

RR CINC FLEET

RR TFC RELAY

GRS 730
CONFIDENTIAL
FM BONN 091251Z JUNE 82
TO ROUTINE FCO
TELEGRAM NUMBER 538 OF 9 JUNE
AND TO ROUTINE MODUK CINC FLEET

MOD FOR HEAD OF DS 11, HEAD OF DS 13, RMD 4 AND DIC (ARMS CONTROL CELL).

ARMS FOR ARGENTINA: ORDERS FOR GERMAN WARSHIPS. MY TELNO 539

1. FOLLOWING IS SUMMARY OF THREE REPORTING TELS FROM GERMAN EMBASSY IN BUENOS AIRES.

2. THE FIRST DATED 28 MAY REPORTED THAT THE GERMAN DEFENCE ATTACHE HAD BEEN SUMMONED THE PREVIOUS DAY TO THE ARGENTINE NAVAL STAFF WHERE HE WAS INFORMED BY ADMIRAL GIRLING THAT THE NAVAL COMMANDER IN CHIEF HAD DECIDED TO TERMINATE ALL THE CONTRACTS WITH GERMAN SHIP YARDS ON ACCOUNT OF THE ARMS EMBARGO AND THE INTERRUPTIONS OF SUPPLIES FOR THE CORVETTES BEING CONSTRUCTED IN ARGENTINA. AT THIS MEETING GIRLING HAD REITERATED THE ALREADY KNOWN ARGENTINE DISPLEASURE OVER GERMAN REFUSAL TO SUPPLY 20MM (RHEINMETALL) CANNON. HE HAD INFORMED THE GERMAN DA THAT THE FEDERAL REPUBLIC WAS CONSIDERED TO BE AN UNRELIABLE PARTNER. THE TELEGRAM REPORTED THAT AN ARGENTINE GOVERNMENT WORKING GROUP HAD BEEN SET UP WITH INSTRUCTIONS TO IMPLEMENT THIS DECISION, WHICH APPLIED TO THE FRIGATE, CORVETTE AND SUBMARINE PROGRAMMES. THE DECISION APPEARED TO THE EMBASSY TO HAVE FOLLOWED THE DISCUSSIONS WHICH DR SANDEMANN, A SENIOR REPRESENTATIVE OF THE THYSSEN GROUP HELD IN BUENOS AIRES A FEW DAYS PREVIOUSLY.

3. THE GERMAN AMBASSADOR ASSESSED THAT THE ARGENTINE NAVY'S DECISION WAS FIRM, BUT COULD NOT SAY WHETHER DETAILS MIGHT BE MODIFIED IN FURTHER NEGOTIATIONS WITH GERMAN FIRMS. IT MUST BE ASSUMED THAT THE TOTAL SHIP BUILDING PROGRAMME WOULD BE TERMINATED. THE AMBASSADOR WAS OF THE VIEW THAT THE ARMS EMBARGO WAS THUS RESPONSIBLE FOR ONE OF THE MOST SPECTACULAR BREAKS EVER IN GERMAN-ARGENTINE TRADE RELATIONS. THE VALUE OF THE BUSINESS AFFECTED TOTALS MORE THAN DM3 BILLION SPREAD OVER 8 YEARS, WHICH WAS EQUAL TO THE TOTAL VALUE OF GERMAN EXPORTS (TO ARGENTINA) FOR ONE AND A HALF YEARS.

