Ala Loga

FALKLANDS SELECTIVE ADVANCES (37)

PS PS/MR HURD PS/MR ONSLOW PS/PUS PS/LORD BELSTEAD MR BULLARD SIR I SINCLAIR MR GIFFARD MR WRIGHT MR GILLMORE MR URE MR BARRETT HD/S AM D HD/DEF D HD/PLANNING STAFF HD/UND HD/NEWS D HD/ERD HD/PUSD MR REED, PUSD EMERGENCY ROOM RESIDENT CLERK

PS/NO 10 DOWNING STREET (2 copies) 217 PS/S OF S DEFENCE PS/HOME SECRETARY PS/HOME SECRETARY (c/o NO 10 DSt) PS/ATTORNEY GENERAL PS/CHANCELLOR DUCHY OF LANCASTER PS/SIR R ARMSTRONG PS/SIR M PALLISER PS/SIR A DUFF GABINET MR WADE-GERY . OFFICE MR FULLER MR COLVIN MR O'NEILL HD ASSESS-MENTS STAFF DIO MR J M STEWART AUSD STAFF MOD ADMIRAL SIR ROY HALLIDAY DGI MOD DIRECTOR G.C.H.Q. (via Room 8)

OO FCO

PP BRUSSELS

PP CAPETOWN

GRS 465

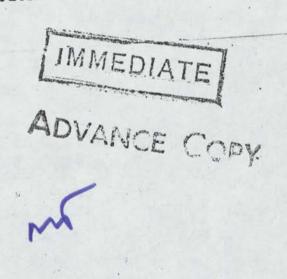
CONFIDENTIAL

FM LUXEMBOURG 251515Z MAY

TO IMMEDIATE FCO

TELEGRAM NUMBER 164 OF 25 MAY 1982

INFO PRIORITY BRUSSELS AND CAPETOWN



YOUR TELNO \$57 : POSSIBLE CARGOLUX INVOLVEMENT IN SUPPLY OF ARMS
BY SOUTH AFRICA TO ARGENTINA

1. I HAVE AN APPOINTMENT TO SEE MADAME FLESCH ON HER RETURN TO LUXEMBOURG TOMORROW. MEANWHILE, I ASKED TO SEE THE PERMANENT SECRETARY AT THE MFA THIS AFTERNOON. HE HAD HIS ECONOMIC DIRECTOR WITH HIM. I REPORTED MY INFORMATION (PARAS 1-3 OF MY TELNO 163). WAGNER IMMEDIATELY CONFIRMED THAT THIS TALLIED WITH WHAT THE FOREIGN MINISTRY HAD HEARD LAST WEEK FROM MILLETT, AND THEIR OTHER SOURCES IN CARGOLUX. MADAME FLESCH HAD REACTED VERY SHARPLY. SHE HAD IMMEDIATELY SEEN THE LUXEMBOURG-APPOINTED PRESIDENT OF THE CARGOLUX BOARD (SIETZEN), AND HAD TOLD HIM THAT

SHARPLY. SHE HAD IMMEDIATELY SEEN THE LUXEMBOURG-APPOINTED
PRESIDENT OF THE CARGOLUX BOARD (SIETZEN), AND HAD TOLD HIM THAT
THIS FLIGHT WAS TOTALLY UNACCEPTABLE AND MUST ON NO ACCOUNT BE
REEPEATED. SIETZEN HAD CLAIMED TO HAVE HAD NO KNOWLEDGE WHATSOEVER
ABOUT IT, AND THE MFA OFFICIALS BELIEVE HIM.

- 2. WAGNER MADE NO SECRET OF HIS DISTASTE FOR THE BUNCH OF ICELANDERS RUNNING CARGOLUX. HE SAID THAT THE LUXEMBOURG GOVERN-MENT HAD A MAJOR PROBLEM IN TRYING TO CONTROL THE COMPANY. THEY / COULD EXERT SOME PRESSURE BUT HAD NO LEGAL POWERS. I SAID THAT NEVERTHELESS THE LUXEMBOURG GOVERNMENT HAD ITS NOMINEE AS PRESIDENT OF THE BOARD. THE GOVERNMENT HAD A MINORITY SHAREHOLDING IN THE COMPANY. IT ALSO HAD A RESPONSIBILITY FOR INSURING THAT IT RESPECTED LUXEMBOURG LAWS AND OBLIGATIONS. IT WAS ESSENTIAL THAT THERE SHOULD BE NO REPETITION OF THE FLIGHT. I NOTED THAT THEY HAD MADE NO ATTEMPT TO DENY MY INFORMATION. WHAT WAS SIETZEN DOING ABOUT IT? WHAT ASSURANCES HAD BEEN RECEIVED AS TO THE FUTURE?
 - 3. WAGNER SAID THAT THEY HAD ABSOLUTELY NO INFORMATION TO SUGGEST ANY FURTHER FLIGHTS WERE PLANNED. THEY WOULD HOPE TO GET SATISFACTORY ANSWERS TO MY QUESTIONS IN TIME FOR MY MEETING WITH MADAME FLESCH TOMORROW.
- 4. WEYLAND SAID THAT MADAME FLESCH HAD DISCUSSED THE MATTER WITH YOU IN BRUSSELS YESTERDAY.
- 5. WAGNER SAID THAT THEY HAD NO KNOWLEDGE OF WHAT CARGO WAS INVOLVED EXCEPT THAT MILLETT HAD DESCRIBED IT AS QUOTE HEAVY UNQUOTE. THEY WOULD TRY TO DISCOVER WHAT IT WAS.
- 6. ACCORDING TO WAGNER, AERO-URUGUAY IS A COVER COMPANY OPER--ATING ONE OR TWO AIRCRAFT AND CONTROLLED BY OLAFSSON PERSONALLY.
 - 7. I SAID I WOULD AWAIT THEIR FURTHER ENQUIRIES WITH INTEREST.
 IT WAS ESSENTIAL THAT WHAT APPEARED TO BE A LUXEMBOURG INVOLVEMENT
 IN AIDING THE ARGENTINES SHOULD NOT OCCUR AGAIN. I REMINDED
 WAGNER AND WEYLAND THAT WE WERE NOT PLAYING GAMES IN THE SOUTH
 ATLANTIC FOR THE BENEFIT OF MR OLAFSSON. THEY HAVE THE MESSAGE.