suitable draft at the time.

I am copying this letter to John Holmes (Foreign and Commonwealth Office), Jonathan Spencer (Department of Industry) and John Rhodes (Department of Trade).

A. J. COLES

Miss Jane Ridley,  
Ministry of Defence.

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RESTRICTED



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~2307922~~ 218 2111/3

MO 26/9/4

5th January 1983

Dear John,

Prime Minister

Agree to send a message to the  
Crown Prince when the first payment has  
been made.

A. J. C.  $\frac{5}{1}$

The Prime Minister will no doubt be pleased to hear that, on 2nd January, after 18 months of technical and commercial negotiations and considerable last minute delay, Crown Prince Sheikh Khalifa finally signed the contract with British Aerospace for the supply of Hawk trainer aircraft to the United Arab Emirates Air Force. This is an important step for Hawk as it marks its selection by a second Gulf state (following Dubai) and the contract has been won against strong competition from the French with Alphajet. This contract should also help to further sales of Hawk over the next few years to other Arabian states within the Gulf Cooperation Council, notably Saudi Arabia, Kuwait and Oman.

In the event, the Abu Dhabians cut back on their original order of aircraft, finally taking 16 trainer Hawk at a value of £90M instead of 10 trainer and 16 enhanced ground attack aircraft at a value of £186M. However their requirement for the ground attack version remains although no doubt we shall face renewed French competition. The principal reason for the reduction in the size of the purchase is said to have been the United Arab Emirates' need, shared by other Gulf states at this time, to trim their defence budget. Nevertheless, the order for 16 aircraft remains a significant and valuable one, won against fierce opposition and there is no doubt that the Prime Minister's intervention in April 1981 played a decisive part. In these circumstances my Secretary of State believes it would be appropriate for the Prime Minister to send a short message to the Crown Prince when the first payment has been made and the contract ratified. We would, of course, supply a draft in due course if the Prime Minister is willing to do this.

I am copying this letter to John Holmes (Foreign and Commonwealth Office), to Jonathan Spencer (DOI) and to John Rhodes (Department of Trade).

Yours ever

*John Ridley*

(J E RIDLEY)(MISS)

A J Coles Esq

RESTRICTED

MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-000 0033



25 JAN 1968

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25 JAN 1968

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Middle East

10 DOWNING STREET

*From the Private Secretary*

21 December 1982

Thank you for your letter of 20 December about training charges for overseas military students.

The Prime Minister has noted that your Secretary of State does not expect to be able to take decisions on the Report on this matter until early in the New Year.

I am copying this letter to John Holmes (Foreign and Commonwealth Office).

JC.

Miss Jane Ridley,  
Ministry of Defence.

NR



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-930 7022 218 2111/3

MO 11/10/4

20th December 1982

*Prime Minister*

*A.J.C. 10/12*

*Dear John,*

Thank you for your letter of 6th December about the review which my Secretary of State has put in hand into training charges for overseas military students. —

The Defence Council considered this issue at their meeting on 1st November. They commissioned a review to be completed by the end of 1982 so that, subject to further consideration by the Council, a revised policy could be introduced from 1st April 1983. I understand that the review is up to schedule, and that a report will be ready before Christmas. But the issues are both complicated and important and we do not want to risk a false start with any new policy. My Secretary of State does not expect therefore to be able to take decision on the report until early in the New Year.

I am copying this letter to John Holmes (Foreign and Commonwealth Office).

*Yours ever,  
Jane Ridley*

(J E RIDLEY)(MISS)

A J Coles Esq

MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-920 3033



20 DEC 1982

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LONDON

Middle East.



✓ Please ask for the  
letter referred to and  
re-submit. A.F.C. 13/12

Foreign and Commonwealth Office  
London SW1A 2AH

13 December, 1982

A.F.C. 13/12  
p.a.

Dear Richard,

Jordan and UK Defence Training Charges

Mr Pym has seen a copy of your letter of 29 November about Jordan and the cost of UK military training, sent in response to the point made by the Prime Minister in John Coles' letter of 15 November.

Mr Pym is pleased that some remedial action is underway to meet Jordanian criticism which was very strongly voiced and backed up by some astonishing figures. But he remains concerned about the basic problem of the high costs of UK military training provided to overseas customers. Strong complaints about this persist from a number of friendly countries where we have important foreign and defence policy interests; and adverse comparisons continue to be made with what our Allies and competitors can apparently offer. He takes the view that nothing short of substantial reductions in charges is likely to remove this irritant in our relations with such countries. He hopes that the new review of UK policy and training charges commissioned by Mr Nott will take this point fully into account, and endorses the Prime Minister's request (John Coles' letter of 6 December) that the review can be completed soon.

I am sending a copy of this letter to John Coles.

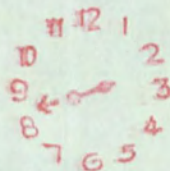
Your ever  
J E Holmes

(J E Holmes)  
Private Secretary

R C Mottram Esq  
Ministry of Defence

MIDDLE EAST: Arms sales : PT3

17 3 DEC 1982



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Middle East



Depts. are in agreement.  
No need to submit to J.R.

MO 26/9/15/1

AR 10/12

FOREIGN AND COMMONWEALTH SECRETARY

DEFENCE SALES TO LIBYA

Thank you for your note of 22nd November about the sale of 30mm cannon to Libya for fisheries protection vessels.

