Part 9

S 812

Confidential filing

Anglo / Iranian Relations

Internal Situation

IRAN

Pt 1 : May '79

Pt 9 : Feb '81

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.1.87							
CLOSED.							

PREM 19/1808

HMSO Dd8953031 6/88 C60 GP2265 CCN13412 (3932)

PART 9 ends:-

FCO to CDP 12/12/86

PART 10 begins:-

CDP to PM (+ att) 16/1/87

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(81) 7th Conclusions, Minute 2	19.02.81
CC(81) 8th Conclusions, Minute 3	24.02.81
CC(81) 14th Conclusions, Minute 2	02.04.81
CC(81) 22nd Conclusions, Minute 2	11.06.81
CC(81) 24th Conclusions, Minute 2	18.06.81
JIC(82)(N) 126	17.12.82
CC(84) 16th Conclusions, Minute 4	26.04.84
CC(84) 40th Conclusions, Minute 2	06.12.84
CC(84) 41st Conclusions, Minute 2	13.12.84

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 CMWayland Date 28 October 2014

PREM Records Team

Foreign and Commonwealth Office document

Reference Diplomatic Report No. 134/83

Description Valedictory on Iran

Date 29 June 1983

The above FCO document, which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed CA Wayland Date 28 October 2014

PREM Records Team

Foreign and Commonwealth Office

London SW1A 2AH

12 December 1986

mr Prime Minister

CDP 12/12.

Dear Charles,

Iran: Detention of Mr Roger Cooper

The Prime Minister may wish to be aware of the background to the latest developments in the case of Mr Roger Cooper, the British citizen detained in Iran without charge or consular access for a year.

The FCO has kept in very close touch with Mr Cooper's relatives in this country. Until recently the family accepted our advice that publicity for Mr Cooper's case might be counterproductive, and that pressure on diplomatic and unofficial channels was more likely to be helpful. However, the family recently said they believed that they had waited long enough, and could not let the anniversary of his detention pass on 7 December without going public. They appreciated the risks involved.

In parallel with the family's publicity, Mr Eggar summoned the newly arrived Iranian Charge d'Affaires on 8 December to protest strongly at Mr Cooper's continued detention without charge, and to demand his release, or, at least, immediate consular access. The Charge d'Affaires was told that this case was bound to cloud the atmosphere of our bilateral relationship.

/The

The Iranians have now reacted with an announcement from the Ministry of Information (ie Intelligence) that Mr Cooper had been arrested on charges of espionage, and a statement from the Prime Minister alleging that we are putting forward Cooper's case as a condition for any improvement in the level of relations "in order to avoid getting into the same situation as America: nevertheless the Iranian Government's position, both as regards spies and its decision not to improve relations with Britain, is clear".

It is too early to interpret this Iranian reaction. Since we have no evidence that there are substantial charges the Iranians can lay against Mr Cooper, it may be that the Iranian announcement is merely defensive reaction for public consumption, to counter what they doubtless regard as our decision to embark on a propaganda campaign. We will be in a better position to judge how seriously we should take the public statement on bilateral relations once our British Interests Section in Tehran have obtained clarification of it from the MFA.

Yours ever

Robin Culshaw

(R N Culshaw)
Private Secretary

Charles Powell Esq
No 10 Downing St

From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY
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Rt Hon John MacGregor MP
Chief Secretary to the
Treasury
Parliament Street
LONDON
SW1P 3AG

6 November 1986

Prime Minister
CDP
9/xi

Dear John

PEUGEOT TALBOT AND IRAN

In your letter of 22 July you agreed to the extension of a further period of ECGD cover to Peugeot Talbot for their contract in Iran subject to a number of conditions. Discussions have been taking place with the company on how some of those conditions are to be met and in particular how ECGD's exposure should be reduced once the present period of cover comes to an end in December.

However, during the course of these discussions Peugeot told ECGD in confidence that they will announce on 7 November that they are putting the Stoke plant that manufactures the Peykan kits for Iran on to a care and maintenance basis. No deliveries have been called for by the Iranians since December 1985 and Talbot now think it unlikely that any letters of credit will be produced which would allow them to ship goods during this financial year. The company is not terminating the contract but is seeking to act in a non-provocative way that recognises that they have produced kits for a full year without any payments being made.

There is no immediate action for us to take. The cover last agreed for Peugeot Talbot was within a ceiling of £25m until the end of December 1986. But we do need to decide whether steps should be taken now by ECGD to minimise further loss. The company tell us that they are close to the ceiling of £25m but expect to remain within it. However, they have asked for an extension of the period of cover until the end of February 1987 to allow them to complete a number of kits for which parts are already available.

L05APP

999-3

Rt Hon John MacGregor MP

November 1986

Before we consider any extension of cover or whether any further costs should be incurred by the company under existing cover, ECGD needs to look carefully at the detail to assess the best way of proceeding so as to minimise the losses which it now seems could arise. I have agreed that ECGD officials should approach the company to conduct an audit on this particular operation to assess the most sensible way forward. I will write again when we are in a position to make recommendations on further action; although I must say at this stage that I am sceptical about yet another extension of cover for Peugeot Talbot.

I am copying this letter to the Prime Minister and to other EX colleagues and to Sir Robert Armstrong.

ALAN CLARK

L05APP

IRAN: Internal Situation: Pt 9

CCPC

CDP

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 26/9/15L

4 September 1986

CDP 5/9.

Dear Paul,

You sent me a copy of your letter of 8th August 1986 to Geoffrey Howe asking for OD colleagues' agreement to Westlands Aerospace Ltd undertaking the refurbishment of two hovercraft for the Iranian Navy.

As you say, the fundamental issues in this case have been fully explored in the previous Ministerial correspondence. In military terms, refurbishment of these craft would represent only an insignificant enhancement of the Iranian military capability and the order might therefore strictly fall within our guidelines. But against this we must give due weight to the difficulties of presenting this to our friends in the Gulf. Our then Ambassador in Riyadh recommended strongly against refurbishment in March, making the point that, at that time, the Iranians were using their hovercraft to resupply their bridge-head in Iraqi territory and that with their use in such a high

The Rt Hon Paul Channon MP

profile role, the Saudis would be "appalled" that the United Kingdom should be servicing them.

We have continued to receive evidence that the hovercraft are being used operationally in the war zone and at the front. Whilst they are perhaps not as much in the public eye now as they were then, there can be no guarantee that this will remain the case. And even given King Fahd's restrained response to the Plessey 3D radar proposal, like Janet Young I am not sanguine that the same attitude would be taken in respect of the hovercraft which are far more closely involved with the current hostilities.

In the circumstances, I can see no grounds for altering the view expressed by Norman Lamont in March that this refurbishment order should not be allowed to go ahead.

I am sending copies of this letter to the Prime Minister and other OD colleagues, and to Sir Robert Armstrong.

Yours ever,

George

George Younger

IRAN
RELATIONS
PT 9

CONFIDENTIAL

file

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 August 1986

Dear Colin

The Prime Minister has seen Baroness Young's letter of 20 August to the Secretary of State for Trade and Industry. She has commented that the explosion at the Iranian video shop in Kensington seems to her to be a very serious event which must have a virtually decisive influence against any military or quasi-military orders which previously may have been in the balance.

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

Yours ever
Mark Addison

Mark Addison

Colin Budd Esq
Foreign and Commonwealth Office.

PRIME MINISTER

IRAN

We have had a word this evening about the consequences of the explosion at the Iranian video shop in Kensington for the matters currently under consideration in relation to defence sales to Iran.

I believe there are in fact two such issues being considered at present:

(i) the sale of radars, where you asked that Saudi and American views should be sounded out before we make up our minds. These consultations I think are still under way;

(ii) the refurbishment of two hovercraft owned by the Iranian Navy. You asked that we should stick rigidly to the normal guidelines in these matters, if we were to go back on assurances we had given to Arab countries on many occasions.

The attached letter from Lady Young to Mr. Channon explains that the FCO advise against the hovercraft deal, though they note that "we may have persuaded the Saudis that the radars will have no effect on the war".

Before I write round, could I confirm with you that your view that "the explosion puts an end to any possibility there had ever been of the orders being fulfilled" applies both to the contemplated radar sale and the hovercraft refurbishment?

Margo Duty Cdr.

"The explosion is a very serious event which must have a virtually decisive influence against any military or quasi-military orders for which previously may have been in the balance."

MARK ADDISON
21 August 1986

CCPC

Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

20 August 1986

Dear Paul,

Thank you for your letter of 8 August to Geoffrey Howe about the granting of an export licence for the refurbishment of 2 Iranian hovercraft. I am replying in Geoffrey's absence on holiday.

As you say, we can all agree that the industrial and commercial case for allowing the refurbishment to proceed is very strong, particularly in view of the employment effects.

As for the guidelines, it is extremely difficult to distinguish between civilian and military uses of these hovercraft which, as you say yourself, are used in logistic support roles. My understanding of the MOD view is that they believe the hovercraft, and hence their refurbishment, would enhance the Iranian's ability to prolong or exacerbate the conflict, but that the enhancement would not be "significant".

The difficulty, as you acknowledge in your letter, is mainly presentational. You will doubtless recall that the discussion of the refurbishment of hovercraft stretches back several years. Indeed the publicity given to the refurbishment was one of the major reasons why we instituted a review of our previous export guidelines, and established the current IDC mechanism. In 1984 it was agreed that 2 hovercraft could be refurbished, but that no more should be allowed subsequently. I do not believe the arguments have

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON SW1

changed substantially since then, when we came under very critical and difficult American and Arab scrutiny. This would doubtless return if we decided to allow further refurbishment, especially because, since 1984, there has been an assault by the Iranians at Fao and continued fighting in the marshy border areas where hovercraft would be in their element.

You also raise the difficulties with Saudi Arabia. These are, I believe, very considerable. We may now (with difficulty) have persuaded them that Plessey 3D Radars will have no effect on the war. They would most likely be very much more difficult over further hovercraft refurbishment. Since the Saudis are themselves users of hovercraft, and fear that Iran might use its hovercraft to infiltrate sensitive Saudi coastal areas, they simply will not understand our nice distinctions between a significant and an insignificant enhancement. They will judge us to be increasing Iranian capabilities in a very sensitive area of direct relevance both to the conflict with Iraq and to Saudi security concerns. On this ground alone, I am afraid I must maintain our objection to the granting of an export licence.

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

Yours ever

Janet

Baroness Young

CONFIDENTIAL

ECL

File  bc: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 August 1986

Dear Catherine,

The Prime Minister has now seen your Secretary of State's letter of 8 August to the Foreign and Commonwealth Secretary seeking the agreement of OD colleagues to the granting of an export licence to Westland Aerospace Ltd to enable it to undertake the refurbishment of two hovercraft owned by the Iranian Navy since 1971.

The Prime Minister has commented that we must adhere rigidly to the normal guidelines in these matters. Not to do so would mean going back on the assurances which the Prime Minister has given on many occasions to Arab countries.

I am copying this letter to the Private Secretaries to members of OD.

Yours ever

Tim Flesher

(Timothy Flesher)

Miss Catherine Bradley,
Department of Trade and Industry.

CONFIDENTIAL

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APC

CONFIDENTIAL

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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Secretary of State for Trade and Industry

We just must adhere to the guidelines rigidly, otherwise I should be going back on my assurances to the Arab countries regarding over-flights

8 August 1986

CONFIDENTIAL

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

Prime Minister (2)

To be aware that the refurbishment by Westland Aerospace of two Iranian hovercraft is being considered. MCA 8/8

Dear Geoffrey,

I am writing to invite the agreement of OD colleagues to the granting of an export licence to Westland Aerospace Ltd (trading as British Hovercraft Corporation) to enable it to undertake the refurbishment of two hovercraft which have been owned by the Iranian Navy since 1971.

The proposal has been considered under the terms of the 1984 Guidelines on the sale of defence equipment to Iran and Iraq both by the Inter-Departmental Committee of officials and then subsequently by Ministers, but agreement has not yet been reached.

The industrial and commercial case for granting a licence is very strong and has been accepted by Tim Renton and by Norman Lamont when at the Ministry of Defence. The order is worth £9 million and would secure 120 jobs for some 14 months. If the order is not placed, the danger is that Westland Aerospace are likely to announce further redundancies at their Isle of Wight operation in addition to the 140 recently laid off. The company is a very important employer in the area where make unemployment is 20 per cent and rising. The order is extremely significant to the company and its loss would lead to uncertainties about the future viability of their hovercraft operation. I believe this should not be allowed to happen, particularly since Westland Aerospace is the only manufacturer of large air cushion hovercraft in the UK. The Government would be criticised for failing to support the industry which is still perceived as an important UK invention.

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1786 1986 BOARD OF TRADE BICENTENARY

CONFIDENTIAL

Although my Department is primarily concerned with the industrial and commercial case, we have, of course, examined the matter against the Guidelines. There are only two craft involved, both used in logistic support and ambulance, search and rescue roles. As I know George Younger would confirm, the aluminium alloy and glass reinforced plastic construction of the craft together with their prominent superstructure make them unacceptably vulnerable if employed in the front line.

I can see no grounds for claiming that their refurbishment would significantly enhance Iran's capability to exacerbate the conflict contrary to the Guidelines set out in your statement to the House on 29 October 1985.

Norman Lamont whilst concerned about possible Saudi reaction, agreed in a letter on 27 March 1986 that approval of the export would not breach its Guidelines in military terms. He agreed also that by allowing refurbishment the Iranian hovercraft fleet would be reduced by one-third for a period of about 18 months. In Ministerial exchanges on this subject, these fundamental points have not been overturned.

Tim Renton appears to be concerned about the views expressed by our Ambassador in Riyadh that, if the refurbishment went ahead, it might have an adverse effect on our relations with Saudi. I cannot see why this should be. As this possible order is not a breach of the Guidelines the Saudis should have no trouble in understanding our position. The order is trivial in comparison with the resources deployed by both sides but vital in terms of its effect on the UK hovercraft industry.

We may need to explain the order to the Saudis. But the issue is then only a matter of presentation. We can re-affirm to the Saudis HMG's position on the supply of defence equipment to Iran and Iraq and indeed, point out that the value of orders to Iran lost as a result of this policy was worth more than £130 million in the last year. We can, of course, assure the Saudis that there is no question of selling any new hovercraft or any other significant surface vessel to Iran. Westland Aerospace have confirmed that if the order were to go ahead, they would make every effort to ensure that the order was not given publicity.

I firmly believe that the industrial importance and commercial advantages of this order, given that it does not breach the Guidelines, argue strongly for allowing this business to go ahead. I hope you and other colleagues will agree. I am copying this letter to the members of OD.

Yours,

Paul

PAUL CHANNON

DW4BFZ

CONFIDENTIAL

CONFIDENTIAL

ccfc

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

22nd July 1986

CDP 22/7

Dear Paul,

PEUGEOT TALBOT AND IRAN

Thank you for your letter of 17 July in which you suggest that in addition to extending ECGD pre-credit risk cover for Peugeot Talbot, the firm should be told now that when the Iranians do issue Letters of Credit we intend to scale down ECGD's exposure.

In the light of that assurance, I am prepared to agree to the extension of pre-credit risk cover until 31 December 1986 within a ceiling of £25 million on condition that:

(i) Peugeot are informed now of the intention to phase out and that the £25 million is a firm ceiling even if fresh Iranian Letters of Credit are not received before 31 December 1986;

(ii) Peugeot Talbot are asked to minimise the further use of cover within the £25 million ceiling; and

(iii) premia are raised, as you suggest, to a level which more clearly reflects the increased risk.

I suggest our officials discuss quickly the arrangements by which the phasing down is to be secured so that Peugeot can be told in detail and so have the longest possible notice to enable them to gear production to the available cover.

CONFIDENTIAL

IRAN
SITUATION
PT 9

I assume you will inform the House of the extension of cover on the lines of your statement of 28 October 1985. I should be grateful if this too could be cleared with my officials.

I am copying this letter to the Prime Minister, Willie Whitelaw and Geoffrey Howe.

Yours ever,

John

JOHN MacGREGOR

JU917
Secretary of State for Trade and Industry

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CONFIDENTIAL

17 July 1986

The Rt Hon John McGregor MP
Chief Secretary to the Treasury
HM Treasury
London SW1

Dear John,

PEUGEOT TALBOT & IRAN

Thank you for your letter of 30 June about this case. In view of your own comments and those of the Foreign Secretary and the Prime Minister, I hope we can now settle this matter by correspondence.

Clearly we must avoid the risk that if by the end of the year the Iranians have not issued sufficient Letters of Credit to cover all Talbot's outstandings, ECGD pre-credit risk support is sought for £25 million for yet another period. We must make it clear to Peugeot Talbot that it is our intention when the Iranians do issue Letters of Credit, to scale down the ECGD pre-credit risk exposure. Gradually we must move to a position where Peugeot Talbot incur production costs with ECGD cover only when Letters of Credit have been issued. We must also raise the premium rate to a level which more clearly reflects the increased risk.

On this basis I hope you can agree that Peugeot Talbot should be told that ECGD pre-credit risk cover will be entended until 31 December 1986 within a ceiling of £25 million.

I am copying this letter to the Prime Minister, the Lord President, and Geoffrey Howe.

Yours,

PAUL CHANNON

1986 BOARD OF TRADE BICENTENARY

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IRAN Relations PTQ

cc

CDP
8/7.

FCS/86/186

CHIEF SECRETARY TO THE TREASURY

Peugeot Talbot and Iran

1. I have seen correspondence on this subject between you and Paul Channon, resting with your letter of 30 June.

2. I appreciate the good prudential reasons why it was agreed last year that ECGD should move away from pre-shipment cover for this contract, and your concern that the existing reduced level of such cover should not be extended indefinitely. In the short-term the Iranian economy is indeed facing considerable difficulties, and foreign exchange is being severely rationed, with food, medicine and war supplies taking precedence over other industrial imports. We cannot therefore be very sanguine about the opening of letters of credit for Talbot before, say, the end of this year when their foreign exchange income, and the calls on it, for their 1986/87 financial year may be clearer.

3. Nevertheless, I must support the arguments in Paul Channon's letter of 23 May. In the short-term, it has to be recognised that the Iranians are very cautious in their policy of issuing letters of credit, which, I believe, they invariably honour. They have so far not run up any substantial foreign debt, paying for imports on essentially a cash basis. As they continually point out to us, their record and creditworthiness is probably

/better

better than many countries - including Iraq - to whom we continue to provide considerable ECGD cover. In the longer term, it is our firm policy to ensure we maintain, and if possible improve, our political and commercial position in this large and important country. The two are inextricably linked. The Talbot contract remains our largest export contract with Iran and has played a significant part in our maintaining our market share during an economic downturn. Should the withdrawal of ECGD pre-shipment cover be - or be presented as - responsible for the contract ending, this would, I am sure, severely damage not only Talbot's chances of landing the contract for an eventual replacement for the Peykan, but also wider British trading interests, to an extent which is unfortunately not quantifiable.

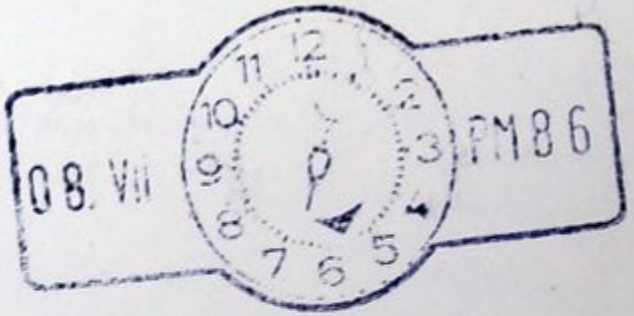
4. It would also, I fear, damage our political interests. The Iranians are prickly customers, and quick to see slight in any adverse action by us. I would be reluctant to provide those in Iran who continue to be highly critical of Britain with additional ammunition, at a time when there are indications that others in the regime may be prepared to work towards a more constructive relationship with us.

