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10 DOWNING STREET

28 May 1986

From the Private Secretary

POSSIBLE SUPPLY OF GERMAN TORPEDOES TO ARGENTINA

Thank you for your letter of 27 May enclosing a draft message from the Prime Minister to Chancellor Kohl about the possible supply of German torpedoes to Argentina.

I think that we need to make clear that we do not ourselves doubt the German assurances, all we want is to have them in a form suitable to be conveyed to the Italians. This could be done by inserting in the last paragraph after "....act responsibly on this issue" a passage to the effect "Speaking for myself and for Britain, I have no doubt at all that your assurance still stands. But it is important to reassure the Italian Government of the Federal Republic's intention. I should therefore be most grateful for confirmation, in a form suitable to be conveyed to the Italian Government, that...".

I also gave you on the telephone a small amendment to the first sentence.

With these changes, the message may issue.

I am copying this letter to John Howe (Ministry of Defence).

(CHARLES POWELL)

R. N. Culshaw, Esq.,
Foreign and Commonwealth Office.

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JAIASU
cc MOD

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~~SECRET~~



Foreign and Commonwealth Office

London SW1A 2AH

27 May 1986

Dear Charles,

*Prime Minister
Agree to send
this message to
Chancellor Kohl?*

Possible Supply of German Torpedoes to Argentina

*CDP
27/5*

I understand that, because their bilateral in Tokyo was shorter than expected, the Prime Minister was unable to raise the matter of torpedoes with Chancellor Kohl. We believe that it would be advisable for the Prime Minister to pursue the subject by a letter to Kohl. The aim would be to obtain a renewed assurance on the supply of advanced torpedoes to Argentina, which we could use to avert possible Italian sale of similar torpedoes.

The background is that Kohl gave the Prime Minister last year (copy enclosed) an assurance that the Federal Government would not permit the export to Argentina of AEG-Telefunken surface and underwater target (SUT) torpedoes while conditions in the South Atlantic remained unsettled. We have been seeking a similarly clear assurance from the Italians in respect of the comparable torpedoes made by Whitehead Moto Fides (a FIAT subsidiary). They have been reluctant to give one, but have continued to block supply of such torpedoes to Argentina.

In recent months, however, the Italians have claimed to be increasingly concerned that the Germans may sell SUT torpedoes to Argentina, even though we have repeatedly told them of the assurance the Germans have given us "at a very senior level" (meaning Chancellor Kohl). They insist that they would be content only with a "cast-iron" assurance of German non-supply. The Foreign Secretary raised the subject with Andreotti at the Anglo-Italian Summit on 12 March, but Andreotti was evasive; Sir Geoffrey Howe therefore sent a message to Andreotti in early April, directly requesting an assurance that the Italians would not sell the torpedoes to Argentina, but there has to date been no response. We see a danger that unless we can convince the Italians that the Germans will not supply the torpedoes, they may break ranks and sell, for fear of losing the business to German companies. Our aim, therefore, is to secure a reaffirmation of Kohl's assurance of last year and then to deploy with the Italians in order to pin them down to a corresponding assurance.

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Our Ambassador in Bonn took this matter up with the German Foreign Minister on 11 March. Genscher was, however, not willing to give a satisfactory assurance. The Ambassador saw a risk, if we pursued the question of assurances with Genscher, that Kohl's undertaking of last year might become watered down by Genscher himself or the German bureaucracy; he therefore recommended tackling Kohl in person.

I now attach a draft letter from the Prime Minister to Kohl presenting the arguments and incorporating suggestions by Sir Julian Bullard (Bonn telno 421, copy attached) and requesting a renewed assurance. Sir Julian Bullard could hand over the letter (or a message in advance of the letter) when he sees Kohl tomorrow: to do so he needs instructions by noon, and we have a suitable telegram to send if the Prime Minister is content. We propose also to authorise Sir Julian Bullard to tell Kohl that the Prime Minister may wish to refer to this issue in the margins of the next European Council.

The British press reported on 14 May that on the previous day the German police had raided the offices in Hamburg of the Argentine Naval Commission in Europe following allegations in "Stern" magazine that the Commission had illegally traded in arms, during and after the Falklands conflict. But we do not think it would be appropriate to refer to this in the letter to Kohl.

I am copying this letter to Richard Mottram at the Ministry of Defence.

Yours ever

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference
DL1ASY

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:
His Excellency Herr Dr Helmut Kohl

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT: *found*
 I ~~much~~ *very much* enjoyed our ~~useful~~ conversation in Tokyo on 6 May. I was only sorry that we were not able to have more time. One subject which I had wanted to raise is ~~that~~ of Argentina and its continuing interest in acquiring modern arms.

As you know, we have taken a number of specific initiatives since 1982 aimed at achieving more normal bilateral relations with Argentina. These include:

a) negotiations in September 1982 at the IMF meeting in Toronto aimed at reciprocal removal of all financial restrictions. We implemented our side of the agreement reached, but Argentina has only done so partially;

b) six EC presidency approaches to the Argentine Government to suggest discussion of normalisation^{ing} ~~of~~ commercial and economic relations with the Community. *10*

Enclosures—flag(s).....

The Argentines rejected such discussion unless Britain first agreed to negotiations on sovereignty;

c) our proposal in May 1983 for restoration of the UK-Argentine Air Services Agreement. There was no Argentine response;

d) ^{the} at Berne talks in July 1984, ^{when} we sought to discuss practical issues, with an agreed formula for an exchange of statements on sovereignty. The Argentine departure from this arrangement led directly to deadlock;

e) our announcement in July 1985 of our unilateral decision to lift restrictions on Argentine imports. The Argentines failed to reciprocate at ~~that~~ time, although there are now unconfirmed reports ^{that} they are discreetly lifting restrictions on trade with Britain.

There has thus been little constructive response from Argentina to our ~~various~~ initiatives ~~designed~~ to bring about improved relations.

Even more relevant to the question of arms supplies is the fact that Argentina has not formally declared a cessation of hostilities. This underlines the need to avoid any increase in the offensive power of the Argentine armed forces, notwithstanding President Alfonsin's repeated assertions of his intention to pursue the Argentine claim to the Falklands by peaceful means.

Against this background I was most grateful for your personal assurances, confirmed in your letter of 25 March 1985, that the Federal Government will not permit the supply to Argentina of Surface and Underwater Target (SUT) torpedoes manufactured in Germany. Circumstances in the south Atlantic have not changed since then. However, we are concerned that the Italian Government may contemplate authorising the sale of comparable torpedoes through fear that the Italian manufacturer may otherwise lose the business to its German competitor. I believe it is very much in our mutual interest that the Italian Government should act responsibly on this issue. It is important to reassure them as soon as possible about the Federal Government's intention. I should therefore be most grateful for confirmation, in a form suitable to be conveyed to the Italian Government, that your assurance of last year remains in force.

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Speaking for myself - we
 I have no doubt whatsoever that it
 does