S
3002

PREM 19/2585

CAB 1

MT.

PART 43

TOP SECRET

CONFIDENTIAL FILING

Relations with Argentina

Position of the Falkland Islands, their Rehabilitation and future

Shackleton Report and follow-up.

Internal Situation

ARGENTINA

PT1: September 1979

PT43: January 1989

CAB ONE

PREM 19/2585

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~2.1.89.~~							
~~13.1.89~~							
~~8.2.89.~~							
~~15.5.89~~							
~~19.5.89~~							
~~4.7.89~~							
~~7.7.89~~							
~~10.8.89~~							
~~18.8.89~~							
~~30.8.89~~							
~~4.9.89~~							
~~6.9.89~~							
~~29.9.89~~							
~~4.10.89~~							
~~11.10.89~~							
~~16.10.89~~							
~~19.10.89~~							
~~31.10.89~~							
~~1.11.89~~							
13.12.89							

PART 43 END

PART 43 ends:-

UKMIS NEW YORK tel No 2008 13.12.89

PART 44 begins:-

FCO to PM 3.1.90

113643
MDLIAN 3774

PS TO PRIME MINISTER
NO 10 DOWNING ST

CONFIDENTIAL
FM UKMIS NEW YORK
TO PRIORITY FCO
TELNO 2008
OF 130420Z DECEMBER 89
INFO PRIORITY BUENOS AIRES, PORT STANLEY
INFO ROUTINE WASHINGTON, BRASILIA, MONTEVIDEO, UKREP BRUSSELS
INFO SAVING BERNE, MADRID

YOUR TELNO 919: ANGLO/ARGENTINE RELATIONS

SUMMARY

1. GARCIA DEL SOLAR EXPRESSES SATISFACTION WITH OUTCOME OF MONTEVIDEO TALKS ON CONFIDENCE-BUILDING MEASURES. HE FORESEES FUTURE CO-OPERATION, NOT CONFRONTATION, BETWEEN OUR ARMED FORCES. I RECEIVE A SYMPATHETIC HEARING ON PARIS CLUB DEBT REPAYMENTS, AND ON RAF FLIGHT DIVERSIONS THROUGH RECIFE. BUT ON THE LATTER GARCIA DEL SOLAR HOLDS OUT LITTLE PROSPECT OF CHANGE IN THE ARGENTINE POSITION. HE AGREES TO RECOMMEND SUPPORT FOR OUR APPROACH TO THE RUSSIANS ON SOUTH GEORGIA FISHERIES. HE SPEAKS WARMLY OF THE LATAG MISSION.

DETAIL

2. I DINED WITH GARCIA DEL SOLAR, SPECIAL REPRESENTATIVE OF THE ARGENTINE GOVERNMENT FOR ANGLO/ARGENTINE RELATIONS, AT HIS INVITATION ON 11 DECEMBER.

CONFIDENCE BUILDING MEASURES

3. GARCIA DEL SOLAR SAID HE AND HIS MINISTER WERE WELL SATISFIED WITH THE RESULTS OF THE MONTEVIDEO TALKS. ON SOME ISSUE THERE HAD BEEN REAL PROGRESS. ON THE MOST DIFFICULT AND CRUCIAL ISSUE OF THE FUTURE OF THE FALKLAND ISLANDS PROTECTION ZONE (FIPZ) THERE HAD BEEN A USEFUL EXCHANGE OF VIEWS, AND NEITHER HE NOR CAVALLO WERE DISCOURAGED. THEY WELCOMED FURTHER DISCUSSION AT THE SECOND ROUND OF TALKS IN EARLY FEBRUARY, AND MUCH HOPED THAT THE ISSUE COULD BE RESOLVED WHEN GARCIA DEL SOLAR AND I MET IN MADRID ON 14/15 FEBRUARY.

4. I SAID WE TOO WERE HAPPY WITH PROGRESS MADE AT THE TALKS. THE ARGENTINE GOVERNMENT MUST REALISE (GARCIA DEL SOLAR INDICATED THAT HE DID) THAT HMG WOULD NOT REMOVE THE FIPZ UNLESS ALTERNATIVE ARRANGEMENTS COULD BE AGREED WHICH PRODUCED AN EQUIVALENT LEVEL OF CONFIDENCE AND SECURITY. GARCIA DEL SOLAR SAID THIS WAS THE SINGLE MOST CRITICAL POINT, ON WHICH IN SOME MEASURE EVERYTHING ELSE HUNG.

WITHOUT AGREEMENT ON IT, HE DID NOT SEE HOW DIPLOMATIC RELATIONS COULD BE RESTORED. I SAID I DID NOT ACCEPT THAT MAINTENANCE OF THE FIPZ WAS A REAL IMPEDIMENT TO THE RESTORATION OF DIPLOMATIC RELATIONS. IN ANY CASE IT WAS THE ARGENTINES AND NOT THE BRITISH WHO WERE URGING EARLY RESTORATION OF DIPLOMATIC RELATIONS. SO FAR AS WE WERE CONCERNED, DIPLOMATIC RELATIONS COULD BE RESTORED WHEN A SUFFICIENT MEASURE OF CONFIDENCE HAD BEEN BUILT UP BETWEEN OUR TWO GOVERNMENTS.

5. GARCIA DEL SOLAR MADE TWO POINTS OF DETAIL. HE ENDORSED OTEGUI'S POINT THAT THERE WOULD BE LITTLE REAL NEED FOR ARGENTINE UNITS TO APPROACH THE FALKLANDS. THE IDEA OF A SECOND ARGENTINE INVASION WAS A FOLLY WHICH EVEN THE CRAZIEST ARGENTINE GOVERNMENT WOULD NOT CONTEMPLATE. BUT THE ARGENTINES WOULD HAVE DIFFICULTY WITH ANY CONFIDENCE BUILDING MEASURES WHICH REQUIRED PRIOR AUTHORISATION. NOR COULD THE PRINCIPLE OF TOTAL RECIPROCITY BE MAINTAINED: THE ARGENTINE COAST-LINE WAS EXTREMELY LONG, AND SHOULD NOT BE COMPARED IN GEOGRAPHICAL OR POLITICAL TERMS WITH THE LIMTED AREA ROUND THE FALKLANDS. (COMMENT: I NOTED THAT HE DID NOT RULE OUT THE IDEA OF RECIPROCITY APPLYING TO LIMITED ZONES OR AREAS.)

6. GARCIA DEL SOLAR SAID HE HAD RECENTLY HAD SOME INTERESTING CONTACTS WITH SENIOR MEMBERS OF THE ARGENTINE ARMED FORCES, IN PARTICULAR THE NAVY. THEIR ATTITUDE TOWARDS BRITAIN WAS NOT WHAT WE MIGHT EXPECT. OF COURSE THEY SAW THE FALKLANDS AS ARGENTINE AND RESENTED THE CONTINUED BRITISH PRESENCE. BUT THEY GREATLY RESPECTED THE BRITISH AND THEIR ARMED FORCES, AND WERE LOOKING FOR FUTURE CO-OPERATION RATHER THAN CONFRONTATION. INDEED THERE WERE SOME WHO SAW FUTURE ANGLO-ARGENTINE CO-OPERATION IN THE DEFENCE OF THE SOUTH ATLANTIC AREA, INCLUDING JOINT MANOEUVRES OF THE KIND THE ARGENTINES NOW HAD WITH THE AMERICANS. WE SHOULD NOT MISINTERPRET THE WISH OF THE ARGENTINE ARMED FORCES TO RE-EQUIP. NATURALLY THEY WANTED MODERN EQUIPMENT, INCLUDING NEW FIGHTER AIRCRAFT. BUT THE IDEA THAT THESE WOULD BE USED TO ATTACK THE FALKLANDS WAS FANTASY.

DEBT

7. I REMINDED GARCIA DEL SOLAR THAT WE HAD SUPPORTED AND ENCOURAGED THE EC COMMISSION TO PUT FORWARD A DRAFT NEGOTIATING MANDATE FOR AN EC/ARGENTINA CO-OPERATION AGREEMENT WITH A VIEW TO ITS ADOPTION AT THE FOREIGN AFFAIRS COUNCIL ON 19 DECEMBER. WE HAD DONE THIS IN THE SPIRIT OF THE UNDERTAKINGS GIVEN BY GARCIA DEL SOLAR AT MADRID THAT ALL ECONOMIC AND FINANCIAL DISCRIMINATION AGAINST BRITISH INTERESTS IN ARGENTINA WOULD BE LIFTED. YET THERE WAS STILL A MEASURE OF DISCRIMINATION IN THAT BRITAIN WAS THE ONLY PARIS CLUB CREDITOR

COUNTRY TO WHICH ARGENTINA HAD YET TO MAKE PAYMENTS UNDER THE TWO BAILATERAL DEBT AGREEMENTS IMPLEMENTING THE 1985 AND 1987 RESCHEDULINGS. ARGENTINA'S REQUEST FOR ANOTHER PARIS CLUB RE-SCHEDULING WOULD BE CONSIDERED AT THE CLUB'S NEXT MEETING. IT WAS IMPORTANT THAT BEFORE THEN ARGENTINA SHOULD HAVE DEMONSTRATED COMPARABILITY OF TREATMENT FOR ALL ITS CREDITORS: ARGENTINA SHOULD MAKE AT LEAST SOME PAYMENTS TO US BEFORE HMG ATTENDED THE MEETING ON A THIRD RE-SCHEDULING. I ADDED FOR GOOD MEASURE THAT THE COMPLETE LIFTING OF DISCRIMINATION WAS IMPORTANT FOR ARGENTINA'S REPUTATION IN THE CITY OF LONDON.

8. GARCIA DEL SOLAR SAID ALL THIS WAS NEWS TO HIM. HE KNEW THAT THE SPECIFIC MEASURES OF DISCRIMINATION WE HAD DISCUSSED IN MADRID HAD ALREADY BEEN LIFTED, AND HE WAS SURPRISED AND DISTURBED TO HEAR WHAT I HAD SAID. I REPLIED THAT WE HAD ALREADY MADE OUR CONCERNS KNOWN TO HIS GOVERNMENT, BUT NOT APPARENTLY WITH ANY EFFECT. GARCIA DEL SOLAR SAID THAT HIS FOREIGN MINISTER WAS AN EXPERT ON PROBLEMS OF THIS KIND. HE WOULD TELEPHONE HIM EARLY ON 12 DECEMBER AND REPORT WHAT I HAD SAID.

