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INFO PRIORITY BONN, PARIS WASHINGTON MODUK FOR D173 AND SEC(O)(C)

YRTELNOS 92, 97, AND 102 (NOT TO ALL): ITALIAN ARMS SALES
TO ARGENTINA

1. DURING RUGGIERO'S LUNCH FOR BRAITHWAITE ON 27 FEBRUARY I WAS ABLE TO HAVE A SHORT DISCUSSION IN THE MARGINS WITH HIM AND THE ACTING ECONOMIC DIRECTOR, BRIGANTE COLONNA, ON THIS SUBJECT. I FOLLOWED UP YESTERDAY BY CALLING , WITH THE HEAD OF CHANCERY, ON BRIGANTE COLONNA AND TOFFANO, THE MFA OFFICIAL RESPONSIBLE FOR ARMS EXPORT POLICY.
2. AT RUGGIERO'S LUNCH I BEGAN BY ASKING HIM ABOUT CRAXI'S REFERENCE, WHEN HE SAW THE PRIME MINISTER IN LONDON LAST WEEK, TO AN EXISTING CONTRACT WITH A US SUBSIDIARY OF FIAT FOR THE SUPPLY OF ITALIAN TORPEDOES TO ARGENTINA. IT TRANSPIRED THAT THE ITALIANS HAD BEEN REFERRING TO FIAT'S SUBSIDIARY WHITEHEAD MOTO FIDES (AN ITALIAN COMPANY). THUS WE ARE TALKING ABOUT A SINGLE CONTRACT, AND NOT TWO: BUT THE STATUS OF THE CONTRACT, AND THE DATE WHEN IT WAS SIGNED, REMAIN TO BE CLARIFIED. WE HAVE ASKED TOFFANO TO PROVIDE US WITH DETAILS.
3. RUGGIERO THEN SAID THAT THE ITALIANS HAD CONTACTED BOTH THE GERMAN AND US GOVERNMENTS ON THIS QUESTION: AND BRIGANTE COLONNA ADDED YESTERDAY THAT THE ITALIANS WERE ALSO IN TOUCH WITH THE FRENCH AND SWEDES AS THE ONLY OTHER POSSIBLE SUPPLIERS OF TORPEDOES OF THE REQUIRED SOPHISTICATION. RUGGIERO SAID THAT BOTH THE AMERICANS AND GERMANS SHARED THE ITALIAN VIEW THAT IT WOULD BE IMPOSSIBLE FOR ANY OF THE THREE GOVERNMENTS CONCERNED TO REFUSE TO SUPPLY ARMS TO ARGENTINA, GIVEN ITS RETURN TO DEMOCRACY AND ALFONSI'S NEED TO KEEP HIS MILITARY SATISFIED. RUGGIERO ACCEPTED THAT IT WOULD BE VERY UNDESIRABLE FOR WEAPONS LIKE TORPEDOES TO BE DELIVERED TO ARGENTINA AT PRESENT: AND THERE WOULD BE A PASSAGE IN THE BRIEFS FOR PERTINI'S STATE VISIT TO ARGENTINA LATER THIS MONTH (ON WHICH ANDREOTTI WILL ACCOMPANY HIM) THAT WOULD ENCOURAGE ITALIAN MINISTERS TO PERSUADE ARGENTINA NOT (NOT) TO SEEK TO OBTAIN SUCH WEAPONS. RUGGIERO ADDED THAT DURING CRAXI'S VISIT TO PARIS LAST WEEK HE AND MITTERRAND HAD BOTH AGREED THAT ARGENTINA SHOULD BE PERSUADED NOT TO SEEK DELIVERY OF TORPEDOES.
4. I SAID THAT ARGENTINA HAD NOT RESPONDED TO OUR INITIATIVES TO SECURE PRACTICAL IMPROVEMENTS IN OUR BILATERAL RELATIONS, AND THAT ARGENTINA HAD CONSISTENTLY REFUSED TO DECLARE A FORMAL

