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6 April 1981

for OS

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DEFENCE AND OVERSEA POLICY COMMITTEE

UNITED KINGDOM/IRAN RELATIONS: SUPPLY OF DEFENCE EQUIPMENT

Memorandum by the Lord Privy Seal

1. The Prime Minister has directed that the proposals contained in the Foreign and Commonwealth Secretary's minute of 26 March should be referred to OD for discussion on 9 April. Members of the Committee will have seen the Foreign and Commonwealth Secretary's memorandum of 26 January and the minutes of the OD meeting on 29 January when the matter was last discussed. These two papers and the Foreign and Commonwealth Secretary's minute of 26 March provide a full background to the problem. In addition, officials have examined the question of claims and the leverage which the blocked arms supplies offer.
2. Our aim should be to achieve a cautious but sustained improvement in our relations with Iran. In her present isolation she is dangerously vulnerable to Soviet manipulation. I believe a beginning can be made if, on 9 April, we
 - (a) confirm plans for the reestablishment of our Embassy in Tehran;
 - (b) agree to release the Kharg on condition that it is not used in the current state of hostilities between Iran and Iraq; and
 - (c) agree to talk to the Iranians about the other contracts for defence equipment which we have blocked and the Iranian debts to the Ministry of Defence and International Military Services Limited.

KCCAD

3. The reasons for 2(a) and 2(b) are spelt out in the Foreign and Commonwealth Secretary's minute of 26 March. As regards 2(c) we have since received more encouraging news about the detained Briton, Mr Pyke, and a direct approach from the Iranians for talks about their blocked arms supplies including an offer to examine mutual claims. The Iranians have indicated that their approach was being made with a longer term relationship in mind.

I.H.G.

Foreign and Commonwealth Office

6 April 1981