2. You asked whether there was any way in which the Libyans might be persuaded to consider taking unarmed vessels and you suggested the price might be shaded in their favour to make the package more attractive. In fact the Libyans have always known that we would be prepared to supply unarmed vessels but have declined to accept this option. The company have checked again with their agent in the last few days and his firm advice is that armed vessels are their preference. As to your suggestion that the price might be shaded, it is our belief that this would not particularly strengthen ABMTM's hand, a view shared by the company. They would not be meeting the Libyans' stated requirement and the added cost of fitting the guns elsewhere would probably negate any financial advantage ABMTM could offer. ABMTM are reliably informed that, if the UK cannot sell the armed vessels as a whole, the order will go to France or Italy where there are not expected to be any restrictions.

3. I also agree, and of course this is the crux of the matter, that it is very likely that the Libyans are dangling the carrot of this substantial order to sound out our current policy on arms sales to them, and that approval in this instance will probably lead to further requests for more sensitive items in a step-by-step attempt to lead us to change our stance. I do not believe that this is the right time to start down that road. Any change in our policy

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towards Libya would be difficult to defend domestically at the moment and, for the reasons you outline, might attract criticism internationally. Indeed, other Defence Sales prospects might be damaged.

4. Despite the serious employment implications for British shipyards, I therefore agree with you that we should not give clearance for the sale of these cannon.

5. I am copying this minute to the recipients of yours.

*Sw*

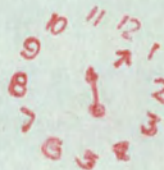
Ministry of Defence

9th December 1982

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JAN 1982  
Middle East : Arms Sales Pt 3

10 JUL 1982



JAN 1982





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Middle East

10 DOWNING STREET

*From the Private Secretary*

6 December 1982

BT

Military training courses

In your letter of 29 November you stated that Mr. Nott had asked for an overall review of UK policy on training charges to be carried out.

The Prime Minister has asked whether the results of the review can be made available, and decisions upon it taken, by Christmas. I should be grateful to know what timing you envisage.

I am copying this letter to John Holmes (Foreign and Commonwealth Office).

A. J. COLES

Miss J.E. Ridley,  
Ministry of Defence

9

Bf middle East



Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
 ASHDOWN HOUSE  
 123 VICTORIA STREET  
 LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

2 December 1982

The Rt Hon Francis Pym MC MP  
 Secretary of State for Foreign Affairs  
 Foreign and Commonwealth Office  
 Downing Street  
 London SW1

*await comments  
 a sq sh  
 Defence  
 A  
 3/12.*

*Dear Francis,*

In your minute of 22 November to John Nott which you copied to me you invited comments before reaching a final conclusion on whether or not to withhold approval for the sale of fisheries patrol craft to Libya incorporating armaments. I have since seen Willie Whitelaw's comments.

2 I should be reluctant to see these orders lost. A number of the firms concerned are already suffering from the recession in merchant shipbuilding which is forecast to worsen severely over the next two years. Any help we can give would help them through a particularly difficult period.

3 But these arguments do not outweigh Willie Whitelaw's comments. I therefore agree that we should not depart from our present policy by arming these vessels. If we can induce the Libyans to buy them unarmed, this is of course a different matter.

4 I am copying this letter to the Prime Minister and to Willie Whitelaw, John Nott, Norman Tebbit and to Arthur Cockfield.

*You are  
 Kate*

MIDDLE EAST: ARMS SALES AND MILITARY  
ASSISTANCE ; PT 3.

3 DEC 1982

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CONFIDENTIAL

MIDDLE EAST



Foreign and Commonwealth Office

London SW1A 2AH

2 December, 1982

Dear Jane,

mm 2/12  
h.c.

Lebanon: Military Training

We spoke about the need for an early decision on what we can offer the Lebanese in the light of the visit of the Lebanese Foreign Minister to London from 7-10 December. I understand the difficulties of handling on your side, but Mr Pym has asked me to say that he attaches great importance to being able to tell the Lebanese Foreign Minister what we can do in the way of military training, particularly since he will have to tell the Foreign Minister that we will not be able to contribute to the multinational force. This means that a final decision is needed on Monday 6 December, or Tuesday 7 December at the latest.

I am copying this letter to John Coles (No 10).

Yours ever

J E Holmes

(J E Holmes)  
Private Secretary

Miss J Ridley  
Private Secretary  
Ministry of Defence

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2 DEC 1982

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CONFIDENTIAL



Middle East

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 Telephone Direct Line 01-213.....6400  
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Rt Hon Francis Pym MC MP  
 Secretary of State  
 Foreign and Commonwealth Office  
 WHITEHALL  
 London SW1

Annit Dr. Nott's

contribution.

A.S.C.  $\frac{1}{12}$ 

30 November 1982

D Francis

DEFENCE SALES TO LIBYA

I have seen a copy of your minute to John Nott of 22 November on the question of whether to withhold approval for the sale to Libya of fisheries protection vessels complete with armaments.

It would certainly be very unfortunate if we lost this valuable order which could provide work for over 2000 people throughout the country. Nevertheless, I would not want to argue that employment considerations should override political and strategic factors in this case.

If you do decide that you cannot give approval for the sale of armed vessels, no doubt everything possible will be done to persuade the Libyans to buy the vessels unarmed.

I am copying this letter to the Prime Minister, the Secretaries of State for the Home Department, Defence, Industry and Trade and to Sir Robert Armstrong.

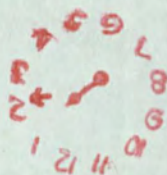
*G. Nott*

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Middle East

P43

Arms Sales



-1 DEC 1982



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-830 7622 218 2111/3

MO 11/10/4

29th November 1982

*May we have the  
review of the  
decision you  
completed  
by 1st Dec.*

Prime Minute

To note.

A.J.C. <sup>29.</sup>/<sub>11</sub>

Thank you for your letter of 15 November recording the Prime Minister's comment on Amman telegram 497 of 11 November.

