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Subject  
Reference: Sales : FT 3

Athens, May 12, 1983

Her Excellency  
The Rt. Hon. Margaret Thatcher, M.P.  
Prime Minister of the  
United Kingdom

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T63A/83

Your Excellency :

In reply to your letter concerning the possible procurement of the TORNADO weapon system, I should like to provide you with information derived from a briefing presented to me on the procurement of the New Fighter Aircraft for the Hellenic Air Force.

Our Air Force feels that its mission can be better accomplished if the new fighter is capable in both the Air Superiority role and the Ground Attack role.

Our assesment shows that the TORNADO IDS is considered superior for the Ground Attack role for which it has been optimized, but it lacks equal capability in the Air Superiority role.

It was pointed out to me during this briefing that the life cycle cost of the system has been found to be considerably high. According to the specialists' opinion, it can be reduced to acceptable levels by, first, a significant reduction of the procurement cost and, second, by providing to the Hellenic Air Force favorable terms and conditions pertaining to the support of the system.

Furthermore, the terms of the loan provided by the three partner Governments are far from being the best among those available in the aircraft market. The Ministry of Finance and the Bank of Greece are looking for a guaranteed loan covering the greatest part of the contract value (more than 85%), as well as all progress (Predelivery) payments. On the other hand, a duration of the loan of approximately 15 years, with a grace period exceeding 5 years and a weighted average interest rate not higher than 9 percent would considerably improve the proposal.

In the offset area, where my Government attaches great importance, our assesment is that PANAIA is not prepared to accept all the rules and principles set forth by our negotiations team.

More specifically, although PANAVIA's firm commitment is considered satisfactory by itself, the conditions included raise questions and uncertainties.

These questions and uncertainties give to PANAVIA's proposal the lowest credit in this area. If PANAVIA follows other competitors in accepting the rules and principles laid down and if the three partner Governments could accept a reasonable and specific commitment for the procurement of defence articles which are or could be manufactured in Greece, PANAVIA's Proposal could easily reach an acceptable level.

I should also like to advise you that the time is pressing and a final decision has to be reached within a month's time. In concluding, I would like to add that we do appreciate your cooperation in the defence field.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Andreas G. Papandreou', with a long, sweeping horizontal stroke extending to the right.

Andreas G. Papandreou

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SALE OF TORNADO

1. Both Papandreou and Zakolikos emphasised to Mr Pattie on 16th May that high price and relatively unfavourable loan terms were the main obstacles in the way of a purchase by the Greeks of a number of Tornados together with another aircraft. Zakolikos made clear that the Greeks were dissatisfied with the 85 per cent coverage of the guarantee offered and also the repayment terms and interest rate.
2. Zakolikos, and more strongly Papandreou agreed that its deterrent value would be of particular value to Greece. Papandreou volunteered that the high quality of the aircraft made it "justifiably expensive".
3. Mr Pattie stressed the value for Greece of the partnership status which membership of NAMMA would provide. It would not for example be a case of the Greeks being informed of modifications or improvements but rather of their taking part in devising them. And there could be one source manufacture in Greece of parts which would be used in aircraft operated by the other three countries. The Greeks took note of the additional possibility of final assembly, but, as before, expressed doubts about the employment and costs aspects of this.
4. Mr Pattie concluded by saying that he was sure that in a matter of this importance for all our countries we should not fall out over financial problems of the sort we now faced.
5. Papandreou responded that he was sure that the problems could be overcome. He said that, as he had told me, he felt that the opportunities for economic and commercial cooperation between our two countries had not been fully exploited. He gave Mr Pattie a copy of his letter of 12th May to the Prime Minister which he said had been delivered through the Greek Embassy in London; and asked Mr Pattie to convey his warm greetings to Mrs Thatcher.
6. No doubt there is a strong element of bargaining in the Greek approach, but it is clear that the Greeks want Tornado, for reasons including its European performance. We did not succeed in smoking them out on the terms offered for the Mirage, but they no doubt had these in mind when talking of the relative inadequacy of Panavia's offer. Papandreou talked of "the month of June" in which a decision would be taken, through this Embassy, during that period.
7. Mr Pattie has asked that a copy of this telegram be sent to No 10.

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