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10 DOWNING STREET

*From the Private Secretary*

31 May 1984

Argentina/France: Exocets

The Prime Minister has noted the contents of your letter of 29 May.

A. J. COLES

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

29 May 1984

Dear John,

Prime Minister.A.J.C. <sup>30</sup>/<sub>5</sub>.Argentina/France: Exocets

In your letter of 22 May you asked for further information as to how the Argentines paid for the 10 Exocets which the French delivered to them last winter.

The Embassy at Paris duly took the subject up again with the Quai d'Orsay, who declined to give details of payments under the contract. The French merely commented that, in such cases, "it is normal to pay cash". This sheds little light on the matter. But the MOD advise that the normal procedure would be for a proportion to be paid when the order is placed and a further proportion on delivery, with the remainder paid at staggered intervals thereafter, the period depending on the credit of the purchaser.

We cannot, therefore, exclude the possibility that funds to pay for the Exocets were made available - or are still being paid - since President Alfonsin came to power. He may or may not be aware of this: the Junta may have set aside funds to enable the Argentine military to complete payment without reference to the incoming civilian government. We have evidence that from July 1982 the Argentine armed forces made strenuous efforts to restock their arsenals before the restoration of civilian rule. But the French suggestion that the Argentines paid on the nail could only be valid if the order was seen by the Argentine military to be so important that they ensured that payment was made in full before the installation of the democratic government. Whatever the truth of the matter, it is relevant to note, as some indication of the Alfonsin government's declared intentions, that the Argentine Secretary of the Economy has announced that the armed forces' budget in 1984 will fall to 4% of GDP, compared with 6% in 1983.

The obscurity surrounding the details of Argentine payment for the Exocets has done nothing to diminish the Foreign Secretary's concern at the French action in delivering these weapons, and Sir Geoffrey spoke strongly to M Cheysson at the informal EC Foreign Ministers' meeting last weekend. Cheysson claimed (not very convincingly) to know nothing about the further Exocet deliveries, but undertook to look into the matter and let Sir Geoffrey have a reply when they meet in Washington at the NATO Council this week.

We shall also keep in mind the possibility of asking the Swiss to tell President Alfonsin, at a carefully-chosen moment, that we regard the delivery of these weapons in January to be out of keeping with his statements of peaceful intent.



This might conceivably elicit some information from the Argentines themselves about payments. We understand that the Treasury are in touch with you separately about the implications on the international financial front.

I am copying this letter to Richard Mottram (MOD), David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

*Yours ever,  
Peter Ricketts*

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Private Secretary

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