Comparisons in price between our training courses and those of our competitors are notoriously difficult to make because of differences in course content and length. A recent study made by our financiers showed no clear pattern as between our own and US courses: although some UK courses were more expensive, there were many which were, in fact, cheaper than their US equivalents. We have no independent information about the cost of the US gunnery course, which is indeed, if accurate, strikingly different from that of our own. But we do aim to charge full costs for ammunition used on such courses, which in the case of the Gunnery course accounts for some 2/3 of the total (we recover only about 60% of the full cost of tuition). And we know that the Americans heavily subsidize countries in which they have an interest. Together, these factors may account for the large discrepancy. As you know, Mr Nott has asked for an overall review of UK policy on training charges to be carried out, and comparative costs as between us and our competitors will form one element of that study.

In the meantime, we had already taken steps to try to ensure that such complaints were not made by the Jordanians again: Jordan has been included as a priority target this year for subsidy from the Defence Policy Fund, about which, inter alia, Mr Nott minuted the Prime Minister on 1st March. This is in addition to the funds already being provided from UKMTAS (which I understand provided a 100% subsidy for a place for Jordan on the 1980/81 Gunnery course). The good news does not appear to have penetrated to the Jordanians, and we are taking steps to ensure that all those concerned are fully briefed to pass the message on.

Since you wrote to me we have received a request from the Jordanians to send a team to this country to study our Gunnery

A J Coles Esq



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course, with a view to setting up a similar course in Jordan. We plan to respond by offering them every possible assistance including subsidising this visit and, if they would like it, the provision of advisory personnel at a subsidized price (funded from the Defence Policy Fund) to help them set up the course. We shall also be offering them a place on the 1983/84 Gunnery course, again at a subsidised price.

I am copying this to John Holmes (FCO).

*Yours ever,*

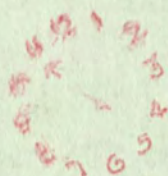
*Jane Ridley*

(J E RIDLEY)(MISS)

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29 NOV 1982



SECRET

2 P.P.S. 6



QUEEN ANNE'S GATE LONDON SW1H 9AT

29 November 1982

N.B.P.R.

AR 29/11

Dear *Yan* DEFENCE SALES TO LIBYA

Thank you for sending me a copy of your minute of 22 November to the Secretary of State for Defence.

I am sure it is right that we should not make a major change in our policy on arms sales to Libya, despite the possibility that this may lose us a valuable contract. We have no information to suggest any fundamental change in the general attitude of the Libyan Government. Indeed, we are currently facing a renewed threat against Libyan exiles in the United Kingdom, following public speeches on 7 and 9 October in which Colonel Gadaffi threatened action against Libyan dissidents overseas. I believe that we would be placed in an indefensible position if a relaxation in our current policy on defence sales to Libya were taken as an indication that we are prepared to condone this kind of unacceptable activity.

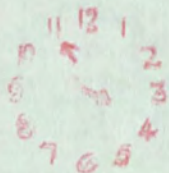
I am copying this minute to the Prime Minister and to the Secretaries of State for Defence, Trade, Employment and Industry.

*Yan*  
*W.M.*

The Rt. Hon. Francis Pym, MC., MP.

SECRET

29 NOV 1982



*Middle East*

*OW*

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*To be submitted to P. R.  
when Mr. Nott's reply is  
available.*

FCS/82/191

*A.J.C. 22/4*

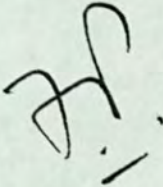
SECRETARY OF STATE FOR DEFENCE

Defence Sales to Libya: 30mm Cannon for Fitting to Fisheries  
Protection Vessels

1. I have been asked to reconsider a request for political clearance for the sale to Libya of 30mm cannon for fitting to fisheries protection vessels. Clearance was given by my department in May for the supply of 6 unarmed 'Azteca' Class fisheries protection vessels to Libya from British yards, but was refused for the cannon as these weapons fell outside the guidelines I have set down for arms sales to Libya.
2. I understand that your Department have since received renewed representations from ABMTM Ltd (shipbuilding consultants) and BMARC (weapons manufacturers) who believe that the Libyans wish to place a firm order for six vessels but that unless we can give them assurances that each vessel will be supplied complete with armaments the entire order, worth possibly £50m, will be lost; and with it important business for a number of British shipyards and other firms. ABMTM Ltd have suggested that the order could provide work for around 400 men for 18 months in yards in North Humberside, Selby and Merseyside, and that if ancillary equipment is included the contract could affect the employment of up to 2,000 people.
3. Our policy in recent years has been to draw a line between lethal and non-lethal items and to sell the Libyans only a limited range of defence equipment containing nothing offensive of any character (guns, explosives, missiles and other weapon systems are therefore excluded). This policy has developed in response to Libyan support for terrorist groups and interference in the internal affairs of a number of third world countries, particularly Africa. Despite pressure from the Americans, who would prefer us to sell no defence equipment of any kind to Libya, we have continued to allow the supply to Libya of a wide range of non-lethal equipment, and British firms have had some success in the market.



4. Although Libyan behaviour has improved of late there is still a risk that British weapons or ammunition sold to Libya could be used in terrorist acts or against friendly countries (although this is perhaps less likely in this particular case). This is not the first time that the Libyans have tried to persuade us to lift our restrictions by linking attractive non-contentious contracts to items they know we cannot supply, and they are likely to try it again. Despite the strong employment argument, I see no grounds for making a major change in our policy on arms sales to Libya, which would allow these guns to be supplied. Any such change would be difficult to defend and would also make it difficult for us to resist further Libyan pressure to sell even more sensitive equipment. But I would be interested in your views (and those of other recipients of this minute) before I take a final decision. Your Department and the firms concerned may wish to consider whether there is any way in which the Libyans might be persuaded to consider taking unarmed vessels, perhaps by shading the price in their favour.
5. I am copying this minute to the Prime Minister and to the Secretaries of State for Trade, Employment, Industry and the Home Department.

