

CONFIDENTIAL

Allen...



Foreign and Commonwealth Office

London SW1A 2AH

4 February 1983

Willie Liddell
For questions.

A.T.C. 4/2

Dear Richard,

Plessey Radar for Argentina

Mr Heseltine wrote to Mr Pym on 27 January about the need to inform Plessey at the same time as the French of the decision to revoke the export licence for a radar the company were to supply to Aerospatiale for incorporation in equipment destined for the Argentine Navy.

We have arranged for this to be done by the DOT and the Embassy at Paris respectively.

If asked to comment, we would propose to take the line that the licence, which was applied for after the Falklands invasion, was only granted because the end-user was France. It was revoked when the Government became aware that the end-user was not France but Argentina. In view of the handover of the first FRG-built warship to Argentina this week the Government may be pressed on why they released Rolls Royce engines last year for the ships being built in the FRG for Argentina, but revoked an export licence in this case. Mr Pym believes that our press offices should develop the line Sir J Nott used in the House on 22 November and say: 'The Rolls Royce engines were supplied under a long-standing contract entered into many years ago. They are thus in a quite different category from the Plessey radar contract. We nonetheless made it clear to the German Government that we should regret any early delivery of frigates to Argentina'

I am copying this to Private Secretaries of OD colleagues, the Secretary of State for Industry and Sir R Armstrong.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

R Mottram Esq
Private Secretary
Ministry of Defence

CONFIDENTIAL

Argentina 61
Relaciones 1 PT 32



10 DOWNING STREET

MR COLES

[Handwritten signature]

With the compliments of

BERNARD INGHAM

FRIGATES FOR ARGENTINA

Background

Rolls-Royce have a commercial contract, entered into before the Falklands hostilities, to supply equipment to a German firm, Blohm and Voss for incorporation in frigates destined for the Argentine. The contract required Rolls Royce to have a man on board during the crew familiarisation period, which takes place after transfer of ownership and hence under the Argentine flag.

Patrick Bishop of the Observer has contacted MoD and Rolls-Royce to discover the extent of Government pressure on Rolls-Royce, because the first frigate sailed on Wednesday without a Rolls-Royce man on board.

Rolls-Royce have confirmed that they do not have anyone on board and the reasons ~~"instructions from Whitehall not to have someone on board!!!!"~~

If approached we can say:-

Because the Argentines are still refusing formally to declare the Falklands hostilities to be at an end the Government felt grave concern at the prospect of a British national providing these services (ie crew familiarisation).

We made this fact and our concern clear to Rolls-Royce.

In view of that Rolls-Royce approached Blohm and Voss and secured their acceptance of the fact that they would not be providing these services either for the frigate at present undergoing crew familiarisation at sea or for the remainder of the ships to be built under the contract.

We should stick closely to this wording.

Questions of export licences are of course for Department of Trade, but they granted one in September 1982 (the contract pre-dated hostilities).

Source: P J Casey Air Division

JOY SILVER
Chief Press Officer

4 February 1983

* Joy Silver ^{has succeeded in} ~~is attempting to~~ get RR
to take a more responsible line
- i.e. broadly consistent with the Dept's line

Prime Minister



A successful outcome.
Mr. Jenkin may mention
at Cabinet.

PRIME MINISTER

FEB

2.2.

ROLLS ROYCE: FRIGATES FOR ARGENTINA

When we discussed this issue in Cabinet on 27 January, I was invited in consultation with colleagues to pursue the matter with Rolls Royce with a view to avoiding having a British engineer aboard an Argentine warship. You will be pleased to know that a satisfactory outcome has been achieved.

2 Rolls Royce made considerable efforts to find a foreign national who might serve, but these proved unsuccessful. However, on 1 February a meeting took place between Rolls Royce and the German shipbuilders, Blohm and Voss, at which Rolls Royce explained that Argentina had refused to declare the recent armed hostilities to be at an end. Blohm and Voss understood the difficult position in which this placed Rolls Royce, and agreed that they would not press Rolls Royce to put a man aboard the frigate, which we now expect will have put to sea late last night (2 February), with no Rolls Royce personnel aboard. Having reached an amicable agreement with Blohm and Voss, Rolls Royce will not require an indemnity of any kind from Government to protect the company against accusations of breach of contract. Furthermore, the agreement with Blohm and Voss will extend to the



remaining three frigates under construction. This is a highly satisfactory result which owes much to Rolls Royce's co-operation. I am copying this minute to members of OD and to Sir Robert Armstrong.

