

Defence

Ref: B06569

PRIME MINISTER

c Sir Robert Armstrong

Defence Sales and Argentina
OD(82) 58 and OD(82) 63

BACKGROUND

If OD(FAF) agrees at its meeting on 20th July to lift the remaining sanctions against Argentina, the arms embargo will be the only measure still being kept in force by ourselves and our European, Old Commonwealth and United States partners, some of whom, under pressure from their own industrial and commercial interests, will be seeking to relax it. Although there is no question in present circumstances of our supplying defence equipment directly to Argentina, we have to consider our attitude towards supplying third countries either

- a. with equipment for installation in weapons systems to be supplied by them to Argentina (eg British equipment for German built frigates, which is the subject of OD(82) 63); or
- b. with arms which that country might pass on to Argentina, if hostilities were resumed (eg Hawk trainer aircraft to Venezuela).

There is also the question of how far we should go to persuade our partners to keep the arms embargo against Argentina in force and not to supply arms to countries which might themselves help Argentina in any future conflict over the Falklands.

2. The Secretary of State for Industry and the Attorney General have been invited to the meeting.

HANDLING

3. You should invite the Foreign and Commonwealth Secretary to introduce the subject. It might be convenient to discuss principles first, and then turn to the specific problems including the German frigates. On the principles, points to establish in discussion are



- a. does the Committee agree that there should be a total embargo on defence sales direct from the United Kingdom to Argentina, whether or not the equipment is relevant to possible hostilities against the Falklands?
- b. On United Kingdom sales to third countries, should we seek explicit end-user assurances from certain Latin American countries, or rely, as officials propose, on our own judgements about the risk of diversion to Argentina? If the former, would Latin pride inhibit the granting of end-user clauses (and thus lose British industry business to its foreign competitors), or would Latin duplicity allow the assurances to be given but later disregarded? The Secretary of State for Trade should be asked to comment on the risks to our general trade interests in Latin America, and the Defence Secretary on the interests of the United Kingdom defence industries. Should we make any general distinction between countries, by being very restrictive towards supporters of Argentina like Venezuela, with her claim to large parts of Guyana, while on the other hand doing our best to promote defence sales to countries such as Brazil and Chile who have been helpful to us? Or is it best to emphasise the distinction between Argentina on the one hand and the rest of Latin America on the other, in the interests of expanding British trade and furthering British interests?
- c. Should we seek to maintain the European Community arms embargo against Argentina? The Foreign and Commonwealth Secretary should be invited to comment on the likelihood that our European partners will seek to end it soon. Since recent telegrams from Washington indicate that the United States embargo, imposed in 1978 for human rights reasons, is likely to stay on, the European countries will see particular opportunities for sales to Argentina. If a Western arms embargo is effective and prolonged, will it drive the Argentines into looking to the Soviet Union, particularly for combat aircraft, as well as to Israel, Libya and South Africa?



d. Are there especially sensitive weapons which we will want to go to all possible lengths to prevent the Argentines from acquiring? Exocet missiles, especially the air-launched version, are an obvious example. But the French have now released Exocet to Peru, with a specific governmental guarantee against transfer elsewhere. The list of sensitive items at the Annex to OD(82) 58 is a wide one: the Defence Secretary might be invited to comment.

4. The Committee might then turn to specific cases.

a. The supply of British equipment for frigates and corvettes being built for Argentina in Germany is discussed in the paper by Ministry of Defence officials (OD(82) 63), which proposes that the remaining equipment should be released to Germany if the Germans undertake not to deliver any of the ships to Argentina without our agreement. The Defence Secretary should be invited to comment, and the Foreign and Commonwealth Secretary to advise on the likelihood of the Germans agreeing to this condition. Since the first frigate is due for delivery in December 1982, the Committee will wish to consider whether we should make it clear to the Germans that we would regard our consent to its delivery then as unlikely to be forthcoming. For us, the overriding considerations must be to prevent the frigates being released to Argentina in present circumstances, and to avoid exposing ourselves to allegations from our other partners that we are seeking to prevent them selling arms to Argentina while apparently acquiescing, at least in principle, in the supply of British military equipment through third countries. If we refuse export licences, this will irritate the German Government and imply that we do not trust them. But if we grant the export licences and rely on a German undertaking not to release the ships without our agreement, this could mean coming under severe German pressure later in the year to agree that the ships should be released. The Germans might retaliate by refusing agreement to supply equipment to us for sale to, say, a Middle East country.



Arms sales to third world countries are a highly sensitive domestic political issue in Germany: might it be better, before deciding whether to grant or withhold the export licences, to probe German intentions further and explore with them, at a political level, how best to achieve our objective of ensuring that the frigates are not released to Argentina? This would gain time, while placing the dilemma squarely on the Germans.

- b. A related problem, on which the Foreign and Commonwealth Secretary is planning to circulate a minute to his OD colleagues later today for consideration at the meeting, is the contract which British Aerospace secured, with Government support, before the Falklands conflict to supply Hawk trainer aircraft to Venezuela. This contract has been placed on ice by the Venezuelans. British Aerospace has been pressing for Government support so that the Venezuelans can be persuaded to proceed with it. In addition to the risk of diversion of the aircraft to Argentina (which is probably low), Ministers will wish to consider
- i. the impact which a decision to allow the sale to proceed could have on our efforts to dissuade our allies from selling sensitive equipment to Latin American countries friendly to Argentina; and
 - ii. the implications for Venezuela's territorial dispute with Guyana.

CONCLUSIONS

5. Subject to the discussion, the Committee might be guided to reach the following conclusions.
- i. We should continue to maintain a total national embargo on arms sales to Argentina; nor should we grant export licences for British equipment to be incorporated into weapons systems being manufactured for Argentina in third countries.
 - ii. We should make it clear to the Germans that we cannot contemplate the release to Argentina of the warships currently being built in Germany and would welcome German views on how this can best be prevented, making it clear that we are prepared to continue to refuse export licences for the British equipment involved if this would make it easier for the Federal Government to hold things up.



iii. We should urge our EC partners, the United States and the Old Commonwealth to continue to maintain a full arms embargo against Argentina; but we should recognise that, to the extent that a resumption of hostilities over the Falklands continues to appear remote, our EC partners will be likely to seek to end the embargo, which we shall be unable to prevent; and we should therefore concentrate on persuading them not to supply the most sensitive categories of arms.

iv. We should in principle support the sale by British industry of defence equipment to other Latin American countries, who gave remarkably little material help to Argentina in the Falklands conflict; but we should normally refuse an export licence where there were positive grounds for believing that the items was destined for Argentine.

v. We should indicate to the Venezuelan Government that, with the cessation of hostilities, we would stand by our earlier pre-invasion decision to allow the Hawk sale to go ahead; but we wish to be assured that, in the event of a resumption of hostilities, the aircraft would not be made available to Argentina.

A D S Goodall

20th July 1982

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