RECIFE

9. WE DISCUSSED THE PROBLEMS WHICH HAD ARISEN OVER RAF USE OF RECIFE. (HERE I DREW ON BRASILIA TELNO 481.) GARCIA DEL SOLAR SAID THAT SOMEHOW UNFORTUNATE TIMINGS SEEMED CONSTANTLY TO AFFECT ANGLO/ARGENTINE RELATIONS. ONCE DIPLOMATIC RELATIONS WERE RESTORED, THERE SHOULD BE NO MORE DIFFICULTIES. BUT AT PRESENT THE ARGENTINE GOVERNMENT DID NOT WELCOME FLIGHTS THROUGH RECIFE FOR OBVIOUS POLITICAL REASONS, AND HAD MADE KNOWN ITS VIEWS TO THE BRAZILIANS. I SAID WE REGRETTED THE ARGENTINE ATTITUDE. OUR WISH TO SEND RAF FLIGHTS THROUGH RECIFE WAS NOT POLITICALLY MOTIVATED. IT AROSE FROM THE NEED FOR THE AMERICANS, WHO OWNED AND OPERATED THE AIRFIELD ON ASCENSION ISLAND, TO UNDERTAKE EMERGENCY REPAIRS. VITAL REPAIR WORK WOULD BE NECESSARY IN COMING WEEKS, AND THE AMERICANS HAD ALREADY AWARDED THE CORRESPONDING CONTRACTS. THUS THE RAF FACED CONSIDERABLE INCONVENIENCE, NOT OF ITS OWN MAKING, AND THE ARGENTINES WERE COMPOUNDING IT.

10. GARCIA DEL SOLAR SAID THIS WAS THE FIRST HE HAD HEARD OF THE BACKGROUND, WHICH PUT A DIFFERENT COMPLEXION ON THE ISSUE. BUT HE DOUBTED IF HIS GOVERNMENT'S POSITION WOULD HAVE BEEN DIFFERENT HAD IT KNOWN. EVEN IF OUR MOTIVES WERE STRICTLY PRACTICAL, THE ROUTING OF RAF AIRCRAFT THROUGH RECIFE WOULD STILL BE INTERPRETED IN POLITICAL TERMS IN ARGENTINA. NEVERTHELESS HE WOULD INFORM HIS MINISTER.

LATAG TRADE MISSION

11. GARCIA DEL SOLAR SAID THE MISSION HAD BEEN AN UNQUALIFIED SUCCESS. LORD MONTGOMERY AND SIR WILLIAM HARDING HAD MADE AN EXCELLENT IMPRESSION. LORD MONTGOMERY HAD BEEN PARTICULARLY ADMIRED FOR HIS RESTRAINT WHEN SUBJECTED TO ABUSE AND EGG THROWING FROM SOME EXTREMISTS. INDEED, AS WE PROBABLY KNEW, CAVALLO HAD WRITTEN TO LORD MONTGOMERY TO APOLOGISE FOR THE INCIDENT, AND THE GOVERNMENT HAD BEEN HEAVILY CRITICIZED FOR NOT GIVING LORD MONTGOMERY PROPER PROTECTION.

SOUTH GEORGIA FISHERIES

12. I MENTIONED THE PROBLEMS OVER SOVIET REFUSAL TO ACCEPT A CONSENSUS TO BAN FISHING ROUND SOUTH GEORGIA AT THE LAST MEETING OF THE COMMISSION FOR THE CONSERVATION OF ANTARCTIC MARINE LIVING RESOURCES (CCAMLR). THE FISH STOCKS AROUND SOUTH GEORGIA WERE UNDER REAL THREAT. WE HAD TRIED FOR A MULTILATERAL ARRANGEMENT, BUT, ALTHOUGH I BELIEVED THE ARGENTINES HAD SUPPORTED US, THE RUSSIANS HAD FRUSTRATED IT. I WOULD BE RAISING THE ISSUE WITH THE SOVIET DEPUTY FOREIGN MINISTER (PETROVSKY). AS I HAD WARNED SR GARCIA DEL SOLAR AT MADRID, IF WE FAILED TO ESTABLISH A MULTILATERAL REGIME, THERE WOULD BE A REAL POSSIBILITY OF A DECISION TO ESTABLISH A UNILATERAL REGIME TO 200 MILES.

13. GARCIA DEL SOLAR REPEATED THE POLITICAL IMPLICATIONS IN ARGENTINA OF ANY SUCH DECISION. BUT HE WELL UNDERSTOOD THE PRACTICAL PROBLEM WE FACED. I LATER BRIEFED GARCIA DEL SOLAR AFTER MY MEETING WITH PETROVSKY (MY TELNO 2003). I ADDED THAT ANYTHING THE ARGENTINES COULD DO TO REINFORCE OUR POINTS WOULD BE TO OUR COMMON ADVANTAGE. GARCIA DEL SOLAR SAID HE WOULD SO RECOMMEND TO HIS MINISTER. SOMEWHAT ANXIOUSLY HE NOTED THAT THE NEXT MEETING OF CCAMLR WOULD NOT BE BEFORE NEXT OCTOBER. THERE WOULD THEREFORE BE TIME FOR DIPLOMACY BEFORE FINAL DECISIONS WERE TAKEN.

COMMENT

14. IT SEEMED CLEAR THAT GARCIA DEL SOLAR DID NOT EXPECT TO SEE ME AGAIN BEFORE MID FEBRUARY, ALTHOUGH HE DID NOT RULE OUT AN EARLIER MEETING IF SOMETHING UNTOWARD SHOULD HAPPEN. OUR MEETING WAS AS ALWAYS EXTREMELY FRIENDLY. GARCIA DEL SOLAR EXPRESSED HIMSELF WITH FRANKNESS ABOUT CURRENT POLITICAL EVENTS IN BUENOS AIRES. HE WILL DO ALL HE CAN TO FIND A WAY ROUND THE PROBLEM OF AN EFFECTIVE SUBSTITUTE FOR THE FIPZ, BUT IS CERTAINLY HOPING FOR OUR HELP.

FCO PLEASE PASS SAVING ADDRESSEES

a:/Falkland (spt)

PRIME MINISTER'S CHRISTMAS MESSAGE

TO THE FALKLAND ISLANDS

I ALWAYS LOOK FORWARD TO THIS TIME OF YEAR, AND THE OPPORTUNITIES IT BRINGS FOR RE-UNITING FAMILIES AND FRIENDS. IT IS A SPECIAL TIME FOR THINKING OF THOSE, LIKE YOURSELVES, WHO WHILE FAR AWAY IN DISTANCE REMAIN CLOSE TO OUR HEARTS.

IT GIVES ME SPECIAL JOY TO WISH YOU ALL ONCE AGAIN A HAPPY CHRISTMAS AND A PEACEFUL AND PROSPEROUS NEW YEAR.

THIS HAS BEEN A YEAR OF REMARKABLE CHANGES IN THE WORLD, CHANGES FOR THE BETTER, WITH DEMOCRACY AND FREEDOM SPREADING EVER MORE WIDELY IN EUROPE AND IN LATIN AMERICA. IN THE MIDST OF ALL THIS, THE FALKLANDS ISLANDS HAVE BEEN A HAVEN OF QUIET AND GROWING PROSPERITY.
IT HAS BEEN A YEAR WHICH YOU CAN LOOK BACK ON WITH SATISFACTION.

THE FUTURE PROSPECTS ARE GOOD, INDEED VERY GOOD.
YOU ARE TAKING ON AN EVEN GREATER SHARE OF RESPONSIBILITY FOR YOUR OWN AFFAIRS, IN DECIDING THE LIFE YOU WANT FOR YOURSELVES AND YOUR CHILDREN.

THE DEVELOPMENT OF THE FISHERY HAS BEEN PARTICULARLY IMPORTANT AND THE EFFICIENT WAY IT IS MANAGED HAS EARNED YOU WIDESPREAD ADMIRATION.

ALL THIS HAS MEANT AN EVER-GROWING WORKLOAD FOR EVERYONE, AND ABOVE ALL THE NEW COUNCILLORS.
I AM DELIGHTED TO HAVE THIS OPPORTUNITY TO CONGRATULATE THEM WARMLY ON THEIR SUCCESS IN OCTOBER'S GENERAL ELECTION.
I HOPE AS MANY OF THEM AS POSSIBLE WILL TAKE THE OPPORTUNITY TO VISIT THE UNITED KINGDOM, SO THAT WE CAN TALK DIRECTLY AND UNDERSTAND EACH OTHER'S CONCERNS.

YOU WILL HAVE HEARD ABOUT OUR DISCUSSIONS WITH THE NEW

ARGENTINE GOVERNMENT.

WE WANT TO IMPROVE RELATIONS, BECAUSE THAT IS IN THE INTERESTS OF ALL OF US INCLUDING THE FALKLAND ISLANDS. IT WILL HELP IN PRACTICAL WAYS.

I HOPE THE PROCESS WILL CONTINUE.

BUT RIGHT FROM THE START WE HAVE MADE CLEAR THAT WE ARE NOT PREPARED TO NEGOTIATE ON SOVEREIGNTY. THAT WILL REMAIN OUR POSITION AND WE SHALL UPHOLD OUR COMMITMENTS AND RESPONSIBILITIES TO THE PEOPLE OF THE ISLANDS.

I ALSO WANT TO PAY A TRIBUTE TO ALL THE SERVICEMEN AND WOMEN, AND OTHERS WHO ARE IN THE ISLANDS TO CONTRIBUTE THEIR EFFORTS AND SKILLS.

MANY OF YOU WILL BE FAR FROM YOUR HOMES AND FAMILIES, BUT THEY AND WE ARE THINKING OF YOU AND ARE GRATEFUL FOR

WHAT YOU ARE DOING.

WITH MY MEMORIES OF MY OWN VISIT IN 1983 STILL VIVIDLY FRESH IN MY MIND, I WISH YOU ALL A HAPPY CHRISTMAS, PEACE ON EARTH AND GOODWILL TO ALL.

SECRET

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

28 November 1989

Dear Stephen.

