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OD(79) 7th Meeting

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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MINUTES of a Meeting held at
10 Downing Street on
WEDNESDAY 19 SEPTEMBER 1979 at 9.30 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs and
Minister of Overseas Development

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Biffen MP
Chief Secretary, Treasury
(Item 2)

Admiral of the Fleet Sir Terence Lewin
Chief of the Defence Staff
(Item 2)

Admiral Sir Henry Leach
Chief of Naval Staff and First Sea Lord
(Item 2)

General Sir Edwin Bramall
Chief of the General Staff
(Item 2)

Air Chief Marshal Sir Michael Beetham
Chief of the Air Staff
(Item 2)

SECRETARIAT

Sir John Hunt
Mr R L Wade-Gery
Mr R M Hastie-Smith
Air Commodore J B Duxbury

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1. CHILE

The Committee had before them a minute of 17 September from the Foreign and Commonwealth Secretary to the Prime Minister proposing, subject to the satisfaction of certain conditions, that we agree with the Chileans on the reinstatement of Ambassadors.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there was no advantage to us in not having an Ambassador in Chile. There would be advantages in the reinstatement of Ambassadors, but the process of reinstatement could cause trouble. Over the last five years since our Ambassador had been withdrawn, our share of the export market in Chile had fallen from 5.8 per cent to 2.1 per cent. Furthermore the reinstatement of our Ambassador would make it easier to pursue the outstanding cases of Dr Cassidy and Mr Beausire. The presence of an Ambassador in a country did not imply approval of the regime. He did not propose any change in the arms embargo at this stage. Most of our EEC partners had Ambassadors in Chile, the Belgians were considering the reinstatement of theirs and we might usefully keep in step with them although we must first await a settlement of the outstanding dispute between the United States Government and Chile over extradition proceedings, which might lead to the withdrawal of the United States Ambassador.

In discussion the logic of the Foreign and Commonwealth Secretary's proposal was agreed. But it was suggested that a decision should be deferred for up to six months both to await the outcome of the current extradition dispute between the US and Chile and to avoid complicating a heavily loaded legislative programme with additional parliamentary difficulties. The desirability of reviewing the arms embargo in due course was also suggested. It was pointed out that our declining share of the Chilean market probably arose from the withdrawal of ECGD cover which had now been restored.

In further discussion it was suggested that the present special refugee programme relating to Latin-America and the associated special grant ought also to be reviewed, and this would be done in consultation between the Home Office and the Foreign and Commonwealth Office.

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THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that it would be wrong for this country to be left without an Ambassador to pursue our interests in Chile out of deference to left-wing opinion in this country. There were however other factors to be taken into account as the Foreign and Commonwealth Secretary fully recognised. He proposed to proceed with care and discretion, and without undue haste; and he would let the Committee know before a final decision was taken.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Foreign and Commonwealth Secretary to be guided accordingly.

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2. FUTURE LIGHTWEIGHT TORPEDO
Previous Reference: OD(79) 5th Meeting, Item 3

The Committee had before them a memorandum by the Secretary of State for Defence (OD(79) 22) forwarding a report by officials on the additional cost information for which the Committee had asked and proposing that a contract should now be placed for the continued development and initial production of Sting Ray.

THE SECRETARY OF STATE FOR DEFENCE said that his proposal to go ahead with Sting Ray was taken after a consideration of broad defence priorities. The American alternative, Neartip was cheaper but did not have the same performance as Sting Ray. His professional advisers unanimously considered Sting Ray necessary to meet the existing and growing threat of Russian submarines. Expenditure on Sting Ray would be a relatively small annual element in the budget and he was ready to accord it the necessary priority. He accepted that the project had had an unhappy history in its early stages. But he was satisfied that the remaining areas of technical risk had been identified and that the remaining problems could be overcome, although in an advanced technological project of these dimensions, it was impossible to give guarantees

THE CHIEF OF THE DEFENCE STAFF, in response to a question from the Prime Minister, said that the Chiefs of Staff were agreed that it was essential for our anti-submarine warfare capability to have a weapon capable of destroying Soviet submarines despite their reinforced hulls; that Neartip was inadequate for this purpose (as the United States Navy were increasingly realising); that Sting Ray was the only adequate weapon (apart from nuclear depth bombs) likely to be available before at least the 1990s; and that a decision to go ahead with Sting Ray would therefore be correct, even though its extra cost over Neartip would reduce the amount of the Defence Budget available for other urgent purposes. Sting Ray would be superior to Neartip not only in its performance in the shallow water surrounding the United Kingdom but also in operations against submarines elsewhere at shallow depth (and therefore at their most

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dangerous and most vulnerable). Although this would make it attractive to the Americans, once its development was complete, they were unlikely to buy it in any quantity because they would by then be too committed to Neartip and its eventual successor. But we might have a better chance of selling Sting Ray to the Germans and the Dutch. Now that the development programme was being so carefully monitored, and seemed to be well on track, we could reasonably hope to avoid further technical problems of a major nature and consequent serious escalation of cost.

