

T 63A/83

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 63A/83

Athens, May 12, 1983

cc MASTER
ops

Her Excellency
The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister of the
United Kingdom

Your Excellency :

In reply to your letter concerning the possible procurement of the TORNADO weapon system, I should like to provide you with information derived from a briefing presented to me on the procurement of the New Fighter Aircraft for the Hellenic Air Force.

Our Air Force feels that its mission can be better accomplished if the new fighter is capable in both the Air Superiority role and the Ground Attack role.

Our assesment shows that the TORNADO IDS is considered superior for the Ground Attack role for which it has been optimized, but it lacks equal capability in the Air Superiority role.

It was pointed out to me during this briefing that the life cycle cost of the system has been found to be considerably high. According to the specialists' opinion, it can be reduced to acceptable levels by, first, a significant reduction of the procurement cost and, second, by providing to the Hellenic Air Force favorable terms and conditions pertaining to the support of the system.

Furthermore, the terms of the loan provided by the three partner Governments are far from being the best among those available in the aircraft market. The Ministry of Finance and the Bank of Greece are looking for a guaranteed loan covering the greatest part of the contract value (more than 85%), as well as all progress (Predelivery) payments. On the other hand, a duration of the loan of approximately 15 years, with a grace period exceeding 5 years and a weighted average interest rate not higher than 9 percent would considerably improve the proposal.

In the offset area, where my Government attaches great importance, our assesment is that PANAIA is not prepared to accept all the rules and principles set forth by our negotiations team.

More specifically, although PANAVIA's firm commitment is considered satisfactory by itself, the conditions included raise questions and uncertainties.

These questions and uncertainties give to PANAVIA's proposal the lowest credit in this area. If PANAVIA follows other competitors in accepting the rules and principles laid down and if the three partner Governments could accept a reasonable and specific commitment for the procurement of defence articles which are or could be manufactured in Greece, PANAVIA's Proposal could easily reach an acceptable level.

I should also like to advise you that the time is pressing and a final decision has to be reached within a month's time. In concluding, I would like to add that we do appreciate your cooperation in the defence field.

Sincerely,



Andreas G. Papandreou

20 MAY 1955



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23 May 1983

I write to acknowledge your letter of 20 May enclosing a letter from the Prime Minister of Greece to the Prime Minister. This will be placed before Mrs Thatcher at once.

ASK

His Excellency Monsieur Nikos Kyriazides

SK

The Ambassador

Greek Embassy

London

The Principal Private
Secretary to The Rt. Hon.
Margaret Thatcher MP.,
Prime Minister.

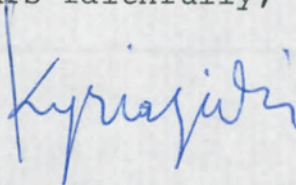
20 May 1983.

*See my letter of
19 May.
AKL $\frac{23}{5}$.*

Dear Private Secretary,

I am enclosing a letter
addressed to the Prime Minister from
the Prime Minister of Greece which
arrived in the diplomatic bag for
onward transmission.

Yours faithfully,



Nikos Kyriazides

Enc.

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DSJ

10 DOWNING STREET

From the Private Secretary

19 May 1983

LETTER FROM MR. PAPANDREOU: SALE OF TORNADO

Thank you for your minute of 18 May enclosing a copy of a letter from Mr. Papandreou to the Prime Minister. As you suggest, I have not yet received the original from the Greek Embassy.

BT I should be grateful if you would let me have a draft reply for signature by the Prime Minister. Perhaps you would clear this with Roger Bone in the Foreign and Commonwealth Office, to whom I am copying this letter together with a copy of Mr. Papandreou's letter.

A. J. COLES

Stephen Douglas, Esq.,
Office of the Minister of State,
Ministry of Defence.

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Prime Minister:
Mr Patten report
is now attached

MINISTER OF STATE FOR DEFENCE PROCUREMENT

D/MIN/GP/19/5/22

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18/5
[Signature]

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PS/Prime Minister thro' PS/Secretary of State

LETTER FROM MR PAPANDREOU

I attach a copy of a letter from Mr Papandreou to the Prime Minister which Mr Papandreou gave to Mr Pattie at their meeting during the Minister's recent visit to Greece. I understand from the No 10 Duty Clerk that you have not yet received the original from the Greek Embassy in London.

2. Mr Pattie's report of his visit will be circulated later this afternoon. I assume you would like us to prepare a draft reply to Mr Papandreou's letter for the Prime Minister.

[Signature: S R Douglas]

18th May 1983

(S R Douglas)
PS/Minister (DP)
Ext: 6621