



Prime Minister

Are you content to accept the course of action proposed in para 3, subject to the views of colleagues, or would you like a further discussion?

PM/81/14

PRIME MINISTER

Arms Supplies to Iran

Yes - I think we should finally decide in favour.

1. Now that three of the four British detainees have been released from Iran, there are strong arguments arising out of Iran's strategic importance and her importance in the long term, both as an oil producer and a market, for moving towards the re-establishment of normal relations. As part of that policy, I believe that we should be prepared to take discussions with Iran over possible release of the Kharg a step further.

2. The continued detention of the British businessman, Mr Andrew Pyke, apparently on charges of spying and embezzlement, is an obstacle. Nevertheless, Mr Pyke's position is different from that of the Anglican missionaries since his arrest took place in connection with an investigation into his company's activities (he is the local manager of a joint Iran-Dutch company, Helicopter Aviation Services). No evidence of guilt has yet been produced, and his detention without charge, legal advice or consular access, is a disgrace on which we continue to press the Iranians. Nevertheless, even if the worst comes to the worst and he is tried by a competent court, found guilty and sentenced, I believe that on balance we are more likely to help him by making a move towards Iran than by keeping our distance.

/3. Accordingly



3. Accordingly I am considering the early re-establishment of our embassy in Tehran under a Charge d'Affaires, and then as a second step the appointment of an Ambassador. In parallel, I should wish to pursue more actively the possibility of disembarassing ourselves of the Kharg, which has become in Iranian eyes something of a symbol. It was agreed at the OD meeting on 29 January that we should follow up the Iranian approach about possible sale of the ship to a third party. The Iranians, however, have responded that they do not want to dispose of her to a third party, but to take delivery themselves. We have invited them to send a team to inspect her condition, while warning them that Ministers had taken no decision on its release. I propose now that we should inform the Iranians that we should be disposed to release the vessel provided that certain conditions are satisfied. These conditions would relate notably to receiving an undertaking from Iran not to use the vessel for offensive purposes against Iraq as outlined in my paper OD (81) 3 of 26 January, but also to the settlement of a variety of outstanding claims. As a result of the ship's deterioration, work will in any case have to be done on her before she could sail, and there will be a dispute with the Iranians over payment, so that delivery is unlikely to be made soon.

4. I undertook, during the recent visit of the Iraqi Foreign Minister, to warn the Iraqis if we decided to release any military equipment to Iran. I specifically tried to reassure him about the Kharg. He made clear that he hoped we should continue to supply nothing to Iran but I think it should be possible to contain adverse Iraqi reaction to my present limited proposal. Their views will in any case be affected by our attitude to their own defence needs.

/5. I invite



5. I invite my colleagues' agreement to my tackling the Kharg in this way.

6. I am copying this minute to other members of OD, the Attorney General, Sir Keith Joseph and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'C', with a short horizontal stroke underneath.

(CARRINGTON)

Foreign and Commonwealth Office

26 March 1981