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10 DOWNING STREET

*From the Private Secretary*Mr. WrightIsrael and Arms for Argentina

As you may be aware, the Government has made representations on more than one occasion recently to the Israeli Government about the latter's involvement in arms supplies to Argentina. We have recently heard that specific allegations about the Israeli supply of Mirage III aircraft as well as Skyhawks have been strongly denied at the highest level in Israel.

The Prime Minister would be grateful for a summary of intelligence relating to Israeli arms supplies to Argentina. Could this please be made available as quickly as possible.

A. J. COLES

23 July, 1982.SECRET

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Back to Mr. [unclear]

ISRAEL AND ARMS FOR ARGENTINA 25 JUNE.

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1. The British Government has received a number of disturbing reports recently about Israeli involvement in arms supplies to Argentina.
2. I should particularly like to mention the following specific cases:
  - (a) It has now become clear that complicated transport and financial arrangements are being set in hand for the delivery of over 20 Mirage III type aircraft to Argentina. We understand that they are from the Israeli Air Force's existing stocks and likely to be delivered in the next few weeks. There is no doubt that the contract for this deal was signed after the invasion of the Falklands, after the aircraft were inspected by Argentine officers visiting Israel. Both private dealers and the Israeli Government are clearly involved. (We have already expressed our concern about an aspect of this on other <sup>channels</sup> ~~claims~~.)
  - (b) IMI in Tel Aviv has offered substantial quantities of ammunition to Argentina, for delivery in the near future.
  - (c) According to a story going the rounds in Brazil, Argentina is confidently expecting to obtain around 20 'Skyhawk' aircraft from Israel using Brazil as an intermediary. Gossip in the international arms market indicates that nobody is fooled by the use of a Brazilian middleman. Another version of the story is that Argentina hopes to use a Venezuelan middle man.
  - (d) The British Government has naturally picked up the report in the Financial Times of 10 June about a proposed letter of credit to enable Argentina to buy some US\$50 million worth of military equipment; it is clear that this story was based on more than mere rumour. Indeed the bank has apparently confirmed to the Financial Times that an approach was made to them with the purpose of buying arms for Israel.

(e)

(e) A source in commercial circles tells us that the firm Pacific Commercial and Trading Inc (PCATI) which is registered in Switzerland, but is controlled by Israelis, is engaged in financial transactions with the Argentine Air Force involving very large sums indeed. A second source tells us that the Israeli Government is acting as a financial guarantor in that deal.

3. The British Government cannot reconcile these reports with the assurances it has received from the Israeli Government on this question.

4. It is as important as ever that Argentina should continue to be denied access to arms and military equipment. Not only has she refused to commit herself to a definitive end to hostilities, but statements coming out of Argentina remain bellicose and threatening (eg they have said there will be no peace until all British troops leave the Falklands). Our forces are still at risk and are on full alert. The withholding of arms remains an important way in which the Argentines can be induced to adopt a more sensible approach; any immediate resumption of arms supplies at this stage can only make them more intransigent.

5. Can we therefore ask whether the assurances we have received from the Israeli Government are still in force?