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Prime Minister
Relevant to the bilateral
with President Mitterand.



Foreign and Commonwealth Office

FEFB

London SW1A 2AH

7.6

7 June 1984

MS

Dear John,

Argentina/France: Exocets

My letters of 21 and 29 May set out the information we had received indicating that the French government had delivered to Argentina last winter 10 air-launched AM39 Exocets. In your letter of 22 May recording the Prime Minister's concern about this, you stressed that Mrs Thatcher would like to know as soon as possible how Argentina had paid for these missiles.

Sir Geoffrey Howe took up the question of Exocet deliveries with M. Cheysson on 30 May. M. Cheysson responded some days later at the NATO Council in Washington, indicating that 4 of the 10 Exocets were still to be delivered. We immediately instructed the Embassy at Paris to seek clarification from the French: I enclose a copy of their telegram number 707 of 6 June.

You will see that the question of payment has been clarified. The contract for all 10 AM39s was negotiated in 1979 and finalised in November 1983. Alfonsin was elected in October but did not become President until 10 December 1983. As the French have pointed out it is therefore clear that the financing decision was taken by the previous regime.

The Embassy's telegram also reports that the French have confirmed what M. Cheysson said about undelivered Exocets. They explain that the last 4 of the order for 10 should have been delivered in January, but that a new delivery date has been set for some time this month. The French could not or would not explain the reason for this delay.

The Foreign Secretary has made absolutely plain our concern over further deliveries of Exocets. But the

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comments by M. Cheysson and his officials indicate that the French government have no intention of stepping in to prevent the final delivery to take account of our concerns. The Prime Minister may therefore wish to consider raising with the President our concern at the imminent delivery of the 4 other missiles. (The general point that we have been concerned to learn of further deliveries of Exocets has already been included in the brief for the Prime Minister's bilateral with President Mitterrand.)

That brief also includes a reference (in para 4 of the points to make) to submarine torpedoes but, in view of the information about these in the enclosed telegram, there is no longer any need to mention them to President Mitterrand.

I am copying this letter to Richard Mottram (MOD), David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

*Yours ever,
Peter Ricketts*

(P F Ricketts)
Private Secretary

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10 Downing Street

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TO IMMEDIATE F C O

TELEGRAM NUMBER 707 OF ~~XXXX~~

INFO PRIORITY BONN, MOD ~~XXXX~~ 173 (AAT: DS 11).

F C O TELNO 428: FRENCH ~~XXXX~~ SALES TO ARGENTINA.

SUMMARY

1. LAST 4 AM 39S STILL LIKELY TO BE DELIVERED IN JUNE: BUT ORIGINAL FINANCING DECISION APPARENTLY TAKEN BY PREVIOUS GOVERNMENT. FRENCH SUPPLIERS SEEM TO HAVE LET DROP ARGENTINE REQUEST OVER TORPEDOES BECAUSE OF TECHNICAL INCOMPATIBILITY.

DETAIL

2. HEAD OF CHANCERY TOOK ACTION THIS MORNING WITH THE ASSISTANT DIRECTOR FOR AMERICA AT THE QUAI, PHILIPPE BERNARD. LATTER, HAVING CALLED FOR THE PAPERS, EXPLAINED THE DISCREPANCY BETWEEN CHEYSSON'S REMARKS ABOUT TORPEDOES AT THE NORTH ATLANTIC COUNCIL, AND WHAT THE QUAI HAD EARLIER TOLD US, AS FOLLOWS. IT WAS TRUE THAT THE LAST 4 AM 39S OF THE ORIGINAL 1979 ORDER SHOULD HAVE BEEN DELIVERED IN JANUARY. BUT FOR SOME REASON THEY WERE NOT. BERNARD COULD NOT SAY WHETHER THIS WAS BECAUSE OF ALFONSI'S RESISTANCE TO MILITARY PRESSURES, OR SOME OTHER CAUSE. HE ADDED THAT IN THE QUAI'S VIEW, ALFONSI WAS INDEED DOING HIS BEST TO RESIST THE DEMANDS OF THE ARMED FORCES FOR MAJOR NEW MILITARY EXPENDITURE (FOR BOTH POLITICAL AND ECONOMIC REASONS): BUT IN THE END, THIS PARTICULAR DEAL WAS NOT EXACTLY A LARGE OUTLAY. BE THAT AS IT MAY, THE NEW DELIVERY TARGET DATE WAS, AS CHEYSSON HAD SAID, SOME TIME THIS MONTH.

