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GRS498

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FM ATHENS 170605Z MAY 83

TO IMMEDIATE FCO TELNO 219 OF 17/5/83

INFO IMMEDIATE MODUK (FOR DEFENCE SALES AND PS/MINISTER (DP)).

SALE OF TORNADO.

1. BOTH PAPANDREOU AND ZAKOLIKOS EMPHASISED TO MR PATTIE ON 16 MAY THAT HIGH PRICE AND RELATIVELY UNFAVOURABLE LOAN TERMS WERE THE MAIN OBSTACLES IN THE WAY OF A PURCHASE BY THE GREEKS OF A NUMBER OF TORNADOS TOGETHER WITH ANOTHER AIRCRAFT. ZAKOLIKOS MADE CLEAR THAT THE GREEKS WERE DISSATISFIED WITH THE 85 PER CENT COVERAGE OF THE GUARANTEE OFFERED AND ALSO THE REPAYMENT TERMS AND INTEREST RATE.

2. ZAKOLIKOS, AND MORE STRONGLY PAPANDREOU, COMMENDED THE EXCELLENCE OF THE AIRCRAFT. PAPANDREOU AGREED THAT ITS DETERRENT VALUE WOULD BE OF PARTICULAR VALUE TO GREECE. PAPANDREOU VOLUNTEERED THAT THE HIGH QUALITY OF THE AIRCRAFT MADE IT 'JUSTIFIABLY EXPENSIVE'.

3. MR PATTIE STRESSED THE VALUE FOR GREECE OF THE PARTNERSHIP STATUS WHICH MEMBERSHIP OF NAMMA WOULD PROVIDE. IT WOULD NOT FOR EXAMPLE BE A CASE OF THE GREEKS BEING INFORMED OF MODIFICATIONS OR IMPROVEMENTS BUT RATHER OF THEIR TAKING PART IN DEVISING THEM.

AND THERE COULD BE ONE SOURCE MANUFACTURE IN GREECE OF PARTS WHICH WOULD BE USED IN AIRCRAFT OPERATED BY THE OTHER THREE COUNTRIES. THE GREEKS TOOK NOTE OF THE ADDITIONAL POSSIBILITY OF FINAL ASSEMBLY, BUT, AS BEFORE, EXPRESSED DOUBTS ABOUT THE EMPLOYMENT AND COSTS ASPECTS OF THIS.

4. MR PATTIE CONCLUDED BY SAYING THAT HE WAS SURE THAT IN A MATTER OF THIS IMPORTANCE FOR ALL OUR COUNTRIES WE SHOULD NOT FALL OUT OVER FINANCIAL PROBLEMS OF THE SORT WE NOW FACED.

5. PAPANDREOU RESPONDED THAT HE WAS SURE THAT THE PROBLEMS COULD BE OVERCOME. HE SAID THAT, AS HE HAD TOLD ME, HE FELT THAT THE OPPORTUNITIES FOR ECONOMIC AND COMMERCIAL COOPERATION BETWEEN OUR TWO COUNTRIES HAD NOT BEEN FULLY EXPLOITED. HE GAVE MR PATTIE A COPY OF HIS LETTER OF 12 MAY TO THE PRIME MINISTER WHICH HE SAID HAD BEEN DELIVERED THROUGH THE GREEK EMBASSY IN LONDON SEMI-COLON AND ASKED MR PATTIE TO CONVEY HIS WARM GREETINGS TO MRS THATCHER.

(This has not  
yet reached us)

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6. NO DOUBT THERE IS A STRONG ELEMENT OF BARGAINING IN THE GREEK APPROACH, BUT IT IS CLEAR THAT THE GREEKS WANT TORNADO, FOR REASONS INCLUDING ITS EUROPEAN PROVENANCE. WE DID NOT SUCCEED IN SMOKING THEM OUT ON THE TERMS OFFERED FOR THE MIRAGE, BUT THEY NO DOUBT HAD THESE IN MIND WHEN TALKING OF THE RELATIVELY INADEQUACY OF PANAVIA'S OFFER. PAPANDREOU TALKED OF 'THE MONTH OF JUNE' IN WHICH A DECISION WOULD BE TAKEN. HE UNDERLINED HIS INTENTION OF KEEPING IN TOUCH WITH US, THROUGH THIS EMBASSY, DURING THAT PERIOD.

7. MR PATTIE HAS ASKED THAT A COPY OF THIS TELEGRAM BE SENT TO NO 10.

RHODE  
BT

LIMITED  
SED  
DEF D  
ACDD  
TRED  
PS/MR HURD  
MR WRIGHT  
MR GILLMORE  
SIR J BULLARD  
MR JAMES

COPIES SENT TO  
No. 10 DOWNING STREET

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SALE OF TORNADO

1. Both Papandreou and Zakolikos emphasised to Mr Pattie on 16th May that high price and relatively unfavourable loan terms were the main obstacles in the way of a purchase by the Greeks of a number of Tornados together with another aircraft. Zakolikos made clear that the Greeks were dissatisfied with the 85 per cent coverage of the guarantee offered and also the repayment terms and interest rate.
2. Zakolikos, and more strongly Papandreou agreed that its deterrent value would be of particular value to Greece. Papandreou volunteered that the high quality of the aircraft made it "justifiably expensive".
3. Mr Pattie stressed the value for Greece of the partnership status which membership of NAMMA would provide. It would not for example be a case of the Greeks being informed of modifications or improvements but rather of their taking part in devising them. And there could be one source manufacture in Greece of parts which would be used in aircraft operated by the other three countries. The Greeks took note of the additional possibility of final assembly, but, as before, expressed doubts about the employment and costs aspects of this.
4. Mr Pattie concluded by saying that he was sure that in a matter of this importance for all our countries we should not fall out over financial problems of the sort we now faced.
5. Papandreou responded that he was sure that the problems could be overcome. He said that, as he had told me, he felt that the opportunities for economic and commercial cooperation between our two countries had not been fully exploited. He gave Mr Pattie a copy of his letter of 12th May to the Prime Minister which he said had been delivered through the Greek Embassy in London; and asked Mr Pattie to convey his warm greetings to Mrs Thatcher.
6. No doubt there is a strong element of bargaining in the Greek approach, but it is clear that the Greeks want Tornado, for reasons including its European performance. We did not succeed in smoking them out on the terms offered for the Mirage, but they no doubt had these in mind when talking of the relative inadequacy of Panavia's offer. Papandreou talked of "the month of June" in which a decision would be taken, through this Embassy, during that period.
7. Mr Pattie has asked that a copy of this telegram be sent to No 10.

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