  
(FRANCIS PYM)

Foreign and Commonwealth Office

22 November, 1982

22 NOV 1982

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Middle East

10 DOWNING STREET

*From the Private Secretary*

15 November, 1982

Cost of Military Training: Jordan

The Prime Minister has seen Amman telegram number 497 of 11 November which records that the Jordanian Commander in Chief made a plea to the Foreign and Commonwealth Secretary in Amman last week for help over the cost of British military training. He quoted figures which, if accurate, show a striking difference between charges made by Britain and the United States for a particular type of course.

The Prime Minister saw this telegram over the weekend and minuted: "We must pursue this vigorously".

I am copying this letter to John Holmes (Foreign and Commonwealth Office)

A. J. COLES

Richard Mottram, Esq.,  
Ministry of Defence



GRS 950  
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FM AMMAN 110930Z NOV 82  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 497 OF 11 NOV

PS TO NO 10 DOWNING STREET.

INFO IMMEDIATE DAMASCUS, CAIRO, BAGHDAD, JEDDA, BEIRUT, TEHRAN,  
TEL AVIV, JERUSALEM, TUNIS, WASHINGTON, UKMIS NEWYORK, UKDEL NATO,  
MOSCOW, EC POSTS, MODUK

FOLLOWING FROM PRIVATE SECRETARY  
SECRETARY OF STATE'S VISIT TO AMMAN

1. THE SECRETARY OF STATE HAD SEPARATE TALKS ON 10 NOVEMBER WITH THE JORDANIAN COMMANDER IN CHIEF, THE FOREIGN MINISTER, CROWN PRINCE HASSAN, KING HUSSEIN AND THE MINISTER OF INFORMATION. THE DISCUSSION WITH THE KING IS REPORTED IN MIFT. MAIN POINTS FROM THE OTHERS ARE AS FOLLOWS. FULL RECORDS BY BAG.

A: COMMANDER IN CHIEF

2. ON IRAN/IRAQ, BIN SHAKER SAID THAT HE BELIEVED THE LATEST IRANIAN ATTACK HAD BEEN CONTAINED, ALTHOUGH THEY HAD PENETRATED 4-5 KILOMETRES. HE PROFESSED NOT TO BE UNDULY CONCERNED BY THE WAY THE WAR WAS GOING. HE DID NOT THINK THE IRANIANS WERE PLANNING A MAJOR THRUST INTO IRAQ AND BELIEVED THE IRAQIS COULD HOLD THE SITUATION OVERALL. THE JORDANIANS WERE NOT UNDER PRESSURE TO GIVE MORE HELP TO IRAQ BUT WOULD CONSIDER THIS IF THE IRAQIS GOT INTO REAL TROUBLE, EG IF BAGHDAD CAME UNDER THREAT. AS FAR AS JORDAN'S OWN POSITION WAS CONCERNED, HE SAW THE MAIN THREAT AS COMING FROM ISRAEL. THE BEGIN GOVERNMENT MIGHT BE TEMPTED TO BRING ABOUT ITS FAVOURED JORDAN IS PALESTINE SOLUTION BY FORCE. THERE WAS ALSO A THREAT FROM SYRIA BUT A LESSER ONE. HE WAS SCATHING ABOUT THE PERFORMANCE OF THE SYRIAN FORCES IN LEBANON.

3. BIN SHAKER ALSO MADE A PLEA FOR HELP OVER THE COST OF BRITISH MILITARY TRAINING. JORDAN VERY MUCH WANTED HELP FROM BRITAIN BUT THE PRICE WAS PROHIBITIVE (EG SOME DOLLARS 370,000 FOR THE LONG STAFF GUNNERY COURSE AS OPPOSED TO DOLLARS 4,000 FOR THE US EQUIVALENT). THE SECRETARY OF STATE EXPRESSED ASTONISHMENT AT THESE FIGURES AND UNDERTOOK TO LOOK INTO IT.

B: FOREIGN MINISTER

QASEM SAID THAT THE FEZ PROPOSALS COULD BE SUMMED UP AS 242 PLUS PALESTINIAN SELF-DETERMINATION. THE PLO WERE NOW IN AN UNCOMFORTABLE POSITION. THEY WERE NOT NOW PROPERLY REPRESENTATIVE OF WEST BANK OPINION. IF THEY CONTINUED TO GIVE PRIORITY TO THE INTERESTS OF THE ORGANISATION OVER THOSE OF THE PALESTINIANS, THIS WOULD IN DUE COURSE LEAD TO THE EMERGENCE OF A NEW GROUP OF WEST BANK MODERATES PURSUING AN INDEPENDENT LINE. JORDAN WOULD SUPPORT THEM BUT COULD NOT TAKE THE INITIATIVE. BUT IN ANY CASE TO MOBILIZE PALESTINIAN OPINION BEHIND A NEW GROUPING WOULD TAKE TIME, WHICH WAS NOW NOT AVAILABLE. THAT WAS WHY JORDAN WAS WOOING THE PLO. ARAFAT COULD HAVE ACCEPTED WHAT HAD BEEN PROPOSED TO HIM IMMEDIATELY BY PUSHING IT THROUGH THE EXECUTIVE COMMITTEE BUT WAS PLAYING FOR TIME BY TALKING OF THE NEED TO CONSULT THE PALESTINE NATIONAL COUNCIL.