ARGENTINA: CONFIDENCE BUILDING MEASURES

The Prime Minister has considered the Foreign Secretary's minute of 24 November, in which he described Argentinian proposals for confidence building measures in the South-West Atlantic, and suggested a line which our representatives should take at the meeting of the Joint Anglo-Argentine Working group in Montevideo on 5 and 6 December.

The Prime Minister thinks the Argentinians have offered enough to make it worthwhile exploring their ideas in further negotiation, without any commitment to lift the FIPZ. She is therefore content with the approach set out in paragraph 9 of the minute.

I am sending a copy of this letter to the Private Secretaries to members of OD and to Sir Robin Butler.

Yours ever,

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

SECRET

21/9-F

Prime Minister

SECRET

PM/89/060

PRIME MINISTER

Argentina: Confidence Building Measures

1. My Private Secretary wrote to yours (and those of OD Members) on 1 November about the outcome of the October talks in Madrid. Before the next round of talks in Madrid next February working group meetings will be held in Montevideo on 5 and 6 December to discuss possible confidence building measures (CBMs) in the military sphere; and on 18 and 19 December in Paris to discuss fisheries. This minute, which has been produced in consultation with the Defence Secretary, considers the remit for our team at the first of these working group meetings.

2. A key objective for the Madrid talks in February should be to establish a satisfactory security framework for the South West Atlantic. In my view, such a framework would have to provide:

(i) security at least as good as that offered by the existing Falkland Islands Protection Zone (FIPZ) if not better;

(ii) international acceptability, based on the fact that the new arrangements would be mutually agreed, not unilaterally imposed; and

(iii) the prospect of keeping the Americans on side and willing to consult over arms sales even in an atmosphere of detente.

Security

3. Just before the Madrid talks the Argentines set out a package of confidence building measures (CBMs) which they said that they intended to propose as an alternative to the FIPZ. The defence staff have now studied the Argentine proposals (Annex A) carefully and a detailed analysis of the Argentine proposals is at Annex B. There are many points of detail which need to be clarified (if indeed the Argentines have worked out the details) but the overall impression is of a genuine attempt to produce a package which would provide the UK with sufficient security to enable us to lift the FIPZ, as well as providing an appearance of reciprocity which would encourage international acceptance and help the presentation of the package within Argentina. There are many positive features but not yet enough to provide a fully satisfactory alternative to the FIPZ.

4. The key provision is 1(2) which would require both countries to give 48 hours advance notification of surface and air units proposing to approach closer than 50 miles (sea) or 100 miles (air) to the other's coasts (submarines would not be covered). Assuming that the distances were measured from baselines (as in the

territorial

territorial sea), this would provide an air zone around the Falklands which was slightly bigger than the present FIPZ (especially on the militarily important western approaches) and a sea zone which was slightly smaller (see map at Annex C). In practice the distinction between differing air and sea limits would present no difficulty. A smaller sea zone could in fact be easier to police.

5. If Argentine air and sea units were excluded from these zones, this would in military terms be a slight improvement on the present FIPZ as the gain from the larger air zone is considerably more significant than the slight reduction in the sea zone. We would have to consider the practical implications (particularly in relation to intelligence) of agreeing to any parallel requirement for our units to keep away from the Argentine coast - which might be important to the Argentines for presentational reasons - but these would probably not be of overriding significance. The key deficiency of the Argentine proposals is, however, that following paragraph 1(2) Argentine units would in practice be free to enter the zones so long as they had given 48 hours notification i.e. they would not require our authorisation. Advance notification would not be adequate: if such an agreement were to be acceptable in place of the FIPZ a regime of prior authorisation would be essential.

6. A few of the other Argentine military measures could be accepted in isolation (1(10-1(13)) and others are potentially acceptable provided that they form part of an

/acceptable

acceptable overall regime and/or subject to their practical interpretation. We will have to be particularly cautious about proposals for exchange of information, e.g. 1(7) and 1(8). Although there would be advantage in knowing more about Argentine dispositions, we do not want to have to reveal details of our own capabilities which would not otherwise be readily apparent. A number of others are, however, inconsistent with the FIPZ in the present form, but if authorisation were substituted for notification in paragraph 1(2) these points would become irrelevant. Nor do I think that visits by the Argentine military to the Falklands themselves are likely to be acceptable, at any rate for some time to come.

7. In addition to the military measures, the Argentines propose "other reciprocal measures". These provide for the exchange of information on the security of navigation, on the weather and on marine search and rescue and aircraft diversions. These are acceptable (indeed we had very similar ideas ourselves) though details would have to be worked out.

8. We could expect such agreed arrangements to be widely accepted internationally and to have a degree of permanence, whereas while we retain the FIPZ we shall be under constant pressure to modify or lift it. An effective set of confidence building measures could serve to conclude the process of normalisation and induce the Argentines to respect a mutually acceptable defence framework in the South Atlantic for the foreseeable future.

Conclusions

9. Against this background, the Defence Secretary and I recommend that our representatives at the working group should be instructed:

(a) to reiterate that we could only consider alternative arrangements to the FIPZ if they provided at least equivalent security;

(b) to make clear that the proposed Argentine package fails to meet this requirement because of the fundamental shortcomings in their measure 1(2) and to try to explain our requirement for arrangements based on prior authorisation;

(c) to say that we could agree in principle to a number of their individual measures (numbers 1(10), 1(11), 1(12), 1(13), II, V and VI);

(d) to explore further a number of other proposals (as described in Annex B) which might also be acceptable as individual CBMs and which could be discussed at Madrid II.

10. If the team gain an indication that the Argentines would be prepared to contemplate offering some form of voluntary and public agreement to keep their military units away from the Falklands as an alternative to the FIPZ in its current form, we shall need to consider very carefully whether there would be long-term advantages in trying to negotiate such an arrangement at Madrid II rather than simply standing pat on the FIPZ.

SECRET

f

11. I am sending copies of this minute to members of OD and to Sir Robin Butler.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office

24 November 1989

SECRET

ANNEX A

ARGENTINE PROPOSED CONFIDENCE-BUILDING MEASURES

I) RECIPROCAL MILITARY MEASURES

Mutual Visits

1) Exchange of visits to military bases and naval units.

Movements

2) Reciprocal advance notification (48 hours) of movements of units (any military combat vessel or aircraft) which proposes to go beyond a distance less than 50 miles (for vessels) and 100 miles (for aircraft) measured from the respective coasts, within an indication of identification, envisaged direction and intention.

3) Voluntary reciprocal advance notification (7 days) of the concentration of more than 2 units when it takes place less than 100 miles from the respective coasts, with an indication of their co-ordinates.

Manoeuvres

4) Reciprocal advance notification (30 days) of manoeuvres in which more than 6 units participate when they take place in maritime waters less than 20 miles from the respective coasts, with an indication of co-ordinates.

5) Reciprocal acceptance of the presence of observation units in the area where manoeuvres contemplated in (4) are carried out.

6) Advance notification (30 days) of manoeuvres on the Falkland Islands in which more than 6 units participate.

Information

7) Four-monthly exchange of information on units based in the South West Atlantic South of the 45 degree South parallel.

8) Monthly exchange of information on periodic rotations of units envisaged in the South-West Atlantic South of the 45 degree South parallel to contribute to greater predictability of movements.

Prohibitions

9) Prohibition of transit and overflight of military vessels and aircraft less than 15 miles from the respective coasts.

10) Prohibition or regulation of movements which afford the risk of collision whether it be by dangerous proximity, close observation, excessively low over-flying or any other manoeuvre or action which might be interpreted as interference or harassment.

11) Prohibition of simulated attacks including the aiming of any arms system or the use of attack radars focussed on units of the other party.

12) Prohibition of clandestine movement by means of non-utilisation at night of position lights both on vessels and aircraft during the movements contemplated in (2).

13) Prohibition of interference or disturbance of any kind of the communications and detection systems of the other party.

II) SYSTEM OF DIRECT COMMUNICATIONS

The parties will designate the respective authorities for application of the reciprocal measures, indicating where they are located. The parties will agree a system of direct communication between the said authorities as well as the technical means of transmission in order to:

- reduce the possibility of incidents

- limit the consequences when they occur

- increase reciprocal knowledge of activities in the South-West Atlantic to avoid erroneous interpretations

- promote co-operation at technical levels

Supervision of the functioning of the direct communications systems will be in the hands of both foreign ministeries.

III) COMPLICANCE AND VERIFICATION

Verification of compliance with these reciprocal measures will be effected by combining national means of verification, the presence of observation units in the relevant cases, consultations through the direct communications system and - at the request of the party concerned - obligatory reception of verifying observers in situ in cases of contradictory information. If after using such procedures there still exists a disagreement over

compliance in specific cases there will be recourse to the diplomatic channel in order to solve the discrepancy.

IV) DURATION

The validity of reciprocal measures will be one year, during which diplomatic - technical meetings will take place to evaluate their working. On the expiry of this period their maintenance, modification or termination will be determined by common agreement.

V) MARITIME SEARCH AND RESCUE

The "International Convention on Maritime Search and Rescue" (Hamburg 1979) is in force for both parties. The co-ordinating rescue centre of the region is located in Comodoro Rivadavia. The parties will adopt measures to exchange information and co-ordinate actions in those emergencies which make it necessary, as well as to carry out joint exercises.

VI) OTHER RECIPROCAL MEASURES

- Exchange of information on safety of navigation for inclusion in warnings to navigators.

- To facilitate the working of the Comodoro Rivadavia flight information region it will be agreed to exchange information between the Islands and that centre so as to identify ships flying countries flags, to facilitate search and rescue operations, to exercise air control and to authorise the use of airports on the continent as an alternative emergency landing site for flights to and from the Falklands.

- Exchange of meteorological information.

ANNEX B

MOD COMMENTARY ON ARGENTINE PROPOSALS FOR CONFIDENCE BUILDING MEASURES

General comment

The FIPZ is vital to our ability to be able to defend the Falklands with only the present small permanent garrison. If we were to consider dismantling the FIPZ we would require alternative arrangements which would provide the same level of security both against full scale assault and the possibility of "maverick" attacks - ie lesser military action (which might not be authorised by the Argentine government). The key to any such alternative arrangement would be a line around the Falklands which would be (and be understood by the Argentines) as a trip-wire for our defences if crossed by Argentine military units (it would be possible to have separate lines for aircraft and ships, with the latter closer to the Falklands).