5. On balance, therefore, I believe that we should be prepared to extend cover in the belief that this is in our long-term interests, and that the Iranians do value this contract and will honour it by issuing letters of credit once their foreign exchange position is clearer. I suggest that we agree to Paul Channon's suggestion of extending the cover until the end of the year, and review the position in December.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
8 July 1986

IRAN Relations PTQ



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b.o. P.C.

10 DOWNING STREET

From the Private Secretary

8 July 1986

Dear John.

PEUGEOT TALBOT AND IRAN

The Prime Minister has seen the exchange of letters between your Secretary of State and the Chief Secretary on the question of further extending ECGD's pre-shipment cover on the Paykan car kit contract with Iran.

The Prime Minister notes that the present situation, while unsatisfactory in itself, is one which we have tolerated for some considerable time and that, in the end, the Iranians have eventually issued Letters of Credit. She also thinks the risk to which Mr. Channon draws attention of further redundancies in the West Midlands is a serious one. She would hope, therefore, that the matter could be resolved between the Department of Trade and Industry and the Treasury. Her other commitments would make it very difficult for her to chair a meeting on this issue. If a solution cannot be found by further direct contacts, she will have to ask the Lord President to undertake this task on her behalf.

I am copying this letter to Joan MacNaughton (Lord President's Office), Tony Galsworthy (Foreign and Commonwealth Office) and Jill Rutter (Chief Secretary's Office, HM Treasury).

Yours sincerely,

Charles Powell

Charles Powell

John Mogg, Esq.,
Department of Trade and Industry.

PRIME MINISTER

PEUGEOT TALBOT AND IRAN

This is a recurrent problem.

The Iranians profess to attach importance to this contract. But they don't give it high priority in allocating foreign exchange.

Last October the Treasury agreed that ECGD should extend pre-shipment cover of £25m on the car kit contract. But they insisted that it should remain in place only until 31 May 1986, while steps were taken to secure letters of credit from the Iranians. These letters of credit have not been forthcoming, largely because the Iranians have enough kits in stock to keep them going until the end of the year.

Peugeot Talbot with DTI support want to extend the ECGD cover until the end of the year. They see a risk that otherwise the plant will close with significant redundancies in the West Midlands.

The Treasury see a considerable risk that the Iranians will back out of the contract anyway and want to terminate ECGD cover - though might agree to some reinstatement if the Iranians produce fresh letters of credit.

Two rounds of correspondence have failed to resolve the problem. You have not previously intervened.

The choices seem to me:

(i) to support the Trade and Industry Secretary because the sums are not huge, the Iranians have in the past stumped up in the end and the risk of further redundancies in the West Midlands is best avoided; or

(ii) hold a meeting to give the Chief Secretary a chance to argue his case. Since you are so busy, the Lord President might be asked to chair this.

Please tick (i) or (ll).

C.D.P.

CDP

8 July 1986

JA(57)

cc PS
Chancellor
FST MST EST
Sir Peter Middleton
Sir Geoffrey Littler
Mr Butler Mr Monck
Mr Lavelle Mr Burgner
Mr Mountfield
Mr R Adams Mr Cropper
Mr Tyrie Mr Case

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

CBD

30 June 1986

Dear Paul,

PEUGEOT TALBOT AND IRAN

Thank you for your letter of 23 June in which you reiterate your determination to continue ECGD cover for this contract in the absence of secure payment arrangements.

My letter of 17 October put a clear time limit on the availability of this cover which has been recognised as exceptional. No means of providing better security of payment has been found since then. There are no new points in your letter to support continuing special treatment. Indeed, your own department's current analysis of the outlook for the Iranian economy, now before the Export Guarantees Committee, says clearly that problems with the opening of ILCs are likely to grow.

In these circumstances I do not think reinstating ECGD cover, building up additional contingent liabilities would be justified. It offers no prospect of ending this exceptional treatment. Indeed, since negotiation has failed to improve payment arrangements it may only be by denting Iranian confidence that the contract will continue that ECGD's existing exposure can be reduced. If Iranians do issue fresh ILCs, thus reducing ECGD's exposure, I would reluctantly be prepared to look at arrangements for resuming cover within very tight limits, which would effectively reduce exposure over time, leading to a situation in which Talbot's preferential position would end.

Yours ever,

JM

JOHN MacGREGOR

CCBG

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Secretary of State for Trade and Industry

COMMERCIAL IN CONFIDENCE

23 June 1986

The Rt Hon John McGregor MP
Chief Secretary to the
Treasury
H M Treasury
London
SW1

CDP

Dear John,

attached

PEUGEOT TALBOT AND IRAN

Thank you for your letter of 3 June. You said that you would be most unhappy to see ECGDs existing credit cover for the Peugeot Talbot car contract with Iran extended. You doubted whether letters of credit would be issued by the Iranians later this year and hence whether an increased ECGD exposure could be justified.

When dealing with the Iranians nothing is ever certain. However they have always over the 18 year life of this contract eventually issued letters of credit especially when they have nearly run out of kits as they will do again later this year. There is also every expectation that the Iranians will continue to need these cars for several years to come.

Peugeot and their Peugeot Talbot subsidiary have said that with continued British Government support they are prepared to continue to sustain losses in the hope of long term continuity of supply and to preserve the future of their Coventry plant. They now need to know whether we are prepared to continue to support this contract. On the basis of the evidence that I have, and given the implications for our trade and other relations with Iran if we withdrew support and the potential serious implications for the future of the Coventry plant and the component supply industry in the West Midlands I must repeat my determination to continue ECGD cover within a limit of £25m which has already been reduced from

1786 1986 BOARD OF TRADE BICENTENARY

JF5BHJ

999-1

COMMERCIAL IN CONFIDENCE

the £35m exposure which existed earlier last year. Once letters of credit arrive and ECGD's liability can be reduced, then I would be prepared to set an even lower limit. I hope on this basis you would agree to an extension of cover until the £25m limit is reached.

In view of the broader exports and West Midlands job implications, I am copying this letter, my previous one and your response to the Prime Minister as well as to Geoffrey Howe.

Yours,

Paul

PAUL CHANNON

JF5BHJ

999-49

005/1282

COMMERCIAL IN CONFIDENCE

TO Mr Brown
FOR ADVICE (AND DRAFT REPLY IF APPROPRIATE)
PLEASE BY: ASAP 13/6
IF DEADLINE CANNOT BE MET
21

PS/MFT
PS/PM
PS/JB
PS/Sir Ro
Mr Gill
Mr Mountfield
Mr Roberts
Mr Titchener
Mr Cochlin
Mr Forsall/ECGD
Mr Bossom ECGD
Mr Bower/ECGD
Mr Potter OT4

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SWIP 3AG

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

3 June 1986

Dear Paul,

PEUGEOT TALBOT AND IRAN

You wrote to me on 23 May proposing that the £25 million ECGD preshipment cover extended on this contract until the end of May should be further extended, although at higher premium rates - to reflect the increased risk - and with an extended claims waiting period.

I would be most unhappy to see this cover further extended. My agreement last October was for a temporary "final" extension with a clear deadline to enable Talbot to negotiate improved payment arrangements. That deadline has now been reached without such arrangements being agreed. The Iranians have now had over 12 months in which to make clear their willingness to pay. Their failure to do so suggests that they do not value this contract, as a use for their scarce foreign exchange resources, as highly as has been suggested. Nor is it clear that by extending further cover our prospects of repayments are improved. Until letters of credit are issued, the Iranians are not committed to buying anything. You doubt whether further letters of credit will be issued on this contract at least until the Autumn. There must be considerable doubt whether they will be issued even then. The Iranian economy has worsened considerably since our last exchanges and there are suggestions that since the beginning of this year the Iranians have been restricting imports to essentials - a definition which seems unlikely to encompass car kits.

In these circumstances your proposal to increase ECGD's exposure and extend it in time is tantamount to permanent acceptance of these preferential arrangements, which ECGD

COMMERCIAL IN CONFIDENCE

judge unacceptable and which our other trade with Iran, including that supported by ECGD, does not attract. I find that difficult to accept. In my view ECGD preshipment cover should now be completely withdrawn.

I am copying this letter to Geoffrey Howe.

Yours ever,

JOHN MacGREGOR

138/03

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 01-215 7877

JU357
Secretary of State for Trade and Industry

23 May 1986

CC PS/MFT
PS/PM
PS/JB
PS/Sir Bell
Mr Gill
Mr Mountfield
Mr Roberts
Mr Titchener
Mr Corlin
Mr Graham ECGD
Mr Bassom ECGD
Mr Brown FRM
Mr Bowen ECIP
Mr Hopson VI
Mr Walsh ore
Mr Brown VAC

COMMERCIAL IN CONFIDENCE

The Rt Hon John McGregor MP
Chief Secretary to the Treasury
HM Treasury
Whitehall
London SW1

Dear Chief Secretary,

PEUGEOT TALBOT AND IRAN

Leon Brittan wrote to you on 7 October 1985 to explain why it was necessary to have ECGD pre-shipment cover extended on the Paykan car kit contract until 31 March 1986 to give both sides time to conclude satisfactory payment arrangements. In your reply of 17 October you accepted that decision.

Since that time Peugeot Talbot have been seeking to get Letters of Credit (LOCs) issued earlier by the Iranians but without success. The present position is that no LOCs have issued since December 1985, ECGD's potential exposure is currently at about £19m of the £25m ceiling agreed with you, and ECGD cover remains in place with the agreement of your officials until end May 1986 whilst an ECGD official has visited Tehran for discussions. That visit confirmed that the Iranian payments system provides for LOCs to be issued when they are firmly committed to buying goods. The Iranians, however, are not under pressure to supply LOCs because they have enough kits already available to maintain production of the Paykan until around the end of the year. Given also the current, though improving, state of the oil market and the priority which military requirements have for LOCs, I doubt if further LOCs on this contract will issue until at least the autumn. However the company, my officials and, I understand, the British Interest Section in Tehran have no doubt that the Iranian need for the Paykan and long-term support for the contract remains as strong as ever.

1786 1986 BOARD OF TRADE BICENTENARY

999-1

ECGD are already committed to £19m on this contract and, although they advise against issuing ECGD cover for further liability, I consider that it is appropriate in all the circumstances that it should be ECGD cover that is provided to enable this contract to continue rather than any other means, such as the Industry Act. Whilst the use of the Industry Act would not be ultra vires it would not be an appropriate medium. Quite apart from the budgetary pressures, to require the DTI Accounting Officer to approve an insurance risk that the ECGD Accounting Officer found unacceptable would be wrong in principle and practice. It would also be unsatisfactory to have arrangements that involved ECGD and DTI in sharing risk where it would be difficult to separate the motivation between encouragement for exports and industrial aid. The Industry Act is not a substitute for export insurance.

Peugeot Talbot are looking for ECGD cover to be confirmed at the £25m ceiling already set until the end of the year. A relatively modest £6m increase in ECGD's current liability would give time for the Iranians to give a clear view of their willingness to pay on this contract. It would also support UK export interests through a difficult period in a country which despite the war remains a substantial and largely cash market with long-term potential.

We have to consider the risks arising from not giving any further ECGD support. One consequence could be that ECGD faced a claim for the existing £19m of liability with the Government facing plant closure at Coventry, redundancies across the West Midlands component industry and damage to our trade with Iran. Recent discussions with Peugeot in Paris suggest that they would not be prepared to bear further risks themselves.

ECGD propose that any further cover should attract substantially higher rates of premium to reflect the present perception of risk and be given only on condition that the waiting period before any claim could be paid be extended from four or six months to twelve months. I intend to make a statement announcing the extension of cover probably in answer to an arranged PQ along the lines of my statement of 28 October 1985. This statement would of course be agreed with the Treasury.

I am copying this letter to Geoffrey Howe.

Yours sincerely,

Michael Gilbertson

pp PAUL CHANNON

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

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15 copies

GRS 530

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FM RIYADH
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INFO PRIORITY JEDDA, ISLAMABAD

MY TELNO 317 : VISIT BY IRANIAN FOREIGN MINISTER

1. I SPOKE TO THE DEPUTY FOREIGN MINISTER ON 14 DECEMBER ABOUT THE VELAYATI VISIT, HAVING ALSO HAD AN OPPORTUNITY ON 12 DECEMBER TO SPEAK TO THE IRANIAN CHARGE D'AFFAIRES.

2. MANSOURI SAID THAT THE VISIT HAD PRODUCED NOTHING, AND THAT THE SAUDIS CONSIDERED IT TO HAVE BEEN UNSUCCESSFUL. IT HAD REVEALED MORE OR LESS SIMILAR ATTITUDES ON AFGHANISTAN AND PALESTINE (ALTHOUGH THE IRANIANS WERE CONSIDERABLY MORE EXTREME ON THE LATTER THAN THE SAUDIS, SINCE THEY REJECTED THE FEZ RESOLUTION ON THE GROUNDS THAT IT IMPLICITLY RECOGNISED ISRAEL). BUT ON THE IRAN/IRAQ WAR THERE HAD BEEN NO MEETING OF MINDS. THE IRANIANS HAD MADE IT CLEAR THAT THEY WOULD CONTINUE TO FIGHT UNTIL SADDAM HUSSAIN HAD BEEN TOPPLED, AND WERE CRITICAL OF THE SAUDIS FOR THEIR ASSISTANCE TO IRAQ.

3. MANSOURI SAID THAT IT WAS CLEAR THAT THE IRANIANS INTERPRETED THE GCC SUMMIT DECLARATION AS A SOFTENING OF POSITION AND AS EVIDENCE THAT THE GCC NOW PUT IRAN AND IRAQ ON AN EQUAL FOOTING, AS NEUTRALS. THIS WAS CLEARLY AN ATTEMPT TO NEUTRALISE SAUDI ARABIA, BUT THE IRANIANS WOULD NOT SUCCEED. THE SAUDIS HAD TOLD THEM THAT, EVEN IF THEY HAD BEEN NEUTRAL BETWEEN THE TWO BELLIGERENTS, IRAQ WAS CALLING FOR PEACE, UNLIKE IRAN.

4. HAVING BEEN TOLD BY THE IRANIAN CHARGE THAT, INSOFAR AS PART OF THE PURPOSE OF VELAYATI'S MISSION HAD BEEN TO DEVELOP RELATIONS WITH SAUDI ARABIA AND GCC COUNTRIES, IT HAD BEEN SUCCESSFUL, I ASKED MANSOURI WHETHER THERE WAS ANY PROSPECT OF EXCHANGING AMBASSADORS WITH TEHRAN. (THE IRANIAN CHARGE EXPLAINED HEJAILAN'S ATTENDANCE (PARA 4 OF MY TUR) ON THE GROUNDS THAT HE HAD EARLIER BEEN INVOLVED IN NEGOTIATIONS OVER BILATERAL RELATIONS BETWEEN IRAN AND SAUDI ARABIA.) MANSOURI SAID THAT THE EXCHANGE OF AMBASSADORS HAD NOT EVEN BEEN DISCUSSED. INDEED, ONCE VELAYATI'S ATTITUDE HAD BECOME CLEAR, THE SAUDIS HAD AVOIDED TALKING ABOUT BILATERAL RELATIONS ALTOGETHER, AND HAD CONFINED THEMSELVES TO LISTENING WITHOUT COMMENT. (I HAD NOT, AT THE TIME, SEEN ABU DHABI TELNO 230, PARA 4).

5. MANSOURI SAID THAT THE IRANIANS HAD TALKED A LOT ABOUT THE NEED TO REMOVE FOREIGN FLEETS FROM THE AREA. THE SAUDIS HAD POINTED OUT THAT THE CONTINUATION OF THE WAR WAS THE RAISON D'ETRE OF THEIR PRESENCE.

CONFIDENTIAL

6. COMMENTING ON THE VISIT GENERALLY, MANSOURI SAID THAT THE IRANIANS HAD BEEN UNHAPPY WITH THE OUTCOME, AND HAD OBJECTED IN PARTICULAR TO PRINCE SAUD'S STATEMENT (PARA 3 OF MY TUR). HE THOUGHT THAT A COUNTER-STATEMENT WAS LIKELY TO COME FROM TEHRAN, WHICH HE EXPECTED TO BE ''CONDESCENDING'' IN TONE, AND BUILDING ON THE IRANIAN ASSUMPTION THAT THE GCC WAS NOW NEUTRAL.

7. HAVING HEARD FROM MY US COLLEAGUE THAT THE VELAYATI VISIT WAS LIKELY TO HAVE AFFECTED ADVERSELY THE OIC PEACE MISSION, I ASKED MANSOURI ABOUT THE PROSPECTS. HE SAID THAT THE NEXT OIC MEETING WOULD BE IN MOROCCO, AND GIVEN IRAN'S BAD RELATIONS MOROCCO THEY WERE UNLIKELY TO ATTEND, AT LEAST AT FOREIGN MINISTER LEVEL.

8. I HAVE HEARD THAT THE SAUDIS WERE UNENTHUSIASTIC ABOUT RECEIVING VELAYATI AT THIS TIME, BUT THAT THE IRANIANS PRESSED FOR AN EARLY VISIT. FROM MANSOURI'S DESCRIPTION, THE SAUDIS WERE JUSTIFIED IN TRYING TO POSTPONE IT.

WRIGHT

IRAN/IRAQ

STANDARD(PALACE)

MED
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IRAN/IRAQ

PERSONAL AND CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

15 October 1985

From the Secretary of State

COP, 5/K

Dear Julian

Thank you for your letter dated 3 October about the visit of former Iranian Ambassador and Foreign Minister Ardeshir Zahedi.

It is very good of you to let me have an account of your conversation with Zahedi. The point you make about the need to keep the closest possible watch on political developments in Iran is well taken and is an area to which we give close attention.

On the question of officials or John Houston meeting Zahedi, I am sure you will appreciate that the greatest amount of care has to be exercised when deciding whether to approve meetings with members of opposition groups or prominent figures from the Shah's government. I considered the possibility of a meeting with Zahedi carefully. But as you say in your letter, Zahedi was in London principally for an American social event, and I did not wish the current Iranian regime to misunderstand the implications of a meeting with him.

I shall continue to consider carefully on a case by case basis the merits of meetings with Iranian opposition leaders. Your own contact with the leading figures is a valuable one and I appreciate your keeping me in touch with developments.

/I am

The Rt Hon Julian Amery MP

PERSONAL AND CONFIDENTIAL

I am sending a copy of this letter to the Prime Minister.

GEOFFREY HOWE

From: The Rt. Hon.Julian Amery, MP

CDP to see

CDP

With Compliments

Copy letter, self-explanatory.

Private Secretary
3/10/85

HOUSE OF COMMONS
LONDON, SW1A 0AA

FROM: THE RT. HON. JULIAN AMERY, M.P.

112, EATON SQUARE,
SW1W 9AA
TEL: 01-235 1543
01-235 7409

PERSONAL & CONFIDENTIAL

3rd October 1985

Ardeshir Zahedi has been here over the weekend. He came for the dinner given by U.S. Ambassador Price to celebrate Senator Tower's 60th birthday.

While over here Ardeshir has seen a number of old friends. My only serious talk with him, however, was at lunch on Monday. His main point then was that the Khomenini regime could not continue for long and would hardly outlast the Ayatollah himself. The crucial question was: What was to succeed Khomenini, a pro-Soviet or a pro-Western regime? The essential elements of the next regime could only come from inside the country. But, if correctly identified, they could be encouraged and supported from outside. The Soviets with their geographical situation along Iran's northern border and in Afghanistan, were obviously better placed than the West to intervene. The top layer of the old Tudeh party had been neutralised but there was almost certainly a second layer developing. Some of the junior ranks in the army and the secret police had been sent for training in Communist countries. What was the West doing to identify possible pro-Western forces, and if appropriate, give them necessary encouragement?

