



Foreign and Commonwealth Office

London SW1A 2AH

23 July 1982

Dear John,

Argentina: Return of Rolls Royce Aircraft Engines

At Chequers on Sunday, the Prime Minister raised with Sir Antony Acland the question of the return of Rolls Royce aircraft engines to Argentina after overhaul. We have now looked into this.

I think that the Prime Minister already knows the facts but briefly they are as follows. The Argentine internal airline, Austral, sent two Spey engines from a BAC One Eleven airliner to a Rolls Royce subsidiary in Sao Paulo, Brazil (Motores Rolls Royce) for servicing, prior to the Falklands crisis. The Brazilian company decided on its own initiative to delay the return of the engines while the Falklands crisis continued, although under Brazilian law they were liable to legal action for recovery of the engines. Once hostilities were over, Austral threatened to take legal action in pursuit of their contract. Rolls Royce (UK) accordingly wrote to the Department of Industry on 5 July to inform them that the Brazilian company were releasing these engines. The Private Secretary to the Secretary of State for Industry wrote to you on 13 July enclosing this letter and Mr Jenkin's reply.

The FCO were consulted by the Department of Industry by telephone before a reply was sent to Lord McFadzean. We took the view that there were no legal grounds for preventing the return of the engines, though we would have preferred them to be withheld.

Our policy of course remains to be on the alert for the supply to Argentina of equipment with any positive military connotation, and we shall continue to do all we can to prevent the supply of such equipment.

I am copying this letter to the Private Secretaries to the Secretaries of State for Defence and Industry, and the Attorney-General.

*Yours ever,*  
*J E Holmes*  
 for *J E Holmes*  
 Private Secretary

A J Coles Esq  
 10 Downing Street



FILE  
CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

26 July, 1982

ARGENTINA: RETURN OF ROLLS ROYCE AIRCRAFT ENGINES

The Prime Minister has noted the contents of John Holmes' letter of 23 July, in particular the fact that the FCO, when consulted by the Department of Industry, took the view that there were no legal grounds for preventing the return of the engines, though you would have preferred them to be withheld.

I am copying this letter to David Omand (Ministry of Defence), Jonathan Spencer (Department of Industry) and Jim Nursaw (Attorney General's Office).

A. J. COLES

F Richards, Esq.,  
Foreign and Commonwealth Office

CONFIDENTIAL