The overall impression of the Argentine proposals is of a genuine attempt to provide a package of CBMS which would provide the UK with sufficient security to dismantle the FIPZ (as well as giving an appearance of reciprocity for their domestic political audience). There are many positive features but, as it stands, it does not provide a satisfactory alternative to the FIPZ.

The key deficiency with the package is that it envisages that Argentine military units would be allowed to enter the bulk of the area of the present FIPZ (up to 15 miles from the Falklands' coast) (proposals 1(2) and 1(9)), although they would be required to give advance notification. If the Argentines were prepared to accept a regime of prior authorisation (which would in practice not be given) rather than notification it might be possible to develop satisfactory alternative to the FIPZ out of the other elements of the package.

A few of the other Argentine military measures could be accepted in isolation (1(10)-1(13), see below); most of the others are potentially acceptable provided that they form part of an acceptable overall regime and/or subject to the acceptability of their interpretation in practice. Several proposed measures are conceptionally linked to 1(2) - which is certainly unacceptable in present form - and therefore not consistent with the present FIPZ.

Individual proposals

1(1) Interchange of visits to military bases and naval units

A number of potentially important points are unclear. Do the Argentines envisage visits to bases/units on the Falklands or in the UK? Are the visits intended to be purely "social" or by way of inspections? The latter is clearly unacceptable, but even social visits by the Argentine military in the Falklands themselves would be inappropriate.

1(2) Reciprocal 48 hrs advance notification of units proposing to go beyond 50 miles (sea) or 1000 miles (air) of respective coasts

Although the wording of the proposal is slightly ambiguous, the Argentines have subsequently made it clear that their proposal is that an Argentine unit would notify an intention to approach closer than the specified distances to Falklands coast (and not when it proposes to go more than 50 miles from Argentina) - with parallel restrictions on British units approaching the Argentine coast. We could not accept this because it is incompatible with the present FIPZ. It is, however, worth noting that a reciprocal arrangement along these lines but requiring prior authorisation rather than notification, might be the basis of a long term alternative to the FIPZ. (NB. The proposal to use

distances from coasts is particularly valuable.)

1(3) Voluntary reciprocal advance notification of concentration of more than 2 units less than 100 miles from coasts

This proposal is linked with the Argentine "notification zones" discussed above and is therefore effectively inconsistent with the present FIPZ (because Argentine units are in any case prohibited from virtually all the area described). On the other hand it could be a useful part of an otherwise acceptable post-FIPZ regime. for this measure, it would be essential to maintain the definition of units as surface units only (but neither side would want to declare submarines) and we would prefer to make it "2 or more" rather than "more than 2". There is also some doubt about the implications of "voluntary" notification.

1(4) Reciprocal advance notification of maritime manoeuvres less than 120 miles from respective coasts

Welcome in principle, but we would need to consider details closely. The subsequent Argentine clarification that the distance is 120 miles, not 220, means that this appears to add little to 1(3). In practice, it seems unlikely to affect UK military activity (as we are very unlikely to exercise 6 naval units) and our initial reaction is that there would be advantage in reducing the number of units qualifying (to catch more Argentine manoeuvres).

1(5) Reciprocal acceptance of observing units at manoeuvres covered by 1(4)

Initial reaction is that we could accept in principle but it is probably of little practical significance. Unlikely that UK manoeuvres would qualify and we would probably not wish to take up invitation to send unit to observe Argentines.

1(6) Advance notification of manoeuvres on Falklands involving more than 6 units

The general principle is probably acceptable, but much depends on clarification of detail - and what about reciprocity? What is the definition of a unit: eg a battalion or a platoon, an aircraft or a squadron. If the Argentines profess to be worried about an attack on the mainland, we should be able to provide reassurance through notification of exercises in some form. We should, however, demand appropriate reciprocity - this might be (eg) notification of amphibious exercises and or exercises in a certain area (clearly we could not ask for all exercises in Argentina). Further study essential.

1(7) Four monthly exchange of information on units based in SW Atlantic south of 45 S

Possible in principle and there could be advantages from more information about Argentine units but very careful study of detail required. We do not wish to reveal details of our own capabilities which are not otherwise readily apparent. Does this mean naval units only? (We could probably accept naval (surface) units without difficulty.) There could well be advantage to UK in covering Argentine air/ground units in broad terms, but not if this would require us to give too much detail about our own units.

1(8) Monthly exchange of information on rotations in SW Atlantic south of 45S

Similar problems of definition to 1(7) -depending on level of information this proposal could be difficult, especially if combined with 1(7).

1(9) Prohibition of transit/overflight within 15 miles of respective coasts

In principle acceptable (indeed highly desirable in any regime which might replace the FIPZ).

1(10) Prohibition of dangerous movements etc

Perfectly acceptable now (although largely irrelevant) and highly desirable for any post-FIPZ regime.

1(11) Prohibition of simulated attacks etc

Welcome now; indeed UK ROE already prohibit this. (NB: only past case involved Argentine ship "locking on" UK aircraft).

1(12) Prohibition of clandestine movement etc

Welcome now. Already UK practice (NB: no need to link 1(2), it should be general practice).

1(13) Prohibition of jamming etc

Welcome unreservedly.

II System of Direct Communication

Acceptable in principle - indeed, also a UK proposed CBM. (NB. It might be preferable, at least to start with, for the link to be not solely military).

III Compliance and Verification

The intention behind this might be acceptable but much would depend on the details of other measures agreed and it is doubtful whether we would want to use "treaty language" of the sort. Perhaps set aside for possible consideration at a much later stage of any negotiations.

IV Duration

We do not want a set of measures which would lapse after a

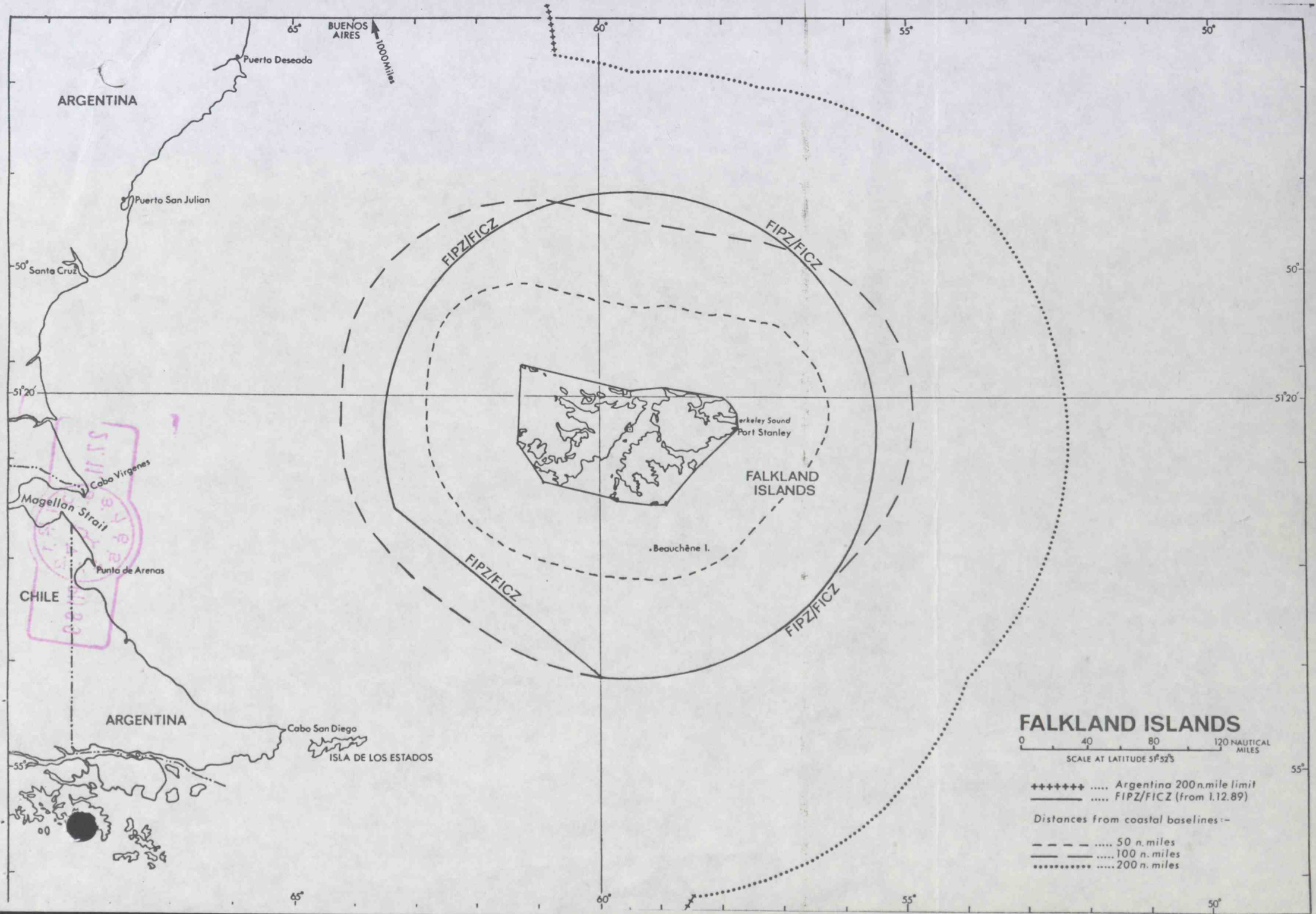
specified time. We could agree to periodic review with changes by mutual agreement (ie both sides would have effective veto on further changes).

V Maritime SAR

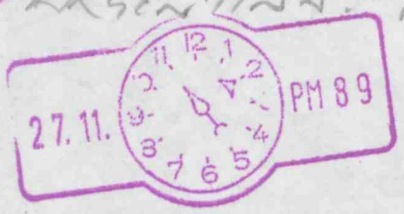
Parallels UK proposed CBM. Entirely acceptable now.

VI Other Reciprocal Measures

Entirely acceptable now. It is significant that Argentines are prepared to allow emergency diversion (presumably including trooping flights) to their airfields but have not asked for reciprocal facilities. This suggests negotiation in good faith: they would have no genuine need for reciprocity (because no Argentine flights pass near Falklands) and we would have to oppose it because of the risks of abuse.