3. MACRAE EMPHASISED HOW SENSITIVE THIS SUBJECT WAS FOR HMG. IT WAS NOT MERELY THE MILITARY CONSIDERATIONS THAT CONCERNED US: RATHER, ALFONSI'S MEDIUM-TERM POLITICAL INTENTIONS AS WELL AS HIS ABILITY TO STAND UP TO THE MILITARY AND TO TAKE SENSIBLE ECONOMIC DECISIONS, WERE LIABLE TO BE JUDGED AGAINST THIS BACKGROUND. WE STILL VERY MUCH HOPED THAT FRANCE WOULD NOT DELIVER. BERNARD REPLIED THAT A MINISTERIAL DECISION HAD BEEN TAKEN TOWARDS THE END OF LAST YEAR TO COMPLETE THE OLD CONTRACT AND HE SAW NO REALISTIC HOPE OF MINISTERS CHANGING THEIR MIND AT THIS LATE STAGE. HOWEVER, HE SAW NO REASON TO BELIEVE THAT ANY FURTHER SUPPLIES WERE IN THE OFFING: IN FACT, FRENCH ARMS FIRMS WERE BEING QUIETLY ADVISED BY THE GOVERNMENT TO LAY OFF ARGENTINA (THOUGH AS MUCH FOR ECONOMIC REASONS AS ANYTHING ELSE, HE ADMITTED). WE OURSELVES, HOWEVER, SEE NO EVIDENCE OF THIS IN OUR OTHER CONTACTS, ESPECIALLY WITH THE INDUSTRIES.

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4. BERNARD LATER RANG BACK TO SAY THAT HAVING GONE THROUGH THE PAPERS, HE HAD CONCLUDED THAT BOTH CHEYSSON AND FOUQUET HAD UNINTENTIONALLY MISLED US OVER ONE IMPORTANT DETAIL CONCERNING THE METHOD OF PAYMENT. IT SEEMED THAT IRREVOCABLE LETTERS OF CREDIT HAD BEEN OPENED FOR ALL 10 AM 39S WHEN THE CONTRACT, NEGOTIATED IN 1979, WAS FINALISED IN NOVEMBER 1983. THESE LETTERS STILL COVERED THE 4 EXCEPTS STILL TO BE DELIVERED. IN A VERY REAL SENSE, THEREFORE, THE FINANCING DECISION HAD BEEN TAKEN BY THE PREVIOUS REGIME.

5. ON TORPEDOES, BERNARD SAID THAT CHEYSSON HAD SPOKEN CORRECTLY. WHEN THE FRENCH INDUSTRY HAD TOLD THE ARGENTINIANS THAT FRENCH TORPEDOES WERE INCOMPATIBLE WITH THE GERMAN SUBMARINES HELD BY THE ARGENTINE NAVY, THE ARGENTINIANS HAD MERELY SAID THAT THEY WOULD GO (OR GO BACK, BERNARD DID NOT KNOW WHICH) TO THE GERMANS. HE DID NOT BELIEVE THAT IT HAD BEEN SUGGESTED THAT THE FRENCH SHOULD TRY TO MODIFY THEIR TORPEDOES: AS FAR AS HE KNEW, THE DOSSIER WAS THEREFORE CLOSED. BERNARD ADDED THAT THE FRENCH HAD NOT FELT INHIBITED IN ANSWERING THE ARGENTINE REQUESTS ON THIS ITEM SINCE IT DID NOT APPEAR ON OUR 1982 'SENSITIVE LIST'. MACRAE SAID HE HOPED IT WAS NOW CLEARLY UNDERSTOOD THAT IT WAS IMPORTANT TO US NEVERTHELESS.

6. MACRAE ALSO ASKED ABOUT RUNWAY DENIAL WEAPONS (MRS SQUIRE'S LETTER OF 23 MAY TO FRY). BERNARD WAS UNSIGHTED BUT PROMISED TO CHECK.

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PS/MR WHITNEY
PS/PUS
SIR W HARDING
MR D THOMAS

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