

RR TRAFFIC RELAY

GRS 410

CONFIDENTIAL

DESKBY 091430Z

FM BONN 091300Z JUNE 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 539 OF 09 JUNE

INFO IMMEDIATE MODUK (FOR HD/DS11, HD/DS 13, RMD4 AND PIC ARMS CONTROL CELL) AND CINCFLEET.

ARMS FOR ARGENTINA: ORDERS FOR GERMAN WARSHIPS

1. COUNSELLOR (DEFENCE SUPPLY) HAS BEEN SHOWN BY AUSWAETIGES AMT TELEGRAMS FROM GERMAN AMBASSADOR IN BUENOS AIRES WHICH REPORT THAT:

(A) ON 27 MAY EMBASSY WERE INFORMED THAT ARGENTINE C-IN-C NAVY HAD DECIDED TO TERMINATE ALL CONTRACTS WITH GERMAN SHIPYARDS BECAUSE OF ARMS EMBARGO AND INTERRUPTION OF SUPPLIES FOR CORVETTES BEING CONSTRUCTED IN ARGENTINA. AN ARGENTINE GOVERNMENT WORKING GROUP HAD BEEN SET UP WITH INSTRUCTIONS TO IMPLEMENT THIS DECISION, WHICH APPLIED TO THE FRIGATES, CORVETTE AND SUBMARINE PROGRAMMES. AMBASSADOR ASSESSED THAT THE DECISION WAS FIRM, AND THAT ALTHOUGH THE DETAILS MIGHT BE MODIFIED IN NEGOTIATIONS WITH FIRMS CONCERNED, IT MUST BE ASSUMED THAT THE TOTAL SHIPBUILDING PROGRAMME WOULD BE TERMINATED. HE ASSESSED THE VALUE OF THE BUSINESS AT RISK AT MORE THAN DM 3 BILLION OVER 8 YEARS, EQUAL TO THE TOTAL VALUE OF GERMAN EXPORTS TO ARGENTINA FOR ONE AND A HALF YEARS:

(B) LOCAL REPRESENTATIVES OF THYSSEN GROUP (THE MAJORITY SHAREHOLDERS OF BOTH THYSSEN NORDSEEWERKE, THE SUBMARINE BUILDERS, AND BLOHM AND VOSS, CONTRACTORS FOR THE FRIGATES AND CORVETTES) WAS SUBSEQUENTLY INFORMED THAT DECISION TO TERMINATE CONTRACTS WITH GERMAN SHIPYARDS HAD BEEN TAKEN, THOUGH NOT YET IMPLEMENTED. ARGENTINES HAD DECIDED THAT THE NEXT INSTALMENT PAYMENT FOR THE SHIPS DUE ON 19 APRIL, SHOULD NOW BE RE-SCHEDULED FOR 10 JULY AND SUBSEQUENT PAYMENT DATES POSTPONED CORRESPONDINGLY. THIS FOLLOWED ARGENTINE THREATS TO A VISITING REPRESENTATIVE OF THYSSEN THAT CONTRACTS WOULD BE TERMINATED IF OVERDUE SUPPLIES FOR THE CORVETTES UNDER CONSTRUCTION WERE NOT RELEASED WITHOUT DELAY.

2. ALTHOUGH ARGENTINE NAVY HAD IMPLIED THAT SIMILAR ACTION COULD BE EXPECTED FROM THE OTHER ARMED FORCES, AUSWAERTIGES AMT ASSES DECISION TO CANCEL AS AN INTERNAL ONE BY THE NAVY, NOT YET IMPLEMENTED AND POSSIBLY NOT YET AGREED BY OTHER ELEMENTS OF THE ARGENTINE GOVERNMENT. THEY SUSPECT THE ARGENTINES HOPE TO BE IN A POSITION BY 10 JULY TO DEMONSTRATE THAT GERMAN FIRMS ARE IN BREACH OF CONTRACT AND THEN TO SEEK TO ESCAPE FROM THE CONTRACTS WITH MINIMUM FINANCIAL PENALTY TO THEMSELVES. THE GERMANS ARE WATCHING THE POSITION WITH CONCERN AND WILL BE DISCUSSING WITH THYSSEN HOW TO PROTECT THE LATTER'S POSITION. THEY MAY WELL WISH TO DISCUSS FURTHER WITH US IN THE NEXT FEW DAYS.

3. I UNDERSTAND THAT WE CAN EXPECT INSTRUCTIONS SHORTLY ON THE RELATED QUESTION OF THE INTERRUPTION OF BRITISH SUPPLIES FOR THESE SHIPS. I SHOULD BE GRATEFUL ALSO FOR GUIDANCE ON LINE TO TAKE IN FURTHER DISCUSSION WITH THE AUSWAERTIGES AMT ON THE ABOVE DEVELOPMENTS.

4. I WILL TELEGRAPH FULLER SUMMARY OF GERMAN EMBASSY REPORTS LATER.

TAYLOR

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