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Prime Minister 2

To note

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FCS/81/107OD COLLEAGUESUK/Iran Relations: Supply of Defence Equipment

1. You will recall that when we met on 9 April 1981, we agreed:-

(a) To go ahead with the plans to re-establish the British Embassy in Tehran.

(b) To make arrangements for issuing visas in Tehran once the Embassy was re-opened.

(c) To open negotiations with Iran for the release of the Kharg on condition that an appropriate undertaking was received and 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.

(d) To arrange for talks with the Iranians about other contracts for defence equipment, which had hitherto been blocked, and the Iranian debts to the Ministry of Defence and to International Military Services Limited.

2. Arrangements were made to begin talks with the Iranians in June but the confusion following the downfall of former President Bani Sadr caused the Iranians to ask for postponement. The talks are now to take place on Wednesday 5 August.

3. The talks will cover the negotiations over the Kharg and the contracts and debts referred to above. While I hope we shall make some progress, it would be unwise to expect

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very much to emerge from this first round. Nevertheless the Iranians are fielding a Deputy Minister for Defence, and the talks will provide us with the first real opportunity to engage the present regime at governmental level.

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(CARRINGTON)

Foreign and Commonwealth Office

4 August 1981

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