



Foreign and Commonwealth Office

London SW1A 2AH

18 March, 1983

*Prime Minister**To note pointer.**Dear John,*Arms Sales to Argentina*AR 19/3*
By: Mr. Nicholl.

In your letter of 22 February you mentioned the Prime Minister's concern that our position could become untenable if many more of these cases were discovered. We and the MOD have looked into this further.

The only licensable items for Argentina which do not fall under our general arms embargo are those few contracts covered by the Ministerial decision of 21 July 1982 (OD(82)15). It was agreed then that pre-existing contracts for German-built destroyers and corvettes and Spanish-built coast-guard vessels could be fulfilled. The MOD have updated the lists submitted to Ministers last July for the OD meeting to show the current state of play, and I enclose extracts listing the remaining contracts under which items are still to be delivered.

You will see that, for the four MEKO 360 destroyers built in Hamburg, the contracts are all but fulfilled. Of the items outstanding (target decoys, helicopter handling trolleys and engine spares), none is particularly sensitive in military terms. The six MEKO 1470 corvettes are being built in Argentina under licence from Blohm and Voss, but British items for inclusion in the ships are despatched to Blohm and Voss in Germany and not direct to Argentina. None of the remaining items to be exported is licensable except for helicopter handling equipment. The MOD are querying this with the manufacturers and tell us that it is unlikely that it will receive an export licence. The five coast-guard vessels being built in Spain have so far attracted no comment in this country. The only remaining British export for them is one communication set, due for delivery in July 1983, the last of five such sets.

We cannot be absolutely certain that there are no further items going to third countries for incorporation in the German and Spanish vessels. But all the vessels' construction is now so far advanced that any which might come up are likely to be minor and, possibly, not licensable.

The information given above does not include details of components exported under standing contracts to arms manufacturers of allied nations where the final purchaser cannot be separately identified. Exocets are the most sensitive and emotive example in this category. As you will be aware there is a special problem here since, under a Memorandum of Understanding signed in 1971 to provide an offset for Exocet missiles purchased for

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the Royal Navy, some 40 British manufacturers supply components. It is not practical to insist on end-user certification for a large number of minor components. We take frequent opportunities to remind the French Government of our concern that there should be no new contract to sell Exocets to Argentina or to a country likely to divert them to Argentina, but it is unlikely in practice that this will seriously inhibit the French, except possibly over air-launched Exocets.

There is no doubt that existing policy will continue to be controversial and difficult to defend in Parliament and elsewhere. A new delivery of Exocets including British components to Argentina could provide a fresh round of criticism. But there is little to be done about this short of a complete reversal of policy, which would also be controversial. In Mr Pym's view, the government's position is tenable in present circumstances but we must continue to be vigilant and be prepared to refuse supply where we have a margin of flexibility allowing us to do so.

I am copying this to Richard Mottram (MOD) and Richard Hatfield (Cabinet Office).

Your ever

John Holmes

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Private Secretary

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Private Secretary
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Argentina: Celabim Pt 33

GENERAL MISCELLANEOUS CONTRACTS

OUTSTANDING CONTRACTS FOR ARGENTINA

<u>EQUIPMENT</u>	<u>COMPANY</u>	<u>REMARKS</u>
VRC 321 Radios) VRC 322 Radios)	MEL	The outstanding equipments (100 of each radio) were to be manufactured in Argentina by Phillips of Argentina and a military factory. MEL delivered all the components and information to Argentina pre-Falklands and no contractual relationship with Argentina now exists.
Sea Spray Radar	Ferranti	These radars were the subject of sub-contract between Westlands and Ferranti and formed part of the Westlands contract with Argentina for 8 Lynx helicopters. This contract was cancelled on 14 June 1982. The Argentinians are seeking damages for non-delivery and the return of monies already paid.
HUD/Weapon Arming System	Marconi	This contract has been suspended. Marconi have approached ECGD with a view to obtaining compensation for the equipments produced but not delivered (33).
AFV Drivers Periscopes	N/K	MEL were bidding for this order but did not obtain the contract. Various enquiries have failed to identify a UK manufacturer and we now suspect that no such contract was ever achieved.
Sea Cat Missile Practice Rounds	Shorts	The rounds for Argentina were diverted to RN use. Shorts hold an advance from the Argentinians but have not been approached for its return.
Orange Crop EW Systems	Racal-Decca	No equipments from this contract were delivered. The Argentinians had, however, paid in full and are now seeking damages under a force majeure clause.
Canberra B62 (1) Canberra T64)	BAe	The aircraft were not delivered. All work on them has been suspended. BAe are discussing the frustration of the contract with the Argentinians through legal channels.

