

Subject cc Ops  
Master

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T101/86

CONFIDENTIAL

39447 - 1

OCMIAN 9447  
CONFIDENTIAL  
DD 281200Z BONN  
FM FCOLN TO BONNN  
281120Z MAY  
GRS 588

CONFIDENTIAL  
FM FCO  
TO DESKBY 281200Z BONN  
TELNO 259  
OF 281120Z MAY 86  
INFO ROUTINE ROME, MODUK

SIC UBA/ZAC  
YOUR TELNO 421: ARMS SALES TO ARGENTINA

1. HERewith TEXT OF LETTER FROM PRIME MINISTER TO  
CHANCELLOR KOHL:  
BEGINS

I FOUND OUR CONVERSATION IN TOKYO ON 6 MAY MOST USEFUL. I WAS  
ONLY SORRY THAT WE WERE NOT ABLE TO HAVE MORE TIME. ONE SUBJECT  
WHICH I HAD WANTED TO RAISE IS ARGENTINA AND ITS CONTINUING  
INTEREST IN ACQUIRING MODERN ARMS.

AS YOU KNOW, WE HAVE TAKEN A NUMBER OF SPECIFIC INITIATIVES SINCE  
1982 AIMED AT ACHIEVING MORE NORMAL BILATERAL RELATIONS WITH  
ARGENTINA. THESE INCLUDE:

A) NEGOTIATIONS IN SEPTEMBER 1982 AT THE IMF MEETING IN  
TORONTO AIMED AT RECIPROCAL REMOVAL OF ALL FINANCIAL  
RESTRICTIONS. WE IMPLEMENTED OUR SIDE OF THE AGREEMENT  
REACHED, BUT ARGENTINA HAS ONLY DONE SO PARTIALLY:

B) SIX EC PRESIDENCY APPROACHES TO THE ARGENTINE GOVERNMENT TO  
SUGGEST DISCUSSION OF NORMALISING COMMERCIAL AND ECONOMIC  
RELATIONS WITH THE COMMUNITY. THE ARGENTINES REJECTED SUCH  
DISCUSSION UNLESS BRITAIN FIRST AGREED TO NEGOTIATIONS ON

CONFIDENTIAL

39447 - 1

SOVEREIGNTY:

C) OUR PROPOSAL IN MAY 1983 FOR RESTORATION OF THE UK-ARGENTINE AIR SERVICES AGREEMENT. THERE WAS NO ARGENTINE RESPONSE:

D) THE BERNE TALKS IN JULY 1984, WHEN WE SOUGHT TO DISCUSS PRACTICAL ISSUES, WITH AN AGREED FORMULA FOR AN EXCHANGE OF STATEMENTS ON SOVEREIGNTY. THE ARGENTINE DEPARTURE FROM THIS ARRANGEMENT LED DIRECTLY TO DEADLOCK:

E) OUR ANNOUNCEMENT IN JULY 1985 OF OUR UNILATERAL DECISION TO LIFT RESTRICTIONS ON ARGENTINE IMPORTS. THE ARGENTINES FAILED TO RECIPROCATE AT THAT TIME, ALTHOUGH THERE ARE NOW UNCONFIRMED REPORTS THAT THEY ARE DISCREETLY LIFTING RESTRICTIONS ON TRADE WITH BRITAIN.

THERE HAS THUS BEEN LITTLE CONSTRUCTIVE RESPONSE FROM ARGENTINA TO OUR INITIATIVES TO BRING ABOUT IMPROVED RELATIONS.

EVEN MORE RELEVANT TO THE QUESTION OF ARMS SUPPLIES IS THE FACT THAT ARGENTINA HAS NOT FORMALLY DECLARED A CESSATION OF HOSTILITIES. THIS UNDERLINES THE NEED TO AVOID ANY INCREASE IN THE OFFENSIVE POWER OF THE ARGENTINE ARMED FORCES, NOTWITHSTANDING PRESIDENT ALFONSIN'S REPEATED ASSERTIONS OF HIS INTENTION TO PURSUE THE ARGENTINE CLAIM TO THE FALKLANDS BY PEACEFUL MEANS.

AGAINST THIS BACKGROUND I WAS MOST GRATEFUL FOR YOUR PERSONAL ASSURANCE, CONFIRMED IN YOUR LETTER OF 25 MARCH 1985, THAT THE FEDERAL GOVERNMENT WILL NOT PERMIT THE SUPPLY TO ARGENTINA OF SURFACE AND UNDERWATER TARGET (SUT) TORPEDOES MANUFACTURED IN GERMANY. CIRCUMSTANCES IN THE SOUTH ATLANTIC HAVE NOT CHANGED SINCE THEN. HOWEVER, WE ARE CONCERNED THAT THE ITALIAN GOVERNMENT MAY CONTEMPLATE AUTHORISING THE SALE OF COMPARABLE TORPEDOES THROUGH FEAR THAT THE ITALIAN MANUFACTURER MAY OTHERWISE LOSE THE BUSINESS TO ITS GERMAN COMPETITOR. I BELIEVE IT IS VERY MUCH IN OUR MUTUAL INTEREST THAT THE ITALIAN GOVERNMENT SHOULD ACT RESPONSIBLY ON THIS ISSUE. SPEAKING FOR MYSELF AND FOR BRITAIN I HAVE NO DOUBTS WHATEVER THAT YOUR ASSURANCE OF LAST YEAR REMAINS IN FORCE. BUT IT IS IMPORTANT TO REASSURE THE ITALIANS AS SOON AS POSSIBLE ABOUT THE FEDERAL

CONFIDENTIAL

CONFIDENTIAL

39447 - 1

GOVERNMENT'S INTENTION. I SHOULD THEREFORE BE MOST GRATEFUL FOR  
A REAFFIRMATION, (NEXT ELEVEN WORDS UNDERLINED) IN A FORM  
SUITABLE TO BE CONVEYED TO THE ITALIAN GOVERNMENT, OF YOUR  
ASSURANCE OF LAST YEAR.

ENDS

2. SIGNED LETTER FOLLOWS BY BAG.

HOWE

OCMIAN 9447

NNNN

YYYY

MAIN

LIMITED

FID

DEFENCE DEPT

WED

PS

PS/LADY YOUNG

PS/MR EGGAR

SIR W HARDING

MR DEREK THOMAS

MR GOODALL

MR RATFORD

MR DAVID THOMAS

MR DAUNT