



From the Secretary of State

CONFIDENTIAL

The Rt Hon Francis Pym MP
Secretary of State for Defence
Main Building
Whitehall
SW1

Prime Minister (2)
'A' is obviously right.
15 January 1980

Dear Francis

IRAN

Thank you for sending me a copy of your minute to Ian Gilmour about Swan Hunter's contract with Iran for the construction of a fleet replenishment ship "KHARG".

I very much hope that you will be able to persuade Swan Hunter to delay notifying the Iranians that the ship is ready until 29 January, as you suggested might be possible in paragraph 5 of your minute. This would give us time to consider the legal and financial implications of a decision to refuse an export licence in the light of the further work which you have put in hand, and to consult our allies on the general question of a voluntary boycott of arms sales to Iran. I think it would be desirable for us to discuss the matter collectively when this further information is available. It would also be helpful to know what precedents there are for breaking a contract for the supply of arms other than as a consequence of a United Nations call for an arms embargo. I believe our predecessors' embargo of arms sales to Chile, for example, specifically excluded supplies made under existing contracts.

Not copied to No. 10.

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2 -



From the Secretary of State

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Industry, the Lord Privy Seal, the Attorney General and Sir Robert Armstrong.

*Yours ever
John.*

JOHN NOTT

15 JAN 1980