Four MEKO 360 DESTROYERS constructed in Germany

Annex 2

MEKO 360 FRIGATES-UK COMPANIES SUPPLYING EQUIPMENT

<u>COMPANY</u>	<u>EQUIPMENT</u>	<u>VALUE</u>	<u>REMARKS</u>
David Brown Gears Ltd	Gearing	£5.725M	All equipment delivered
Gloster Saro	Air Intake and Exhaust Silencers	£1.475M	All equipment delivered
Graseby Instruments	Towed Target Decoys	£1.1M	Three sets delivered. Final set to be delivered in next three months.
Hale Hamilton Valves	HP Air Equipment	£218K	Licensable All equipment delivered
Rawker Siddoley Dynamics Ltd	Gas Turbine Control Equipment	£3.29M	All main hardware has been delivered. Some test equipment and spares will be delivered shortly.
MacTaggart Scott Ltd	Helicopter Handling Equipment	£618K	Not Licensable All equipment delivered with the exception of trolleys for the 4th ship.
Premberg	Combustion Air Filters	£270K	Licensable All equipment delivered
Rolls-Royce	Olympus/Tyne Engine Modules	£23M	All equipment delivered with the exception of some stores and tools.
Wynstruments	Window Wipers	£37K	Licensable All equipment delivered
AGI	Naval Logs	£120K	All delivered.
W & J Tool Ltd	Sonar Domes	£100K	All equipment delivered

DS13, MOD
8 March 1983

Six MEKO 1470 CORVETTES constructed under licence in Argentina.

Annex C

ME 1470 CORVETTES - UK COMPANIES SUPPLYING EQUIPMENT

<u>COMPANY</u>	<u>EQUIPMENT</u>	<u>VALUE</u>	<u>REMARKS</u>
Vesper Thornycroft	Stabilising Equipment	£1.1M	3 1/2 sets delivered. 1 set due Feb 83. 1 set due Mar 83. 1 set July 83, 1 set Oct/Nov 83.
Vesper Thornycroft	MPD diesel remote control gear	£200K	All sets delivered
Racal-Decca Marine Radar	✓ Navigation Radar	£146K	All sets delivered.
Hamworthy Engineering Ltd	Sewage Plant	£149K	3 sets delivered. April Remaining sets due March 83, Oct 83, April 84.
Deep Sea Seals Ltd	Stern Tube Seals	£15K	3 sets delivered. 1 set due March 83. No contract for further 3 sets.
Hale Hamilton Valves Ltd	HP Air Equipment	£288K	2 sets delivered. 2 sets due March 83. 2 sets Dec 83.
AGI	Naval logs	£180K	3 sets delivered. Remaining sets due Dec 83, June 84, Dec 84.
M L Aviation	3 Naval Lynx Handlers	£105K	First ² handlers due for delivery in ^{mid} 1984. ML have been informed that consideration of their licence application will be deferred until nearer the time of delivery. In the meantime, DoT and MOD are investigating this application.

DS13, MOD
8 March 1983

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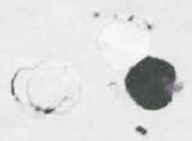
Five COAST GUARD VESSELS to under construction in Spain

UK COMPANIES SUPPLYING EQUIPMENT

<u>Company</u>	<u>Equipment</u>	<u>Remarks</u>
Vosper Thornycroft	Stabilisers	All delivered
Racal	5 Communication sets	Four sets delivered. Final set due for delivery in July 1983

DS13, MOD
8 March 1983

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18 MAR 1983





Handwritten notes:
Argentina
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ARMS SALES TO ARGENTINA

Line to Take

Q. Why are we still supplying naval equipment to Argentina through third parties?

A. There is a total embargo on the direct sale of defence equipment to Argentina. However, certain British firms signed contracts in 1980 with the German shipbuilders Blohm and Voss to supply engines and other equipment for incorporation in frigates being built for the Argentine Navy. The bulk of this equipment was delivered before April 1982 and the remainder was embargoed for duration of the conflict. Once the Falkland Islands were recaptured we felt it right to honour our long standing contractual obligations to an important trading partner and fellow member of NATO.

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frigates

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We do however report that...
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Q. Why don't we stop the supply of Exocet components to France?

