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MINISTRY OF DEFENCE  
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MO 5/20

9th August 1983

*Dear Willie,*

TORNADO FOR GREECE

We now understand that the Hellenic Air Force has made its final submissions to Mr Papandreou on the question of their new fighter aircraft and that he is likely to take a decision in the near future. In order to exert the maximum influence on Mr Papandreou to purchase Tornado, Mr Heseltine plans to make a short visit to Athens. You will recall that on 6th June the Prime Minister sent an interim reply to a letter of 12th May from Mr Papandreou. We believe that while Mr Heseltine is in Athens, it would be timely if he were to deliver a full reply from the Prime Minister.

We do not, as yet, have a firm date for the visit. We have been planning on the week of 15th August but because the Greek Prime Minister's diary is so full the visit may have to be delayed until 2nd September. We have been assured, nevertheless, that no final decision will be taken until after Mr Papandreou has seen Mr Heseltine. On the assumption that the visit could be as early as next week, I am submitting now the draft of a letter which the Prime Minister might send.

Mr Papandreou's letter of 12th May concentrated on the need to improve the credit terms. This issue is still not finally resolved, but since the Prime Minister last wrote to Mr Papandreou we have secured agreement to increase the cover for the credit package from 90% to 95% of contract value, and to reschedule the payments period to 1989 to 1997, providing a grace period of 6 years (with payments commencing at the end of aircraft deliveries) and a repayment period ending 14 years from contract signature. We are still waiting, however, to hear whether Germany can approve an interest rate support scheme so that a fixed rate below 9% can be offered. We suggest, therefore, that the Prime Minister writes in general terms about the improved financial package, and leaves Mr Heseltine to explain the details when they are settled.

W F S Rickett Esq

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We have secured agreement from Bonn to associating Chancellor Kohl with the text of the letter and it has also been cleared with the Italian Government. The British Embassy in Athens has recommended that this formulation will have most influence with Mr Papandreou and FCO officials are content.

If the Prime Minister agrees to sign the letter I should be grateful if it could be left undated in view of the uncertainty over the dates of Mr Heseltine's visit.

I am copying this letter and enclosure to the Private Secretaries of the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

*Yours ever,*

*Jane Ridley*

(J E RIDLEY) (MISS)  
Private Secretary



DRAFT LETTER FROM PRIME MINISTER TO MR ANDREAS PAPANDEOU,  
PRIME MINISTER OF GREECE

I am sorry that I did not get the opportunity to discuss your letter of 12th May about the Tornado weapons system at the Stuttgart Summit in June but I understand that Chancellor Kohl reaffirmed our strong support for the selection of this aircraft for the Hellenic Air Force and the importance which we attach to this decision. The tri-national company PANAIA and the three partner governments in the Tornado consortium have studied your letter in detail and we believe that all the points you raised have now been satisfactorily resolved in discussion with the Hellenic Air Force.

Michael Heseltine, with whom I have discussed this, will be able to explain to you the unique advantages of the offer that has now been put forward. The much improved financial terms include a fixed price and a revised credit package.

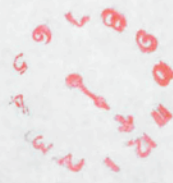
The main point that I would like to stress about Tornado is that it is a proven success already in large scale production. 250 Tornados have already been delivered to the Armed Forces of three European countries, and this figure will have risen to 425 by the time of the first delivery to Greece. The experience that this represents would be a major plus for Greece as the new Tornado partner. It is a magnificent aircraft, which, particularly if you decide to undertake the final assembly in Greece, will provide a valuable transfer of high technology to your country.



Chancellor Kohl and the Government of Italy share with me the view that the purchase of Tornado is of major importance in cementing the defence, political and commercial links between Greece and three of her major European partners. It would be an excellent basis for the future development of these ties.



Defence : Defence Sales  
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