



MO 11/16

PRIME MINISTERCHILE: ARMS SALES

I have seen a copy of the Foreign and Commonwealth Secretary's minute of 14th April in which he recommends that we should defer for the time being announcing a decision to lift the arms embargo against Chile.

2. I fully support the Foreign and Commonwealth Secretary's view that it is right in principle for the embargo to be lifted. I also understand his concern not to provoke criticism so soon after the announcement of the exchange of Ambassadors, and I am content therefore with his recommendation. Nevertheless, there is little doubt that, by delaying, we do risk losing substantial business in this potentially lucrative market, to our competitors, who are not at our disadvantage. I attach / at Annex A a list of potential business in Chile.

3. We must also recognise that Chile will be a difficult market even when the embargo has been lifted and we will need to overcome the ill will it created. I should therefore like to see some modest relaxation of the embargo now as a part of the necessary bridge building process. In particular it would be helpful if we could allow the supply of spares for equipment that we have already supplied. I have in mind particularly the anomolous position that exists over the supply of spares for warships originally sold by us. For the most recently supplied Oberon submarines and Leander frigates we have continued to give spares support because this was covered under Memoranda of Understanding. However, we do not do this for older ships because there are no MOU.

Ministry of Defence

21st April 1980

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We have traditionally been ship builders for the Chilean Navy, but this ambivalent approach is particularly damaging to our long term prospects.

4. I hope that it will be possible for an official from the Defence Sales Organisation to pay a low key visit to Chile in due course. Such a visit is necessary to begin to renew Defence Sales contacts with those responsible in Chile for equipment purchases, as a start to enable our exporters to make up the ground we have lost to our competitors.

5. I am copying this minute to the other members of OD, the Secretary of State for Industry, the Attorney General and the Lord Chancellor, Sir Robert Armstrong.

Handwritten initials: JP.

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ANNEX A

CHILE - POTENTIAL BUSINESS

Navy

Fishery protection vessels
Fast patrol boats
Frigate, destroyer, submarine refits
Modern frigates (to replace obsolescent US
'Brooklyn' class)
Type 2400 submarines

Weapons eg Sea Dart
 Sea Wolf

Mk 24 torpedo

Electronics eg Torpedo systems (STWS)
 Radars and spares
 Sonars

LAPADS
Naval Compass Stabilisers
Sonar trainer

Aircraft eg Coastguarder patrol
 Lynx helicopter

Ancillary
Equipment eg Submarine batteries
 Submarine periscopes

Naval simulators
Ammunition
Dockyard and Armament Depot modernisation

Air Force

Hawk, Jaguar, Tornado aircraft
Islander
Flight simulators
Heightfinding radars and EW equipment

Army/Police

Communications

Tanks

Night Vision Equipment/Laser range finders

Armoured cars

Potential British Suppliers

} British Shipbuilders
(and others)

} British Aerospace

MSDS

} Plessey
Marconi

} Marconi

Thorn

British Aerospace
Westland

Chloride
Barr & Stroud

Ferranti
BMARC
MOD(N)

British Aerospace
Britten Norman
Redifon
Plessey

Racal
Plessey

MOD/Vickers

Pilkington
Barr & Stroud
MEL

GKN

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