In discussion it was pointed out that the contractor would not be able to show that the homing performance of Sting Ray was fully up to standard until the latter part of 1982 because it would not be possible to run a complete torpedo against a real submarine before then. There was thus a considerable period of technical risk, during which £200 million would have to be spent. As a development of an existing weapon, Neartip represented a less risky alternative. The United States Navy were prepared to accept it, despite the expectation that Sting Ray's performance would be superior against submarines at shallow depth as well as in shallow water. Our approach was perhaps too perfectionist. We were increasingly spending more in proportion than our principle allies on equipment, particularly on research and development. There were a number of other major defence programmes of great importance, such as the new main battle tank, improvements to Seadart and Seaking and the replacement of Jaguar, which would make heavy demands on available resources.

Against this it was urged that it was wrong in principle to equip our services with second best weapons to counter the growing Soviet threat. We already had to accept lower standards than we might wish in a number of defence fields. The crucial questions about Sting Ray were whether it would work and whether the Chiefs of Staff were prepared to give it the necessary priority. Total defence expenditure was not at issue.

THE PRIME MINISTER, summing up the discussion, said that the Committee had received the professional advice of the Chiefs of Staff that the Services needed a weapon system with the performance of Sting Ray to counter the growing threat

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of Soviet submarines; that they were reasonably confident of avoiding further large cost increases despite the project's remaining areas of technical risk; and that they were prepared to accept the consequences of its greater cost over Neartip leaving less money in the defence budget for other important projects. In the light of this advice, the Committee agreed that the Sting Ray programme should go ahead. If the programme ran into any further serious difficulties, the Committee should be informed at once. Every effort should be made to sell Sting Ray abroad, and the results reported.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion.

Cabinet Office
20 September 1979

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PM/79/80

PRIME MINISTER

CABINET OFFICE
A 4440
17 SEP 1979
FILE INSTRUCTIONS
FILE No. _____

cc Mr. Wade - Grey
Mr. Haske - Smith

Chile

1. We need to take decisions on our relations with Chile.
2. The previous Government withdrew HM Ambassador from Santiago in 1975 in protest against the detention and torture of a British subject, Dr Sheila Cassidy. They said that no Ambassador would be sent back until there was "real and tangible evidence" of an improvement in the human rights situation. An arms embargo was imposed and credit restrictions maintained.
3. We restored ECGD mid-term cover on normal commercial criteria in June. I think we should now decide in principle to exchange Ambassadors. The temporary withdrawal of an Ambassador is sometimes necessary as a means of registering sharp disapproval of another Government's actions; but I do not think the continuing absence of a British Ambassador from Santiago after four years is helping human rights in Chile, or is necessary to underline our disquiet about the Cassidy case, and about the unexplained disappearance of an Anglo/Chilean dual national, Mr Beausire. The presence of an Ambassador does not imply approval of another Government's policies. Our principal international partners, including the USA, France and West Germany, maintain Ambassadors in Chile (although Belgium and Italy have not sent back their Ambassadors whom they withdrew in early 1978 and late 1973).
4. Although recent hunger strikes by relatives of people who have disappeared have attracted further criticism, Chile's record on human rights has, in fact, improved. It is now probably no worse than that of some countries in Latin America and many elsewhere. It compares favourably with most Communist

/countries,

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countries, even though political freedoms are still largely in abeyance and the machinery of repression remains substantially intact.

5. An improvement in our political relations should help British trade with Chile. The figures at Annex A show how the UK's market share has declined (and exports have fallen in real terms) since 1972.

6. The problem, as I see it, is one of presentation and timing. The reinstatement of Ambassadors would attract criticism in Parliament, from trade unions, from the churches and from organisations like Amnesty International. There is a well organised and vocal lobby opposed to the present Chilean Government. In response to an ICFTU call sponsored by the US trades unions, the TUC are imposing a ban on transport to Chile in mid-September in protest against continuing legislative restrictions on trade union activities there.