A. Under a Memorandum of Understanding signed in 1971, some 40 British companies supply ^{sub} components for the Exocet missile. This arrangement was negotiated to offset the purchase of the ship-launched version for the Royal Navy. Deliveries to the Royal Navy are continuing and, in addition, Exocet in its various versions have been sold to some 30 other countries. An embargo on British components for the Exocet could adversely affect deliveries to the Royal Navy who, we believe, are one of the major purchasers of the ship-launched version. It is not possible to ban the supply of components to one particular country.

Q. Is there not a chance that British equipment in Argentine lands could be used against our own troops?

A. It would be foolhardy of the Argentines to attempt any



further military initiative against the Falklands but our forces are capable of responding quickly and effectively to any aggressive action contemplated by the Argentinian government.

Q. Why is it right for British ^{sub} sub-components to be supplied for Argentine frigates and Exocet missiles, but wrong to supply Plessey radars to France?

A. The contract for Plessey radars was signed at the end of March 1982, just before the invasion of the Falklands. An export licence was granted in May in the belief that France was the ultimate destination. It recently became known that this equipment was destined for Argentina. Since the licence was granted on incomplete information and this equipment forms part of the fire-control system for Exocet missiles specifically destined for Argentina, it has been decided to withdraw the licences.

The licence was returned to the ^{Trade} Department at our request but ~~cannot~~ Plessey cannot therefore export this equipment.

BACKGROUND NOTEMEKO FRIGATES AND CORVETTES FOR ARGENTINA

1. In 1978, Blohm and Voss obtained a contract to build four frigates for Argentina. In 1980 British firms secured contracts with the shipbuilders worth approximately £40M for the supply of equipment (all non-lethal) for the ships. Ministerial approval for this deal was first given in January 1979. Annex A gives details of the equipment involved.
2. Much of this equipment had been delivered by the time of the invasion; this included the Rolls Royce Gas Turbine engines for the first three frigates. A ban on further deliveries was then imposed. Following the recapture of the Islands, Ministers decided to release this equipment on the understanding that assurances were obtained from the German Government that we would be consulted before the frigates were delivered (OD(82)15th meeting on 21 July 1982). These assurances were, however, not forthcoming but Ministers agreed in August to release the equipment without them. At that time the German embargo on the supply of arms to Argentina was still in force but it was subsequently lifted.
3. The first frigate is due for handing over on 2 February and to sail from Germany for Argentina about 3 weeks later. Steps are being taken to ensure that no British contracts personnel are on board. The remaining ships sail at approximately 6 monthly intervals.
4. British firms are also involved to a much lesser extent in the supply of equipment to Blohm and Voss for fitting in 6 Corvettes being built for the Argentinian Navy (two in Germany, the remaining four in Argentina). Supply of this equipment was agreed as for the frigates with the proviso that it should be to Blohm and Voss and not direct to Argentina. Details of this equipment worth approximately £2M is at Annex B.
5. Thyssen have a programme to build six submarines for Argentina, two in Germany and four under license in Argentina. The only

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known British involvement is the provision of high pressure
air equipment by Hale Hamilton Valves Ltd which is not subject
to export licensing controls.



BACKGROUND NOTE

German Frigates

Approval for supply of equipment first given Jan 1979. Most equipment delivered before April 1982 including all for first 2 ships. First ship due to be delivered 2 Feb. Deliveries of UK equipment suspended April-August 1982. Ministerial agreement in August to delivery of remaining items, in order to honour contracts, and maintain good relations with Germany. German embargo was then in force (lifted Sept 1982). German action in permitting supply regretted.

Regret that we could not prevent supply.

Exocet

RN contracted to buy Exocet missiles in 1971 and deal included participation by UK manufacturers to supply components as offset for RN for RN purchase. Over 40 UK firms involved. Exocet missiles supplied to over 30 countries. Difficult and impracticable to limit supply of UK components to missiles destined for friendly countries. Total embargo on supply of any UK components would risk supply of Exocet to RN, and cast doubts on our reliability to honour contract.

Italian Aeromacchi MB326 and MB339K Jet Trainers/Light Ground Attack Aircraft

Aircraft has Rolls Royce Viper engine. Argentina had some 18 of these aircraft from Italy before April 1982. Export Licenses for 14 engines have been approved since April 1982, stated users have been Italy and Malaysia.

To the best of our knowledge no more of these aircraft have reached Argentina since April 1982.

Argentina known to be trying to buy about 12 more. Most likely source of supply would be Brazil where aircraft also made.

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