4. THE ARGENTINE ADMIRAL HAD ALSO IMPLIED IN HIS DISCUSSIONS WITH THE GERMAN DA THAT FURTHER SIMILAR ACTION COULD BE EXPECTED BY THE OTHER ARGENTINE SERVICES. IT WAS EXPECTED THAT JAPAN AND ITALY WOULD STEP IN AS ALTERNATIVE SUPPLIERS THOUGH OTHER EUROPEAN COUNTRIES MIGHT ALSO BE WILLING. THE GERMAN AMBASSADOR WAS SERIOUSLY CONCERNED ABOUT INDICATIONS THAT ARGENTINA WOULD NOW BE SEEKING ARMS SUPPLIES FROM THE EASTERN BLOC, HE BELIEVED THAT THE DECISION TO TERMINATE THE SHIP BUILDING PROGRAMME WAS INFLUENCED BY A REALISATION IN ARGENTINA THAT THEY WOULD NOT BE ABLE TO PURSUE THE WAR WITH SURFACE SHIPS AFTER THE LOSS OF THE FALKLAND ISLANDS. THE MAIN ARGENTINE PRIORITY WOULD BE FOR NEW AIRCRAFT AND THE GOVERNMENT WOULD NOT BE IN THE POSITION TO PAY FOR AIRCRAFT AND CONTINUE WITH THE SHIP BUILDING PROGRAMME AT THE SAME TIME. THIS PROBABLY EXPLAINED WHY THEY WOULD BE PREPARED TO ACCEPT SOME FINANCIAL PENALTY AS A RESULT OF THE TERMINATION OF THE SHIP BUILDING PROGRAMME. THE DECISION WAS ALSO AN INDICATION THAT ARGENTINA INTENDED TO MAINTAIN THE STRUGGLE AGAINST BRITAIN ON A LONG TERM BASIS AFTER THE RE-TAKING OF THE ISLANDS BY THE UNITED KINGDOM AND THAT A POLITICAL SOLUTION BECAME MORE DISTANT THE GREATER THE BRITISH MILITARY SUCCESS. THE AMBASSADOR CONCLUDED BY DRAWING ATTENTION TO THE GENERAL POLITICAL IMPLICATIONS OF THE ARGENTINE ATTITUDE. ITS EFFECT ON THE BRITISH CONTRIBUTION

UNITED KINGDOM AND THAT A POLITICAL SOLUTION BECAME MORE DISTANT THE GREATER THE BRITISH MILITARY SUCCESS. THE AMBASSADOR CONCLUDED BY DRAWING ATTENTION TO THE GENERAL POLITICAL IMPLICATIONS OF THE ARGENTINE ATTITUDE, ITS EFFECT ON THE BRITISH CONTRIBUTION TO NATO AND HENCE INDIRECTLY GERMANY'S OWN SECURITY.

5. THE SECOND TELEGRAM (ALSO DATED 28TH MAY) REPORTED THAT DURING HIS DISCUSSIONS WITH THE ARGENTINE GOVERNMENT DR SANDEMANN, OF THE THYSSEN GROUP (THE MAJORITY SHARE HOLDERS OF BOTH THYSSEN NORDSEWERKE, THE SUBMARINE BUILDERS, AND BLOHM AND VOSS, CONTRACTORS FOR THE FRIGATES AND CORVETTES) WAS PRESSED ABOUT THE OVERDUE SUPPLIES FOR THE CORVETTES WHICH THE ARGENTINES DEMANDED SHOULD BE RELEASED WITHOUT FURTHER DELAY, THOUGH MORE FOR REASONS OF CONTINUITY OF EMPLOYMENT IN THE ARGENTINE SHIP YARDS THAN FOR MILITARY REASONS: AT THIS MEETING IT HAD BEEN IMPLIED THAT THE NAVY WERE LOSING INTEREST IN THE SHIP CONSTRUCTION PROGRAMME, AND THE ARGENTINE SIDE HAD THREATENED THYSSEN THAT UNLESS SUPPLIES WERE RESUMED THEY WOULD BE OBLIGED TO TERMINATE THE CONTRACTS EITHER IN WHOLE OR PART.

6. THE THIRD TELEGRAM DATED 4TH JUNE REPORTED THAT THE LOCAL THYSSEN REPRESENTATIVE HAD SINCE BEEN INFORMED THAT A DECISION TO TERMINATE THE CONTRACTS WITH GERMAN SHIP YARDS HAD BEEN TAKEN BY THE COMMANDER OF THE NAVY BUT HAD NOT YET BEEN IMPLEMENTED. THE ARGENTINES HAD DECIDED THAT THE NEXT INSTALLMENT PAYMENT FOR THE SHIPS WHICH DUE ON 19TH APRIL SHOULD NOW BE RE-SCHEDULED FOR THE 10TH JULY AND THAT ALL SUBSEQUENT PAYMENT DATES SHOULD BE POSTPONED SIMILARLY. THE EMBASSY EXPECTED THAT THE CURRENT UNCERTAINTY ABOUT THE CONTRACTUAL POSITION WOULD CONTINUE UNTIL 10TH JULY.

TAYLOR

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