



Prime Minister

Department we agreed on a rather
more positive approach to selling
arms to Iran. You may wish to
read the correspondence.

FCS/82/96

SECRETARY OF STATE FOR DEFENCE

A.S.C. 1/7.

Defence Sales to Iran

1. You wrote to me on 16 June about defence sales to Iran. I have also seen the Lord Chancellor's Private Secretary's letter of 21 June, and the Secretary of State for Trade's letter of 25 June.

have requested

2. I agree with the forward-looking but cautious approach outlined in your minute and I confirm my agreement to the lists prepared by officials which you annexed. (I note also that the qualification you considered attaching to item 12 (overhaul of Rolls Royce marine engines) has been dropped since HMG do not in fact have to give clearance to this item.)

3. In paragraph 4 of your minute you rightly list new developments which have taken place since March and which need to be taken into account in our sales policy towards Iran. One of the most significant is the victory won by Iran over Iraq despite her lack of access to Western equipment and spares. There must be a considerable danger that Iran will now turn to the Soviet Union or Eastern Europe for new equipment. Iran's strategic and commercial importance to us remain considerable and we must keep our foot in the door. Although the Gulf states are worried about Iran, there is no reason to suppose that they oppose a Western rapprochement with Iran. Indeed they may even welcome this if they see the alternative as an enhanced Soviet role.

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4. For the time being, I am content that we should stick to the guidelines on arms sales in paragraph 4 of my predecessor's minute of 9 March: ie we should release items to Iran where this (a) is in our commercial interest; (b) will not jeopardise our prospects in Iraq and (c) fits our criteria on not releasing lethal equipment to the belligerents. But the state of belligerence may soon be over: our contacts with Iran may show up Iranian requirements going beyond the 2 annexes to your minute: and the availability of Soviet arms may introduce a new dimension. So I propose that we should keep an open mind about the supply of arms to Iran in the future, and that we should ask our colleagues to endorse new guidelines as and when the need for a new approach becomes apparent.

5. On the question of leverage mentioned in the Secretary of State for Trade's minute, I am inclined to agree that withholding items of equipment has not in practice given us any leverage. But this is to some extent academic because the Iranians have not recently shown great interest in acquiring the items on List I, let alone those on List II which we plan to withhold. If and when they do show interest in particular items I should be quite content, as I have said above, to re-examine the guidelines. That will be the time to assess the relevance, if any, of the balance between our claims and Iranian counter-claims to the conclusion of new business.

6. I am copying this minute to the recipients of yours.

A handwritten signature in black ink, appearing to be 'F. Pym', written over a horizontal line.

Foreign and Commonwealth Office

(FRANCIS PYM)

1 July 1982



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