



Prime Minister.

Content will approach in
para. 6 and 7, subject to
OD(EM) colleagues?

PM/84/62

A.S.C. 13/4.

Yes
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PRIME MINISTER

Iran: Supply of Defence Equipment

see IRAQ A3
interest sit
attached

1. We agreed at OD(EM) on 27 January that I should attempt to protract negotiations over the supply of tank-related spares to Iran, in the hope of achieving a more defensible position relative to the moderate Arab States.
2. We have since discussed this further with the Iranians in Tehran. Not surprisingly they reacted adversely to the news that we intended to review again the items in the interim package to eliminate lethal items. They have since said that they want negotiations to continue. However, they have made the signature of the contract for the two Yarrow ships (worth £23 million to the UK) conditional on the receipt of assurances from us that:
 - (i) we would release all non-lethal spare parts as soon as our review is complete;
 - (ii) agreement would be reached between IMS and the Iranian MOD within three months thereafter on what to do about the lethal items, and also on tank ammunition, which is outside the package; and
 - (iii) negotiations should continue on outstanding elements of other pre-revolutionary items outside the interim settlement, with particular emphasis on the terminated tank contract.
3. The question of how we should respond turns largely on judgement of the likely reaction in the US and the moderate

/Arab



Arab States. There is no doubt that they remain concerned. We have refused suggestions planted in the press by an American official that we were supplying to Iran major items such as Spey engines for military aircraft; and have worked hard to explain our policy that while we continue to supply non-lethal equipment and spares to both Iran and Iraq (quite separately from this interim package), and to trade normally with both, we do not supply lethal items to either side. However, Mr Shultz has recently further criticised our supply of spares to Iran, in an interview in The Times. There has been a shrill anti-British campaign on the subject in Iraq and we have also had representations from the Saudis, Kuwaitis and Jordanians recently. *and Bahraini.*

4. All this, coupled with the heightened international concern about the situation in the Gulf, means that we must expect considerable further criticism if we decided to release tank spares, even if, as suggested in paragraph 5, these are by our own definition at the non-lethal end of the range. Whether this would be translated into action of any kind against us by the Arabs is impossible to predict: but the edge may perhaps have been taken off this to some extent, as we have already informed the Saudis and the Secretary General of the Arab League, as well as the Americans, of our position on the release of the Yarrow support ships, and have explained that our policy is, and will remain, evenhanded. Implicit in this has been a steadfast refusal to explain in detail what precisely we mean by "lethal" and "non-lethal", terms which we have to interpret according to the ebb and flow of the war, and about which we cannot be too specific in public.

5. Further delay with the Iranians of course risks considerable damage to our commercial interests there, which they have linked to progress on the interim package. They might take measures against our exports (£630 million in 1983) and react in other unpredictable ways, if they judged that we were stalling

/unreasonably



unreasonably on the interim package and at the same time engaging in contingency planning in the Gulf with the Americans.

6. This is, as we have always recognised, a very difficult decision. My preliminary view is that:

- (i) we should agree to release very shortly items in category C and D (automotive, communications and electric and other equipment). These are clearly non-lethal. Their total value is about £3.5m;
- (ii) we should refuse to release items in category A (guns and fire control equipment);
- (iii) there may also be a case for releasing at least the items in category B(ii) (brakes, steering axles, wheels and tracks) which could add a further £2.5m to the items released, or some 70% of the total value. We could ask officials, perhaps chaired by a Cabinet Office representative, to examine further the hull-related items in B(i) to see whether some of those items might also be released in due course.

7. Progressive release on these lines would be evidence of our serious intent, and would also allow us the flexibility to limit release if Arab or US reactions looked like going beyond mere words. As for the assurances sought by the Iranians on the other elements and contracts outside the interim packages, we shall have to ask our negotiators to continue to play for time, but it may be necessary in due course to give the assurance in paragraph 2(ii) above. Under no

/circumstances



circumstances would lethal items or ammunition be supplied to Iran while hostilities continue; but the Iranians might insist on their money back.

7. I am copying this minute to other members of OD(EM).

A handwritten signature in dark ink, consisting of a stylized 'G' followed by a series of loops and a final downward stroke.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
10 April 1984

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