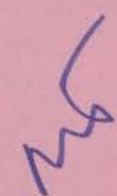


CONFIDENTIAL
DESKBY 290800Z
FM FCO 281423Z JUN 82
TO IMMEDIATE TEL AVIV
TELEGRAM NUMBER 208 OF 28 JUNE



YOUR TELNO 274: ARMS SUPPLIES FOR ARGENTINA

1. MOBERLY ASKED THE ISRAELI MINISTER BIRAN TO CALL AT THE FCO ON 25 JUNE.
2. MOBERLY SAID THAT THE GOVERNMENT HAD RECEIVED A NUMBER OF DISTURBING REPORTS RECENTLY ABOUT ISRAEL INVOLVEMENT IN ARMS SUPPLIES TO ARGENTINA. IN PARTICULAR HE WISHED TO BRING TO THE ISRAELI GOVERNMENTS ATTENTION THE FOLLOWING SPECIFIC CASES:
 - (A) IT HAD BECOME CLEAR THAT COMPLICATED TRANSPORT AND FINANCIAL ARRANGEMENTS WERE BEING SET IN HAND FOR THE DELIVERY OF OVER 20 MIRAGE III TYPE AIRCRAFT TO ARGENTINA. WE UNDERSTOOD THAT THEY WERE FROM THE ISRAELI AIR FORCES EXISTING STOCKS AND LIKELY TO BE DELIVERED IN THE NEXT FEW WEEKS. THERE WAS NO DOUBT THAT THE CONTRACT FOR THIS DEAL HAD BEEN SIGNED AFTER THE INVASION OF THE FALKLANDS, AFTER THE AIRCRAFT HAD BEEN INSPECTED BY ARGENTINE OFFICERS VISITING ISRAEL. BOTH PRIVATE DEALERS AND THE ISRAELI GOVERNMENT WERE CLEARLY INVOLVED. WE HAD ALREADY EXPRESSED OUR CONCERN ABOUT AN ASPECT OF THIS ON OTHER CHANNELS.
 - (B) IMI IN TEL AVIV HAD OFFERED SUBSTANTIAL QUANTITIES OF AMMUNITION TO ARGENTINA, FOR DELIVERY IN THE NEAR FUTURE.
 - (C) ACCORDING TO A STORY GOING THE ROUNDS IN BRAZIL, ARGENTINA WAS CONFIDENTLY EXPECTING TO OBTAIN AROUND 20 'SKYHAWK' AIRCRAFT FROM ISRAEL USING BRAZIL AS AN INTERMEDIARY. GOSSIP IN THE INTERNATIONAL ARMS MARKET INDICATED THAT NOBODY WAS FOOLED BY THE USE OF A BRIZILIAN MIDDLEMAN. ANOTHER VERSION OF THE STORY WAS THAT ARGENTINA HOPED TO USE A VENEZUELAN MIDDLE MAN.
 - (D) THE BRITISH GOVERNMENT HAD NATURALLY PICKED UP THE REPORT IN THE FINANCIAL TIMES OF 10 JUNE ABOUT A PROPOSED LETTER OF CREDIT TO ENABLE ARGENTINA TO BUY SOME US DOLLARS 50 MILLION WORTH OF MILITARY EQUIPMENT: IT WAS CLEAR THAT THIS STORY WAS BASED ON MORE THAN MERE RUMOUR. INDEED THE BANK HAD APPARENTLY CONFIRMED TO THE FINANCIAL TIMES THAT AN APPROACH HAD BEEN MADE TO THEM WITH THE PURPOSE OF BYING ARMS FOR ISRAEL.
 - (E) A SOURCE IN COMMERCIAL CIRCLES HAD TOLD US THAT THE FIRM PACIFIC COMMERCIAL AND TRADING INC (PCATI), REGISTERED IN SWITZERLAND, BUT CONTROLLED BY ISRAELIS, WAS ENGAGED IN FINANCIAL TRANSACTIONS WITH THE ARGENTINE AIR FORCE INVOLVING VERY LARGE SUMS INDEED. A SECOND SOURCE HAD TOLD US THAT THE ISRAELI GOVERNMENT WAS ACTING AS A FINANCIAL GUARANTOR IN THAT DEAL.