CONFIDENTIAL

/QASEM

*We must  
push  
this  
higher up*

QASEM STRESSED THAT US CREDIBILITY WAS AT ITS LOWEST EBB IN THE MIDDLE EAST FOR YEARS. THE US HAD NOW TO TAKE A FIRMER AND CLEARER STAND. THIS EXPRESSION OF GOOD INTENTIONS WAS NOT ENOUGH. ARAFAT HAD QUITE RIGHTLY ASKED WHAT CREDENCE COULD BE GIVEN TO US ASSURANCES AFTER THE BEIRUT MASSACRES, WHICH HAD TAKEN PLACE IN THE FACE OF US GUARANTEES. QASEM CONCLUDED THAT JORDAN NEEDED THE SUPPORT OF THE OTHER ARAB STATES IF SHE WAS TO MOVE FORWARD. IT WAS VITAL THAT SHE SHOULD NOT ONCE AGAIN BE ISOLATED AS SHE HAD BEEN AFTER THE EVENTS OF 1970. SAUDI SUPPORT IN PARTICULAR WAS ESSENTIAL. THE AMERICANS SHOULD NOT TRY TO MAKE JORDAN ANOTHER EGYPT OR KING HUSSEIN ANOTHER SADAT. THAT WOULD BE DISASTROUS NOT ONLY FOR JORDAN BUT ALSO FOR THE WHOLE AREA.

C: CROWN PRINCE HASSAN

MOST OF THE DISCUSSION WAS TAKEN UP BY A DETAILED ACCOUNT, WITH THE AID OF MAPS, OF ISRAELI SETTLEMENTS FROM THE CROWN PRINCE. HE SAID THAT HE HAD HEARD THAT SOME PEOPLE IN WASHINGTON WERE ADVOCATING THAT THE ANNUAL COST OF THE SETTLEMENT PROGRAMME (SOME DOLLARS 300 MILLION) SHOULD BE DOCKED FROM US AID TO ISRAEL UNLESS THE ISRAELIS AGREED TO A FREEZE. HE ALSO MADE THE FOLLOWING POINTS:

- I. THE SOVIET THREAT TO THE MIDDLE EAST SHOULD NOT BE DISCOUNTED, DESPITE THEIR RECENT QUIESCENCE
- II. THE ISRAELIS SHOULD REALIZE THAT A MARXIST PALESTINIAN STATE WOULD BE MORE OF A THREAT TO JORDAN THAN TO ISRAEL
- III. IT MIGHT BE WORTH TRYING A NAMIBIA CONTACT GROUP TYPE OF NEGOTIATING MACHINERY IN THE MIDDLE EAST.

D: MINISTER OF INFORMATION

ABU ODEH DEVELOPED THE THEME THAT TIME WAS VERY SHORT FOR A SETTLEMENT, BUT JORDAN HAD ONLY JUST REALIZED IT. SHE HAD MADE A GREAT MISTAKE AFTER 1974 IN SHELTERING BEHIND THE ARAB CONSENSUS WHILE THE ISRAELIS CHANGED THE FACTS ON THE GROUND. THE ARABS SHOULD FORGET PRINCIPLES AND CONCENTRATE ON THE REALITIES OF THE SITUATION. THEY HAD NOTHING TO LOSE BY ACCEPTING ISRAEL. ASKED ABOUT WEST BANK OPINION, HE SAID THAT THE WEST BANKERS WERE UNITED IN WANTING THE ISRAELIS OUT BUT WHILE THE OLDER GENERATION WAS REALISTIC ABOUT HOW THIS COULD BE ACHIEVED, THE YOUNGER GENERATION HAD AMBITIOUS DREAMS, NURTURED BY THE PLO. JORDAN WAS ENCOURAGING THE REALISTS BUT RECOGNISED THAT THEY HAD TO HAVE A GREEN LIGHT FROM THE PLO. HE THOUGHT AN ARRANGEMENT BETWEEN JORDAN AND THE PLO WAS POSSIBLE.

URWICK

STANDARD

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ADDITIONAL DISTRIBUTION  
ARAB/ISRAEL DISPUTE

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DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1315</i> ..... (one piece/item number)	Date and sign
Extract/Item details:  <i>Letter from Coles to Evans dated          8 November 1982</i>	
CLOSED FOR ..... YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	<i>23 May 2014          C. Dayland</i>
TEMPORARILY RETAINED	
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NUMBER NOT USED	

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1315</i> ..... (one piece/item number)	Date and sign
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DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1315</i> ..... (one piece/item number)	Date and sign
Extract/Item details:  <i>Letter from Evans to Coles dated          3 November 1982</i>	
CLOSED FOR ..... YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	<i>23 May 2014          C. Wayland</i>
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Ref: B06620

PRIME MINISTER

c Sir Robert Armstrong

MS

Sale of Nimrod Aircraft to Iraq  
(OD(82) 70)

## BACKGROUND

The Committee agreed in January 1981 to exploit defence sales to Iraq, though a small range of lethal items should not be supplied so long as the war with Iran continued. The Committee confirmed this view in December 1981. In your summing up of that discussion you said that the importance of Iraq as a market for British exports and therefore as a source of employment was such that the risks involved in supplying defence equipment should be accepted, but financial arrangements should be made to protect British interests if there were to be a sudden collapse of the market because of political upheaval.