Ardeshir had no specific proposals to make or, at any rate, chose not to make them. This is hardly surprising. He realises, of course, that we want to keep our contacts with the present regime in Teheran and that we still have considerable business interests there. In the circumstances he could hardly be expected to say very much more without some sign of recognition.

I was given to understand that no senior official, let alone a Minister, would be authorised to meet him, even on a purely social basis, and this seems to have applied even to your Central Office aide Huston. All this is in rather marked contrast to the young Shah's visit some months back when John Leahy came to see him in my house and Ian Gow gave a dinner party for him at the Cavalry Club with the Prime Minister's approval.

../..

Prime Minister's approval. ../.

Perhaps I'm being old fashioned, but Ardeshir Zahedi has been such an old and experienced friend of so many of us, both when he was Foreign Minister and later Ambassador here, that it does seem rather odd that no-one from the Government side should have wanted to sound him out and acknowledge his existence, however informally. I don't want to exaggerate the importance of personal relations and loyalties in Foreign Policy, but they can be a significant element and one which, in my experience, we have usually been careful to cultivate, however discreetly.

Forgive this paragraph of criticism. The important thing is the point Ardeshir made, i.e. to identify such pro-Western forces as may exist in Iran and to see whether we could or should support them against the day that the present regime falters or fails.

✓ I am copying this letter to No. 10.

Julian Amery

The Rt. Hon. Sir Geoffrey Howe, QC., MP.

CONFIDENTIAL

Ker

10 DOWNING STREET

From the Private Secretary

21 March 1985

Thank you for your letter of 21 March about the reply to Dr. Bakhtiar. I agree with what you propose.

(CHARLES POWELL)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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CFP

Foreign and Commonwealth Office

London SW1A 2AH

21 March 1985

Dear Charles,

Please refer to your letter of 12 March about the telemessages received by the Prime Minister from Dr Shapour Bakhtiar. You asked for a draft reply.

The telemessage from Dr Bakhtiar, who was Iranian Prime Minister for a brief period immediately before the Revolution in 1979 and who now heads one of the exile opposition groups based in Paris, appeals for an early end to the Iran/Iraq conflict and in particular for an arms embargo on Iran.

Although Dr Bakhtiar does not give an address we could no doubt pass a reply to his office through our Embassy in Paris. However, we should not advise this course of action. We avoid as far as possible entering into discussions with the various Iranian opposition groups. This would apply especially to the Prime Minister since it is virtually certain that any response to Dr Bakhtiar would be quoted, perhaps selectively, in opposition publications. This could only lead to difficulties with the current regime. We are also concerned about the association of the opposition groups with acts of terrorism. Dr Bakhtiar's group recently claimed responsibility for several acts of violence inside Iran.

Dr Bakhtiar has in the past written to the Foreign Secretary and we have not responded to him. In the case of his telemessage to the Prime Minister we suggest that no reply be sent but that to avoid discourtesy our Embassy in Paris be instructed to respond to any enquiries from Dr Bakhtiar's office by acknowledging that his telemessage has been received and his views have been carefully noted. We would propose to take a similar line if approached by Dr Bakhtiar's office in London.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
No 10 Downing Street

CONFIDENTIAL

Chapour BAKHTIAR

file 19/3 ROT

(No ack sent)

10 DOWNING STREET

From the Private Secretary

12 March, 1985

I enclose a copy of a telemessage the Prime Minister has received from Chapour Bakhtiar.

I should be grateful if you could let me have a draft reply as soon as possible.

(C D Powell)

P Ricketts, Esq.,
Foreign and Commonwealth Office

YAB007 PAGE 4/50

CHEF LA TACHE DU MAINTIENT DE LA PAIX DANS LE MONDE A L'IMPERIEUX
DEVOIR DE PRENDRE TOUTES LES MESURES APPROPRIEES ET AVANT TOUT
D'INSTITUER UN STRICT EMBARGO SUR LA LIVRAISON D'ARME AUX 2
BELLIGERANTS AFIN DE METTRE FIN A CES HOSTILITES. IL EST GRAND
TEMPS DE FAIRE TAIRE TOUTES LES

COL L'IMPERIEUX D'INSTITUER D'ARME 2

YAB007 PAGE 5/50

VOIX QUI RECLAMENT LA GUERRE
A OUTRANCE EN LUI TROUVANT LA SOI-DISANTE VERTUE SUR-HUMAINE
QU'EST LE MARTYR. IL EST ESSENTIEL QUE LA COMMUNAUTE INTERNATIONALE
ET SURTOUT LES GRANDES PUISSANCES QUI SONT CHARGEES
EN 1ER LIEU DU MAINTIEN DE LA PAIX EN TANT QUE MEMBRE PERMANENT
DU CONSEIL DE SECURITE PRENNENT

COL SOI-DISANTE SUR-HUMAINE QU'EST 1ER

YAB007 PAGE 6/50

CONSCIENCE DE LA SITUATION
PROFONDEMENT TRAGIQUE DANS LAQUELLE EST PLONGE LE PEUPLE IRANIEN
DOMINE AUJOURD'HUI PAR CEUX QUI EN PROIE AU FANATISME ET A
L'OBSCURATISME PIRE QUE CELUI DU MOYEN AGE PRECHENT CONTINUELLEMENT
LE MARTYRE, LES BIENFAITS DE LA MORT ET LES MEFAITS DE LA
VIE ET NE CESSENT DE

COL AUJOURD'HUI L'OBSCURATISME MARTYRE,

British TELECOM Telegram for enquiries dial the number shown in your dialling instructions

NNNN

11 MAR 1985/1710

ZCZC CLM0438 PLB206 TGL464 ZYA200 YAB007

GXXX CV FRXX 320

PARIS 415/388 11 1807 PAGE 1/50

10 Downing Street
London
SW1

Pl. send to FCO for draft reply.
CR

SON EXCELLENCE MADAME MARGARET TATCHER

PREMIER MINISTRE DE LA GRANDE BRETAGNE

LONDON

PARIS, LE 11 MARS 1985

LA GUERRE MEURTRIERE QUI FAIT RAGE DEPUIS 4 ANS ET DEMI

ENTRE L'IRAN ET L'IRAK, VIENT DE PRENDRE PAR LA RUPTURE DE

L'ACCORD DE TREVE DE BOMBARDEMENT DES OBJECTIFS CIVILS UNE DIMENSION

EXTREMEMENT

COL PARIS, 11 1985 4 L'IRAN L'IRAK, L'ACCORD

YAB007 PAGE 2/50

ALARMANTE. CETTE ESCALADE AUGMENTE LE NOMBRE DES

VICTIMES INNOCENTES ET ACCROIT SENSIBLEMENT LES DEGATS DE CETTE

GUERRE QUI MALHEUREUSEMENT ATTEIGNENT DES PROPOSITIONS EFFRAYANTES.

ETANT DONNE QUE LES CONSEILS DE MODERATION ET LA VOIE DE LA

RAISON NE TROUVENT PAS D'ECHO DANS CETTE AMBIANCE SURCHAUFFEE DE

FANATISME ET DE HAINE ET

COL D'ECHO

YAB007 PAGE 3/50

YAB007 PAGE 3/50

QUE LES FLAMMES DES HOSTILITES ATTISEES
PAR L'INTOLERANCE INHERENTE A LA NATURE DU REGIME ACTUELLE DE
L'IRAN RISQUE DE DEBORDER LES FRONTIERES DES 2 PAYS ET D'EMBRASER
TOUTE LA REGION DU GOLF PERSIQUE, J'AI LA FERME CONVICTION QUE
LE CONSEIL DE SECURITE DES NATIONS UNIES A QUI INCOMBE EN 1ER

COL L'INTOLERANCE L'IRAN 2 D'EMBRASER PERSIQUE, J'AI 1ER

YAB007 PAGE 4/50

CHEF LA TACHE DU MAINTIENT DE LA PAIX DANS LE MONDE A L'IMPERIEUX
DEVOIR DE PRENDRE TOUTES LES MESURES APPROPRIEES ET AVANT TOUT
D'INSTITUER UN STRICT EMBARGO SUR LA LIVRAISON D'ARME AUX 2
BELLIGERANTS AFIN DE METTRE FIN A CES HOSTILITES. IL EST GRAND
TEMPS DE FAIRE TAIRE TOUTES LES

COL L'IMPERIEUX D'INSTITUER D'ARME 2

YAB007 PAGE 5/50

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DU CONSEIL DE SECURITE PRENNENT

COL SOI-DISANTE SUR-HUMAINE QU'EST 1ER

YAB007 PAGE 4/50

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YAB007 PAGE 5/50

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COL SOI-DISANTE SUR-HUMAINE QU'EST 1ER

YAB007 PAGE 6/50

CONSCIENCE DE LA SITUATION
PROFONDEMENT TRAGIQUE DANS LAQUELLE EST PLONGE LE PEUPLE IRANIEN
DOMINE AUJOURD'HUI PAR CEUX QUI EN PROIE AU FANATISME ET A
L'OBSCURATISME PIRE QUE CELUI DU MOYEN AGE PRECHENT CONTINUELLEMENT
LE MARTYRE, LES BIENFAITS DE LA MORT ET LES MEFAITS DE LA
VIE ET NE CESSENT DE

COL AUJOURD'HUI L'OBSCURATISME MARTYRE,

NNNN

11 MAR 1985/1708

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GXXX CV FRXX 095

PARIS 415/388 11 1807 PAGE 7/50

SON EXCELLENCE MADAME MARGARET TATCHER

PREMIER MINISTRE DE LA GRANDE BRETAGNE

LONDON

PRONER LA GUERRE, ENCORE LA GUERRE, TOUJOURS

LA GUERRE, JUSQU'A LA VICTOIRE FINALE.

IL EST CERTAIN QUE POUR LES HOMMES DE BONNE VOLONTE EPRIS

DE PAIX ET DE PROGRES SI VICTOIRE IL-Y-A C'EST BIEN LA VICTOIRE

DE LA RAISON CONSTRUCTIVE SUR LE FANATISME DESTRUCTEUR. LE PEUPLE

IRANIEN SI DUREMENT EPROUVE

COL GUERRE, GUERRE, GUERRE, JUSQU'A IL-Y-A C'EST

YAB007 PAGE 8/38

PAR CETTE HORRIBLE GUERRE EST EN

DROIT D'ESPERER QUE LE GOUVERNEMENT DE LA GRANDE-BRETAGNE

CONTRIBUERA EFFICACEMENT A LA CESSATION DES HOSTILITES ET

APPORTERA SON PRECIEUX CONCOURS A L'ETABLISSEMENT DE LA PAIX

DANS CETTE REGION DU MONDE.

CHAPOUR BAKHTIAR

COL D'ESPERER GRANDE-BRETAGNE L'ETABLISSEMENT

011/109

COMMERCIAL-IN-CONFIDENCE

NDPM. C/NO
OT 8/3

Treasury Chambers, Parliament Street, SW1P 3AG

Ms Maureen Dodsworth
Private Secretary to
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1E 2AU

7 March 1985

Dear Maureen

TALBOT AND IRAN

I am writing to confirm the Chief Secretary's reply to your Secretary of State's letter of 1 March which we discussed over the telephone earlier today.

The Chief Secretary was encouraged to hear that the position does not look as poor as it did, since Talbot wish to renew production as soon as possible at their own risk even before they have signed their Memorandum of Understanding with Iran. This suggests to him that the Stoke plant may not be in such jeopardy, and that Talbot have less cause to argue that the case falls within the scope of Mr Lamont's February 1984 letter. On balance, however, the Chief Secretary agreed that your Secretary of State should be prepared to meet the cost - up to a maximum of £650,000 - of the difference between the cost to Talbot of the premium for private sector cover over what ECGD cover would have cost.

The Chief Secretary felt that this assistance should be shown explicitly as a grant on your votes. I understand that, after receiving legal advice, you propose to provide the assistance by way of an interest relief grant under Section 7 of the Industrial Development Act 1982. You confirmed that your Secretary of State was prepared to find offsetting savings for the full amount of the grant from within his existing programme.

I am copying this letter to Andrew Turnbull (No. 10), Len Appleyard (FCO), Richard Mottram (Defence) and David Normington (Employment).

Yours sincerely

Richard Broadbent

R J BROADBENT
Private Secretary

COMMERCIAL-IN-CONFIDENCE

IRAN PT 9

Relations

1. CDP 2 BIF Under CST's reply
AS 4/3 CC NO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JF7668

Secretary of State for Trade and Industry

1 March 1985

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Dear Peter,

TALBOT AND IRAN

In my letter to you of 6 February I explained the current problems which Peugeot/Talbot have on their Iranian contract. I sought your agreement to a short term extension of cover to enable further car kits to be produced before payments could be drawn from ESCROW account. You responded in your letter of 8 February that you were prepared to agree to a limited extension but only if my Department bore a contingent liability for the £15 million cover against my Regional Selective Assistant account.

2 At EX I argued that I could not agree to this condition because it was the responsibility of ECGD to cover export credit risks. The Committee decided that in view of ECGD's financial position, additional cover should not be extended.

3 Since the arguments in favour of support were accepted by you I will not rehearse them in detail here. However, you should know that on Tuesday, 19 February the President of Peugeot and senior manageemnt from Peugeot and Talbot came to see Norman Lamont to reiterate their concern at the continued losses being suffered - £12m by the first week in March. They said that a decision on the future of the Stoke plant would have to be made at the end of March. M. Calvet was concerned that ECGD cover could not be extended and said that the company was trying to raise alternative private sector cover. This would however be considerably more expensive and he asked that the Government offer some financial help, thereby showing support for the continued operation at Stoke,

by meeting the difference between the premium costs involved in private sector cover and what ECGD cover would have cost.

4 I am inclined to accept this fairly moderate request on the grounds that it could have a material effect in preventing a precipitate plant closure; would compensate the company for the additional premium costs they were not expecting; and would accord with the spirit of Norman Lamont's February 1984 letter to M. Calvet in which he said that the government would consider sympathetically the possibility of financial assistance should the Iranian contract impose exceptional financial burdens on the company and affect the stability of its UK manufacturing operations.

5 I understand that the additional premium costs are of the order of £650K and I propose to adjust the terms of the interest repayments from Peugeot Talbot next due in June 1985 on the £28 million loan they have from us for the Iranian contract to reflect this. Possible alternative forms of direct support via Section 7 or Section 8 of the Industrial Development Act are not possible because no project involving fixed capital investment is involved. To use the general powers of Section 8 would require a separate sub-head to be raised and this would attract attention, including attention from the EC Commission which would be unwelcome to us and to the company.

6 Our officials will need to sort out the technicalities together, but I would be grateful for your agreement in principle to what I propose, so that Norman Lamont can write to M. Calvet informing him of our positive response as soon as possible.

7 As with my earlier letter, I am copying this to the Prime Minister, Geoffrey Howe, Michael Heseltine and Tom King.

Yours
Norman

NORMAN TEBBIT

1 CP to note the correspondence
2 NBPM at the stage
3
AT 8/2

FCS/85/33

Chief Secretary, HM Treasury

Iran: Talbot

1. I have seen Norman Tebbit's letter to you of 6 February.

2. The financial and commercial judgements involved must be for you and Norman Tebbit to make. However, I should like to endorse the point that Talbot's operations have for many years formed a key element in our trade with Iran. Despite the revolution and the difficulty of dealing with the Khomeini regime our trade with Iran has flourished. At the same time there is a complex of outstanding claims and counter-claims which we have yet to unravel, and a difficult balancing act to maintain with respect to defence sales. Failure to secure a satisfactory outcome to the current difficulties facing Talbot would, therefore, be detrimental to our trade and other relations and I agree with Norman Tebbit that the Iranians would almost certainly try to pin the blame on HMG for frustrating the arrangements provisionally negotiated.

3. There is a further point. Iran has for the past two months suffered a severe fall in oil exports and the pressure on Government funds is real. There is no reason why this situation should continue indefinitely. Despite the weakness in the oil market, Iran could increase sales by discounting. If this happened, Iran's cash-flow problems could be resolved in weeks. The period of difficulty we need to weather could, therefore, be fairly limited.

.../4.

4. I should, therefore, like to see every effort made to allow Talbot to continue their operations consistent with financial prudence.

5. I am copying this letter to the Prime Minister, Norman Tebbit, Michael Heseltine and Tom King.

GEOFFREY HOWE

Foreign and Commonwealth Office
8 February 1985

IRAN: Internal Situation: P49.

020/109

COMMERCIAL IN CONFIDENCE

1. CP
2. NBPM

AT 8/2

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
Secretary of State
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1E 6RB

8 February 1985

Dear Secretary of State,

IRAN: TALBOT

You wrote to me on 6 February, seeking my agreement to the issue of a Direction to ECGD to extend their Section 2 cover on the Talbot Iran contract from £35 million to £50 million for a limited period pending the conclusion on an oil barter agreement between Talbot and Iran.

2 I had the opportunity of a brief word in the House last night with Paul Channon about this contract. I fully recognise the serious industrial consequences of failure to give cover in this case. There is indeed an element of "industrial assistance" as much as "export promotion" about it. I am also very conscious, and I know you are too, of the serious deterioration in ECGD's financial position. We cannot lightly accept additional risks, quantitively and qualitatively, which potentially increase its call upon the Exchequer, especially in 1985-86 or 1986-87.

With the greatest reluctance, I am however prepared to agree to a limited extension of cover, on the lines you suggest. This is subject to three conditions:

a. First, as you yourself propose, we should notify the House of the unusual nature of the risk being undertaken; our officials have already agreed a form of words for this purpose.

b. It should be strictly limited in time. I do not see that we should exceed a 3 month period

COMMERCIAL IN CONFIDENCE

c. Finally, in recognition of the "industrial assistance" aspect of the case, you should undertake to give up some part of your department's current PES allocation if the guarantee is called, and ECGD has to pay out (thus adding to the PSBR). Since the additional risk is £15 million, I suggest a reduction of this amount, spread across the two financial years 1985- 86 and 1986-87, to be charged against the total Regional Selective Assistance for which Coventry is now eligible.

I must repeat again the exceptional nature of this case. We shall have an opportunity to discuss ECGD's financial position, briefly when EX Committee considers the Bosphorous Bridge proposals next week; Paul Channon and I are then due to discuss the Department's Business Plan next month. Meanwhile, I am sure we shall all be extremely cautious about any additional exposure in risky markets.

I am sending copies of this letter to the Prime Minister, the Foreign Secretary, the Minister for Defence and the Minister for Employment.

Yours Sincerely

Paul Gray

p PETER REES

(approved by the Chief Secretary and signed in his absence)

COMMERCIAL IN CONFIDENCE

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU950
Secretary of State for Trade and Industry

6 February 1985

Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
SW2A OAA

Dear Chief Secretary,

IRAN: TALBOT

I am seeking your agreement to the issue of a direction to ECGD to extend their Section 2 cover on the Talbot Iran contract from £35m to £50m for a limited period of three months.

The supply of car kits from Peugeot Talbot's Coventry plant is worth about £100m per annum to the company; it is the only profitable part of their UK business; it has been in existence for 17 years and will probably continue for at least another five years. The contract provides direct employment for 2055 people and supports additional indirect employment of 3-4000 people.

