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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

(2)

PRIME MINISTER

Prime Minister

To note.

Ant. 3/4

ARMS SALES TO IRAN

The Foreign Secretary sent me a copy of his minute to you of 26 March, in which he sought colleagues' agreement to our informing the Iranians that we should be disposed to release the Kharg, provided that certain conditions are satisfied. I have since seen your Private Secretary's letter of 30 March, recording your view that the matter should be the subject of a further and final discussion in OD Committee.

2. One of the proposed conditions for the release of the Kharg is that a variety of outstanding claims against Iran should be settled. While a satisfactory resolution of these claims would, of course, be very welcome, I note the Foreign Secretary's expectation that there will be a dispute with the Iranians over payment for the work that will be necessary to make the Kharg seaworthy. I understand that the sums involved could be significant, as the ship has been unattended for some nine months.

We failed before us

3. It follows, I think, that one of the matters we will need to settle at OD is that of Departmental responsibility for this expenditure, if, as a result of negotiations with the Iranians, colleagues propose that HMG should contribute to the costs. I think that in present circumstances we need to settle the matter in such a way that we avoid recourse to the Central Reserve.

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

Amis

for (G.H.)

3 April 1981

(Approved by the Chancellor and signed
in his absence)

CONQUEROR

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