2. The Secretary of State for Defence's paper reports that an outline of a deal has been agreed for the supply of 6 Nimrod airborne early warning and 4 Nimrod tanker aircraft, together with the lease of 2 Victor tankers from the RAF: the total value is put at up to £1.3 billion. The Defence Secretary's paper contains no recommendation but he draws attention to three areas of difficulty:

- a. contractual terms; =
- b. diversion of aircraft from the RAF; and =
- c. the problem of components of United States origin.

3. He proposes not to agree to the contractual terms asked for by the Iraqis, in particular the advance payment guarantees and performance bonds, but to offer instead a Government-to-Government contract backed by a Memorandum of Understanding. The deal would be for cash, with sufficient prefunding by the Iraqis to cover all United Kingdom liabilities.

4. The deal would involve the diversion of some equipment from the RAF. First, the RAF have a programme of converting and upgrading their Nimrod maritime patrol aircraft, and the proposal is that the last three of these aircraft should be converted instead to airborne early warning aircraft

for supply to Iraq: they would be replaced, at no cost to the Ministry of Defence, by new aircraft from the reopened Nimrod production line, but the RAF would not receive these until 2-3 years later than they would have done if the original conversion programme had been maintained. Secondly, there is a risk that the development of some of the complex electronic equipment for the RAF's own Nimrod airborne early warning aircraft might be delayed by the need to supply Iraq and that there might be a shortage of spares.

5. But the greatest problem arises from the fact that much of the equipment for the aircraft is of American origin and subject to United States export controls. It will be necessary to face the question how best to secure American acquiescence and thus avoid sanctions against British firms. Apparently the French have decided not to inform the Americans in similar circumstances until after contract signature. But even if we follow their lead, we should have to weigh the risks to British Aerospace and GEC (the 2 main firms involved) of falling foul of the United States. At present the Defence Secretary and the firms concerned would like to take negotiations with the Iraqis towards the contract stage without informing the United States Government, leaving open the question of how an approach to the United States Government would be made and what we would do if, as expected, it met with a refusal.

6. The Secretary of State for Industry and the Attorney General have been invited for this item.

#### HANDLING

7. You will wish to invite the Defence Secretary to introduce his paper. The discussion should cover the following points.

a. Are we confident that our interests would be fully protected against the risks of a political upheaval in Iraq? The present Iraqi regime is unstable, and there is no guarantee that it would still be in power when deliveries of the aircraft began in some 3-4 years time. The Chancellor of the Exchequer should be asked to say whether he is content with the proposed contractual arrangements.

b. Is it acceptable to divert to Iraq aircraft intended for the RAF and to lease 2 RAF Victor tanker aircraft?

c. The paper foresees American objections to the sale but does not assess whether American attitudes will be determined primarily by their political attitude towards Iraq and their concern for the security of Israel or by concern for the security of United States technology, in view of the links between Iraq and the Soviet Union. If it is judged that the chances of obtaining United States approval are negligible, would it be best to call a halt to the negotiations now or risk Iraq's anger later on at having been led into negotiations under false pretences? The Committee will also need to judge whether it is better to approach the Americans now, at a relatively early stage, or only when the contract is ready for signature. The Foreign and Commonwealth Secretary and the Secretary of State for Trade should be invited to comment.

d. It will be important to assess the implications for industry and employment. The Secretary of State for Industry should be invited to comment.

#### CONCLUSIONS

8. Subject to the discussion, you may wish to guide the Committee towards the following conclusions.

a. The importance of the proposed deal to British industry is such that it ought to have full Government support. The financial arrangements proposed minimise the risks. If, however, the Iraqis are unwilling to accept these arrangements the Defence Secretary should consult the Chancellor of the Exchequer and the Secretary of State for Trade before making any substantial concessions.

b. The proposed diversion of aircraft from the RAF would be acceptable, and could be justified on the ground that export sales are crucial to the health of the country's defence industry, which is itself an important defence consideration.

c. To approach the Americans at present, when we are still trying to resolve the problem of sanctions against European firms involved in the Siberian pipeline contract, would be counter-productive. We should therefore proceed with negotiations with the Iraqis and in the light of their progress the Defence Secretary should consider, in consultation with the Foreign and Commonwealth Secretary and the



Secretary of State for Trade, and with the principal firms concerned, how best to approach the United States Government. No decision need be taken at present on whether we should if necessary be prepared to defy American objections and risk sanctions.

*ADS Goodall*

3rd November 1982

A D S GOODALL

MR. COLES

Now f-a.

mg

h

Lord Weinstock telephoned me today about a proposed purchase of an airborne early warning system by the Iraqi Government. He said that this would involve six Nimrods and four refuelling aircraft, and a lot of equipment, totalling about £1 billion in all. He understood that it would shortly be considered by a Cabinet Committee.

Lord Weinstock said that there was some suggestion that the Americans would oppose this purchase, and might even apply sanctions if it went ahead. He did not believe that they would apply sanctions and thought that their motive was that they wanted to sell their own AWACS system. He had instructed his own people to go ahead in working for the contract and he hoped that the British Government would support this line.

We agreed that, when the matter came before OD, we should alert the Prime Minister to Lord Weinstock's views.

F.R.B.

1 November 1982

CC 1100

HU

Middle East

From the Private Secretary

28 October 1982

SECRET AND PERSONAL

*Heading deleted and retained under Section 3(4)  
Wayland, 23 May 2014*

Thank you for your letter of 27 October.

The Prime Minister agrees that the Saudis should be informed about the assistance we are giving in terms of the draft telegram enclosed with your letter. Mrs. Thatcher has also commented that she would not wish any further action (for example informing the United States or the Federal Republic of Germany about the matter) unless she has been specifically consulted.