PJ

P J

2 February 1983

Department of Industry

Argentine relations

CONFIDENTIAL

PRIME MINISTER

mt

Rolls Royce Engines for German Frigates
(for sale to Argentina)

Since the Cabinet discussion this morning the Department of Industry have spoken to the Company Secretary of Rolls Royce.

The position is held until Friday of next week because the frigate will not sail until then. Rolls Royce will ensure that none of their people are on board meanwhile.

In the next few days they will try to find someone who is not a British national, perhaps a Dutch national, who can sail with the frigate.

The DOI are looking into the legal position and will establish whether they can help Rolls Royce if the latter, because of force majeure, are not able to fulfil their contract on this point. Mr. Jenkin will report to you further next week.

A.J.C.

mt

27 January 1983

B.U. 2/2.

CONFIDENTIAL

mt

CONFIDENTIAL



MO 26/9/1

N. S. I. R.

A. J. C. $\frac{25}{1}$

FOREIGN AND COMMONWEALTH SECRETARY

PLESSEY RADAR FOR ARGENTINA

Thank you for your minute of 6th January. You suggested that it would be prudent to inform the French Government, through the Paris Embassy, of our decision to revoke the export licence allowing Plessey to supply a radar to France for incorporation in a weapons system destined for the Argentine Navy. Now that our colleagues have signified that they are content that the licence should be revoked I suggest that the way is clear for action to be taken as you suggest.

2. However I consider that it would be quite wrong for Plesseys to hear from the French - there will be a very rapid phone call. In these circumstances I consider it essential that Sir John Clark be informed - in confidence if necessary - before or at the same time that the French are told. Perhaps our officials could liaise on how this might be done.

3. I am copying this minute to OD colleagues, Patrick Jenkin and to Sir Robert Armstrong.

Ministry of Defence
27th January 1983

CONFIDENTIAL

ARGENTINA : Relations : Pt 32

28 JAN 1963





10 DOWNING STREET

From the Private Secretary

c: HO
LCO
FCO
HMT
LPO
MOD
LPSO
TRADE
CDL
CO
25 January 1983

Rolls Royce : Argentina

Thank you for your letter of 25 January about the contract between Rolls Royce and the German shipbuilders Blohm and Voss.

The Prime Minister notes the contractual requirement for Rolls Royce to provide one of their own staff aboard the frigate during its North Sea trials, at which time it will be under the Argentine flag. But Mrs Thatcher is concerned that, if this arrangement is implemented, and it becomes known, there could be considerable criticism of the Government for not having sought to avoid such a situation. She would therefore be grateful if the Secretary of State for Industry could reflect further about the possibility of speaking informally to Rolls Royce at a high level in order to establish whether some less embarrassing arrangement could be made. She would be grateful for Mr. Jenkin's further views.

I am copying this letter to the Private Secretaries to members of OD and to Richard Hatfield (Cabinet Office).

AJC

Dr David Saunders,
Department of Industry.

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JF2476

PS/ Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

25 January 1983

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Alan Jones

ROLLS ROYCE : ARGENTINA

My Secretary of State thinks the Prime Minister will wish to know of a development arising under a contract between Rolls Royce and the German shipbuilders Blohm and Voss under which Rolls Royce are supplying engines for incorporation in four frigates which Blohm and Voss are building for the Argentine Navy.

2 The background is that supplies of this equipment were halted during the hostilities with Argentina and Rolls Royce withdrew their technical support personnel. On 9 September 1982 following discussion in OD Committee (OD(82)5th Meeting) and subsequent Ministerial correspondence, my Secretary of State wrote to Lord McFadzean informing him that the Government had now agreed that the equipment might be released. The main basis for this decision was the damage which would be done to Rolls Royce's commercial relations with Blohm and Voss (and possibly to wider commercial relations) by a failure to meet their contractual obligations.