BUENOS AIRES
1000 Miles
Puerto Deseado
ARGENTINA
Puerto San Julian
Santa Cruz
FIPZ/FICZ
FIPZ/FICZ
FIPZ/FICZ
FIPZ/FICZ
erkeley Sound
Port Stanley
FALKLAND ISLANDS
Beauchêne I.
Cabo Virgenes
Magellan Strait
Punta de Arenas
CHILE
ARGENTINA
Cabo San Diego
ISLA DE LOS ESTADOS
65°
60°
55°
50°
51°20'
55°
FALKLAND ISLANDS
0 40 80 120 NAUTICAL MILES
SCALE AT LATITUDE 51°52'S
..... Argentina 200 n.mile limit
..... FIPZ/FICZ (from 1.12.89)
Distances from coastal baselines :-
..... 50 n. miles
..... 100 n. miles
..... 200 n. miles

- ARGENTINA: Relations
P43



The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Cradock to Powell	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Cradock to Powell 15/11/89 + attachment	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL

1 November 1989

Dear Charles

Relations with Argentina: Madrid Talks: 17-19 October

The Prime Minister, and other members of OD, may find it useful to have the Foreign Secretary's evaluation of the outcome of the talks with the Argentines in Madrid from 17-19 October.

The talks went well; better than we had thought they might. The Argentines honoured their undertaking not to raise sovereignty, and stuck to the practical issues in a businesslike way. The principal gains for us were as follows.

First, the Argentines accepted explicitly that hostilities had ceased. We offered two minor adjustments to the Falkland Islands Protection Zone (FIPZ) - to end the requirement for Argentine civilian vessels to notify us before entering the FIPZ, and to remove a small segment in the south western part of the FIPZ so that it will now be aligned exactly with the fisheries conservation zone (FICZ). Neither of these adjustments detracts from our defence capability. In return we secured implicit Argentine recognition that we were not able to consider lifting the FIPZ, and their tacit acceptance that we would extend the territorial waters around the Falklands and South Georgia from three to twelve nautical miles. This last point is particularly welcome. The necessary orders for extension are now going to the Privy Council.

Both we and the Argentines put forward ideas for confidence building measures. The Argentines still hope that these will be capable of replacing the FIPZ; we do not see them in that way, but many of the CBMs that the Argentines are proposing are well worth looking at in their own right. A joint technical working group will prepare for the next round of talks.

CONFIDENTIAL

Second, the Argentines undertook to lift all restrictions and restrictive practices hampering British exports, British companies in Argentina, civil aviation and shipping. This is good news for our companies, especially British Airways. DTI are supporting a trade mission to Argentina at the end of November to take immediate advantage. We agreed in return to lift our veto on closer Argentine links with the EC, which was our response to the Argentine restrictions and has clearly proved its worth.

Third, on fisheries, Sir Crispin Tickell managed to use our move on realignment of the FIPZ mentioned above to extract from the Argentines an assurance that they would not disturb our control over the FICZ, or interfere with vessels fishing there under licence. On this basis, the two sides agreed to set up a working group on fisheries, which will produce a report on conservation and related issues.

Fourth, the Argentines gave us an assurance that they would no longer interfere with the development of links between the Falkland Islands and Chile, Uruguay and Brazil. They accepted that it was premature to think of developing links between the Islands and Argentina.

The two sides agreed to establish consular relations. The Argentines were disappointed that we still considered it premature to resume diplomatic relations. They made clear they will press for this hard at the next meeting in Madrid on 14-15 February. We will have to see how the Argentines behave in the coming months. They appear keen to bring the process of normalisation to an early conclusion, and for the moment at least, to set the sovereignty issue aside. They confirmed their readiness to defer the annual UN Falklands debate until next year, a sign of good faith on their part and a useful bonus for us.

Mr Major sent a personal message to the Islanders at the conclusion of the talks. The Governor has reported that this was well received and helped reassure the Islanders.

The success of these talks owes a great deal to the skill of Sir Crispin Tickell, The outcome has been well received internationally, particularly by the US, other EC member states and in Latin America. It has aroused no domestic criticism.

/I am

CONFIDENTIAL

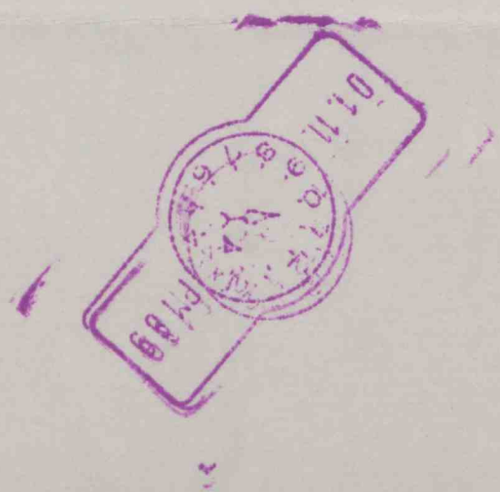
I am copying this to the Private Secretaries of other members of OD and Sir Robin Butler.

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Crodock to Powell 31/10/89	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

file

KK

ARGENTINA

cc: FCO

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

25 October 1989

Dear Admiral Merino,

Thank you for your letter of 24 August. I was grateful to you for raising the subject of ballistic missile proliferation and I share your concern. It is a matter which we take very seriously.

The United Kingdom is a member of the Missile Technology Control Regime (MTCR) which aims to control the transfer of Ballistic Missile Technology. Our MTCR partners are also concerned about the Condor project. The deployment of this missile in South America or the Middle East could, as you point out, have a seriously destabilising effect in these regions.

I can assure you that we will take every appropriate opportunity to persuade those involved in the project to end their participation.

Yours sincerely

Margaret Thatcher

Admiral Jose T. Merino

DS6

LATE SPOKESMAN: THURSDAY 19 OCTOBER 1989: 1630 BST

JOINT STATEMENT BY THE BRITISH AND ARGENTINE DELEGATIONS MADRID: 19 OCTOBER 1989

1. Delegations of the British and Argentine Governments met in Madrid from 17 to 19 October 1989. The British delegation was led by Sir Crispin Tickell, United Kingdom Permanent Representative to the United Nations, and the Argentine delegation by Ambassador Lucio Garcia del Solar, Special Representative of the Government of Argentina. The purpose of their meeting was to discuss the topics agreed at their first meeting in New York in August:

viz

(i) introductory statements
(ii) formula on sovereignty
(iii) organisation of work
(iv) British-Argentine relations (including the future of diplomatic and consular relations):
  (a) measures to build confidence and avoid incidents in the military sphere
  (b) trade and financial relations
  (c) communications links: air and sea
  (d) fishery conservation and future cooperation on fisheries
  (e) contacts between the Falkland Islands and the continental mainlaind
  (f) cultural, scientific and sporting relations
  (g) other bilateral matters

2. Both Governments agreed that:

(i) nothing in the conduct or content of the present meeting or of any similar subsequent meetings shall be interpreted as:
  (a) a change in the position of the United Kingdom with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands, South Georgia and the South Sandwich Islands and the surrounding maritime areas
  (b) a change in the position of the Argentine Republic with

regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands, South Georgia and the South Sandwich Islands and the surrounding maritime areas

(c) recognition of or support for the position of the United Kingdom or the Argentine Republic with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands, South Georgia and the South Sandwich Islands and the surrouding maritime areas.

(ii) No act or activity carried out by the United Kingdom, the Argentine Republic or third parties as a consequence and in implmentation of anything agreed to in the present meeting or in any similar subsequent meetings shall constitute a basis for affirming, supporting, or denying the position of the United Kingdom or the Argentine Republic regarding the sovereignty or territorial and maritime jurisdiction over the Falkland Islands, South Georgia and the South Sandwich Islands and the surrounding maritime areas.

3. The two Governments confirmed their commitment to respect fully the principles of the Charter of the United Nations, in particular:

- the obligation to settle disputes exclusively by peaceful means and
- the obligation to refrain from the threat or use of force.

The two Governments noted that all hostilities between them had ceased. Each Government undertook not to pursue any claim against the other, including nationals of the other, in respect of loss or damage arising from the hostilities and all other actions in and around the Falkland Islands, South Georgia and the South Sandwich Islands before 1989.

4. Both Governments agreed, following notification of the two protecting powers, to re-establish consular relations at the level of Consul General.

5. Both Governments reaffirmed their wish to normalise relations

between their two countries with a view to resuming diplomatic relations, and agreed to include the question of diplomatic relations on the agenda for their next meeting.

6. The delegations exchanged views and proposals about measures to build confidence and avoid incidents in the military sphere. As a result of these exchanges, they agreed to set up a working group to consider these views and proposals, and to report to their respective Governments with the aim of pursuing the issue at the next substantive meeting.

Meanwhile, with the aim of strengthening mutual confidence, the British delegation announced the British Government's decisions:

- to dispense with the current requirement of prior agreement for Argentine merchant shipping to enter the Protection Zone

- to align the limits of the Protection Zone with those of the Conservation Zone.

These changes will come into effect at an early date to be announced.

The Argentine delegation took note of this announcement.

7. Each delegation affirmed the wish of its Government to promote commercial and financial relations. Both Governments agreed to lift all remaining restrictions and restrictive practices imposed since 1982. In the light of this agreement, the British Government agreed to facilitate the establishment of cooperative links between Argentina and the European Community.

8. The British delegation announced that the Export Credit Guarantee Department would make available short-term cover for British exporters to Argentina under irrevocable letters of credit from Argentine banks. The British delegation also announced that a trade mission organised by the Latin American Trade Advisory Group of the British Overseas Trade Board would visit Argentina from 27 November to 1 December 1989 with the financial support of the

Department of Trade and Industry. The Argentine delegation welcomed this proposed visit.

9. Both Governments agreed to the resumption of air and maritime communications between the two countries. They will invite their respective civil aviation authorities to open appropriate negotiations.

10. As regards fisheries, both delegations put forward their respective positions. They agreed to set up a working group with a view to making proposals for exchanges of information, for measures of cooperation and for conservation measures, to be reported to a future meeting.

11. The two delegations exchanged views on contacts between the Falklands Islands and the continental mainland, and agreed on the benefit of developing such links and to keep the matter under review.