Nick Evans asked me to place the papers before the Secretary of State for Defence in the margins of Cabinet this morning. I have done so and Mr. Nott has commented that he agrees with the proposed action with the Saudis but feels strongly that not only Sultan and Turki should be informed but also Abdullah. This could be met by adding a sentence at the end of paragraph one of the draft telegram: "It would also be worth informing Abdullah".

BF // Mr. Nott has also commented that he agrees with the Foreign and Commonwealth Secretary that we should not inform the Germans. As regards the Americans, Mr. Nott considers that Sir Oliver Wright could inform Weinberger on the basis of a message from Mr. Nott himself. You will doubtless wish to consider this point further and, in the light of the Prime Minister's comments above, provide further advice.

I am copying this letter to Nick Evans (Ministry of Defence).

A. J. COLES

John Holmes, Esq.,  
Foreign and Commonwealth Office



10 DOWNING STREET

*From the Private Secretary*

THE SECRETARY OF STATE FOR DEFENCE

*Holmes to Coles dated  
27 October 1982*

I have discussed the attached letter with your Office. It states that your officials agree with the proposal that the Saudis should be informed. But your Office would like to be sure that you personally agree with it.

The Prime Minister saw the letter overnight and agrees that the telegram should be sent to Saudi Arabia. But she wants nothing further to be done without her being consulted.

Are you content for the telegram to be sent to Saudi Arabia?

A.S.C.

*I agree. But I feel strongly that Sultan & Abdullah should be informed, as well as Turki. (It will greatly help us on Sales). I would be against telling the Germans. Suggest H.M.A. Ambassador, Washington personally tells Weinberger in a message from me.*

28 October 1982





Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree

- (1) that the Saudis should be informed in terms of the attached telegram <sup>Yes</sup>

27 October 1982

- (2) that I should tell all involved that nothing further (informing the U.S., the Saudis etc.) without your being consulted?

Dear John,

Yes mt

A.J.C.  $\frac{25}{10}$ 

It was probably inevitable that we would have to give the Saudis an idea of what was afoot soon (since they would almost certainly find out in due course from the Yemenis, and since they regard the Yemen as very much their patch). They can be expected to welcome the assistance we are offering. The constraint on doing so at first was that the Yemenis wished to keep it under their hat. But the Ambassador in Sana'a has now reported that the Yemenis themselves have asked the Saudis for financial help with in-country costs (we are paying only capitation costs).

The Foreign and Commonwealth Secretary believes that we should now act ourselves quickly at the highest level with the Saudis, in the first place to impress on them the need for secrecy, but also to ensure that they do not get a garbled message, and that we get credit for the assistance we are giving.

We would not mention the possibility of subsequent joint operations as part of this training.

/ The

Passages deleted and retained under Section 3(4)

(W)Wayland  
23 May 2014



SECRET AND PERSONAL

The Head of the Saudi Military Mission in Sana'a has told Mr Walker that he thinks the Saudis may be prepared to help the Yemenis with finance (though we need not press them on this): he has advised that we have a word anyway with the Minister of Defence, Prince Sultan. Mr Walker believes that we should also speak to the Head of Saudi intelligence, Prince Turki (this is probably advisable on grounds of speed alone, as it may take time for the Embassy in Jedda to secure an appointment with Prince Sultan.)

It may also be necessary to put the Americans in the picture at some stage, because they are likely to find out anyway, and because of our shared interest and involvement in defence matters in the Arabian Peninsula. Mr Walker favours informing them now and also speaking to his German colleague. The Foreign and Commonwealth Secretary takes the view that we should not inform the Germans and should only tell the Americans at a high level in Washington on a very restricted basis.

Criticism, in particular from radical Arab states, could be expected. Our public position would be that we were providing limited military training to the YAR but we would not comment on the type of training or the British unit involved. We believed that we would be able to hold this line, not only in the initial training period, but also during joint operations (phase 3 of the proposal), when

The operational phase is still some months away and although it is fully accepted that if this phase did not go ahead the training phases would be much less worthwhile, there will be an opportunity to look at the risks again before it is launched.

Passages deleted and  
retained under Section 3(4) /FCO

Chayland  
23 May 2014

SECRET AND PERSONAL



SECRET AND PERSONAL

FCO officials have kept in close touch on these questions with their MOD counterparts, who are in agreement with the proposed action with the Saudis. Mr Pym accordingly believes that instructions should be sent immediately to Jedda on the lines of the enclosed draft telegram.

I am copying this to Nick Evans (MOD), who may have views on the desirability of informing the Americans.

*Your ever*  
*John Holmes*

(J E Holmes)

Private Secretary

A J Coles Esq  
10 Downing Street

SECRET AND PERSONAL



DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1315</i> ..... (one piece/item number)	Date and sign
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Middle East

JL

15 October 1982

THE SALE OF HAWK AIRCRAFT  
TO THE UAE (ABU DHABI)

The Prime Minister has noted the contents  
of your letter of 13 October.

AJC

John Holmes, Esq.,  
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

13 October, 1982

*MF Prime Minister*

*Dear John,*

*JK*  
*13/10*

The Sale of Hawk Aircraft to the UAE (Abu Dhabi)

The Prime Minister will recall that during her visit to the United Arab Emirates in April 1981 she obtained from Shaikh Khalifa bin Zaid, the Crown Prince of Abu Dhabi, agreement in principle that the UAE would buy Hawk. The negotiations for a contract to this effect between UAE and BAe have now reached a critical stage. It may be useful to set out the position: we may wish to ask the Prime Minister to send a personal message at short notice.

