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OD(81) 7th Meeting

COPY NO 46

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 9 APRIL 1981 at 12 NOON

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

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

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon John Nott MP
Secretary of State for Defence

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon John Biffen MP
Secretary of State for Trade

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Sir Michael Havers QC MP
Attorney General

SECRETARIAT

Sir Robert Armstrong
Mr R M Hastie-Smith
Mr W N Wenban-Smith

SUBJECT

UNITED KINGDOM/IRAN RELATIONS: SUPPLY OF DEFENCE EQUIPMENT

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UNITED KINGDOM/IRAN RELATIONS: SUPPLY OF DEFENCE EQUIPMENT

Previous Reference: OD(81) 1st Meeting, Item 2

The Committee considered a Memorandum by the Lord Privy Seal (OD(81) 22) containing proposals for the re-establishment of the British Embassy in Tehran, the release of the KHARG to the Iranians on appropriate conditions, and the opening of talks with the Iranians about other contracts for defence equipment; and a Note by the Secretaries (OD(81) 21) containing a report on Iranian debts to the United Kingdom.

THE LORD PRIVY SEAL said that plans for the re-establishment of the British Embassy in Tehran would not be implemented until the trial in this country of two Iranians for offences in Bayswater had been completed. This trial was likely to begin on 5 May and last for about a week. In regard to the KHARG it had just been reported from the British diplomatic representative in Tehran that the Iranians hoped for an early reply to their suggestion that an International Military Services team should come to Iran to discuss the contractual and related difficulties that had arisen. The Iranians affirmed that the ship was not a type suited for use in the war with Iraq and they could, if necessary, give an assurance that the ship would not be used in that conflict. They attached importance to getting delivery as soon as possible. In regard to the case of Mr Pyke who was still in prison in Tehran, the Iranians said that a positive move by Britain over defence sales would lead to a corresponding positive step on their side in relation to Mr Pyke's case.

In discussion there was general agreement that there would be advantage in beginning to reopen normal diplomatic and commercial relations with Iran. The following points were made -

- a. In agreeing to release the KHARG to the Iranians, it was important to preserve the point of principle that no financial liability was incurred by the Government from their refusal to grant an export licence for the ship at an earlier stage.

b. The proposed talks with the Iranians about the other contracts for defence equipment which had so far been blocked, and the Iranian debts to the Ministry of Defence and International Military Services Limited, should be lengthy and protracted. This would avoid the risk that any of the defence equipment would be provided to Iran while their war with Iraq was still in progress.

c. The talks with the Iranians about the defence contracts and money owing on them should not overlook the existence of the debts owed to the Export Credits Guarantee Department for civil contracts.

d. The Lord Privy Seal should consider with the Home Secretary the arrangements for issuing visas in Tehran, once the British Embassy was reopened, with a view to avoiding undue pressure on the immigration authorities in the United Kingdom which could otherwise result from a sharp increase in the inflow of Iranians into the United Kingdom.

THE PRIME MINISTER, summing up the discussion, said that the proposals made by the Lord Privy Seal in OD(81) 22 were agreed. It was premature to consider how the cost of making the KHARG seaworthy might have to be met as no inspection had been made of the ship and the Iranian attitude had not yet been established. The position of Mr Pyke in Tehran remained a matter of concern.

The Committee -

Invited the Lord Privy Seal -

i. to go ahead with plans for the re-establishment of the British Embassy in Tehran;

ii. to discuss with the Home Secretary the arrangements for issuing visas in Tehran, once the British Embassy there was reopened;

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iii. to open negotiations with Iran for the release of the KHARG on condition that an appropriate undertaking was received that the ship would not be used in the current state of hostilities between Iran and Iraq and that a satisfactory settlement was reached concerning the Iranian debts related to the ship;

iv. in consultation with the Secretary of State for Defence, to arrange for talks with the Iranians about the other contracts for defence equipment which had hitherto been blocked, and the Iranian debts to the Ministry of Defence and International Military Services Limited.

Cabinet Office

10 April 1981

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