

CONFIDENTIAL

*Defence*

GR 350A

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FM FCO 101820Z APR

TO IMMEDIATE TEHRAN

*Read in full*

TELEGRAM NUMBER 228 OF 10 APR '80

INFO IMMEDIATE WASHINGTON, MOD (FOR BRADEN, DEFENCE SALES)

MY TELNO 618 TO WASHINGTON:KHARG

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1. SWAN HUNTER YESTERDAY RECEIVED A TELEX FROM COLONEL KAMKAR GIVING NOTICE THAT THE IRANIAN MINISTRY OF NATIONAL DEFENCE WAS READY TO MAKE THE FINAL PAYMENT OF POUNDS STERLING 10 MILLION FOR THE KHARG BY THE DUE CONTRACTUAL DELIVERY DATE (11 APRIL), AND ASKING THAT SWAN HUNTER MAKE THE NECESSARY APPLICATION AS THEIR AGENT FOR AN EXPORT LICENCE. PAYMENT WAS NOT, HOWEVER, LINKED TO PRIOR APPROVAL FOR AN EXPORT LICENCE. SWAN HUNTER IMMEDIATELY REPLIED (WITHOUT CONSULTING OFFICIALS) WELCOMING THE IRANIAN PROPOSAL FOR PAYMENT AND PROVIDING DETAILS OF HOW THE MONEY SHOULD BE TRANSFERRED.
2. THIS RAISED THE PROBLEM THAT, IF THE IRANIANS PAY FOR THE BALANCE OWED, SWAN HUNTER WILL HAVE NO FURTHER LIEN ON THE SHIP, THE KHARG WILL PASS INTO FULL IRANIAN OWNERSHIP, AND APART FROM ACTION BY US THERE WOULD BE NOTHING TO PREVENT IRANIAN COMMISSIONING OF THE VESSEL (WHICH WOULD THEREBY BECOME INVOLABLE UNDER INTERNATIONAL LAW. SO THAT WE COULD NOT LAWFULLY PREVENT ITS EXPORT). OUR ONLY MEANS OF PREVENTING THIS INVIOABILITY TAKING EFFECT IF PAYMENT WAS MADE BY THE DUE DATE WAS TO INFORM THE IRANIANS IN ADVANCE THAT HMG WOULD NOT APPROVE COMMISSIONING OF THE SHIP PENDING CONSIDERATION OF THE NECESSARY APPLICATION FOR AN EXPORT LICENCE.
3. SWAN HUNTER CALLED YESTERDAY ON THE LORD PRIVY SEAL, WHO INFORMED THEM THAT IN THE PRESENT CIRCUMSTANCES HMG COULD NOT AGREE TO EXPORT AND THAT WE SHOULD HAVE TO WITHHOLD OUR APPROVAL FOR COMMISSIONING. THIS HAS BEEN FORMALLY NOTIFIED IN WRITING THIS MORNING TO THE IRANIANS THROUGH THE IRANIAN COMMANDER RESIDENT IN THE SWAN HUNTER SHIPYARD.

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4. SWAN HUNTER, ACTING ON THE IRANIANS BEHALF, HAVE TODAY SUBMITTED A FORMAL APPLICATION TO THE DEPARTMENT OF TRADE FOR AN EXPORT LICENCE. THE PICTURE OVER DELIVERY IS, HOWEVER, SOMEWHAT CONFUSED BY THE REFUSAL YESTERDAY OF THE RESIDENT IRANIAN COMMANDER TO ACCEPT THE SHIP AS IN A SATISFACTORY CONDITION FOR FINAL DELIVERY (MINOR PAINTWORK DIFFICULTIES).

5. OUR PUBLIC LINE ON THE KHARG IS THAT AN EXPORT LICENCE IS REQUIRED FOR THE VESSEL AND THAT WE UNDERSTAND SWAN HUNTER HAVE SUBMITTED AN APPLICATION.

6. WE ARE TAKING STEPS TO ENSURE THAT THERE ARE NO FACILITIES AVAILABLE TO THE IRANIANS TO ALLOW THEM TO ATTEMPT TO SAIL WITHOUT A LICENCE AND AM IN TOUCH WITH MOD ABOUT ENFORCEMENT.

CARRINGTON

DEPARTMENTAL DIST:

M&D

NA D

DEF.D

ADDITIONAL DIST:

TEHRAN SPECIAL