3. MOBERLY SAID THAT THE GOVERNMENT COULD NOT RECONCILE THESE REPORTS WITH THE ASSURANCES HE HAD RECEIVED FROM THE ISRAELI GOVERNMENT (WE HAD NOT THEN RECEIVED YOUR TELNO 274 RENEWING THESE ASSURANCES). MOBERLY EMPHASISED THAT IT WAS AS IMPORTANT AS EVER THAT ARGENTINA SHOULD CONTINUE TO BE DENIED ACCESS TO ARMS AND MILITARY EQUIPMENT. NOT ONLY HAD SHE REFUSED TO COMMIT HERSELF TO A DEFINITIVE AND TO HOSTILITIES BUT STATEMENTS COMING OUT OF ARGENTINA REMAIN BELLICOSE AND THREATENING (EG THAT THERE WOULD BE NO PEACE UNTIL ALL BRITISH TROOPS LEFT THE FALKLANDS). BRITISH FORCES WERE STILL AT RISK AND ON FULL ALERT. WITH-HOLDING OF ARMS REMAINED AN IMPORTANT WAY OF INDUCING THE ARGENTINES TO ADOPT A MORE SENSIBLE APPROACH. ANY IMMEDIATE RESUMPTION OF ARMS SUPPLIES AT THIS STAGE COULD ONLY MAKE THEM MORE INTRANSIGENT. MOBERLY ASKED WHETHER THE ASSURANCES RECEIVED FROM THE ISRAELI GOVERNMENT WERE STILL IN FORCE. HE HANDED BIRAN A COPY OF SPEAKING NOTE AS ABOVE.

4. BIRAN SAID THAT HE WOULD REFER THE POINTS MADE TO HIS GOVERNMENT. HE COULD NOT SPEAK DEFINITELY ABOUT THESE REPORTS UNTIL HE HAD RECEIVED COMMENTS FROM ISRAEL. HE COMMENTED PERSONALLY THAT HE THOUGHT THE STROY OF ISRAEL SUPPLYING 20 'SKYHAWK' AIRCRAFT TO ARGENTINA DID NOT RING TRUE SINCE THE ISRAELI GOVERNMENT WOULD HAVE HAD TO OBTAIN A WAIVER FROM THE US GOVERNMENT OF END-USER REQUIRMENTS WHICH IN PRESENT CIRCUMSTANCES COULD HARDLY HAVE BEEN GIVEN. BIRAN ALSO MENTIONED YOUR APPROACH TO ISRAELI MFA (YOUR TELNO 265).

5. IN SUBSEQUENT MORE GENERAL DISCUSSION BIRAN COMPLAINED ABOUT OUR HAVING BRIEFED THE PRESS ABOUT OUR CONCERNS BEFORE THE ISRAELI GOVERNMENT HAD HAD TIME TO RESPOND. MOBERLY SAID THAT IN VIEW OF THE SPECIFIC INFORMATION ABOUT THE POSSIBLE DELIVERY OF MIRAGE AIRCRAFT TO ARGENTINA A RENEWAL OF THE ISRAELI ASSURANCE WOULD BE MOST WELCOME. CONVERSELY IF NEWS BROKE THAT AIRCRAFT OF THIS TYPE WERE BEING DELIVERED TO ARGENTINA THIS WOULD BE BOUND TO HAVE AN ADVERSE AFFECT ON UK/ISRAEL RELATIONS.

6. ON ANGLO/ISRAELI RELATIONS GENERALLY BIRAN REFERRED TO A PRESS REPORT OF QUOTE VENOM UNQUOTE IN GOVERNMENT CIRCLES AGAINST ISRAEL COMMENTING THAT THERE SEEMED TO HAVE BEEN A SAD DECLINE FROM THE POSITION REACHED DURING LORD CARRINGTONS VISIT TO ISRAEL. MOBERLY SAID THAT ANY DETERIORATION IN BILATERAL RELATIONS GAVE NO PLEASURE TO ANYONE HERE.

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