12. Both delegations expressed their support for the cultural, scientific and sporting relations which already existed and looked forward to their further development. They expressed their hope that as normalisation advanced more formal relations in these fields would be resumed, for example through a new cultural agreement.

13. It was agreed that both Governments would jointly send the text of the present statement to the Secretary General of the United Nations for distribution as an official document of the General Assembly, under Item 35 of the agenda of the current session, and of the Security Council. The United Kingdom will transmit this joint statement to the Commission of the European Community, and, for its part, the Republic of Argentina will do likewise to the Organisation of American States.

14. Both delegations agreed to hold their next substantive meeting in Madrid on 14 and 15 February 1990.

15. In conclusion both delegations expressed their thanks to the Spanish Government for its generous hospitality and support.

CONFIDENTIAL

FILE 8/2

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 October 1989

Dear Stephen.

ANGLO-ARGENTINE TALKS: DEFENCE ISSUES

This is to confirm what I told you this morning: the Prime Minister agrees that Sir Crispin Tickell should be given discretion to respond positively to both the proposals put forward by the Argentines affecting the FIPZ. Her own view is that it might be best to accept the Argentine proposal to dispense with notification for civil vessels, while keeping the proposed alignment of the FIPZ with the FICZ in reserve for later. But if Sir Crispin Tickell judges that he needs to deploy both concessions now, then he has authority to do so.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

Yours sincerely,

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

PERSONAL

17 a-c

~~MIF~~ PS/ S of S.
1. THIS TELEGRAM HAS NOT
BEEN DISTRIBUTED.
2. PLEASE ADVISE ANY
DISTRIBUTION REQUIRED
TO TELEPHONE EXT: 2025.

ZCZC
LNUZAN 0269 OCMIAN 0351
SECRET
DD 182330Z CHOGM
FM FCOLN TO CHOGM
181930Z OCT
GRS 734

SECRET
FM FCO
TO DESKBY 182330Z UKDEL KUALA LUMPUR
TELNO 54
OF 181930Z OCTOBER 89 ..
AND TO IMMEDIATE MADRID, MODUK

PERSONAL FOR PS/FOREIGN SECRETARY
MADRID PERSONAL FOR SIR C. TICKELL
MOD FOR PS/SOFS DEFENCE

ANGLO/ARGENTINE TALKS: DEFENCE ISSUES

THE FOLLOWING IS A PERSONAL MESSGE FROM..THE DEFENCE SECRETARY TO THE FOREIGN SECRETARY, (COPIES TO SIR C. TICKELL AT MOD REQUEST).

.. ..

1. AS EXPECTED, THE MOST IMPORTANT ISSUE ON THE DEFENCE SIDE HAS BEEN THE FALKLAND ISLANDS PROTECTION ZONE (FIPZ). OUR NEGOTIATORS HAVE, OF COURSE, MADE IT ABSOLUTELY CLEAR THAT THERE CAN BE NO QUESTION OF LIFTING THE FIPZ AT PRESENT AND IT IS ENCOURAGING THAT THE ARGENTINES HAVE RECOGNISED THIS AND ARE NO LONGER REQUIRING SOMETHING IN THE WAY OF MODIFICATIONS TO THE OPERATION OF THE FIPZ AS A PRECONDITION TO ACCEPTANCE OF PROGRESS IN OTHER AREAS. NEVERTHELESS IT IS CLEAR THAT THE ARGENTINES ARE LOOKING FOR CONCESSIONS FROM US IN THIS AREA IN ORDER TO FACILITATE PRESENTATION OF THE AGREEMENT TO THEIR DOMESTIC AUDIENCE.

Charles
The Foreign Secretary agrees with Mr King, rather than with Mr Sainsbury. The last sentence of this Telegram he finds persuasive — a good reason not to hold back on one of the two Argentine suggestions. Bob Lyall

b

2. SIR CRISPIN TICKELL HAS REPORTED THAT ALTHOUGH GARCIA DEL SOLAR DOES NOT EXPECT US TO AGREE TO CHANGES OF SUBSTANCE THE LATTER HAS PUT FORWARD TWO IDEAS WHICH THE ARGENTINES BELIEVE WOULD NOT INVOLVE SUBSTANTIAL CHANGE (OR ITS PROSPECT) BUT WHICH, IF PROPERLY PRESENTED, WOULD SOOTH ARGENTINE OPINION AND MAINTAIN POLITICAL MOMENTUM. THESE ARE THE REMOVAL OF ANY REQUIREMENT FOR NOTIFICATION BY CIVIL VESSELS AND A SMALL REDUCTION IN THE FIPZ SO THAT ITS BOUNDARY COINCIDES WITH THAT OF THE CONSERVATION ZONE (FICZ). YOU MAY FIND IT HELPFUL TO HAVE MY VIEWS ON THIS.

3. SO FAR AS THE FIRST POINT IS CONCERNED, OD HAD AGREED THAT OUR NEGOTIATORS SHOULD OFFER TO REPLACE THE CURRENT REQUIREMENT FOR PRIOR AUTHORISATION FOR CIVIL VESSELS WITH ONLY A REQUIREMENT FOR NOTIFICATION WHICH WOULD IN TURN BE DROPPED AFTER A PERIOD OF TWELVE (OR POSSIBLY SIX) MONTHS PROVIDED THAT THERE HAD BEEN NO ABUSE. IT WAS, HOWEVER, TO BE MADE CLEAR TO THE ARGENTINES THAT EVENTUAL REMOVAL OF THE NOTIFICATION REQUIREMENT WOULD ALSO BE LINKED TO THE EXTENSION OF THE FALKLANDS TERRITORIAL SEA TO 12 MILES. IT APPEARS THAT GARCIA DEL SOLAR HAS ACCEPTED THE LINKAGE WITH AN EXTENSION OF OUR TERRITORIAL SEA BUT IS PRESSING FOR NOTIFICATION TO BE DROPPED WITHOUT A TRIAL PERIOD. WHILE IT WOULD HAVE BEEEN PREFERABLE TO HAVE HAD SUCH A PERIOD TO TEST ARGENTINE INTENTIONS, I HAVE NOTED GARCIA DEL SOLAR'S COMMENT THAT IT WOULD BE CONTRARY TO ARGENTINA'S INTERESTS TO ALLOW THE LEAST INCIDENT IN THE FIPZ AND IT WOULD CLEARLY BE TO OUR ADVANTAGE TO EXTEND THE TERRITORIAL SEA AS SOON AS POSSIBLE. I BELIEVE THEREFORE THAT WE COULD ACCEPT THE ARGENTINE PROPOSAL TO DISPENSE WITH A TRIAL PERIOD OF NOTIFICATION, PROVIDED THAT THIS WAS COUPLED WITH A SIMULTANEOUS EXTENSION OF TERRITORIAL LIMITS AND ON THE CLEAR UNDERSTANDING THAT WE WOULD RE-IMPOSE RESTRICTIONS IF THERE WAS ABUSE. IT WOULD ALSO BE IMPORTANT TO EMPHASISE TO THE ARGENTINES THAT WARSHIPS AND NAVAL AUXILIARIES WOULD CONTINUE TO BE EXCLUDED.

C

..

4. THE EFFECT OF THE PROPOSED ALIGNMENT OF THE FIPZ WITH THE FICZ WOULD BE TO REMOVE A SMALL SEGMENT AT THE SOUTH-WEST OF THE FIPZ. THE MAXIMUM REDUCTION WOULD BE ABOUT 22 NAUTICAL MILES. SO FAR AS MARITIME SECURITY IS CONCERNED, THIS REDUCTION WOULD BE INSIGNIFICANT. SO FAR AS AIRCRAFT ARE CONCERNED, WARNING TIME IS ALL IMPORTANT BUT, EVEN IF WE WERE TO ACCEPT THIS PROPOSAL, WE WOULD CONTINUE TO SCRAMBLE OUR AIRCRAFT AS SOON AS WE IDENTIFIED A POSSIBLE THREAT AND THE ONLY CHANGE WOULD THEREFORE BE THAT IN THIS PARTICULAR SECTOR THERE WOULD BE A SMALL REDUCTION IN THE MAXIMUM DISTANCE AT WHICH AN ACTUAL INTERCEPTION COULD TAKE PLACE. THIS WOULD NOT INVOLVE ANY REAL REDUCTION IN OUR AIR DEFENCE CAPABILITY.

.. ..

5. IN SUM, BOTH THESE ARGENTINE PROPOSALS ARE ESSENTIALLY COSMETIC AND, AFTER CONSULTING CDS AND CBFFI, I AM CONFIDENT THAT WE COULD ACCEPT THEM (SUBJECT TO THE CAVEATS EXPRESSED ABOVE ABOUT DISPENSING WITH NOTIFICATION TO WHICH CBFFI ATTACHES PARTICULAR IMPORTANCE) WITHOUT DETRIMENT TO OUR ABILITY TO DEFEND THE FALKLANDS WITH ITS PRESENT GARRISON STRENGTH, IF THIS IS JUDGED TO BE HELPFUL IN THE CONTEXT OF THE NEGOTIATIONS AS A WHOLE. IF WE DID ACCEPT THESE PROPOSALS, I HOPE IT MIGHT BE POSSIBLE TO GET THE ARGENTINES TO RECOGNISE THAT THERE WAS NO EARLY PROSPECT OF THEIR SECURING FURTHER CHANGES IN THE FIPZ. BY CONTRAST, THERE COULD BE A RISK THAT, IF WE REJECTED THE WOULD BE FACED WITH PRESSURE FOR MORE SUBSTANTIVE CHANGE AT T NEXT ROUND OF TALKS.