Because of Iranian refusal to open irevocable Letters of Credit (ILCs) for car kits completed since 1 November 1984, stock has built up to the limit of ECGD's cover - £35m - and Talbot has announced an indefinite plant closure from this Friday, 8 February. If no help comes from the Government, the company will close for approximately three months. For Talbot, which is already making losses, a three months shut-down would cost about £18m and even a four weeks shut-down, £12m; with Peugeot losses last year of over FF1.5 bn the parent company is in no mood to sustain such losses. In my view there is a real risk that if that happened the factory would be closed permanently and that Peugeot would also close their other factory in Coventry and thus withdraw completely from the UK. If that happened it would mean that at least 4000 Talbot jobs and up to 7500 jobs in the supply industry would be lost.

I have looked at the alternative possibilities for giving the necessary support under the Industrial Development Act but have concluded that this would not provide a practicable solution within the necessary timescale.

So closure can only be avoided by our agreeing to the further extension of ECGD cover which I describe.

My first inclination was that this should be refused. But the latest news from Tehran puts a different complexion on events. In effect an agreement has been reached between Talbot and the Iranians under which an oil barter deal will be struck. The Iranians, among other things, have undertaken to provide in advance six months Letters of Credit thereby setting the future release of irrevocable Letters of Credit on a more secure basis at least for the next six months. Shell will be leaving for Tehran within the next few days. Lloyds Bank are already there.

Failure in these circumstances to give this extension of ECGD credit would result in great political problems in the Midlands and would also prejudice our wider trade relations with Iran. It is interesting that the Iranians have recently concluded similar deals with Daimler-Benz.

In addition:

a although there have been some uncomfortable moments during the 17 year life of the business so far, ECGD have not yet had to pay any claims;

b the contract is clearly important to the Iranians and it is in their interest to ensure that it continues;

c for this reason we believe the risks of a satisfactory oil barter arrangement not being concluded are small;

d the Iranians could undoubtedly take it very badly, if they felt that the UK was failing to support the business while negotiations on an oil deal were being concluded. There could be a direct and harmful impact on our wider commercial relations with consequent risks to other existing and new business (the Iranian market was worth £700m in 1984). I understand the MOD and the FCO are similarly concerned, especially given the impending start of difficult negotiations on Iranian claims against Britain for £200m payments in respect of tanks paid for by the Shah but not delivered;

e a three months shut-down would cost the Exchequer at least £2.4m in unemployment and social security payments, tax rebates and income tax foregone;

f by extending cover the Government would show to the Iranians, Peugeot and the Talbot Coventry workforce its flexibility and willingness to take limited action to support the contract while the oil barter arrangements are concluded.

For all these reasons, I believe we should instruct ECGD to provide the necessary credit. ECGD's Accounting Officer has told me that, because of past assurances to Parliament, he cannot raise the £35m limit to £50m to enable production to continue while the oil contracts are concluded, unless instructed to do so by Ministers and with a written statement to Parliament. My officials are working on a text for a response to a written PQ.

I would be grateful for your agreement to this. I would like to inform Talbot of my decision this week, so that the closure notices can be withdrawn.

I am copying this to the Prime Minister, Geoffrey Howe, Michael Heseltine and Tom King.

Yours sincerely,

Maureen Dodsworth
(PS / SofS)

p.p. NORMAN TEBBIT

(Approved by the Secretary of State and signed in his absence.)

EMBASSY
OF
THE STATE OF KUWAIT
46 QUEEN'S GATE
LONDON S.W.7

سفارة دولة الكويت
لندن

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No: T210 AA/84
a MASTER OPS

reply not necessary

Sir B Fco
for direct reply
CDP 10/1

10th January, 1985.

Our Ref: KKA 3/85.

NB 'T' Message dated 12.12.84

Prime Minister,

I have the honour to enclose a letter from His Highness The Crown Prince and Prime Minister, Sheikh Saad Al-Abdullah Al-Sabah.

With the assurance of my highest consideration,
I have the honour to be,

Ghazi Al-Rayes

Ghazi Al-Rayes,
Ambassador.

The Rt. Hon. Mrs. Margaret Thatcher,
Her Majesty's Prime Minister,
10 Downing Street,
London, S.W.1.

Encs...

EMBASSY
OF
THE STATE OF KUWAIT
46 QUEEN'S GATE
LONDON S.W.7

سفارة دولة الكويت
لندن

C PC
FCO
(4)

Prime Minister
CDP
12/12.

12th December, 1984.

Our Ref: KKA 305/84.

Prime Minister,

I have the honour to enclose a message from His Highness The Crown Prince and Prime Minister, Sheikh Saad Al-Abdullah Al-Sabah.

With the assurance of my highest consideration,
I have the honour to be,

G. Al-Rayes

Ghazi Al-Rayes,
Ambassador.

The Rt. Hon. Mrs. Margaret Thatcher,
Her Majesty's Prime Minister,
10 Downing Street,
London, S.W.1.

EMBASSY
OF
THE STATE OF KUWAIT
46 QUEEN'S GATE
LONDON S.W.7

سفارة دولة الكويت
لندن

The Rt. Hon. Mrs. Margaret Thatcher,
Her Majesty's Prime Minister,
United Kingdom.

Prime Minister,

I would like to thank you most cordially for your kind Message following the release of the passengers and crew aboard the hijacked Kuwaiti Airliner. It was a very distressing experience especially for a peace-loving nation like Kuwait, but it has served to strengthen our long-standing conviction and resolve that we should never bow to terrorism or blackmail.

May we hope that this and similar dreadful experiences will move the international community to take a serious and joint action against international terrorism and try to make the world a safer place to live in.

With best wishes and warmest personal regards.

Saad Al-Abdullah Al-Sabah,
Crown Prince and Prime Minister.

12th December, 1984.

بسم الله الرحمن الرحيم

دولة الكويت
مكتب ولي العهد ورئيس مجلس الوزراء

سعادة السيدة مارغريت ثاتشر

رئيسة وزراء المملكة المتحدة

لندن

تحية طيبة وبعد ،

فقد تسلمت بالسرور كتابكم المؤرخ في ٢٠ نوفمبر ١٩٨٤ واود ان اعرب عن عميق تقديرى للاهتمام الصادق الذى ابديتموه شخصيا وحكومتكم بشأن المشاكل التي تواجهها منطقة الخليج في الوقت الحاضر، ومن المؤكد ان استمرار الاتصالات المباشره وتبادل وجهات النظر بيننا سيكون ذا فائدة كبيرة في هذه الظروف بالاضافة الى تعزيز العلاقة التقليدية الوثيقة القائمة على الصداقة والتعاون بين بلدينا ،

اما بشأن موضوع دبابة م س ف ٨٠ فقد أبلغنى وزير دفاعنا الأخ سالم الصباح بأن الجهات المعنيه في وزارة الدفاع بصدد الانتهاء من الدراسة الخاصة بشأن ملائمتها لاحتياجاتهم .

واغتنم هذه الفرصة لابعث لكم بخالص التحيات بمناسبة الاعياد مع اطيب تمنيات السعادة والرفاه بالعام الجديد .

سعد العبدالله السالم الصباح

ولى العهد ورئيس مجلس الوزراء

الكويت في ٢ ربيع الآخر ١٤٠٥هـ

الموافق ٢٤ ديسمبر ١٩٨٤ م

cc. OPS. MASTERS.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 210A/84

178

TOP COPY

CONFIDENTIAL

5872 -
DC 051/36
REGISTRY No. 61
12 DEC 1984

FOR WATCH		REGISTRY
INDEX	PA	Action Taken

DD 121000Z KUWAIT
PP TEHRAN
GRS 130
CONFIDENTIAL
DESKBY 121000Z
FM FCO 120800Z DEC 84
TO IMMEDIATE KUWAIT
TELEGRAM NUMBER 283 OF 12 DEC
INFO PRIORITY TEHRAN, WASHINGTON
KUWAITI AIRCRAFT HIJACKING: YOUR TELNO 455

FCO

1. PLEASE DELIVER THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO THE CROWN PRINCE SHAIKH SA'AD AL ABDULLAH, AS SOON AS POSSIBLE.

BEGINS. I FOLLOWED WITH ADMIRATION THE KUWAITI GOVERNMENT'S HANDLING OF THE HIJACKING OF THE KUWAITI AIRLINER. I KNOW THAT THIS HAS BEEN AN EXTREMELY DIFFICULT TIME FOR YOU. IT IS VITAL THAT TERRORIST OUTRAGES OF THIS KIND SHOULD NEVER BE ALLOWED TO SUCCEED. I THEREFORE APPLAUD YOUR GOVERNMENT'S RESOLUTE STAND IN REJECTING THE TERRORISTS' DEMANDS. THE FIRMNESS YOU HAVE SHOWN CAN ONLY HELP TO MAKE AIR TRAVEL SAFER IN THE FUTURE. ENDS.

HOWE

[COPIES SENT TO NO 10 DOWNING ST]

INTERNATIONAL TERRORISM

LIMITED

SCU	PS
MAED	PS/MR LUCE
SECURITY DEPT	PS/PUS
PUSD	
MED	MR FERGUSSON
MR O'NEILL	MR EGERTON

CONFIDENTIAL

CONFIDENTIAL

file ECU

bc PC

10 DOWNING STREET

From the Private Secretary

11 December 1984

Kuwaiti Aircraft Hijacking

Thank you for your letter of 11 December enclosing a draft message from the Prime Minister to the Amir of Kuwait.

The Prime Minister is content with the message. I should be grateful if it could be despatched.

(C.D. Powell)

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

CONFIDENTIAL

CONFIDENTIAL

cc PC

Foreign and Commonwealth Office

London SW1A 2AH

11 December 1984

Dear Charles,

Kuwaiti Aircraft Hijacking

As requested when we spoke this morning, I enclose a draft message from the Prime Minister to the Head of Government in Kuwait.

We had considered recommending that the Prime Minister should send such a message yesterday, but concluded that although the hostages had then been released, they were still in Teheran and potentially at risk. They are due to fly out today, and that problem therefore falls away.

The message is not unduly fulsome as the Kuwaitis do not emerge entirely blameless from the incident. Serious questions have been raised about their security arrangements and they were consistently uncooperative with us, refusing to speak to our Ambassador in Kuwait for most of the crisis. The important issue, however, is that the principle of not submitting to terrorists' demands has been upheld.

It is relevant that all the moderate Arab states now seem to be taking the line that there was collusion between the Iranian authorities and the hijackers throughout the exercise. Our more qualified position is set out in para 4 of JIC(84)(1A)53 of 10 December; in brief, that though there may have been an element of collusion in the storming of the aircraft on 9 December, we are not convinced that the Iranian authorities, taken as a whole, colluded in the earlier stages of this affair.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

OUT TELEGRAM

Classification and Caveats	Precedence/Deskby
CONFIDENTIAL	IMMEDIATE

ZCZC
GRS
CONFIDENTIAL

FM FCO
TO IMMEDIATE KUWAIT
TELEGRAM NUMBER
RFI PRIORITY TEHRAN, WASHINGTON
KUWAITI AIRCRAFT HIJACKING: YOUR TELNO 455
1. Please deliver the following message from the Prime Minister to the Crown Prince Shaikh Sa'ad al Abdullah, as soon as possible.
BEGINS. I followed with admiration the Kuwaiti Government's handling of the hijacking of the Kuwaiti airliner. I know that this has been an extremely difficult time for you. It is vital that terrorist outrages of this kind should never be allowed to succeed. I therefore applaud your Government's resolute stand in rejecting the terrorists' demands. The firmness you have shown can only help to make air travel safer in the future. ENDS.

HOWE
NNNN

Agreed MT

NNNN ends telegram	BLANK	Catchword
File number	Dept Private ~~Office~~	Distribution INT. TERRORISM
Drafted by (Block capitals) P F RICKETTS		
Telephone number 233-4641		
Authorised for despatch		
Comcen reference	Time of despatch	

XY 48

PRIME MINISTER

HIGHJACKING OF KUWAITI AIRCRAFT

It seems likely that matters are moving towards a conclusion. There are indications that the Iranians have finally decided to mount an assault on the aircraft. The airport has been closed. Two Syrian aircraft have arrived and have gone to the military side of the airport. Their role is not clear. The highjackers claim that they have now wired the aircraft up with explosives.

That is the situation as we know it at 2.30 pm

MT

C.D Powell

9 December, 1984

E.R.

PRIME MINISTER

HIGHJACKING OF KUWAITI AIRCRAFT

Shortly after you approved a message to the Kuwaiti Government, we received a strong recommendation from the Embassy in Teheran not to send such a message. The reason was that, if it became public, it would direct the highjackers attention to the two Britons on the aircraft and thus increase the risk to them. Subsequently the highjackers released a number of passengers but have kept the Americans, Kuwaiti and British hostages. This has, of course, made the two Britons more exposed.

In the circumstances, it seemed best to suspend despatch of your message, for fear that it would put the two British hostages in greater danger. We continue to hold it up. I hope you will agree that this is the right course.

Agreed MT

C.D. Powell

8 December, 1984

ADVANCE COPIES

44

TERRORISM/HI-JACKING EMERGENCY

PS
PS/MR RENTON
PS/PUS
CHIEF CLERK
MR GOODALL
MR O'NEILL
MR EGERTON
MR FERGUSSON
HD MED..HD NEWS HD NAD
HD/SCU
HD/MAED
HD/PUSD
DEP HD/PUSD
HD/CONSULAR DEPT
CONSULAR EMERGENCY UNIT
HD/SECURITY DEPT
HD/PROTOCOL DEPT
HD/COD
HD/NEWS DEPT

RESIDENT CLERK

MR R VARNEY CAP 3)
MR E STRONG SP2) DEPT OF TRANSPORT
MR JF LANGLEY IA2C)

NO.10 DOWNING STREET

ASSESSMENTS STAFF)
D I O)
SIR R ARMSTRONG) CABINET OFFICE
SIR A DUFF)
MR D COLVIN)
MR N BRIND)

MR D HILARY) F4 HOME OFFICE
MR R HARRINGTON)

DS 5)
DS 6) MOD
DSC)

SECURITY SERVICES (2 copies via PUSD Rm E203)

IMMEDIATE

30.11.84

CONFIDENTIAL

DESKBY FCO 081300Z

FM KUWAIT 081130Z DEC 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 446 OF 8 DEC

INFO IMMEDIATE TEHRAN, BEIRUT, WASHINGTON, UKMIS NEW YORK

MY TELNO 445: KUWAIT HIJACKING

1. FURTHER CONVERSATIONS THIS MORNING, ESPECIALLY A MEETING WITH US AMBASSADOR, SUPPORT THE CONCLUSIONS IN TUR. I BELIEVE THAT THE KUWAIT GOVERNMENT REMAIN CONVINCED THAT THE ONLY WAY OF HANDLING THE CRISIS IS TO CONTINUE THEIR FIRM AND RESOLUTE LINE THAT THEY WILL NOT NEGOTIATE WITH THE HIJACKERS UNTIL ALL THE PASSENGERS ARE RELEASED. YESTERDAY, FOR EXAMPLE, THEY REFUSED TO CARRY THE HIJACKERS' TEXT ON KUWAIT RADIO. THEY ARE ALSO BECOMING INCREASINGLY FED UP AND ANGRY WITH THE IRANIANS. THEY ARE HOWEVER STICKING TO THEIR LINE THAT IT IS NOT FOR THEM TO TELL THE IRANIANS HOW TO MANAGE THEIR BUSINESS.

2. THE KUWAITIS HAVE APPEALED TO EVERYONE THEY CAN THINK OF TO PUT PRESSURE ON THE IRANIANS. THE AMIR, THE PRIME MINISTER, THE FOREIGN MINISTER AND AMBASSADORS HAVE BEEN ASKING WORLD LEADERS, INCLUDING KING FAHD, PRESIDENTS ASSAD AND ZIA AL HAQ, AND OTHERS, TO WEIGH IN WITH THE AYOTOLLAH AND OTHER IRANIAN LEADERS. WITH THE ACTIVE HELP OF THE US ADMINISTRATION, THEY HAVE ALSO APPEALED TO WESTERN GOVERNMENTS, INCLUDING JAPAN, FRANCE AND WEST GERMANY.

3. US AMBASSADOR SHOWED ME IN CONFIDENCE (PLEASE PROTECT)

3. US AMBASSADOR SHOWED ME IN CONFIDENCE (PLEASE PROTECT) TEXT OF PRESIDENT REAGAN'S MESSAGE TO THE AMIR WHICH WAS BASICALLY ONE OF WARM ENCOURAGEMENT FOR THEIR RESOLUTE ACTION SO FAR AND OF CONTINUED ACTIVE U.S. SUPPORT. THE AMERICANS HAVE SUBSEQUENTLY HEARD THAT THE AMIR AND OTHER SENIOR KUWAITIS WERE VERY GRATEFUL.

PM SEEN 8/12.

4. WHILE I RECOGNISE THAT WE DO NOT WANT TO BE SEEN TO BE COPYING THE AMERICANS, I THINK THIS WOULD BE A GOOD MOMENT FOR US TO SEND A SIMILAR MESSAGE, PERHAPS FROM THE PRIME MINISTER TO SHAIKH SA'AD, RECOGNISING THE RESOLUTE STAND OF THE KUWAITIS AND PROMISING BRITISH SUPPORT. WE HAVE ALWAYS BEEN ONE OF THE MAIN ADVOCATES OF THE NEED TO RESIST TERRORIST'S BLACKMAIL AND I BELIEVE IT WOULD BE IN OUR GENERAL INTERESTS, AS WELL AS HELPFUL TO ANGLO-KUWAITIS RELATIONS ,
TO BE SEEN TO BE SUPPORTING THE KUWAITIS AT THIS VERY DIFFICULT TIME FOR THEM.

MELHUISH

NNNN

V.
RGRGRGRGRG

XX 1148

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

233 4780

Snoopedled.

10/12

8 December 1984

PS/No 10

Dear Private Secretary,

Charles,
Tel attached
8/12

KUWAITI AIRCRAFT HI-JACKING

1. HMA Kuwait has recommended a message from the Prime Minister to Shaikh Sa'ad al Abdullah expressing sympathy and support for the Kuwaitis. A secondary purpose of the message would be to enable Mr Melhuish to call on the Crown Prince (or at least on his office), and find out how Kuwaitis' views are evolving. The text of the message has been approved by the Secretary of State and the Private Secretary has agreed I should write to you direct.

2. I attach the text of a telegram to Kuwait.

Yours ever.

S P Day
Head of Middle East Department

CONFIDENTIAL

OUT TELEGRAM

Classification and Caveats	Precedence/Deskby
CONFIDENTIAL	FLASH

ZCZC
GRS
CLASS
CAVEATS
DESKBY
FM FCO
PRE/ADD
TEL NO

ZCZC
GRS
CONFIDENTIAL

FM FCO 081230Z DEC 84
FLASH KUWAIT
TELEGRAM NUMBER
AND TO IMMEDIATE WASHINGTON, TEHRAN, BEIRUT, ISLAMABAD

YOUR TELNOS 445 AND 446
KUWAITI AIRCRAFT HI-JACKING

1. You should personally deliver the following message from the Prime Minister to The Crown Prince Shaikh Saad al Abdullah or at least ensure that he himself gets it as soon as possible.

2. Message is as follows:

BEGINS.

I am following with admiration and deep sympathy the Kuwaiti Government's handling of the hi-jacking of a Kuwaiti Airways airbus to Tehran airport. The tragic murder of innocent passengers by evil men is an act of wanton savagery which the whole world should condemn. It is imperative that such acts should never be seen to succeed and I applaud the Kuwaiti Government's resolute stand in its rejection of the terrorists' demands. The families of the British pilot and Chief Engineer

NNNN ends telegram	BLANK	Catchword: are
File number	Dept: MED	Distribution: INTERNATIONAL TERRORISM
Drafted by (Block capitals): S P DAY		
Telephone number: 233 5877		
Authorised for despatch		
Comcen reference	Time of despatch	

XY 48

Classification and Caveats		Page
CONFIDENTIAL		2

<<<<

are very much in my mind at this critical time, and I know you must be most concerned about the Kuwaitis and others still on board the aircraft. We are in close contact with a number of other Governments and have, of course, addressed appeals for quick and effective action to the Iranians. Please let me know if there is anything more you believe the British Government could usefully do? We will ensure that Mr Melhuish is kept fully in the picture.