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END TO HOSTILITIES. NO ONE IN BRITAIN WOULD UNDERSTAND AN ITALIAN DECISION TO SUPPLY THESE OFFENSIVE WEAPONS. RUGGIERO AND BRIGANTE COLONNA BOTH SAID THAT THEY FULLY UNDERSTOOD THE SENSITIVITY OF THIS MATTER FOR US. AT THE SAME TIME, THEY POINTED TO THE CONSTRAINTS ON THE ITALIAN FOREIGN POLICY RESULTING FROM THE CLOSE RELATIONS BETWEEN ALFONSI AND CRAXI'S SOCIALISTS.

5. WHEN WE CALLED ON BRIGANTE COLONNA AND TOFFANO YESTERDAY, I LEFT A SPEAKING NOTE (TEXT TO PALMER, FID, IN YESTERDAY'S BAG) WHICH REHEARSED IN FULL OUR OBJECTIONS TO THE SUPPLY OF SENSITIVE ARMS TO ARGENTINA, REMINDED THE MFA OF BUCCI'S ASSURANCES TO ME IN 1983 (BUT SEE MIFT) AND CONCLUDED THAT WE DID NOT WISH ANY SENSITIVE ARMS TO BE SOLD TO ARGENTINA WHETHER OR NOT A CONTRACT HAD ALREADY BEEN SIGNED. I ASKED FOR CLARIFICATION OF THE STATUS OF THE HELICOPTER AND TORPEDO NEGOTIATIONS. I SAID THAT WE HAD ADDRESSED OUR OTHER MAJOR ARMS EXPORTING ALLIES IN SIMILAR TERMS.

6. BRIGANTE COLONNA SAID THAT IT WAS ITALIAN POLICY TO SUPPORT THE DEMOCRATIC ARGENTINE REGIME, AND IN THIS SPIRIT THE ITALIANS NOW PROPOSED TO UNBLOCK THEIR USD35 MILLION LOAN FOR THE DAM ON THE ARGENTINE/PARAGUAYAN BORDER. HE ACCEPTED THAT THERE WAS ALL THE DIFFERENCE IN THE WORLD BETWEEN STRENGTHENING THE ARGENTINE ECONOMY AND SPENDING MONEY ON MILITARY EQUIPMENT. I SAID THAT WE TOO HAD PLAYED OUR PART IN SEEKING TO RESTORE ARGENTINA'S ECONOMY, THROUGH OUR CONTRIBUTION TO THE RELIEF OF IMF SUPPORT, AND THROUGH COMMERCIAL BANKING CHANNELS. BUT THE SUPPLY OF MILITARY EQUIPMENT AND PARTICULARLY THESE OFFENSIVE WEAPONS WAS IN A QUITE DIFFERENT CATEGORY. BRIGANTE COLONNA REPEATED THAT THE AMERICANS AND ITALIANS WERE AGREED THAT NEITHER COULD "IMPOSE A MILITARY EMBARGO" ON ALFONSI. NEVERTHELESS BOTH WOULD EXERCISE "EXTREME CAUTION" A PHRASE HE REPEATED ON SEVERAL OCCASIONS. HE UNDERTOOK TO BRIEF ANREOTTI BEFORE HIS DEPARTURE, BUT ASSURED ME THAT PERTINI'S STATE VISIT WAS LARGELY A CEREMONIAL OCCASION AND NOT (NOT) ONE FOR DISCUSSION OF MAJOR BUSINESS CONTRACTS.

7. SEE MIFT

BRIDGES
BT
LIMITED
FID
DEFENCE DEPT
PS
PS/LADY YOUNG
PS/MR RENTON
PS/MR RIFKIND
PS/PUS
MR DEREK THOMAS
MR DAVID THOMAS
MR GOODALL
MR WESTON

P. No 10. D. G.

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