3 Rolls Royce have now informed us that their contract with Blohm and Voss requires them to support the German firm during crew familiarization, which occurs after transfer of ownership, ie. under the Argentine flag. The first frigate is due to be handed over to the Argentines tomorrow (Wednesday); North Sea trials, during which Rolls Royce will have one man aboard the frigate, will start on 5 February lasting until the end of the month. According to Rolls Royce, their contract obliges the company to provide one of their own staff, who has been working with Blohm and Voss on all earlier phases of the contract.



4 The view of officials in this Department, the Ministry of Defence and the Foreign and Commonwealth Office is that this Department has no power to prevent the company from fulfilling its contract; and that given the Government's policy on the sanctity of contracts we should not be seen to apply pressure on the company to break the contract with Blohm and Voss. Equally, we should resist any attempt to transfer any part of the responsibility for the company's latest actions on to the Government. Nevertheless, this Department has expressed to Rolls Royce our concern at the bad publicity and embarrassment which this might attract were it to become publicly known, and has sounded out the possibility of using, for example, a freelance foreign national less closely connected with the company. Since this alternative is apparently not open to the company under the contract the Department is proposing to write to Rolls Royce saying that it is unfortunate that this situation should have arisen but the Department has noted that the company consider that they are contractually bound to provide the services of an employee of the company during the period of crew familiarization.

5 I am copying this letter to the Private Secretaries to members of OD and to Richard Hatfield in Sir Robert Armstrong's office.

Yours ever,

David Saunders

DS

DAVID SAUNDERS
Private Secretary

25 JAN 1983



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100-100000

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

20 January 1983

Dear Sir,

PLESSEY RADAR FOR ARGENTINA

The Prime Minister has seen Mr. Nott's minute of 4 January and subsequent correspondence ending with Lord Cockfield's minute of 11 January. She agrees with her colleagues that Plessey should be denied an export licence allowing them to supply radar to France for incorporation in a weapons system designed for the Argentine Navy.

I am copying this to the Private Secretaries of members of OD and also to Jonathan Spencer (Department of Industry) and Richard Hatfield (Cabinet Office).

*Your ever
John Wiles.*

Richard Mottram, Esq.,
Ministry of Defence.

CONFIDENTIAL

Brc

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FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 -6401
SWITCHBOARD 01-212 7676

Kenneth Baker MP

N. B. P. R.

The Rt Hon Francis Pym MP
Secretary of State for Foreign
and Commonwealth Affairs
FCO
Whitehall

ML 14/1

13 January 1983

Dear Foreign Secretary,

PLESSEY RADAR FOR ARGENTINA

In his minute of 4 January to you, John Nott sought agreement for the revocation of a licence for the export of a naval radar display system destined for Argentina. I am commenting in Patrick Jenkin's absence overseas.

2 While turning away any business is to be regretted this particular order is not critical to the company's future. Therefore, I agree that the licence be revoked.

3 I am copying this to the members of OD and to Sir Robert Armstrong.

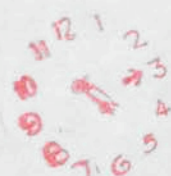
Yours sincerely

Kenneth Baker

sp KENNETH BAKER (approved by the Minister
and signed in his absence)

Argentina, Relations, Pt 32

3 JAN 1983





CONFIDENTIAL

From the Secretary of State

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1

Agreed - We must DENY the licence.
Proc Minute

H
12/1

mt 11 January 1983

It is the Defence Secretary's clear intention to revoke the licence.
A.S.C. 12/1

Dear Michael,

PLESSEY RADAR FOR ARGENTINA

Your predecessor copied to me his minute of 4 January to the Foreign Secretary. I have since seen the Foreign Secretary's reply of 6 January, with which I agree.

Given that the equipment is specifically intended for launching Exocet, an offensive weapon for which our own Armed Forces would be the most likely targets, I believe we must deny it to the Argentines. While I recognise that in revoking the licence we may be criticised for inconsistency, this would be as nothing compared with the criticism we should receive if we were to permit the export.