With my best regards,

MARGARET THATCHER

ENDS.

3. Latest reports suggested the Kuwaitis are still refusing a private deal whereby more passengers would be released if the Kuwaitis agreed to broadcast on Kuwaiti radio the text of the hi-jackers' statement. Is this still a live issue? We hope the Prime Minister's message will enable you to make your own assessment of Kuwaiti resolve. Without in any way questioning their handling of the incident so far, we should be interested to see any further evidence you can gather of Kuwaiti thinking.

4. Once the message has been delivered we should like to make it known publicly that the Prime Minister has expressed sympathy and support for the Kuwaitis but would not release the text.

HOWE

NNNN

If you can find out anything further on Kuwaiti thinking ~~on the~~ on further steps we should be glad to know.

MCP

NNNN ends telegram	BLANK	Catchword

9

SECRET

PRIME MINISTER

Hijacking of Kuwaiti Aircraft

As of 8 o'clock this evening, the aircraft is still on the ground in Tehran, and there are no signs of imminent departure.

Tehran Radio broadcast the hijackers' demands earlier today, following which a further 24 hostages were released. The hijackers are threatening to kill another US passenger and three more Kuwaiti diplomats.

The Americans have decided to hold back from a public campaign accusing the Iranians of complicity. They are not intending, for the time being away, any retaliatory action.

The American assault team will arrive in Cyprus this evening. It is quite substantial, and may well attract public notice. The Cypriot Government have been informed in strict confidence.

The Americans are enormously appreciative of the speed with which you agreed to their request.

CDD.

7 December, 1984.

SECRET

10 DOWNING STREET

CDP

1) Message passed to you at "House" today at 15.30

Mongo.

6/12

2) FCO phoned to say it was Kuwaiti Consul & not US consul who was executed. No message of consolation drafted until situation cleared up!

NI6887 2 XXX 37

URGENT - CONSUL
NICOSIA, THURSDAY - THE U.S. CONSUL IN PAKISTAN WAS EXECUTED TODAY BY HIJACKERS HOLDING A KUWAITI AIRLINER AT TEHERAN AIRPORT, THE OFFICIAL IRNAIAN NEWS AGENCY IRNA REPORTED.
--

6/2

MR POWELL

The Foreign Office believe it was the Kuwaiti Consul who was executed and not the US Consul. They are waiting for confirmation of this before preparing any draft messages. Apparently information about the incident is not too clear at the moment. FO will be in touch shortly.

3.55pm

Iran

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 150A/81

Embassy of the Islamic
Republic of Iran
27 PRINCES' GATE, LONDON SW7

October 28, 1981

Acknowledged
29/10.

Private Secretary to
Her Excellency The Prime Minister,
10 Downing Street,
London SW1

Dear Sir,

We have the honour to draw your kind attention to the text of the telegram we have received from Tehran which reads as follows :

" In the Name of God the Almighty,
Her Excellency Mrs. Margaret Thatcher
The Prime Minister of United Kingdom,

I thank Your Excellency for your congratulatory message on the occasion of my election as the President of the Islamic Republic of Iran.

I pray to the Almighty for the victory of justice-seeking ideals of all nations throughout the world.

Sayyed Ali Khamnei
President of the Islamic
Republic of Iran."

The Embassy of the Islamic Republic of Iran avails itself of this opportunity to renew the assurances of its highest consideration.

EMBASSY OF THE ISLAMIC REPUBLIC OF IRAN
سفارت جمهوری اسلامی ایران
لندن
LONDON

Iran

(189)

RESTRICTED

TOP COPY

GR 55
RESTRICTED
FM BRIT INT SECT TEHRAN 060420Z OCT
TO IMMEDIATE FCO
TELEGRAM NUMBER 483 OF 6 OCTOBER 81
INFO STOCKHOLM AND BAGHDAD.

YOUR TELNO 273: CONGRATULATORY MESSAGE.

1. MESSAGE WAS DESPATCHED FIRST THING TODAY (6 OCTOBER) FOLLOWING ANNOUNCEMENT OF ELECTION RESULT YESTERDAY.

BARRINGTON

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PS/LPS
PS/MR HURD
PS/PUS
MR MOBERLY
SIR J. GRAHAM

RESTRICTED

(188)

30493 - 2

TOP COPY

NBR 020/3.
RECEIVED IN REGISTRY NO. 35
DESK
INDEX

GRS 47

RESTRICTED
FM FCO 051732Z OCTOBER 1981
TO IMMEDIATE BIS TEHRAN
TELEGRAM NUMBER 273 OF 5 OCTOBER
INFO STOCKHOLM BAGHDAD.

OUR TEL NO 261 : CONGRATULATORY MESSAGE

1. NO 10 ARE PRESSING US FOR CONFIRMATION THAT YOU HAVE ACTED ON TEL UNDER REFERENCE. GRATEFUL FOR ANY INFORMATION

CARRINGTON

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NEWS DEPT
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PS/LPS
PS/MR HURD
PS/PUS
MR MOBERLY
SIR J GRAHAM

RESTRICTED

SUBJECT

cc Marks

T.V.32/8

PRIME MINISTER'S PERSONAL MESSAGE

29681 - 1

TOP COPY

SERIAL No. T/32/81

176

NBP020/3

RECEIVED IN REGISTRY NO. 35
- 2 OCT 1981

DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

PP TEHRAN
RR BAGHDAD
GRS 133
RESTRICTED
FM FCO 301130Z SEPTEMBER 81
TO PRIORITY TEHRAN
TELEGRAM NUMBER 261 OF 30 SEPTEMBER
INFORMATION STOCKHOLM, BAGHDAD
YOUR TELNO 254: MESSAGE TO NEXT IRANIAN PRESIDENT.

1. WE HAVE DISCRETION FROM NO 10 TO SEND A MESSAGE FROM THE PRIME MINISTER IN EXACTLY THE SAME TERMS AS THE PREVIOUS MESSAGE SENT TO PRESIDENT RAJAI. THEREFORE, WHEN THE RESULT OF THE 2 OCTOBER PRESIDENTIAL ELECTIONS IS KNOWN, PLEASE DELIVER THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO THE SUCCESSFUL CANDIDATE (AFTER FOREWARNING THE SWEDES): BEGINS: I CONGRATULATE YOU ON YOUR ELECTION AS PRESIDENT OF IRAN. I LOOK FORWARD TO GOOD RELATIONS WITH YOUR COUNTRY ON THE BASIS OF MUTUAL UNDERSTANDING. ENDS.

2. WE ARE NOT SEEKING PUBLICITY FOR THIS, BUT NATURALLY HAVE NO OBJECTION IF THE IRANIANS WISH TO PUBLICISE IT.

CARRINGTON
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PS/LPS
PS/MR HURD
PS/PUS
MR. J C MOBERLY
SIR J GRAHAM

10. R.

Iran

Cf for tel to 'T'

NOTE FOR THE FILE

FCO propose to dispatch a message from the Prime Minister to the new Iranian President, for delivery on his assumption of office on 2 October. This will be in similar terms to the message sent to the last Iranian President, contained in FCO telegram number 317 to Teheran of 5 August.

Consulted MODBA in Australia, and told FCO that this was agreed.

MAP.

30 September 1981

Iran

CONFIDENTIAL GR26-

FM BRITISH INTERESTS SECTION TEHRAN 140453Z PS TO NO 10 DOWNING STREET
TO ROUTINE FCO

TELEGRAM NO 413 OF 14 SEPTEMBER 81.
INFO ROUTINE MIDDLE EAST DISTRIBUTION.
INFO SAVING TO PARIS AND WASHINGTON.

IRAN AND THE PLO.

1. IRAN'S RELATIONS WITH THE PLO HAVE TAKEN A TURN FOR THE WORSE RECENTLY. REPORTS OF THE MEETING BETWEEN MASOUD RAJAVI, THE EXILED LEADER OF THE MOJAHEDIN-E KHALQ, AND HANI AL-HASSAN OF THE PLO, WHOSE BROTHER WAS AT ONE TIME PLO AMBASSADOR IN TEHRAN, WERE AT FIRST PRESENTED HERE AS MALICIOUS RUMOUR. BUT THEY ARE NO LONGER DENIED AND AL-HASSAN HAS BEEN CIRTICISED IN THE PRESS FOR DAMAGING THE CREDIBILITY OF THE PLO. THE PLO AMBASSADOR HAS RECENTLY LEFT TEHRAN: I GATHER THAT HE AND HIS STAFF HAVE BEEN SAYING IN PRIVATE THAT THEY HAVE LITTLE SYMPATHY FOR THE PRESENT IRANIAN REGIME AND FIND THEMSELVES MORE IN TUNE WITH THE PHILOSOPHY OF THE MOJAHEDIN.

2. I HAVE HEARD THAT PALESTINIANS TRAINING IRANIAN REVOLUTIONARY GUARDS IN NORTH TEHRAN (FOR WHICH THERE HAS BEEN PREVIOUS EVIDENCE) AND POSSIBLY ALSO PROTECTING KHOMEINI ARE NO LONGER TO BE SEEN.

3. IF IRAN'S RELATIONS WITH THE PLO ARE AS BAD AS IT APPEARS ONE OF THE MAJOR PLANKS OF HER FOREIGN POLICY IS BEING CUT FROM UNDER HER FEET. IT IS POSSIBLE THAT THE PROPOSAL BY THE IRANIAN FOREIGN MINISTER, MOUSSAVI, LAST MONTH FOR THE FORMATION OF A UNITED ISLAMIC FRONT TO LIBERATE PALESTINE, WHILE OFFICIALLY WELCOMED BY THE PLO AMBASSADOR HERE A FEW WEEKS AGO, ACTUALLY CAUSED MORE RESENTMENT THAN ENTHUSIASM AMONG THE PALESTINIAN LEADERSHIP.

FCO PLEASE PASS SAVING PARIS AND WASHINGTON.

PARKINSON

(REPEATED AS REQUESTED)

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ADDITIONAL DISTRIBUTION
ARAB/ISRAEL DISPUTE

THIS TELEGRAM WAS NOT ADVANCED

CONFIDENTIAL

GRS 180
CONFIDENTIAL
FM BRITISH INTERESTS SECTION TEHRAN 021045Z
TO PRIORITY FCO
TELEGRAM NO 391 OF 2 SEPTEMBER 81
INFO ROUTINE BAGHDAD, WASHINGTON AND STOCKHOLM.

MY TELEGRAM NO 390 : IRAN INTERNAL.

1. AYATOLLAH MAHDAVI-KANI, THE MINISTER OF INTERIOR IN THE CABINETS OF BOTH RAJAI AND BAHONAR, HAS BEEN NOMINATED PRIME MINISTDR BY THE PROVISIONAL PRESIDENTIAL COUNCIL AND THE MAJLES GAVE THEIR APPROVAL TODAY (2 SEPTEMBER). THIS MAKES TWO CLERICAL PRIME MINISTERS IN A ROW. HE IS IN SOME WAYS A LOGICAL CHOICE BECAUSE OF HIS EXPERIENCE IN THE CABINET AND, SINCE THEIR INCEPTION, WITH THE REVOLUTIONARY COMMITTEES IN TEHRAN. HE HAS CLOSE LINKS WITH KHOMEINI AND THE IRP MULLAHS (THOUGH HE IS NOT A LEADING MEMBER OF THE PARTY AS SUCH). HE IS CONSIDERED TO HAVE A LIVELY INTELLIGENCE AND NOT TO BE AN EXTREMIST. ON THE OTHER HAND, HOWEVER, HE HAS HAD HIS CRITICS IN THE MAJLES FOR FAILING TO ESTABLISH AN EFFECTIVE SECURITY APPARATUS. HE GENERALLY SHUNNED TELEVISION AND RADIO INTERVIEWS WHILE MINISTER OF INTERIOR AND SHOWED NO SKILL AT PUBLIC RELATIONS. HIS KNOWLEDGE OF ECONOMICS AND FOREIGN AFFAIRS IS PROBABLY NIL.

2. SEE MIFT.

BARRINGTON

[COPIES SENT TO NO 10 DOWNING STREET]
[THIS TELEGRAM WAS NOT ADVANCED]

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IRAN: ADVANCE COPIES 43

IMMEDIATE

PS (6)
PS/SIR I GILMOUR (3)
PS/MR HURD
PS/PUS
~~SIR P CORNAM~~
MR J C MOBERLY
LORD BRIDGES
LORD H G LENNOX
MR EVANS
~~MISS BROWN~~ Mr Braithwaite
HD/NED
HD/ERD
HD/NEAD
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RESIDENT CLERK

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SIR R ARMSTRONG)
ASSESSMENTS STAFF) CABINET
MR R WADE GERY) OFFICE
MR LE CHEMINANT)
MR W H WENBAN SMITH)
DIO)

MR R WILLIAMS CRE5 DOT
MR ~~W HEWITSON~~ J. LAWRE DEPT OF TRADE
MR C BENJAMIN DOI
MR D LE B JONES) DEPT OF
MR C LUCAS) ENERGY

CONFIDENTIAL
FM BRITISH INTERESTS SECTION TEHRAN 311056Z
TO IMMEDIATE FCO
TELEGRAM NO 383 OF 31 AUGUST 81.
INFO PRIORITY BAGHDAD, WASHINGTON AND STOCKHOLM.

ASSASSINATION OF IRANIAN PRESIDENT AND PRIME MINISTER.

1. AS REPORTED BY NEWS SERVICES WORLDWIDE, PRESIDENT RAJAI, THE PRIME MINISTER DR BAHONAR, AND AT LEAST ONE MEMBER OF THE PRIME MINISTER'S STAFF WERE KILLED IN A BOMB EXPLOSION AT THE PRIME MINISTRY IN CENTRAL TEHRAN YESTERDAY AFTERNOON (30 AUGUST). THEIR FUNERALS WERE HELD THIS MORNING WITHOUT INCIDENT. PUBLIC OFFICES ARE CLOSED FOR THE DAY AND OFFICIAL MOURING WILL CONTINUE UNTIL THE END OF THE WEEK. THE CITY HAS A STUNNED AIR.

2. IT IS REPORTED THAT THE EXPLOSION TOOK PLACE DURING A MEETING OF THE SUPREME DEFENCE COUNCIL AND THAT ONE OR TWO OTHER MINISTERS, INCLUDING THE NEW DEFENCE MINISTER, WERE ALSO KILLED, BUT THERE HAS BEEN NO OFFICIAL CONFIRMATION OF THIS. AN EMERGENCY SESSION OF THE CABINET WAS HELD LAST EVENING AT WHICH THE PRESIDENT OF THE MAJLES, RAFSANJANI, WAS PRESENT. THEY TOOK UNSPECIFIED SPECIAL MEASURES, NO DOUBT TO INTENSIFY SECURITY. APART FROM KHOMEINI HIMSELF,

DOUBT TO INTENSIFY SECURITY. APART FROM KHOMEINI HIMSELF, RAFSANJANI IS NOW PERHAPS THE MOST PUBLICLY PROMINENT AND INFLUENTIAL LEADER OF THE REGIME. HE AND OTHERS HAVE EXPRESSED THEIR DETERMINATION THAT DESPITE THE MARTYRDOM OF THEIR FELLOWS THE ISLAMIC REVOLUTION SHOULD CONTINUE.

3. THE PRESIDENCY HAS BEEN ASSUMED BY A THREE-MAN PROVISIONAL COUNCIL COMPRISING RAFSANJANI, AYATOLLAH ARDEBILI (PRESIDENT OF THE SUPREME COURT) AND ONE OTHER. IT WOULD NORMALLY BE THE PRIME MINISTER AND IT IS NOT CLEAR WHO IS TAKING THIS PLACE : THERE WAS NO OFFICIAL DEPUTY PRIME MINISTER. ACCORDING TO THE CONSTITUTION A NEW PRESIDENT SHOULD BE ELECTED WITHIN 50 DAYS AND HE MUST THEN NOMINATE THE PRIME MINISTER. WE DO NOT KNOW WHETHER THE PROVISIONAL COUNCIL CAN SHORT-CIRCUIT THIS BY NOMINATING A PRIME MINISTER THEMSELVES.

4. NO GROUP HERE HAS AS YET CLAIMED RESPONSIBILITY FOR THE EXPLOSION, FOR WHICH THE AUTHORITIES ARE PREDICTABLY BLAMING AGENTS OF AMERICAN IMPERIALISM. THE MOJAHEDIN-E KHALQ MUST BE CONSIDERED PRIME CANDIDATES. WE BELIEVE THEY HAVE THE CAPACITY TO MOUNT SUCH A SOPHISTICATED OPERATION THOUGH IT BEARS LITTLE RELATION TO THE RECENT OFTEN AMATEURISH ATTACKS ON RELIGIOUS FIGURES. THE LATTER WERE PROBABLY CARRIED OUT BY FRINGE MOJAHEDIN MILITIA, WHEREAS THE BOMBING OPERATION WOULD SEEM TO HAVE BEEN CAREFULLY PLANNED BY HARD-CORE ELEMENTS. THE STRONG MODERN BUILDING WAS RIPPED APART AND IT IS REPORTED THAT BODIES WERE UNRECOGNISABLE. IT COULD HAVE BEEN NO EASY TASK TO INFILTRATE SUCH A CHARGE OF EXPLOSIVES INTO A TOP LEVEL MINISTERIAL MEETING.

5. FOLLOWING THE EARLIER EXPLOSION AT THE IRP HEADQUARTERS IN JUNE, THIS INCIDENT HAS DEMONSTRATED THE CURRENT IRANIAN LEADERSHIP'S CONTINUED INABILITY TO PREVENT OPPONENTS PENETRATING ITS INNER COUNCILS. THE VACANT POST WILL NO DOUBT BE FILLED IN DUE COURSE, THOUGH THE QUEUE OF VOLUNTEERS MAY NOT BE A VERY LONG ONE. BUT THERE WILL BE A DANGER OF THE REGIME LOSING CREDIBILITY IF THE NEXT APPOINTEES ARE ALSO STRUCK DOWN. THE MAJORITY VIEW OF EXPERIENCED OBSERVERS HERE IS THAT THE REGIME IS STRONG ENOUGH TO MAINTAIN CONTROL DESPITE SUCH EVENTS. THE MULLAHS AND THEIR RELIGIOUS SUPPORTERS HAVE THEIR BACKS TO THE WALL AND HAVE A STRONG VESTED INTEREST IN MAINTAINING REPRESSION AND CONTROL. OPPOSITION ELEMENTS THEMSELVES SEEM, FROM WHAT WE KNOW OF THEIR VIEWS, TO BE THINKING MORE IN TERM OF A GRADUAL EROSION OF SUPPORT FOR THE REGIME IN THE NEXT SIX MONTHS TO ONE YEAR FOLLOWING A MARKED DETERIORATION IN THE ECONOMIC SITUATION. BUT EXCEPT FOR SOME SECTIONS OF

THE NEXT SIX MONTHS TO ONE YEAR FOLLOWING A MARKED DETERIORATION IN THE ECONOMIC SITUATION. BUT EXCEPT FOR SOME SECTIONS OF THE LOWER INCOME GROUPS THE REGIME SEEMS TO ME NOW TO BE INTENSELY UNPOPULAR AND I WOULD NOT BE SURPRISED AT ANY CONVULSIONS WHICH MIGHT TAKE PLACE.