MAJOR

OCMIAN 0351

NNNN

DISTRIBUTION:-

P/S N°10
P/S S of S
APS S of S
PUS
MR BURNS
MISS McGINTY

ZCZC
LNUZAN 0278 MCLNAN 5856
CONFIDENTIAL
DD 182345Z CHOGM
FM MADRI TO CHOGM
182345Z OCT
GRS 1151

CONFIDENTIAL
FM MADRID
TO DESKBY 182345Z CHOGM
TELNO 2
OF 182345Z OCTOBER 89
AND TO DESKBY 190700Z FCOLN

JOINT STATEMENT BY THE BRITISH AND ARGENTINE DELEGATIONS
MADRID: 19 OCTOBER 1989

1. DELEGATIONS OF THE BRITISH AND ARGENTINE GOVERNMENTS MET IN MADRID FROM 17 TO 19 OCTOBER 1989. THE BRITISH DELEGATION WAS LED BY SIR CRISPIN TICKELL, UNITED KINGDOM PERMANENT REPRESENTATIVE TO THE UNITED NATIONS, AND THE ARGENTINE DELEGATION BY AMBASSADOR LUCIO GARCIA DEL SOLAR, SPECIAL REPRESENTATIVE OF THE GOVERNMENT OF ARGENTINA. THE PURPOSE OF THEIR MEETING WAS TO DISCUSS THE TOPICS AGREED AT THEIR FIRST MEETING IN NEW YORK IN AUGUST:

VIZ

(I) INTRODUCTORY STATEMENTS

(II) FORUMLA ON SOVEREIGNTY

(III) ORGANISATION OF WORK

(IV) BRITISH/ARGENTINE RELATIONS (INCLUDING THE FUTURE OF DIPLOMATIC AND CONSULAR RELATIONS):

(A) MEASURES TO BUILD CONFIDENCE AND AVOID INCIDENTS IN THE MILITARY SPHERE

(B) TRADE AND FINANCIAL RELATIONS

(C) COMMUNICATIONS LINKS: AIR AND SEA

(D) FISHERY CONSERVATION AND FUTURE CO-OPERATION ON FISHERIES

(E) CONTACTS BETWEEN THE FALKLAND ISLANDS AND THE CONTINENTAL MAINLAND

(F) CULTURAL, SCIENTIFIC AND SPORTING RELATIONS

(G) OTHER BILATERAL MATTERS.

2. BOTH GOVERNMENTS AGREED THAT:

(1) NOTHING IN THE CONDUCT OR CONTENT OF THE PRESENT MEETING OR OF ANY SIMILAR SUBSEQUENT MEETINGS SHALL BE INTERPRETED AS:

(A) A CHANGE IN THE POSITION OF THE UNITED KINGDOM WITH REGARD TO SOVEREIGNTY OR TERRITORIAL AND MARITIME JURISDICTION OVER THE FALKLAND ISLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS AND THE SURROUNDING MARITIME AREAS;

(B) A CHANGE IN THE POSITION OF THE ARGENTINE REPUBLIC WITH REGARD TO SOVEREIGNTY OR TERRITORIAL AND MARITIME JURISDICTION OVER THE FALKLAND ISLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS AND THE SURROUNDING MARITIME AREAS;

(C) RECOGNITION OF OR SUPPORT FOR THE POSITION OF THE UNITED KINGDOM OR THE ARGENTINE REPUBLIC WITH REGARD TO SOVEREIGNTY OR TERRITORIAL AND MARITIME JURISDICTION OVER THE FALKLAND ISLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS AND THE SURROUNDING MARITIME AREAS.

(2) NO ACT OR ACTIVITY CARRIED OUT BY THE UNITED KINGDOM, THE ARGENTINE REPUBLIC OR THIRD PARTIES AS A CONSEQUENCE AND IN IMPLEMENTATION OF ANYTHING AGREED TO IN THE PRESENT MEETING OR IN ANY SIMILAR SUBSEQUENT MEETINGS SHALL CONSTITUTE A BASIS FOR AFFIRMING, SUPPORTING, OR DENYING THE POSITION OF THE UNITED KINGDOM OR THE ARGENTINE REPUBLIC REGARDING THE SOVEREIGNTY OR TERRITORIAL AND MARITIME JURISDICTION OVER THE FALKLAND ISLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS AND THE SURROUNDING MARITIME AREAS.

3. THE TWO GOVERNMENTS CONFIRMED THEIR COMMITMENT TO RESPECT FULLY THE PRINCIPLES OF THE CHARTER OF THE UNITED NATIONS, IN PARTICULAR:

- THE OBLIGATION TO SETTLE DISPUTES EXCLUSIVELY BY PEACEFUL MEANS: AND
- THE OBLIGATION TO REFRAIN FROM THE THREAT OR USE OF FORCE.

THE TWO GOVERNMENTS NOTED THAT ALL HOSTILITIES BETWEEN THEM HAD CEASED. EACH GOVERNMENT UNDERTOOK NOT TO PURSUE ANY CLAIM AGAINST THE OTHER, INCLUDING NATIONALS OF THE OTHER, IN RESPECT OF LOSS OR DAMAGE ARISING FROM THE HOSTILITIES AND ALL OTHER ACTIONS IN AND AROUND THE FALKLAND ISLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS BEFORE 1989.

4. BOTH GOVERNMENTS AGREED, FOLLOWING NOTIFICATION OF THE TWO PROTECTING POWERS, TO RE-ESTABLISH CONSULAR RELATIONS AT THE LEVEL OF CONSUL GENERAL.

5. BOTH GOVERNMENTS REAFFIRMED THEIR WISH TO NORMALISE RELATIONS BETWEEN THEIR TWO COUNTRIES WITH A VIEW TO RESUMING DIPLOMATIC RELATIONS, AND AGREED TO INCLUDE THE QUESTION OF DIPLOMATIC RELATIONS ON THE AGENDA FOR THEIR NEXT MEETING.

6. THE DELEGATIONS EXCHANGED VIEWS AND PROPOSALS ABOUT MEASURES TO BUILD CONFIDENCE AND AVOID INCIDENTS IN THE MILITARY SPHERE. AS A RESULT OF THESE EXCHANGES, THEY AGREED TO SET UP A WORKING GROUP TO CONSIDER THESE VIEWS AND PROPOSALS, AND TO REPORT TO THEIR RESPECTIVE GOVERNMENTS WITH THE AIM OF PURSUING THE ISSUE AT THE NEXT SUBSTANTIVE MEETING.

7. EACH DELEGATION AFFIRMED THE WISH OF ITS GOVERNMENT TO PROMOTE COMMERCIAL AND FINANCIAL RELATIONS. BOTH GOVERNMENTS AGREED TO LIFT ALL REMAINING RESTRICTIONS AND RESTRICTIVE PRACTICES IMPOSED SINCE 1982. IN THE LIGHT OF THIS AGREEMENT, THE BRITISH GOVERNMENT AGREED TO FACILITATE THE ESTABLISHMENT OF COOPERATIVE LINKS BETWEEN ARGENTINA AND THE EUROPEAN COMMUNITY.

8. THE BRITISH DELEGATION ANNOUNCED THAT THE EXPORT CREDIT GUARANTEE DEPARTMENT WOULD MAKE AVAILABLE SHORT-TERM COVER FOR BRITISH EXPORTERS TO ARGENTINA UNDER IRREVOCABLE LETTERS OF CREDIT FROM ARGENTINE BANKS. THE BRITISH DELEGATION ALSO ANNOUNCED THAT A TRADE MISSION ORGANISED BY THE LATIN AMERICAN TRADE ADVISORY GROUP OF THE BRITISH OVERSEAS TRADE BOARD WOULD VISIT ARGENTINA FROM 27 NOVEMBER TO 1 DECEMBER 1989 WITH THE FINANCIAL SUPPORT OF THE DEPARTMENT OF TRADE AND INDUSTRY. THE ARGENTINE DELEGATION WELCOMED THIS PROPOSED VISIT.

9. BOTH GOVERNMENTS AGREED TO THE RESUMPTION OF AIR AND MARITIME COMMUNCATIONS BETWEEN THE TWO COUNTRIES. THEY WILL INVITE THEIR RESPECTIVE CIVIL AVIATION AUTHORITIES TO OPEN APPROPRIATE NEGOTIATIONS.

10. AS REGARDS FISHERIES, BOTH DELEGATIONS PUT FORWARD THEIR RESPECTIVE POSITIONS. THEY AGREED TO STUDY THE QUESTION IN GREATER DEPTH WITH A VIEW TO MAKING PROPOSALS AT A FUTURE MEETING FOR THE EXCHANGE OF INFORMATION AND MEASURES OF COOPERATION.

11. THE TWO DELEGATIONS EXCHANGED VIEWS ON CONTACTS BETWEEN THE FALKLAND ISLANDS AND THE CONTINENTAL MAINLAND, AND AGREED ON THE BENEFIT OF DEVELOPING SUCH LINKS AND TO KEEP THE MATTER UNDER REVIEW.

12. BOTH DELEGATIONS EXPRESSED THEIR SUPPORT FOR THE CULTURAL, SCIENTIFIC AND SPORTING RELATIONS WHICH ALREADY EXISTED AND LOOKED FORWARD TO THEIR FURTHER DEVELOPMENT. THEY EXPRESSED THEIR HOPE THAT AS NORMALISATION ADVANCED MORE FORMAL RELATIONS IN THESE FIELDS WOULD BE RESUMED, FOR EXAMPLE THROUGH A NEW CUTURAL AGREEMENT.

13. IT WAS AGREED THAT BOTH GOVERNMENTS WOULD JOINTLY SEND THE TEXT OF THE PRESENT STATEMENT TO THE SECRETARY GENERAL OF THE UNITED NATIONS FOR DISTRIBUTION AS AN OFFICIAL DOCUMENT OF THE GENERAL ASSEMBLY, UNDER ITEM 35 OF THE AGENDA OF THE CURRENT SESSION, AND OF THE SECURITY COUNCIL. THE UNITED KINGDOM WILL TRANSMIT THIS JOINT STATEMENT TO THE COMMISSION OF THE EUROPEAN COMMUNITY, AND, FOR ITS PART, THE REPUBLIC OF ARGENTINA WILL DO LIKEWISE TO THE ORGANISATION OF AMERICAN STATES.

14. BOTH DELEGATIONS AGREED TO HOLD THEIR NEXT SUBSTANTIVE MEETING IN MADRID ON 14 AND 15 FEBRUARY 1990.

15. IN CONCLUSION BOTH DELEGATIONS EXPRESSED THEIR THANKS TO THE SPAINISH GOVERNMENT FOR ITS GENEROUS HOSPITALITY AND SUPPORT.

MADRID, 19 OCTOBER 1989.