BAe have always been aware of the importance of this deal for their prospects elsewhere in the Gulf, but have found the going in Abu Dhabi painfully slow. Once the UAE had made up their minds how many aircraft - and of what type - they needed (and it was some months before even this was clear) their negotiators, who had relatively little experience, took a great deal of time to work through the technical provisions of the contract. Nevertheless, as a result of sustained efforts by BAe and MOD, all the technical details had been worked out by August, including the training to which the MOD have offered a contribution. It did not prove possible, however, to conclude negotiations on certain commercial aspects of the contract.

Mr Hurd visited the UAE in September. He reminded Shaikh Khalifa of HMG's strong interest in the deal and asked how we could help bring it to an early conclusion. Shaikh Khalifa handed over a list of remaining difficulties, notably concerning price and financial guarantees. He asked for a guarantee by HMG against BAe going bankrupt. But his remarks to Mr Hurd also suggested he wanted further reassurance of HMG's general commitment to the project.

On Mr Hurd's return to London, therefore, it was decided that Shaika Khalifa should be sent two messages. One, from Mr Hurd himself, was of a largely political nature, reminding him of the involvement throughout/the Ministry of Defence and the reiterated interest of British Ministers, including the Prime Minister. The second message, from the Head of Defence Sales, gave an authoritative and helpful response by HMG to all the points Shaikh Khalifa had raised, covering a reduction in overall price following examination by MOD procurement specialists of BAe's price structure, confirmation that prices were generally in line with what MOD would itself expect to pay, some relaxation of the end-user consultation requirement, and reassurance on certain other detailed points. We hope that this letter will enable the final round of negotiations to take place soon. We have

/of

/offered



offered to send out a team from the Ministry of Defence and BAe as soon as Shaikh Khalifa says they can come.

There is still a little way to go on the commercial clauses of the contract, but the longer the negotiations continue the more our competitors may be encouraged to think they can re-enter the field. We have heard that not only the French but also the Americans may try to come forward again with alternatives should the chance arise. We hope that Mr Hurd's message will convince Shaikh Khalifa of HMG's determination to back BAe and see the contract signed very soon. But we may wish to consider the option of a message from the Prime Minister to Shaikh Zaid, the Ruler of Abu Dhabi, if that seems likely to help as we move towards the final stage of the negotiations.

I am sending a copy of this to Richard Mottram (MOD).

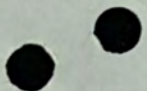
*Yours ever*  
*J E Holmes*

(J E Holmes)  
Private Secretary

A J Coles Esq  
Private Secretary  
10 Downing Street

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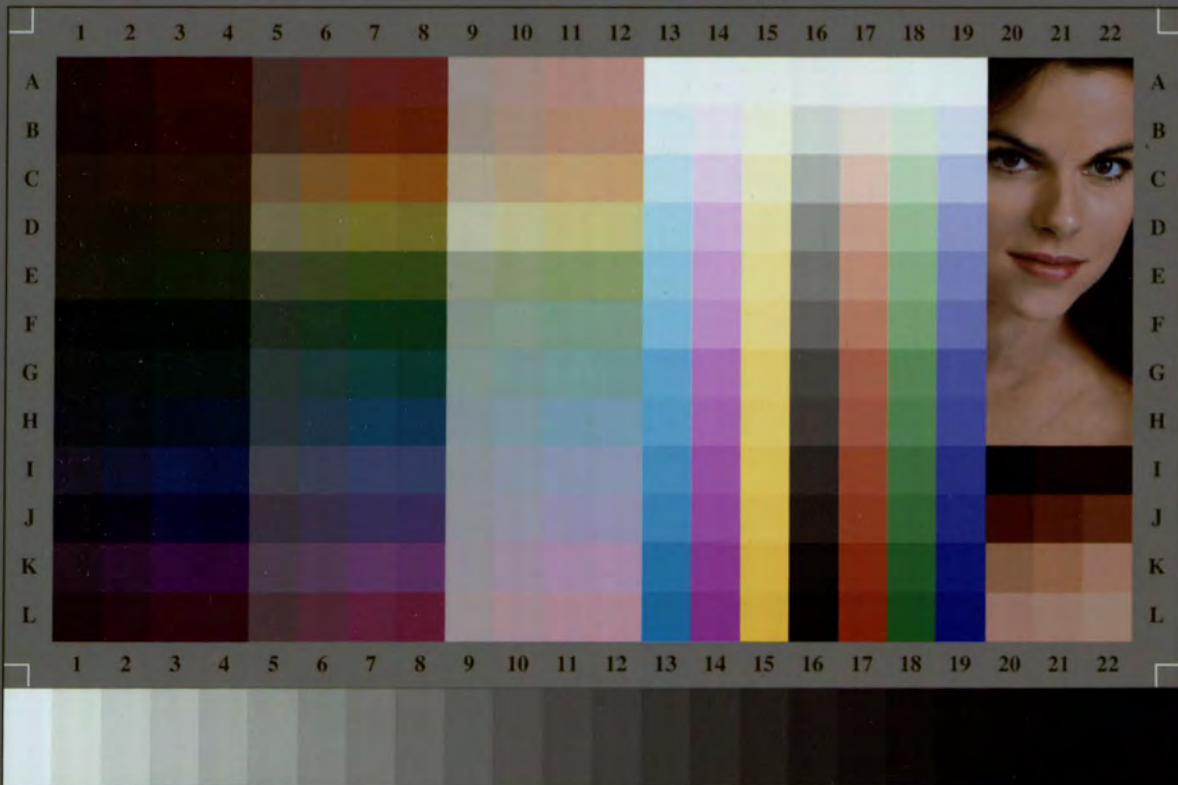


PART 2 ends:-

FCO to ASC 15.9.82

PART 3 begins:-

FCO to ASC 13.10.82



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