6. IN THE MEANTIME, THE PROCESS OF BUILDING A STABLE GOVERNMENT CAPABLE OF TAKING DECISIONS HAS ONCE AGAIN BEEN INTERRUPTED, WHICH MEANS WE CAN EXPECT LITTLE MOVEMENT ON MATTERS AFFECTING OUR OWN INTERESTS.

BARRINGTON.

NNNN

RESIDENT CLERK

TRAN: ADVANCE COPIES 37

Prime Minister

PS
PS/SIR I GILMOUR
PS/MR HURD
PS/PUS
SIR J GRAHAM
~~MR J C MOBERLY~~
~~LORD BRIDGES~~
LORD M G LENNOX
MR EVANS
~~MISS BROWN~~
HD/MED
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RESIDENT CLERK

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ASSESSMENTS STAFF) CABINET
MR R WADE GERY) OFFICE
MR LE CHEMINANT)
MR W H WENBAN SMITH)
DIO)

MR R WILLIAMS CRE5 DOT
MR ~~W HITCHCOCK~~ J. LAWES DEPT OF TRADE
MR C BENJAMIN DOI
MR D LE B JONES) DEPT OF
MR C LUCAS) ENERGY

CONFIDENTIAL
FM BRIT INT SECTION TEHRAN 120800Z AUG. 81.

ADVANCE COPY

TO IMMEDIATE FCO
TELEGRAM NO 337 OF 12 AUGUST 81.
INFO ROUTINE STOCKHOLM AND THE HAGUE.

IMMEDIATE

MIPT : (NOT TO ALL) PYKE.

1. AFTER DISCUSSING THE STATUS OF THE EMBASSY WITH SHAIKHOLESLAM, AMBASSADOR BUNDY ASKED WHETHER THERE WAS ANY CHANCE OF PROGRESS ON THE PYKE CASE. SHAIKHOLESLAM SAID THAT HE HAD BEEN IN CONTACT WITH THE PUBLIC PROSECUTOR FOR TEHRAN, LAJVARDI, AND LEARNED THAT PYKE HAD BEEN CHARGED WITH ESPIONAGE. IN ANSWER TO A QUESTION HE SAID THIS CONTACT WAS MADE IN THE LAST TWO OR THREE WEEKS.

2. BUNDY EVIDENTLY GOT QUITE UPSET ABOUT THIS, STRESSING THAT ACCORDING TO ALL THE INFORMATION HE HAD HAD THE ESPIONAGE CHARGE HAD BEEN DROPPED LONG AGO. HE REFERRED TO SUCH A STATEMENT BY AFSHARPUR IN THE TEHRAN REVOLUTIONARY PROSECUTOR'S OFFICE REPORTED IN A NOTE SENT TO THE MINISTRY ON 16 APRIL.

(HE DID NOT REFER TO A SIMILAR UNDER-TAKING HE HAD HAD PERSONALLY FROV QOTBZADEH, IN ORDER NOT TO CAUSE PROBLEMS FOR THE LATTER).

3. SHAILHOLESLAM THEN MADE THE LINK WITH THE IRANIAN, NOURIPUR, NOW IS PRISON IN LONDON. HE HAD BEEN HELD A LONG TIME BEFORE TRIAL, BADLY TREATED AND THOUGH INNOCENT HAD BEEN CONVICTED. IF THIS HAPPENED IN BRITAIN IT WAS NOT SURPRISING THAT IN IRAN, IN A STATE OF REVOLUTION, THERE SHOULD BE DELAYS.

4. WHEN BUNDY MENTIONED THAT WE COULD NOT EVEN VISIT MR PYKE, SHAIKHOLESLAM SAID THAT THE IRANIANS WERE PREPARED TO ISSUE VISAS FOR HIS FAMILY, EG FOR HIS PARENTS TO COME OUT HERE. ASKED IF THIS APPLIED TO HIS WIFE, HE SAID ''YES, OF COURSE''.

5. BUNDY IS DEPRESSED ABOUT THIS NEW DEVELOPMENT, AS HE SEES IT, IN THE CASE
AGINST PYKE: LIKE MOST OF US HE THINKS OF LAJVARDI AS LITTLE MORE THAN A CRIMINAL BUTCHER. (IT WAS THE LATTER'S BROTHER, INCIDENTALLY, WHO CAUSED MOST OF THE PROBLEMS FOR THE FRENCH AT THE AIRPORT RECENTLY). WHEN HE SEES THE PRESIDENT OF THE SUPREME COURT THIS MORNING, BUNDY WILL EXPRESS HIS HOPE THAT SPYING CHARGES, WHICH HE UNDERSTOOD HAD BEEN DROPPED, SHOULD NOT BE REVIVED AGAINST PYKE.

6. SEE M.I.F.T.

BARRINGTON.

NNNN

Iran

GR 340
CONFIDENTIAL

FM BRIT INT SECT TERHAN 061014Z AUG
TO IMMEDIATE FCO
TELEGRAM NUMBER 327 OF 6 AUGUST 81
INFO IMMEDIATE PARIS
INFO PRIORITY WASHINGTON
INFO ROUTINE STOCKHOLM

MY TELNO 323: IRAN / FRANCE.

1. MATTERS HAVE NOW ESCALATED SERIOUSLY. DEPIS, THE POLITICAL DIRECTOR FOR THE MIDDLE EAST AT THE QUAI, ARRIVED IN TEHRAN YESTERDAY AS REPRESENTATIVE OF THE PRESIDENT TO RECALL THE AMBASSADOR AND ALMOST ALL OF HIS STAFF. AMBASSADOR GEORGY INFORMED THE MINISTRY OF FOREIGN AFFAIRS YESTERDAY AFTERNOON THAT HE WOULD BE LEAVING WITH ALL HIS STAFF AND THEIR WIVES, EXCEP FOR A FIRST SECRETARY AND CONSUL, BY THE AIR FRANCE PLANE LEAVING EARLY THE NEXT DAY, IE TODAY.

2. THE FRENCH PARTY DULY EMBARKED THIS MORNING BUT WHEN THE AIRCRAFT WAS ABOUT TO TAKE OFF IT WAS DIVERTED INTO THE MILITARY SECTION OF THE AIRPORT AND HELD. GEORGY AND DEPIS SUCCEEDED IN DRIVING BACK INTO TEHRAN WHERE THEY HAVE NOW SPENT MORE THAN THREE HOURS IN THE OFFICE OF THE YOUNG DEPUTY FOREIGN MINISTER, SHAIKHOLESLAM. MEANWHILE, THE AIR FRANCE AIRCRAFT HAS BEEN ALLOWED TO DEPART FOR ISTANBUL AND PARIS, LEAVING THE SIXTY ODD FRENCH NATIONALS AT THE AIRPORT. ALL FRENCH NATIONAL HAVE BEEN FORBIDDEN TO LEAVE IRAN.

3. GUINHUT, WHO IS THE MAN LEFT IN CHARGE, TOLD ME THAT ANOTHER AIRCRAFT IS BEING SENT FROM PARIS TO TRANSPORT HIS COLLEAGUES BUT HE HAS NO IDEA HOW THE DISCUSSIONS AT THE MFA WILL BE RESOLVED.

 /4. IT LOOKS

4. IT LOOKS AS IF A FRENCH ATTEMPT TO BE TOUGH HAS MISFIRED. AS FAR AS WE KNOW THERE WAS NO REASON FOR GEORGY TO PULL OUT ALMOST ALL HIS STAFF WITH SUCH PRECIPITATE HASTE, EXCEPT TO FORESTALL AN IRANIAN REQUEST THAT HE SHOULD BE WITHDRAWN, WHICH REQUEST WAS DULY MADE LAST NIGHT AND GIVEN PUBLICITY HERE. THE IRANIANS, SURPRISED BY THE FRENCH REACTION WHICH THEY REGARDED AS PROVOCATIVE, PROBABLY DECIDED TO REGAIN THE INITIATIVE BY PREVENTING THE EMBASSY STAFF FROM LEAVING. GEORGY IS AN EXCITABLE MARSEILLAIS AND IT MAY BE DIFFICULT FOR EITHER SIDE TO BACK DOWN.

5. I HAVE TOLD GUINHUT THAT ALTHOUGH OUR STATUS MAKES IT DIFFICULT TO HELP OFFICIALLY, WE ARE OF COURSE READY TO DO ANYTHING WE CAN TO HELP ON A PERSONAL LEVEL.

BARRINGTON

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SUBJECT

Copied to Subject + Masters.

Iran

RESTRICTED

GRS 70A

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T113/81

RESTRICTED
FROM FCO 050943Z AUG 81
TO IMMEDIATE TEHRAN
TELEGRAM NUMBER 195 OF 5 AUGUST 1981
INFO STOCKHOLM AND BAGHDAD.

YOUR TELNO 317: MESSAGE OF CONGRATULATIONS TO PRESIDENT RAJAI.

1. PLEASE DELIVER THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO PRESIDENT RAJAI AFTER FOREWARNING THE SWEDISH EMBASSY:

BEGINS: I CONGRATULATE YOU ON YOUR RECENT ELECTION AS PRESIDENT OF IRAN. I LOOK FORWARD TO GOOD RELATIONS WITH YOUR COUNTRY ON THE BASIS OF MUTUAL UNDERSTANDING.

ENDS.

2. WE ARE NOT SEEKING PUBLICITY FOR THIS, BUT NATURALLY HAVE NO OBJECTION IF THE IRANIANS WISH TO PUBLICISE IT.

CARRINGTON

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PS/LPS
PS/MR HURD
PS/PUS
MR. J. C. MORELLY
SIR J. GRAHAM

RESTRICTED

Prime Minister
Agree to send the attached message of congratulations to President Rajai?

Foreign and Commonwealth Office

London S.W.1

Iran

WR 4/8

As amended

4 August 1981

Dear Michael.

BF for Tel to T

IRAN

Mohammad Ali Rajai, formerly Prime Minister, was elected President of Iran on 24 July with 95% of the votes cast. He was officially inaugurated as Bani Sadr's successor on 2 August. The elections were stage-managed : Rajai was the official candidate of the Islamic Republican Party; 69 candidates were declared unsuitable; and the three other candidates withdrew on the eve of the election. Rajai is an extreme Muslim fundamentalist whose election consolidates the ruling Islamic Republican Party's hold on Iranian politics.

Nicholas Barrington, the newly arrived Head of the British Interests Section in Tehran, has suggested that a message of congratulations should be sent as a sign to the Iranian Government of our desire to maintain contacts. As you are aware, throughout the recent difficult period in Anglo-Iranian relations, we have maintained a flow of messages to this end. Lord Carrington recently sent a message to the new Iranian Foreign Minister. France, the FRG, Italy and Belgium have already sent messages. In full awareness of the difficulties of the proposal, the Lord Privy Seal nonetheless thinks that, for the sake of our future relations, and of Mr Pyke, who remains in custody, there would be a case for the Prime Minister sending a short message of congratulations to President Rajai.

/I therefore

M O'D B Alexander Esq
10 Downing Street

Sent for despatch to FCO on 5/8
CS

I therefore enclose a draft telegram to Tehran instructing Mr Barrington to hand over a message, after consulting the Swedes who protect our interests in Iran. If the Prime Minister agrees, I should be grateful if you would arrange for it to be despatched.

Yours ever
Stephen Gomersall.

S J Gomersall
Private Secretary to the
Lord Privy Seal

53842 (21668) DD.0532043 100M 9/76 GWB LTD. GP.870

File No. .....

Department MED

Drafted by (Block Capitals) .....

Tel. Extn. .....

OUTWARD TELEGRAM

Security Classification: RESTRICTED

Precedence: IMMEDIATE

DESKBY ..... Z

FOR COMMS. DEPT. USE — Despatched (Date) ..... (Time) ..... Z

POSTBY ..... Z

PREAMBLE

(Time of Origin) ..... Z (G.M.T.)

(Security Class.) RESTRICTED

(Codeword) .....

(Restrictive Prefix) .....

(Caveat/ Privacy marking) .....

(Deskby) ..... Z

TO IMMEDIATE (precedence) TEHRAN (post) Tel. No. ..... of .....

AND TO (precedence/post) .....

AND SAVING TO .....

REPEATED TO (for info) STOCKHOLM, BAGHDAD

SAVING TO (for info) .....

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PS/Mr Hurd
Mr J C Moberly
Sir J Graham
NENAD
News Dept

Copies to:-

[TEXT]

YOUR TELNO 317 : MESSAGE OF CONGRATULATIONS TO PRESIDENT RAJAI

1. Please deliver the following message from the Prime Minister to President Rajai after forewarning the Swedish Embassy:

Begins : I congratulate you on your recent election as President of Iran. I look forward to good relations with your country on the basis of mutual understanding ~~and respect~~. Ends.

2. We are not seeking publicity for this, but naturally have no objection if the Iranians wish to publicise it.

44. DESKBY 051030Z.

AN: ADVANCE COPIES

PS (6)
PS/SIR I GILMOUR (3)
PS/MR HURD
PS/PUS
SIR J GRAHAM
MR J C MOBERLY
LORD BRIDGES
LORD N G LENNOX
MR EVANS
MISS BROWN
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RESIDENT CLERK

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SIR R ARMSTRONG)
ASSESSMENTS STAFF) CABINET
MR R WADE GERY) OFFICE
MR LE CHEMINANT)
MR W H WEMBAN SMITH)
DIO)

MR R WILLIAMS CRE5 DOT
MR ~~W WHITCHTON~~ J. VAINES DEPT OF TRADE
MR C BENJAMIN DOI
MR D LE B JONES) DEPT OF
MR C LUCAS) ENERGY

00 F C O DESKBY 051030Z

GR 380
CONFIDENTIAL
FM BRIT INT SECT TEHRAN 050930ZJUL
TO IMMEDIATE FCO
TELEGRAM NUMBER 275 OF 5 JULY 81.

IRAN/UK : PRESS CORRESPONDENTS.

1. FOLLOWING THE EXPLOSION AT THE HEADQUARTERS OF THE ISLAMIC REPUBLICAN PARTY (IRP) ON 28 JUNE, A CAMPAIGN AGAINST THE FOREIGN PRESS HAS DEVELOPED. THE SPEED WITH WHICH REUTERS AND OTHER AGENCIES, AND ALSO THE BBC, WERE ON TO THE NEWS IS BEING PORTRAYED AS SUSPICIOUS. ON 2 JULY, ISLAMIC REPUBLIC, THE IRP'S DAILY PAPER, CARRIED AN ARTICLE ACCUSING FOREIGN CORRESPONDENTS OF BEING ''INTELLIGENCE AGENTS AT THE SERVICE OF THE SUPERPOWERS'' AND ENGAGING IN ESPIONAGE ACTIVITIES FOR RADIO ISRAEL AND RADIO IRAQ. THE MINIMUM GOAL OF THE CAMPAIGN IS

ISRAEL AND RADIO IRAQ. THE MINIMUM GOAL OF THE CAMPAIGN IS CLEARLY TO ENGINEER THE REMOVAL FROM IRAN OF CORRESPONDENTS DISLIKED BY THE AUTHORITIES. BUT IT MAY HERALD A GENERAL EXPULSION OF THE WESTERN PRESS.

2. WE SUBSEQUENTLY HEARD THAT ONE REUTERS CORRESPONDENT, PHILPS, AND HIRST OF THE GUARDIAN HAD BEEN TOLD TO LEAVE AND THAT ALL APPLICATIONS BY FOREIGN JOURNALISTS TO IRAN WERE BEING REFUSED. WE UNDERSTAND THAT THE WESTERN CORRESPONDENTS ARE TRYING TO SEE THE SPEAKER OF THE MAJLES TO OBTAIN CLARIFICATION OF THE ISLAMIC REPUBLIC ARTICLE OF 2 JULY.

3. ON 5 JULY ISLAMIC REPUBLIC CARRIED AN ARTICLE ATTACKING HIRST FOR AN ARTICLE BY HIM IN THE GUARDIAN CONCERNING THE IRANIAN ALLEGATIONS. THE ISLAMIC REPUBLIC ARTICLE OF 5 JULY SAYS IN PART: ''DAVID HIRST IS A WELL-KNOWN REPORTER WHOSE ARRIVAL IN IRAN LAST WEEK SURPRISED EVERYBODY. ACCORDING TO OBSERVERS ON IRAN'S ISSUES, IF THERE ARE TWO REPORTERS IN THE WORLD WHO POSE THREATS TO THE ISLAMIC REVOLUTION, HE IS THE FIRST. ISLAMIC REPUBLIC ONCE AGAIN DRAWS THE ATTENTION OF APPROPRIATE OFFICIALS AT THE MINISTRY OF NATIONAL GUIDANCE TO THE SUSPICIOUS AND QUENTION-RAISING PRESENCE OF THIS FAMOUS SPY, ESPECIALLY CONSIDERING THE FACT THAT, AS SHOWN BY REPORTS REACHING IRAN, HIS ARRIVAL IN IRAN HAS EVEN SURPRISED WESTERN CIRCLES.''

4. WE THINK HIRST HAS GONE INTO HIDING. BUT AS HIS VISA OR PRESS CARD EXPIRES TOMORROW (6 JULY) HE LOOKS LIKE BEING IN A SPOT. HE HAS NOT BEEN IN CONTACT WITH THE INTERESTS SECTION SINCE A CALL ON 2 JULY.

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IRAN: ADVANCE COPIES X 36

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TO PRIORITY FCO
TELEGRAM NUMBER 264 OF 30 JUNE 81 ADVANCE COPY
INFO WASHINGTON.

MY TELNO 263 : IRAN INTERNAL.

1. THE DEATH TOLL IN THE EXPLOSION AT THE IRP HEADQUARTERS HAS RISEN TO 72. THE FUNERAL IS BEING HELD TODAY (30 JUNE). THOSE KILLED INCLUDE THREE MINISTERS AND OVER 20 MEMBERS OF THE MAJLES. IT IS STILL NOT CERTAIN WHO WAS RESPONSIBLE.

2. RAJAI HAS APPOINTED TEMPORARY SUPERVISORS OF THE VACANT MINISTRIES, A MOVE IN ACCORDANCE WITH THE REGIME'S EVIDENT DESIRE TO KEEP THINGS GOING AS NORMALLY AS POSSIBLE. ALTHOUGH PEOPLE ARE BEING ASKED TO BE MORE VIGILANT, NO NEW SECURITY MEASURES HAVE BEEN ANNOUNCED.

3. REACTIONS TO THE ASSASSINATIONS HAVE BEEN VERY MIXED. THE PREVAILING MOOD IS PERHAPS ONE OF SHOCK COUPLED WITH WORRY WHAT WILL HAPPEN NEXT. THE IRP MUST BE CONCERNED AT THE LOSS

3. REACTIONS TO THE ASSASSINATIONS HAVE BEEN VERY MIXED. THE PREVAILING MOOD IS PERHAPS ONE OF SHOCK COUPLED WITH WORRY AT WHAT WILL HAPPEN NEXT. THE IRP MUST BE CONCERNED AT THE LOSS OF SO MANY OF THEIR LEADERS BUT ARE RALLYING ROUND IN SORROW AND ANGER AND SHOWING RENEWED DETERMINATION TO DEAL WITH ''SEDITIOUS'' GROUPS. THE BEZBULLAHIS ARE HAVING A FIELD DAY. THE MORE BITTER OPPONENTS OF THE IRP ARE ALMOST OPENLY EXULTANT, CONSIDERING THE ASSASSINATIONS JUST RETRIBUTION FOR RECENT EXECUTIONS (INCLUDING ONE OF A 13 YEAR OLD GIRL) AND ATROCITIES. NEITHER THE IRP NOR THE UNDERGROUND OPPOSITION WILL GIVE UP EASILY.