7. It would be argued that, by returning our Ambassador, we were condoning the Chilean Government's failure to give a satisfactory account of the treatment of Dr Cassidy and to explain what happened to Mr Beausire (who disappeared at Buenos Aires airport in Argentina in 1974 and was subsequently reported as having been seen in Chilean detention centres). I have pressed the Chileans to offer an adequate apology in the case of Dr Cassidy and assurances that the Government will assist in further investigation into Mr Beausire's fate. Dr Cubillos's replies have fallen short of what I would have wished. I see very little chance that the present Chilean Government will ever completely satisfy us on this score; and I doubt if we should achieve further movement on their part by continuing to withhold our Ambassador. Instead, I would propose to make it clear publicly that we do not regard these two cases as closed, and that our Ambassador would continue to seek satisfactory answers, particularly in the Beausire case. The point could also be made that we are better placed to

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press the Chilean Government on human rights if we have an Ambassador in situ.

8. A number of factors affect the timing of the reinstatement of Ambassadors:-

(a) The US Government is having difficulty in securing the extradition from Chile of those responsible for the assassination in Washington some years ago of the former Chilean Foreign Minister, Letelier. This may lead to withdrawal of their Ambassador and a deterioration, if not a break, in relations. We should not announce the return of our Ambassador to Santiago until we are sure of the actions the Americans will take. We should know about this soon.

(b) The Belgian Government are considering the restoration of their Ambassador. We might usefully keep in step with them.

(c) If the Rhodesian Conference runs into difficulties we shall face a sensitive period in relations with the Third World and at the UN. We may wish to adjust the timing of our action on Chile on this account.

9. Subject to these factors I would propose telling the Chileans in the coming weeks that we agree to the reinstatement of Ambassadors. In the meantime, I shall continue to seek some improvement in the Chilean Foreign Minister's statement on the Cassidy and Beausire cases, which might improve the reception given to our announcement.

10. I would not propose any change in the arms embargo at this stage. The immediate resumption of arms sales would clearly provoke a major controversy here. It could also

/lead



lead to difficulties with Argentina, Bolivia and Peru, all of which have disputes with Chile; and with the United States, which maintain a similar embargo. I think we should proceed cautiously and I would propose to consult you and our colleagues again before taking any action on this aspect of our relations.

11. I may meet the Chilean Foreign Minister again in New York during my visit to the United Nations from 24 to 28 September, and may also wish to exchange notes with others there on this subject. I should therefore be grateful for your agreement, and that of our colleagues, to my proceeding on the above lines, if possible by 21 September.

12. I am copying this minute to other members of OD, the Attorney-General and the Secretary to the Cabinet.

A handwritten signature consisting of a large capital letter 'C' with a diagonal slash through it.

(CARRINGTON)

Foreign and Commonwealth Office

17 September 1979

CHILE: UK EXPORTS VIS-A-VIS COMPETITOR COUNTRIES
(US\$ MILLIONS)

EXPORTING COUNTRY	1972	1973	1974	1975	1976	1977	1978
UK Exports (Market Share)	54 (5.7%)	64 (5.8%)	69 (3.6%)	37 (2.8%)	52 (3.1%)	54 (2.4%)	64 (2.1%)
USA	161 (1.7%)	179 (16.3%)	416 (21.0%)	390 (29.4%)	400 (23.8%)	463 (20.5%)	793 (26.8%)
JAPAN	33 (3.5%)	35 (3.2%)	49 (2.5%)	49 (3.7%)	188 (11.1%)	249 (11%)	225 (7.6%)
FRANCE	41 (4.3%)	36 (3.3%)	54 (2.8%)	49 (3.7%)	30 (1.8%)	36 (1.6%)	78 (2.6%)
ITALY	32 (3.4%)	31 (2.8%)	18 (0.9%)	15 (1.1%)	16 (1.0%)	30 (1.3%)	*Jan-Sept 31 (1.6%)
WEST GERMANY	89 (9.4%)	113 (10.3%)	151 (7.9%)	95 (7.1%)	96 (5.7%)	134 (8.1%)	215.9 (7.2%)
SPAIN	35 (3.7%)	26 (2.4%)	31 (1.6%)	69 (5.2%)	35 (2.1%)	69 (3.1%)	*Jan-Sept 65 (3.2%)

Source: Central Bank of Chile

APRIL 1979

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ANNEX A