I am copying this to OD colleagues, Patrick Jenkin and to Sir Robert Armstrong.

Yours,
Arthur

LORD COCKFIELD

CONFIDENTIAL

Argenturci

Relationis



FCS/83/2

SECRETARY OF STATE FOR DEFENCE

Prime Minister

The Foreign and Defence Secretaries are agreed that we should not allow Blaney to supply radar to France for a weapons system destined to Argentina.

A.S.C. $\frac{6}{1}$ Plessey Radar for Argentina

1. Thank you for your minute MO 26/9/1 of 4 January.
2. I agree that this licence should be revoked. I believe that the arguments in paragraph 5 of your minute are compelling. There would be a serious problem in defending in Parliament and in public any decision to allow the radar to be exported, given its clearly offensive nature and its potential role in a system including Exocets.
3. We must be ready for trouble from the French. They may seek to argue that we are discriminating against them or at least, as you suggest, that we are acting inconsistently in embargoing this equipment while releasing Rolls Royce engines to Germany for the four Argentine frigates under construction there. I therefore propose that we should inform the French Government of our decision, through the Embassy at Paris, rather than leave them to find out from Aerospatiale: this may help to reduce the risks of unnecessary ill-feeling.
4. I am copying this to OD colleagues, Patrick Jenkin and Sir Robert Armstrong.

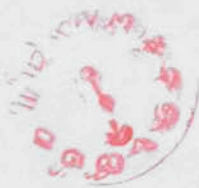
ms

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(FRANCIS PYM)

Foreign and Commonwealth Office
6 January, 1983

Argentina, Relations, Pt 32



B/F



Await reply from Foreign
Secretary & S. U. then.

A.F.C. 4/11

MO 26/9/1

SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRSPLESSEY RADAR FOR ARGENTINA

You may be aware that our officials, together with those from the Department of Trade, have been examining the problem of whether to revoke an export licence allowing Plessey to supply a radar to France for incorporation in a weapons system destined for the Argentine Navy.

2. At the end of March 1982 Plessey signed a contract to supply Aerospatiale with a Type 406 Naval Display system. In May the Department of Trade sought and obtained the agreement of our two Departments to the issue of an export licence for this equipment on the understanding that the end-user was France. Nothing further occurred until last month when Plessey sought advice from DOT as to whether supply of the radar could go ahead, drawing attention to a letter they claimed to have sent on 16 April which stated that the radar was to be incorporated into a fire control system for the Argentine Navy. I understand that DOT have no record of this letter.

3. The present position is that the licence has been returned voluntarily by Plessey to DOT, but it has not as yet been revoked. Although the equipment was due originally for delivery to Aerospatiale this month, Plessey suspended work on it at a very early stage and estimate that it would take between 6-12 months to complete. Aerospatiale have been informed by Plessey that there is an embargo on supply and that work has been suspended.



4. The contract is worth some £350,000 and has ECGD cover. The radar will form part of the Fire Control System for ship launched Exocet missiles and Plessey understand that the system will be fitted in the Argentine Type 42 destroyer Santissima Trinidad. From the time of delivery to Aerospatiale it is estimated that it would take a further 3-4 months to instal.
5. The military view here is that the radar is an integral part of a weapon system whose prime purpose is offensive rather than defensive and its export should not be permitted.
6. There are, of course, wider issues and other considerations. We have recently been criticised in the House for continuing to supply components for Exocet missiles and the decision to release equipment, particularly Rolls Royce engines, contracted to supply for the Argentine frigates being built in Germany. On the other hand, if the licence was revoked we could be accused of inconsistency in allowing these deals to proceed whilst embargoing the Plessey equipment.
7. On balance I am inclined to revoke the licence for the Plessey radar on the grounds that it will be directly incorporated in a weapons system for Argentina, the contract was signed only just before the invasion of the Falklands and an export licence was granted subsequently on incomplete information. I would be glad to know whether you and other colleagues agree.
8. I am copying this letter to OD colleagues, Patrick Jenkin and Sir Robert Armstrong.

SW

Ministry of Defence
4th January 1983

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4 JAN 1983