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FM BRIT INT SECT TEHRAN 220800Z JUN
TO IMMEDIATE FCO
TELEGRAM NUMBER 247 OF 22 JUNE 81
INFO PRIORITY WASHINGTON, BAGHDAD AND STOCKHOLM.

IRAN : INTERNAL.

1. THE BILL CONCERNING BANI SADR'S ''POLITICAL INCOMPETENCE'' WAS DEBATED IN THE MAJLES ON 20 AND 21 JUNE AND APPROVED BY 177 VOTES TO ONE, WITH 11 ABSTENTIONS. THE NEXT STEP WILL BE FOR KHOMEINI TO DISMISS HIM. THE REVOLUTIONARY PROSECUTOR-GENERAL HAS CALLED FOR BANI SADR'S ARREST ON CHARGES INCLUDING ''PROVOKING GROUPS TO RESIST THE LEGAL INSTITUTIONS OF THE ISLAMIC REPUBLIC''.

2. ON 20 JUNE THERE WAS VIOLENCE IN SEVERAL PARTS OF CENTRAL TEHRAN AS THE MOJAHEDIN-E KHALQ (MOK) CLASHED WITH SUPPORTERS OF THE ISLAMIC REPUBLICAN PARTY (IRP). THE OFFICIAL DEATH TOLL IS SO FAR 24, AND A LARGE NUMBER WERE INJURED. PREMISES SUCH AS THE HEADQUARTERS OF THE ISLAMIC STUDENTS' ASSOCIATION WERE ATTACKED AND A NUMBER OF VEHICLES WERE SET ON FIRE. DURING

TOLL IS SO FAR 24, AND A LARGE NUMBER WERE INJURED. PREMISES SUCH AS THE HEADQUARTERS OF THE ISLAMIC STUDENTS' ASSOCIATION WERE ATTACKED AND A NUMBER OF VEHICLES WERE SET ON FIRE. DURING THE DAY BANI SADR'S WIFE AND BROTHER-IN-LAW WERE ARRESTED, BUT THEY WERE LATER RELEASED. ON 21 JUNE THERE WERE QUITE LARGE-SCALE BUT MAINLY PEACEFUL DEMONSTRATIONS BY IRP SUPPORTERS CHANTING SLOGANS SUCH AS ''DEATH TO BANI SADR''. ON THE SAME DAY 15 MEMBERS OF LEFT-WING GROUPS, MOSTLY INVOLVED IN THE INCIDENTS ON 20 JUNE, WERE EXECUTED. THIS MORNING (22 JUNE) THERE WERE ANGRY SCENES OUTSIDE EVIN PRISON, WHERE THE EXECUTIONS TOOK PLACE.

3. WITH BANI SADR ELIMINATED AND THE HEZBULLAHIS, BACKED BY THE IRP, DOMINANT IN THE STREETS, THERE IS NOW A PROSPECT OF A CAMPAIGN OF URBAN TERRORISM BY THE MOK AND OTHER GROUPS. WE HAVE HEARD FROM A SOURCE CLOSE TO THE MOK THAT THEY PLAN TO ATTACK KOMITEH AND REVOLUTIONARY GUARD POSTS AND POSSIBLY ALSO PETROL STATIONS. THEY MAY ALSO ATTEMPT TO ASSASSINATE LEADING IRP FIGURES. (THERE IS ALREADY A RUMOUR THAT CHAMRAN, KHOMEINI'S REPRESENTATIVE ON THE SUPREME DEFENCE COUNCIL, WHO WAS OFFICIALLY REPORTED ON 21 JUNE TO HAVE DIED DURING THE DEFENCE OF SUSANGERD, WAS THE VICTIM OF FACTIONAL STRUGGLES). SO FAR AT LEAST THERE IS NO TALK OF ATTACKS ON FOREIGN TARGETS.

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FM BRIT INT SECT TEHRAN 171200Z JUN

TO IMMEDIATE FCO

TELEGRAM NUMBER 243 OF 17 JUNE 81

AND TO IMMEDIATE CABINET OFFICE

INFO PRIORITY WASHINGTON AND BAGHDAD.

MY TELNO 238 : IRAN INTERNAL.

1. THE PRESIDENTIAL ADIVSERS ARRESTED INCLUDE BANI SADR'S TWO MAIN AIDES, FARHANG AND SANJABI. THE PRESIDENT'S OFFICE IS SAID NOW TO BE OCCUPIED. AN EYE-WITNESS HAS TOLD US THAT THERE ARE POLICE OUTSIDE IT INSTEAD OF THE USUAL PRESIDENTIAL GUARDS: OTHERWISE EVERYTHING SEEMS NORMAL OUTSIDE THE BUILDING. BANI SADR'S WHEREABOUTS ARE NOT KNOWN. ONE RUMOUR HAS IT THAT HE IS IN HAMADAN.

2. THE MAJLES IS DISCUSSING PROCEDURES FOR A DEBATE CONCERNING THE PRESIDENT'S ''LACK OF POLITICAL COMPETENCE'', WHICH IS UNLIKELY TO BEGIN UNTIL SATURDAY AT THE EARLIEST. IN AN OMINOUS STATEMENT TO A CROWD OUTSIDE THE JUSTICE BUILDING ON 16 JUNE THE PROSECUTOR-GENERAL, ARDEBILI, TOLD A CROWD OF A FEW HUNDRED THAT HE WOULD DO WHAT HE COULD TO SATISFY THEIR REQUEST THAT BANI SADR SHOULD BE PUT ON TRIAL.

3. ASSUMING THAT BANI SADR IS DISMISSED, ARRANGEMENTS WILL THEN BE AS LAID DOWN IN ARTICLE 131 OF THE CONSTITUTION. POWER WILL PASS TEMPORARILY TO A PROVISIONAL PRESIDENCY COUNCIL CONSISTING OF RAFSANJANI (SPEAKER OF THE MAJLES), BEHESHTI (PRESIDENT OF THE SUPREME COURT) AND RAJAI (PRIME MINISTER), IE THE LEADING IRP TRIUMVIRATE. ELECTIONS FOR A NEW PRESIDENT WILL HAVE TO BE HELD WITHIN 50 DAYS. THE IRP WILL NO DOUBT OBTAIN THE ELECTION OF A CANDIDATE OF IT CHOICE.

4. SCATTERED DEMONSTRATIONS BY BANI SADR SUPPORTERS CAN BE EXPECTED DURING THE NEXT FEW DAYS, AND THE IRP WILL NO DOUBT ARRANGE FOR A LARGE CROWD AT TEHRAN'S FRIDAY PRAYERS. BUT AT PRESENT TEHRAN HAS AN APPEARANCE OF NORMALITY.

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TO IMMEDIATE FCO
TELEGRAM NUMBER 235 OF 15 JUNE 81
INFO IMMEDIATE CABINET OFFICE
INFO ROUTINE WASHINGTON AND BAGHDAD.

IRAN : INTERNAL.

1. THE LAST FEW WEEKS HAVE SEEN AN ACCELERATED EROSION OF BANI SADR'S POSITION. IRP DOMINANCE IN THE MAJLES AND JUDICIARY HAS BEEN USED TO STRIP BANI SADR OF VARIOUS POWERS IN WHAT IS PRESENTED AS A CONSTITUTIONAL MANNER. FIGURES PREVIOUSLY CONSIDERED FAIRLY IMPARTIAL SUCH AS THE MINISTER OF INTERIOR, MAHDAVI-KANI, AND THE MINISTER OF ECONOMY AND FINANCE, NAMAZI, HAVE SIDED AGAINST HIM. THEY WERE NO DOUBT GIVING WAY TO INCREASED PRESSURE. KHOMEINI'S ROLE, IN SUPPORTING THE MAJLES AND THE JUDICIARY AND IMPLICITLY THE GOVERNMENT AGAINST BANI SADR AND IN DISMISSING HIM AS SUPREME

COMMANDER OF THE ARMED FORCES, HAS BEEN CRUCIAL. IT SEEMS THAT BANI SADR'S INCREASED IDENTIFICATION WITH LIBERAL AND LEFTIST GROUPS AND HIS DISOBEDIENCE CONCERNING KHOMEINI'S TEN-POINT EDICT CAUSED KHOMEINI TO LOSE PATIENCE WITH HIM. KHOMEINI CAN ALSO BE SAID TO BE REVERTING TO TYPE AS A MAN FOR WHOM ISLAM AND THE CLERGY COME FIRST. IT IS OF SOME SIGNIFICANCE THAT THE ''MILITANT CLERGY'' GROUP WHICH SUPPORTED BANI SADR IN THE PRESENTIAL ELECTIONS HAVE COME OUT AGAINST HIM TOO. BANI SADR'S TACTICAL JUDGMENT HAS AGAIN BEEN FOUND WANTING.

2. THE LACK OF COHESION AND DECISIVE LEADERSHIP WHICH CHARACTERISE BANI SADR'S CAMP, TOGETHER WITH THE OPPOSITION'S DIFFICULTY IN OPPOSING MOVES THAT CAN BE PRESENTED AS CONSTITUTIONAL, HAS MEANT THAT REACTIONS HAVE SO FAR BEEN EASILY CONTAINED BY THE REGIME. ALTHOUGH THERE HAVE BEEN SCATTERED DEMONSTRATIONS IN TEHRAN AND REPORTS OF INCREASED TROUBLE IN THE PROVINCES, PARTICULARLY AZERBAIJAN AND SHIRAZ, THERE IS NO SIGNE OF OPPOSITION TO THE IRP COMING TOGETHER EFFECTIVELY. THE MOJAHEDIN-E KHALQ (MOK), THE LARGEST OPPOSITION GROUP, HAVE DECLARED THEIR SUPPORT FOR BANI SADR BUT HAVE SO FAR DONE LITTLE MORE THAN MOUNT OR JOIN SMALL-SCALE DEMONSTRATIONS. THERE ARE RUMOURS OF THE MOK COMING TOGETHER WITH THE TUDEH TO OPPOSE THE REGIME BUT IT IS UNLIKELY THAT THE TUDEH WILL CONSIDER THE TIME RIPE TO OPPOSE THE IRP. THE BIGGEST QUESTION MARK LIES OVER THE ARMED FORCES. WE HAVE HAD REPORTS OF AIR FORCE PERSONNEL JOINING IN PRO-BANI SADR DEMONSTRATIONS, OF ARMY UNITS PASSING DECLARATIONS OF SUPPORT FOR HIM AS SUPREME COMMANDER, AND OF ARMY PERSONNEL DISTRIBUTING LEAFLETS IN HIS CAUSE. BUT BECAUSE OF THE WAR AND THE OVERALL POLITICAL BALANCE IT IS UNLIKELY THE ARMED FORCES WILL NOW ACT DECISIVELY IN BANI SADR'S FAVOUR. GENERAL FALLAHI AND COLONEL FAKURI HAVE BOTH MADE STATEMENTS OBEDIENT TO KHOMEINI.

3. BANI SADR'S FUTURE IS NOW IN THE BALANCE. 120 MEMBERS OF THE MAJLES HAVE ASKED FOR A DEBATE TO CONSIDER HIS IMPEACHMENT, WHICH COULD LEAD TO HIS DISMISSAL BY KHOMEINI . BUT RAFSANJANI SEEMS TO BE TRYING TO PREVENT OR POSTPONE THIS. NO DOUBT THERE ARE DIFFERENT COUNSELS WITHIN THE IRP. WHETHER BANI SADR REMAINS OR NOT, THE GRIP OF THE IRP ON GOVERNMENT WILL TIGHTEN. WITH MODERATE ISLAMIC ELEMENTS SILENCED, THE IRP WILL BE IN A STRONGER POSITION TO ENFORCE THEIR BRAND OF THOUGH CONTROL.

4. THERE HAVE BEEN VARIOUS REPORTS OF INCIDENTS AT BANI SADR'S OFFICE SINCE HE RETURNED TO TEHRAN. SOME HEZBULLAHIS EITHER

4. THERE HAVE BEEN VARIOUS REPORTS OF INCIDENTS AT BANI SADR'S OFFICE SINCE HE RETURNED TO TEHRAN. SOME HEZBULLAHIS EITHER BROKE INTO IT OR STAGED A SIT-IN ON 12 JUNE BUT WERE LATER THROWN OUT. WE HAVE HEARD FROM EYE-WITNESSES THAT ALL WAS NORMAL OUTSIDE THE OFFICE ON 13 JUNE, THOUGH THERE WERE CLASHES IN VARIOUS PARTS OF TEHRAN THAT DAY, WITH AT LEAST ONE DEATH. THERE ARE RUMOURS THAT THE DEATH TOLL IN TEHRAN IN THE LAST WEEK HAS BEEN BETWEEN 12 AND 23. THE REVOLUTIONARY GUARDS HAVE ISSUED A STATEMENT AGAINST THE UNAUTHORISED OCCUPATION OF OFFICIAL PREMISES. TO WHAT EXTENT BANI SADR HAS BECOME A VIRTUAL PRISONER IS NOT CLEAR: HE HAS NOT APPEARED IN PUBLIC FOR THE LAST FEW DAYS. HIS PRINCIPAL ADVISERS HAVE GONE TO GROUND.

5. ONE OF THE BIGGEST TESTS FOR THE OPPOSITION COMES TODAY (15 JUNE) WHEN THE NATIONAL FRONT INTEND TO HOLD AN ILLEGAL RALLY AT 1600 LOCAL TIME. OTHER GROUPS MAY WELL JOIN THEM. IF THE DAY PASSES WITHOUT SERIOUS TROUBLE IT WILL BE FAIRLY SAFE TO SAY THAT THE IRP HAVE WON BOTH SET AND MATCH.

BARRETT

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CONFIDENTIAL

cc Bernard Ingham

File AH

Iran

10 DOWNING STREET

From the Principal Private Secretary 21 May 1981

Dear Francis,

IRAN/UK RELATIONS

I have shown the Prime Minister your letter of 20 May 1981 to Michael Alexander and she has taken note that Lord Carrington has decided that we should take steps to reopen our Embassy in Tehran on 2 June.

Yours ever,

Clive Whitmore.

Francis Richards Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

20 May 1981

Dear Michael,

Iran/UK Relations

You will recall that Ministers decided at OD on 9 April that we should go ahead with plans for the re-establishment of the British Embassy in Tehran. Subsequently the Foreign and Commonwealth Secretary decided that we should nevertheless await the outcome of the trial of two Iranians accused of causing a bomb explosion in a London hotel last year. This has now been completed without provoking an unhelpful reaction in Iran. The Head of the British Interests Section in Tehran, in agreement with the Swedish Ambassador, has therefore recommended that we should take steps to reopen our Embassy on 2 June.

Lord Carrington has accepted this recommendation. We shall be notifying the authorities in Tehran of our decision within the next few days, but it is unlikely that our decision will become public knowledge until 24 May. When it does there may be some criticism on the grounds that Mr Pyke's case is still no nearer resolution (though we have regular consular access and progress has been made in clarifying the charges against him). We shall continue to argue that more normal relations with Iran will improve our ability to help Mr Pyke as well as serving other national interests.

Yours ever.

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing St

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Iran

GR 540 CONFIDENTIAL

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FM BRIT INT SECT TEHRAN 040430Z MAY

TO PRIORITY FCO

TELEGRAM NUMBER 156 OF 4 MAY 81

INFO STOCKHOLM AND THE HAGUE.

MR

ANDREW PYKE.

1. GAUFFIN AND RUNDLE SAW PYKE AT EVIN PRISON ON 30 APRIL. HE LOOKED WELL, APART FROM BEING PALE, BUT WAS DEPRESSED AND CONCERNED AT HIS CONTINUING DETENTION. SOME MONEY, BOOKS AND CLOTHES WERE DELIVERED, AND SOME LETTERS FROM RELATIVES. PYKE ASKED IF WE WOULD FIND OUT WHETHER A POWER OF ATTORNEY FOR HIS WIFE, WHICH HE SIGNED A MONTH AGO, HAD REACHED HER. GRATEFUL IF YOU WOULD CHECK.

2. MUCH OF THE VISIT WAS TAKEN UP WITH A CALL ON AFSHARPUT, THE OFFICER INVESTIGATING PYKE'S CASE. THE SITUATION SEEMS TO HAVE CHANGED CONSIDERABLY. THE FIRST TWO OF THE ORIGINAL CHARGES HAVE BEEN DROPPED WITH RESPECT TO PYKE AND WILL NOW BE PURSUED BY THE IRANIAN MINISTRY OF DEFENCE ON A ''COUNTRY-TO-COUNTRY'' BASIS (WHETHER WITH BRITAIN OR THE THE NETHERLANDS IS NOT CLEAR). THE CHARGES AGAINST PYKE ARE NOW :-

(I) THAT THE COMPANY HAS NOT RETURNED TO IRAN CERTAIN PARTS WHICH WERE SENT TO EUROPE FOR REPAIR. THESE ARE ESTIMATED TO BE WORTH RIALS 200 MILLION.

(II) FINANCIAL CHARGES CONCERNING THE COMPANY, INCLUDING THE ORIGINAL CHARGE OF CURRENCY SMUGGLING BUT ALSO INCLUDING PYKE'S AUTHORISATION OF A MONTHLY RENT OF RIALS 230,000 FOR A HOUSE.

3. A LETTER TO THE EMBASSY CONCERNING BAIL HAS BEEN PREPARED FOR THE SIGNATURE OF LAJVARDI, THE REVOLUTIONARY PROSECUTOR OF TEHRAN. THIS WILL APPARENTLY DETAIL THE COST OF PARTS SAID TO BE OWED TO IRAN BY THE COMPANY (TOTAL RIALS 200 MILLION) AND ALLEGED CURRENCY AND OTHER OFFENCES (TOTAL ABOUT RIALS 200 MILLION), MAKING A GRAND TOTAL FOR THE PROPOSED BAIL OF ABOUT RIALS 400 MILLION (US DOLLARS 6 MILLION APPROXIMATELY). AFSHARPUR SAID THAT IF THE PARTS WERE RETURNED THE BAIL WOULD BE REDUCED TO US DOLLARS 3 MILLION APPROXIMATELY.

4. AFSHARPUR SAID THAT PYKE'S TRIAL WAS LIKELY TO START IN 2-4 MONTHS. HE CLAIMED THAT SINCE THE PREVIOUS CONSULAR VISIT THE PROCESS OF INVESTIGATION HAD BEEN SPEEDED UP ''BECAUSE

HE WAS A FOREIGNER'' AND IT WOULD SHORTLY BE FINISHED.

5. AFSHARPUR SAID THAT IF THE EMBASSY REQUESTED IN WRITING FROM LAJVARDI DETAILS CONCERNING THE PARTS WHICH ARE THE SUBJECT OF THE NEW FIRST CHARGE AGAINST PYKE, THESE WOULD BE SUPPLIED. HE ALSO SAID THAT A MEMBER OF THE EMBASSY COULD EXAMINE ALL THE DOCUMENTS, AND THAT PYKE HIMSELF COULD EXAMINE THEM BEFORE HIS TRIAL. THE OPPORTUNITY WAS TAKEN BY US TO INFORM PYKE OF THE REVISED CHARGES, AND OF THE POSITION CONCERNING BAIL.

