



MO 26/9/15

FOREIGN SECRETARYANGLO/IRANIAN DISCUSSIONS: DEFENCE SALES POLICY
TOWARDS IRAN

I accept that, in addition to the financial return associated with a settlement of the outstanding debts, it would be in our general political and commercial interests in Iran to bring the current negotiations to a successful conclusion. But, as you say, we also have to take account of the wider repercussions in the area, including in particular our defence sales prospects in Iraq. A difficult balance has to be struck.

2. I agree that, in the absence of detailed proposals, the most we should be prepared to do at this stage is to give the Iranian negotiating team some indication, in principle, of the limits to which Ministers are prepared to go in authorising the supply of defence equipment to Iran. We seem to be faced with three main options:

a. We could stick closely to our previous policy, and agree only to the release of non-lethal items (including, for example, tank engines and spares). But this would go only a small way to meet Iranian objectives, and could not be expected to secure more than a partial settlement on a limited number of contracts, if that:

or b. We could relax the previous view we have taken on the supply of arms and ammunition, at least in respect of those items associated with the "historic" claims and which are readily available, and agree to the release of this category of lethal items (including, for example, £11M worth of



ammunition and, possibly, eight tanks remaining in this country from the earlier contracts with the Shah), subject to an acceptable financial settlement. This would go some way towards the Iranian position, and would provide a rationale (related to the "historic" claims) for this change in our position, but would also involve difficult explanations, and a possible further offer of supplies in order to maintain our even-handed approach, to Iraq;

or c. We could adopt the approach you propose, which would take in b. above, but would also involve completing a substantial ammunition order (worth over £50M at the original contract values) and continuing discussions on a resumption of business on the major weapons systems identified by the Iranians, notably Main Battle Tanks and Rapier. If negotiations on this basis could be carried through, the effect would be to re-establish a substantial defence sales relationship with Iran.

3. I agree with you that we should authorise officials to give an undertaking, in principle, to the Iranians on the lines described at b. above, on the clear understanding that this was conditional on achieving an acceptable financial settlement, which should be referred to Ministers for decision, and - so far as Iraq is concerned - to a further offer of supplies, if this is judged to be necessary, to protect our defence sales interests and to maintain our even-handed approach. At the same time, we should also authorise officials to continue discussions on c. above, but without any commitment.

4. I am sending a copy of this minute to our OD colleagues and Sir Robert Armstrong.

Ministry of Defence
7th September 1982

FW

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