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RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE AND  
MR PAPANDEOU, PRIME MINISTER OF GREECE, HELD AT MAXIMOS  
PALACE AT 1200 HOURS ON FRIDAY 2ND SEPTEMBER 1983

## Those Present:

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence

Mr Papandreou  
Prime Minister of Greece

Geoffrey Pattie MP  
Minister of State for Defence  
Procurement

Mr Zakolikos  
Under Secretary for National Defence  
(Procurement)

Mr P A Rhodes CMG  
HM Ambassador, Athens

Mr Kyriazides  
Greek Ambassador in London

Air Marshal P R Harding  
Vice Chief of the Air Staff

Mr Mahairitsas  
Diplomatic Adviser to the Prime  
Minister

Mr D M Spiers  
Director General Aircraft 1

Mr N H R Evans  
Assistant Private Secretary to  
the Secretary of State

The Secretary of State said that he was very grateful to have the opportunity to meet Mr Papandreou. He had brought a personal message from the British Prime Minister in which Mrs Thatcher reiterated her support for the Tornado aircraft for the Hellenic Air Force and emphasised the importance which the British Government attached to this decision. These sentiments had been endorsed by Chancellor Kohl and, since the Prime Minister's letter had been drafted, Senor Craxi had also asked to be personally associated with them. He was also glad to be able to tell Mr Papandreou that Mrs Thatcher had indicated that she would welcome an opportunity to have an early discussion with him in London. Mr Papandreou said that he would be delighted to take up the Prime Minister's invitation and indicated that a date in October or November would be suitable. He asked Mr Kyriazides to explore suitable dates on his return to London.



2. The Secretary of State said that he had two main purposes in visiting Greece. The first was to sign the Anglo/Greek Memorandum of Understanding. In his discussions earlier that morning with Mr Zakolikos they had agreed on the importance of the MOU as a significant step forward in Anglo/Greek collaboration. They had also agreed that the momentum which had led to the drafting of the MOU should be maintained and that its provisions should be translated into positive and concrete measures of defence co-operation. His second purpose was to reiterate the case for the purchase of Tornado for the HAF. He had discussed some detailed improvements to the financial package with Mr Zakolikos and these were being studied. But the basis of the case for Tornado rested not on the detailed financial terms but on the operational advantages of the Tornado system. Tornado had been optimised for air-to-ground operations and had a unique all-weather, day or night, low level attack capability. Its pay load and range characteristics were superior to the other aircraft being evaluated and its navigation and weapon delivery systems were outstanding in the air-to-ground role. Tornado was a potent deterrent system with a proven track record - 250 aircraft had already been delivered of the 800 planned for service in the Allied air forces. Over 400 of these would be in service by the time that the first HAF plane was delivered.

3. Continuing, the Secretary of State said that participation in the Tornado programme would bring great technological benefits to Greece. The Greeks would not just be buying an aircraft: they would be part of a sophisticated aerospace project at the frontiers of high technology. Greece would be joining the Tornado "Club." This would confer a number of advantages. The benefits in terms of direct acquisition of technology in such areas as electronics and computers were obvious. But very significant secondary benefits for the Greek industrial base were on offer in the direct offset part of the Tornado package. Greek engineers and technicians would help to form the Tornado team and would participate fully in the continuing process of modification and change of the aircraft throughout its in-service life. They would not be shielded from the technology and would have the capability to adapt the aircraft and its systems to meet specific Greek requirements in an operational emergency.

4. This point was also relevant in respect of the through-life costs of the competing systems. It was not uncommon for the initial procurement costs of aircraft to be pitched at an attractively low level and for this discount to be subsequently re-couped by very high spares and support costs. In the case of Tornado the Greeks would be part of a strong and well-established international procurement system and they would pay the same price for spares and support as the other three Governments. The international training, logistic, spares, support and quality assurance systems for Tornado were already fully established and would be available for the HAF to join, giving the prospect of considerable logistic economies for Greece.

5. Mr Papandreou said that he was very grateful to the Secretary of State for his presentation. He had studied the various proposals carefully and there was no question about the operational capabilities



of Tornado. In particular its twin engines offered operational and safety advantages. Its low level all-weather ground attack capability had considerable attractions in the age of deterrence. Greek pilots who had seen and flown the aircraft had reacted favourably to it. He was interested in the question of offset, which would require capital expense. How much was on offer for what numbers of aircraft? The Secretary of State said that Panavia had offered a package of offset comprising co-production of Tornado components, Greek manufacture of other defence equipment and general commercial offset to a total value of 80% of the contract. These terms would apply whether the Greeks decided to buy 100, 60 or 40 aircraft.

6. Mr Papandreou said that, so far as the Government process was concerned, the specialist committees had submitted reports on the characteristics of the candidate aircraft but had not made specific recommendations on the type or number to be bought. The Greek Government were conscious that a decision was needed soon and there would shortly be a meeting of the Committee of Foreign Affairs and Defence. He hoped that they would reach a decision by October. Naturally the general economic and financial situation would need to be taken into account and there would be a meeting the following week to assess the implications of the aircraft purchase for the Greek balance of payments and economic policy generally. But there was no question that aircraft replacements would be necessary. From a political point of view it was clear that the Greek Government should go for a split purchase. Tornado was an excellent product and a truly European aircraft. It was still very much in the running.

7. The Secretary of State said that, so far as the economic position was concerned, Mr Papandreou would be aware that Germany, Italy and the UK took over 30% of Greek exports whereas France and the US took only some 7% each. The offset package he had outlined would bring considerable economic benefits to Greece. Minister(DP) said that, during his recent visit to Greece, he had seen the facilities for aircraft production at Hellenic Aerospace Industries. He had been most impressed with these facilities and felt that it would be disappointing if the option of assembling Tornado in Greece had to be ruled out. As a collaborative product Tornado had been designed to be assembled in separate sections in different countries. He also emphasised the point about the cost of spares: spares costs were often loaded by 50% or more to recoup a low initial purchase price. Mr Papandreou agreed that the cost of spares was a big headache: they were fantastically expensive.

8. VCAS said that he wished to emphasise the operational and economic advantages of Tornado as a two crew, two engine aircraft. It had been shown that the greater reliability of such aircraft had a significant effect in reducing attrition as compared with single engine, single seat alternatives. This meant that less air frames would need to be bought to meet a given requirement. It was also worth pointing out that, with over 800 Tornados planned to be in service, the HAF would have a considerable reserve of parts and supplies to call upon in extremis



in an operational emergency. Finally a Tornado operational analysis cell had recently been set up and the results would be available for Greece if she decided to take part in the programme.

9. The meeting concluded with a brief discussion on the succession to the Secretary General of NATO, which has been reported separately by HMA Athens. The meeting was followed by the formal signing of the Anglo/Greek MOU by the Secretary of State and Mr Zakolikos, in the presence of Mr Papandreou.

3

Ministry of Defence

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