6. DURING THE MEETING PYKE, WHO HAD NOT BEEN ALLOWED TO DISCUSS THE CASE WITH AFSHARPUR OR LAJVARDI BEFORE, REQUESTED AN OPPORTUNITY TO DO SO. AFSHARPUR AGREED TO SEE HIM NEXT WEEK. PYKE MADE IT CLEAR THAT HE CONSIDERED FIRSTLY THAT HE COULD EASILY REFUTE ANY PERSONAL CHARGES AGAINST HIM IF HE WERE ALLOWED ACCESS TO THE COMPANY'S RECORDS IN TEHRAN, AND SECONDLY THAT THE COMPANY IN HOLLAND AND MR AFSHAR, WHO WAS IN CHARGE OF THE COMPANY'S SHIPPING RECORDS IN TEHRAN, COULD GIVE A COMPLETE ANSWER TO THE CHARGES CONCERNING THE PARTS.

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TO PRIORITY FCO

TELEGRAM NUMBER 153 OF 30 APRIL 81

INFO STOCKHOLM.

UK/IRAN.

1. BUNDY HAS TOLD ME OF A CONVERSATION HE HAD A COUPLE OF DAYS AGO WITH THE DIRECTOR-GENERAL IN THE MFA, DURING THE COURSE OF WHICH ABAN BROUGHT UP THE TRIAL OF THE TWO IRANIANS IN LONDON AND SUGGESTED THAT THEY COULD BE REPATRIATED AT THE CONCLUSION OF THE TRIAL. BUNDY EXPLAINED THAT THIS WOULD DEPEND ON WHETHER THE COURT FOUND THEM GUILTY OR NOT AND ON WHAT SENTENCE WAS IMPOSED. HE EXPLAINED THAT HE COULD NOT EXPRESS A VIEW ON THE POSSIBILITY OF REMISSION WHILE ANY SENTENCE WAS BEING SERVED.

2. ABAN REPLIED THAT IN THIS CASE IT WOULD BE TOO LATE: RELEASE NOW WOULD MAKE NORMALISATION OF RELATIONS EASIER BUT A SENTENCE WOULD BE A BURDEN THAT WOULD MAKE OUR BILATERAL RELATIONS MORE DIFFICULT.

3. BUNDY TOLD HIM IN STRONG TERMS THAT THIS SORT OF REASONING WAS UNACCEPTABLE. NO-ONE COULD UNDERSTAND THAT RELATIONS BETWEEN TWO COUNTRIES SHOULD BE MADE DEPENDENT ON A SENTENCE GIVEN TO A CRIMINAL FOUND GUILTY BY PROPER JUDICIAL PROCEEDINGS. IT WAS ABAN'S DUTY TO EXPLAIN THESE MATTERS CLEARLY TO HIS SUPERIORS. ABAN PROFESSED TO UNDERSTAND BUT HINTED THAT THOSE GOVERNING IRAN AND HIS OWN SUPERIORS WOULD NOT.

4. BUNDY AND I HAVE DISCUSSED THIS CONVERSATION. WE ARE NOT CLEAR HOW FAR THIS REPRESENTS A SHARPENING OF THE IRANIAN POSITION OR WHAT SIGNIFICANCE SHOULD BE ATTACHED TO ABAN'S REMARKS. NOR IS IT CLEAR HOW IT FITS IN WITH THE DESPATCH OF THE IRANIAN LAWYER TO LONDON. BUT IT TENDS TO CONFIRM EVIDENCE FOR CONTINUING HIGH-LEVEL IRANIAN INTEREST IN THE FATE OF THE TWO MEN.

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IRAN STANDARD

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THIS TELEGRAM WAS NOT ADVANCED

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

12 March 1981

Dear Michael,

Iranian Embassy Premises at 16 Princes Gate

John Hoskyns wrote to the Department of the Environment on 24 February about the Royal College of General Practitioners, who apparently have an interest in acquiring the Iranian Embassy premises at 16 Princes Gate. He enclosed correspondence from Mr Ancrum Evans of Rutherfords, the firm which manages investments for the RCGP. As Mr Evans raised a number of questions about the premises, mainly of a political nature, we agreed with the DOE to answer the main points in his letter.

Mr Evans seeks to enlist Government support for the RCGP's schemes. As far as we are concerned, this is entirely a private scheme between the Iranian authorities as owners of the premises and the RCGP and we see no reason for Government involvement. In fact, in view of our current relations with the Iranian Government, formal backing by HMG for the plan could be counter-productive.

Mr Evans goes on to ask whether this Government has any financial liability to the Iranians for the damage done to the Embassy during the SAS seige of last year. You may assure him that the Government accepts no such liability.

Mr Evans finally asks if a dialogue could be established between the RCGP and the Iranians through an intermediary, since the RCGP consider that direct negotiations would be impractical. There are no political or any other reasons why RCGP should not approach the Iranians directly and our advice to them would be to go ahead, though they should be prepared for administrative delays owing to the present disruption of norman communications between various Iranian government departments involved, and the Iranian Embassy in London.

I am sending a copy of this letter to Paul Alsey (Dept of the Environment).

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

IRAN: ADVANCE COPIES 37

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HD/NEWS DEPT
HD/ECD (E)
HD/CONS DEPT
RESIDENT CLERK

PS NO 10 DOWNING ST

SIR R ARMSTRONG)
ASSESSMENTS STAFF) CABINET
MR R WADE GERY) OFFICE
MR LE CHEMINANT)
MR W N WENBAN SMITH)
DIO)

MR R WILLIAMS CRE5 DOT

MR ~~W KNIGHTON~~ J. CANES DEPT OF TRADE

MR C BENJAMIN DOI

MR D LE B JONES) DEPT OF
MR C LUCAS) ENERGY

D.B. 0909002

IMMEDIATE

GRS 290
CONFIDENTIAL
FM STOCKHOLM 061600Z MARCH 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 75 OF 6 MARCH 1981
INFO PRIORITY THE HAGUE AND TEHRAN

ADVANCE COPY

TELECON GORING-MORRIS/LAMPORT
ANDREW PYKE

1. SWEDISH MFA HAVE JUST TOLD US THAT BUNDY SPOKE TO THE IRANIAN MFA (TAGHAVI) ON 3 MARCH ABOUT PYKE'S CASE.
2. IT EMERGED THAT THE FOREIGN MINISTRY HAD SUBMITTED A REPORT TO THE JUDICIAL AUTHORITIES, CULMINATING IN AN APPEAL TO THEM TO DEAL URGENTLY WITH THE MATTER AND TO ALLOW CONSULAR ACCESS. BUNDY POINTED OUT THAT HE HAD ALREADY SENT A NOTE TO THE MINISTRY TO THIS END. ACCORDING TO TAGHAVI, CERTAIN DOCUMENTS HAD BEEN DISCOVERED WHICH THEY WANTED TO TAKE TO COURT. HE SAID THIS WAS PERFECTLY NORMAL. FOR HIS OWN PART, HE HAD THE IMPRESSION THAT THESE DOCUMENTS WERE AIMED NOT SO MUCH AT PYKE PERSONALLY AS AT THE HELICOPTER COMPANY OF WHICH HE WAS DEPUTY MANAGING DIRECTOR. IN THIS CAPACITY HE WAS, HOWEVER, LIABLE FOR QUESTIONING. ACCORDING TO BUNDY, WHAT TAGHAVI MAY HAVE MEANT WAS GOUDUSSI'S SUGGESTION LAST WEEK THAT PYKE MAY HAVE BEEN GUILTY (DIRECTLY OR

TO THIS END. ACCORDING TO TAGHAVI, CERTAIN DOCUMENTS HAD BEEN DISCOVERED WHICH THEY WANTED TO TAKE TO COURT. HE SAID THIS WAS PERFECTLY NORMAL. FOR HIS OWN PART, HE HAD THE IMPRESSION THAT THESE DOCUMENTS WERE AIMED NOT SO MUCH AT PYKE PERSONALLY AS AT THE HELICOPTER COMPANY OF WHICH HE WAS DEPUTY MANAGING DIRECTOR. IN THIS CAPACITY HE WAS, HOWEVER, LIABLE FOR QUESTIONING. ACCORDING TO BUNDY, WHAT TAGHAVI MAY HAVE MEANT WAS GOUDUSSI'S SUGGESTION LAST WEEK THAT PYKE MAY HAVE BEEN GUILTY (DIRECTLY OR INDIRECTLY) OF QUOTE EMBEZZLEMENT UNQUOTE.

3. BUNDY SUBSEQUENTLY MENTIONED TO TAGHAVI THAT HE HAD HEARD FROM ANOTHER SOURCE ABOUT THE POSSIBILITY OF A LINKAGE BETWEEN PYKE AND THE TWO BAYSWATER IRANIANS. TAGHAVI SAID THAT HE WOULD NOT COMPLETELY EXCLUDE THAT BUT ADDED THAT IF THERE WERE NO VALID CHARGES AGAINST PYKE HE SHOULD, IN THE MFA'S VIEW, BE RELEASED. IN THE COURSE OF THE CONVERSATIOCN BUNDY OBTAINED THE IMPRESSION THAT DOCUMENTS IN THE CASE OF PYKE MIGHT HAVE BEEN MISUNDERSTOOD AND WOULD PROVE TO BE REASONABLY HARMLESS IN SO FAR AS PYKE WAS CONCERNED. TAGHAVI ADVISED THAT ONE SHOULD AWAIT A REACTION FROM THE JUDICIAL AUTHORITIES ON THE REPORT REFERRED TO IN PARA 2 ABOVE.

4. BUNDY SUGGESTED TO TAGHAVI THAT AT LEAST PYKE MIGHT BE RELEASED (WITHOUT AUTHORITY TO LEAVE IRAN) PENDING CONCLUSION OF THE EXAMINATION. IN THAT CASE MRS PYKE COULD BE REUNITED WITH HER HUSBAND. TAGHAVI UNDERTOOK TO INVESTIGATE THIS POSSIBILITY BUT ADVISED AGAINST MRS PYKE COMING TO IRAN AT PRESENT.

MURRAY

NNNNV

SENT/RECD AT 0617Z TKO////KAW

MFJ

Iran

25 February 1981

I enclose a letter from the Prime Minister addressed to His Excellency Mr Rajaie, and should be grateful if you would arrange for this to be forwarded to Tehran.

MODBA

Dr. Seyfollah Ehdaie

SUBJECT

cc Private Ops

MFJ 25/2

cc FCO

10 DOWNING STREET

THE PRIME MINISTER

25 February 1981

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 34A/81

Dear Prime Minister

Thank you for your message on the occasion of the second anniversary of the Islamic Revolution, which I have read with interest.

Yours sincerely

MT

His Excellency Mr. Mohammad Ali Rajaie

Foreign and Commonwealth Office

London SW1A 2AH

Type for PM's & my signature

24 February 1981

Dear Michael,

Message to the Prime Minister from the Iranian Prime Minister

I attach as requested a draft acknowledgement from the Prime Minister to the Iranian Prime Minister's message and a covering letter from yourself to the Iranian Charge d'Affaires.

//

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

DSR 11 (Revised)

DRAFT: ~~XXXXXX/letter XXXXXXXXXXXXXXXXXX~~

TYPE: Draft/Final 1+

FROM:

Mr M Alexander
10 Downing Street

DEPARTMENT: **TEL. NO:**

Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

TO:

Dr Seyfollah Ehdaie
Chargé d'Affaires
Embassy of the Islamic Republic
of Iran
27 Prince's Gate
LONDON
SW7 1PX

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT...../.....

SUBJECT:

I enclose a letter from the Prime Minister addressed to His Excellency Mr Rajaie, and should be grateful if you would arrange for this to be forwarded to Tehran.

Enclosures—flag(s).....

DSR 11 (Revised)

DRAFT: ~~minute~~/letter/~~telegram/despatch/note~~

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

.....In Confidence

CAVEAT.....

Enclosures—flag(s).....

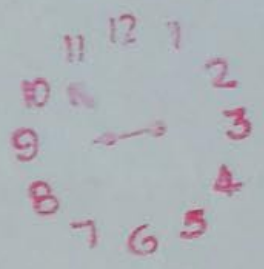
TO:
His Excellency Mr Mohammad
Ali Rajaie
Prime Minister of the
Islamic Republic of Iran

Your Reference

Copies to:

SUBJECT:

Thank you for your message on the occasion of the second anniversary of the Islamic Revolution, which I have read with interest.



vb

24 February 1981

Message from the Iranian Prime Minister

The Prime Minister has seen your letter to me of 23 February and its enclosure. Despite the wording of Mr. Rajae's message, the Prime Minister believes that it should be acknowledged in her name. I should be grateful if you could arrange this.

MODBA

~~BF for Tel~~

copied by letter

CS

R.N. Richards, Esq.,
Foreign and Commonwealth Office.

10 DOWNING STREET

24 February 1981

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

I enclose a copy of a letter from a cousin of mine, Ancrum Evans. His firm manages the investments of the Royal College of General Practitioners, referred to in the letter.

The letter is self-explanatory and I am sending a copy to Patrick Jenkin.

JOHN HOSKYNS

RUTHERFORDS *Chartered Accountants*

8 ECCLESTON SQUARE, LONDON SW1V 1NP. *Telephone 01-834 3471* *also at CLIFTON-ON-TEME*

Ancrum F. Evans, T.D., Hon. F.R.C.G.P., F.C.A.
V.A.T. REG. NO. 249-3649-81
Telex 916270 (Ancrum G)

23rd February, 1981

Dear John,

Iranian Embassy, 16 Princes Gate
Possible common interest to give assistance to Royal College of General Practitioners

Further to my telephone call:-

1. No 17 is The Etheopian Embassy.

2. No 14 and 15 are The Royal College of General Practitioners.

3. Royal College of General Practitioners would be interested in the reconstruction of 15 to provide a lecture hall for postgraduate medical course etc.

4. The Westminster City Council will require the property to be re-instated to some extent as it is a listed building.

5. The number of potential users is also very limited by planning considerations.

6. The Iranians are said to want a stupid price for the property as it stands £400,000.

7. The British Government may have a liability to the Iranians in respect of damage to the building (?).

8. It might suit the British Government to assist The Royal College and thus resolve the problem of an ongoing ruined building in Central London.

9. The Royal College as a National Charity and an important medical body would be a suitable beneficiary of any situation arising from a British Government commitment, if any.

10. In any event, The Royal College will have to find an Intermediary as it is presently considered that direct negotiations with the Iranians would be impractical.

QUESTIONS

Is there any common interest?

Yours,

J. Hoskins, Esq.,
10, Downing Street,
London

cc:

T 32/87

Foreign and Commonwealth Office

London SW1A 2AH

23 February 1981

(2)

Prime Minister

Hardly worth sending, but you may like to glance.

MT

Dear Michael,

Message from the Iranian Prime Minister

I enclose a copy of a message addressed to the Prime Minister from Mr Rajae the Iranian Prime Minister. The message contains an extreme - and entirely predictable - statement of Iran's present political difficulties, and of the hostility shown to it by other countries. The message has been timed to coincide with the second anniversary of the Iranian Revolution.

A similar message has been addressed by the Iranians to Heads of Government in many countries. We do not think that it merits a reply from the Prime Minister and we propose merely to acknowledge receipt to the Iranian Embassy in London, saying that its contents have been brought to the Prime Minister's attention.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing St

SUBJECT

cc Master ops

T32/81

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 32/81

Unofficial translation

In the name of God, the Compassionate and the Merciful

"Those who convey the Almighty's messages and fear God, and do not fear anybody but God, and only God is adequate for them, as the judge of all persons and deeds."

(Quran: Sura 33, Verse 39)

Your Excellency:

It gives me great pleasure to convey to Your Excellency and your people this message on the occasion of the second anniversary of the victory of the Islamic Revolution of Iran, and to explain the position of the Government of the Islamic Republic of Iran.

As you are aware, the much suffering Muslim people of Iran have already gone through a glorious and bloody period in the long history of their struggle against world oppression. The former government regime of this country, except for a few short periods of time, was an absolute dictatorship.

Because of its special geographical position and natural resources, Iran has always drawn the attention of foreign plunderers and exploiters; and specially during the past century which marked the advancement of science and technology in other countries, this nation was subjected to the most tyrannical government in history, while trying to preserve its Islamic culture and human dignity. At the same time the dependent regime of the country was giving away the material and spiritual wealth of this land in order to keep itself in power.

The plunderers of this land, in conjunction with a treacherous element called the shah, had created an esceptionally lavish living standard for themselves , and by introducing assembly industries and ruining Iranian agriculture, which was once a source of foreign revenue for the country, they had destroyed the country's independence. By exploiting the country's considerable illiterate majority and promoting non-national and anti-religious imperialist culture, they prepared the ground for domination of foreigners over every walk of life of the nation. By creating a brutal and repressive police system and numerous prisons, the American regime of the shah had deprived the large majority of the people of this land from their most elementary rights and basic living requirements.

/...

The glorious uprising of the Iranian people, based on their profound beliefs in the establishment of a system of Islamic right and justice under the sound and popular leadership of Imam Khomeini, culminated in its victory in order to convey the message of independence and freedom to all the oppressed peoples of the world.

However, the Iranian Revolution inspired by the principles of the revolutionary Islamic ideology and by exetuting the motto of "neither Eastern nor Western", has upset the political, economic and military balance of the Superpowers. It was, therefore, natural that we should expect numerous plots against the Revolution from all over the country.

The Great Satan, i.e. the United States, which lost Iran as its most important base in the region, as well as its numerous privileges and resources in this country, naturally held a deep grudge against the Islamic Revolution of Iran, and accordingly began its intrigues and subversive activities against the Islamic Republic as its No. 1 enemy.

The former U.S. embassy in Tehran had been turned into a centre of intrigues and plots and a base for the operations of counter-revolutionaries. The anger of the Iranian people at these conspiracies and treacheries frequently resulted in bloody riots in various parts of the country. With the United States' decision to grant sanctuary to the criminal shah, these angers reached their zenith and resulted in the spontaneous and natural reaction of the people to occupy this centre of intrigues.

After the failure of its plots to stir up domestic disturbances in Iran, the U.S. government imposed economic sanctions; attempted a military attack; and finally drew up an abortive plan for a coup d'etat to overthrow the regime of the Islamic Republic. With the grace of the Almighty, however, all these intrigues and attempts were broken down.

The flagrant invasion of Iran by the Iraqi Baathist government could be called the latest in these long series of intrigues.

Under the baseless pretext of violation of the 1975 Algerian Agreement and its unilateral abrogation, the Iraqi regime, which is subservient to the U.S., invaded Iran by land, air and sea. The whole world known that the Iraqi government is an aggressor since its forces have been on Iranian territory since the beginning of the invasion. They have been savagely bombing, day and night, our residential areas, hospitals, mosques, and the defenceless civilian population; whereas our nation and its armed forces, inspired by Islamic principles, only defend their land and, in case of attack, they aim only at military and economic targets.

/...

On behalf of the Islamic Government and people of Iran, I declare that we will resist the aggressors, even if the war should continue for a hundred years, and we will not allow our rights to be trampled upon.

But the failure of other countries, with the exception of a few, to condemn the aggressor government of Iraq cannot be understood by us.

Excellency: I invite you to undertake an independent and impartial study of the Islamic Republic of Iran and the changes resulting therefrom, and the war imposed on Iran by the Iraqi government, and prove in practice that in this wholly confused world of dependencies, if a nation tried to free itself from domination and stand on its own feet, and assert its sovereignty, that nation would not have to face these tribulations alone, but could count on high human values in a world where only economic considerations prevail.

In conclusion, in announcing the policy of the Government of the Islamic Republic of Iran regarding mutual cooperation and friendship and non-interference in the internal affairs of others, and while condemning any kind of aggression, I hope for the further expansion of relations between our two countries based on respect for each other's sovereignty and bilateral amity between our two nations.

Respectfully Yours,

Mohammad Ali Rajai
Prime Minister of the Islamic Republic of Iran

23/2/87

PART 8 ends:-

17 - 2 - 87

PART 9 begins:-

19 - 2 - 87