GORDON LENNOX

YYYY

MCLNAN 5856

NNNN

PS/No.10
PS/SofS.
APS/SofS

Miss McGinty.
PUS
MR Burns

✓
cn

K
ZCZC
LNUZAN 0254 OCMIAN 0333
CONFIDENTIAL
DD 182345Z CHOGM
FM FCOLN TO CHOGM
181340Z OCT
GRS 857

CONFIDENTIAL
FM FCO
TO DESKBY 182345Z UKDEL KUALA LUMPUR
TELNO 45
OF 181340Z OCTOBER 89
INFO DESKBY 190700Z MADRID, MODUK

MODUK FOR PS/S OF S/DEFENCE, MR HATFIELD, SEC(O)(C)

FOR SECRETARY OF STATE FROM MR SAINSBURY

MADRID TELS NO 970-976 AND NO 977: TALKS WITH ARGENTINA

1. I HAVE BEEN CONSIDERING CRISPIN TICKELL'S OVERNIGHT TELEGRAMS FROM MADRID WITH DAVID GILLMORE AND OFFICIALS HERE PARTICULARLY IN THE LIGHT OF HIS LATEST REPORT (MADRID TELNO 977) OF MOVEMENT IN THE ARGENTINE POSITION. WE HAVE ALSO CONSULTED THE MINISTRY OF DEFENCE.

2. ARGENTINE ACCEPTANCE OF THE PACKAGE ON ECONOMIC AND FINANCIAL ISSUES, LEADING ON TO CONSULAR RELATIONS HAS SECURED ONE OF OUR PRIME OBJECTIVES. THIS ARGENTINE CONCESSION WILL BE OF DIRECT FINANCIAL VALUE TO BRITISH COMPANIES AND PARTICULARLY TO BRITISH AIRWAYS. ARGENTINE AGREEMENT NOT TO PLACE OBSTACLES IN THE WAY OF LINKS BETWEEN THE FALKLANDS AND THE CONTINENTAL MAINLAND IS ALSO AN IMPORTANT ACHIEVEMENT.

3. AGAINST THIS BACKGROUND (AND IN THE LIGHT OF MOD VIEWS - SEE BELOW) I BELIEVE WE SHOULD TRY TO REACH AGREEMENT WHERE POSSIBLE ON THE OTHER ITEMS IN THE MADRID AGENDA, RATHER THAN ADJOURNING THE MEETING AS WE AT FIRST THOUGHT MIGHT BE NECESSARY. WITH THIS IN MIND, I HAVE CONSIDERED THE THREE POINTS IN PARA 4 OF TELNO 977:

(A) THE TWO ARGENTINE SUGGESTIONS ON THE FIPZ, SPELT OUT IN PARA 4 OF TELNO 976. I UNDERSTAND THAT MOD WOULD BE PREPARED TO ACCEPT BOTH OF THESE (PROVIDED THAT THE TERRITORIAL SEA WAS EXTENDED AT THE SAME TIME AS CIVILIAN VESSELS ARE PERMITTED TO ENTERTHE FIPZ). I BELIEVE TOM KING WILL BE SENDING YOU HIS VIEWS IN A TELEGRAM OVERNIGHT. OPTION 1 (FIPZ TO EQUAL FICZ) MARKS A SMALL VISIBLE EROSION OF THE FIPZ (EVEN THOUGH I UNDERSTAND IT WOULD HAVE NO REAL EFFECT IN DEFENCE TERMS). BUT IT WOULD BE A REAL BONUS IN FISHERY CONSERVATION: AT PRESENT OVER-FISHING OF THE SEGMENT (BETWEEN THE FIPZ AND THE FICZ) BY THE RUSSIANS AND OTHERS HAS CAUSED SERIOUS CONCERN TO THE FALKLAND ISLANDS GOVERNMENT AND OURSELVES. OPTION 2 (ACCESS FOR CIVILIAN SHIPPING) OFFERS THE IMMEDIATE AND IMPORTANT PRIZE OF AN AGREED EXTENSION OF THE TERRITORIAL SEA. THE POTENTIAL PRESENCE OF CIVILIAN (BUT NOT FISHING) CRAFT WITHIN THE FIPZ SHOULD BE BEARABLE AND GARCIA DEL SOLAR HAS MADE IT CLEAR THAT THE ARGENTINES REALISE THAT ANY INCIDENT WITHIN THE FIPZ WOULD BE CONTRARY TO THEIR OWN INTERESTS.

IN SHORT, EACH OF THESE ARGENTINE PROPOSALS HAS BENEFITS FOR US AND WE COULD ACCEPT THEM. INDEED THE MOD TAKE THE VIEW THAT BY ACCEPTING BOTH NOW WE SHOULD BE IN A BETTER POSITION IN A SUBSEQUENT ROUND OF TALKS TO RESIST ARGENTINE EFFORTS TO ERODE THE PROTECTION WHICH THE FIPZ PROVIDES. MY PREFERENCE IS TO KEEP A CARD IN HAND AGAINST THE LIKELIHOOD THAT THE ARGENTINES REVERT TO THE FIPZ AT THE NEXT ROUND OF TALKS. I SUGGEST THEREFORE THAT WE INSTRUCT CRISPIN TICKELL IN THE FIRST INSTANCE TO OFFER OPTION 2 ON ITS OWN: BUT GIVE HIM DISCRETION TO OFFER BOTH IF IT BECOMES CLEAR THAT FOR THE ARGENTINES THIS IS A STICKING POINT.

(B) FISHERIES. IT IS UNFORTUNATE THAT THE ARGENTINES WILL NOT ACCEPT OUR FORMULA, BUT CLEARLY THERE IS NO WAY IN WHICH TICKELL COULD HAVE GIVEN THEM THE UNDERTAKINGS THEY SOUGHT ABOUT POSSIBLE EXTENSION OF THE FIPZ OR THE ESTABLISHMENT OF A ZONE AROUND SOUTH GEORGIA. I BELIEVE IT WILL BE IN BOTH OUR INTERESTS TO REVERT TO FISHERIES AS THE GENERAL ATMOSPHERE IMPROVES. BUT FROM OUR POINT OF VIEW THERE IS NO GREAT LOSS IN SHELVING THE ISSUE FOR THE TIME BEING.

(C) DIPLOMATIC RELATIONS.. I RECOGNISE THAT THESE STILL LIE FURTHER DOWN THE ROAD. BUT IF WE LEAVE MADRID WITH THE SUBSTANTIAL PACKAGE NOW ON OFFER, WE SHALL HAVE MADE REAL PROGRESS AND I BELIEVE WE COULD OFFER COMMUNIQUE WORDING ON THESE LINES:

'BOTH SIDES AGREED THAT THE RESUMPTION OF FULL DIPLOMATIC RELATIONS SHOULD FEATURE ON THE AGENDA OF THE NEXT MEETING TO BE HELD EARLY IN THE NEW YEAR.'

..

4. THIS REPRESENTS A SLIGHT INCRESE OF COMMITMENT FROM US, BUT IT LEAVES US THE OPTION TO PULL BACK IF THE ATMOSPHERE NEXT YEAR TURNS SOUR.

..

5. IN RECOMMENDING TWO STEPS (PARAS 3(A) AND (C) ABOVE) WHICH WILL HELP MENEM, I HAVE IN MIND THAT HE, CAVALLO AND GARCIA DEL SOLAR ARE LIKELY TO FACE SEVERE CRITICISM FROM HIS OWN..SUPPORTERS AND THE OPPOSITION IF THEY DELIVER NOTHING ON THE FIPZ. BOTH OF THE OPTIONS AT (A) ABOVE LEAVE THE FIPZ INTACT FOR ALL PRACTICAL PURPOSES AND EACH HAS ADVANTAGES FOR US AND MIGHT TAKE..THE PROTECTION ZONE OFF THE ARGENTINE AGENDA FOR SOME TIME. THE TWO STEPS THEREFORE ENABLE US TO ACHIEVE ALL OUR KEY OBJECTIVES WHILE GIVING THE ARGENTINES A PACKAGE WHICH THEY PERCEIVE TO BE SALEABLE. WE HAVE RECOGNISED THAT MENEM'S PRESENT HONEYMOON WITH ARGENTINE OPINION WILL NOT LAST FOR EVER AND HIS ROOM FOR MANOEUVRE COULD PROGRESSIVELY DIMINISH. THE DEAL WHICH I RECOMMEND WE ACCEPT SHOULD KEEP THE ARGENTINES IN PLAY AND ENABLE US TO COMPLETE THE PROCESS OF NORMALISATION WITH IMMEDIATE POSITIVE GAINS FOR BRITISH INTERESTS.

6. IT WOULD BE VERY HELPFUL FOR CRISPIN TICKELL IF HE COULD RECEIVE A REPLY BY 19U700Z.

MAJOR

OCMIAN 0333

NNNN

DIST:- P/S No 10
P/S S of S
ABS S of S
PUS
MR BURNS
MISS McGINTY

ZCZC
LNUZAN 0212 MCLNAN 5825
CONFIDENTIAL
ZZ CHOGM
FM MADRI TO FCOLN
181115Z OCT
GRS 1119

CONFIDENTIAL
FM MADRID
TO F L A S H FCO
TELNO 977
OF 181115Z OCTOBER 89
AND TO FLASH UKDEL KUALA LUMPUR
AND TO IMMEDIATE BUENOS AIRES, WASHINGTON, UKMIS NEW YORK, MODUK
AND TO IMMEDIATE PORT STANLEY, ACTOR

CHOGM FOR PS/NO 10, PRIVATE SECRETARY AND HEAD OF NEWS DEPARTMENT, MODUK FOR HATFIELD SEC (O)(C)

FOLLOWING FROM SIR CRISPIN TICKELL

MY TELNO 976: ANGLO/ARGENTINE OFFICIAL TALKS

SUMMARY

1. SIGNIFICANT MOVEMENT IN THE ARGENTINE POSITION: AGREEMENT TO END ALL DISCRIMINATION AGAINST BRITAIN AND TO RESUME FULL ECONOMIC AND FINANCIAL RELATIONS (INCLUDING TRANSPORT LINKS). CONTINUING PROBLEMS OVER THE FIPZ, FISHERIES AND DIPLOMATIC RELATIONS, BUT IDEAS FOR COPING WITH THEM FOR THE PURPOSES OF THE PRESENT MEETING. HOPES FOR EARLY AGREEMENT ON A DRAFT COMMUNIQUE TONIGHT.

ETAIL

2. GARCIA DEL SOLAR RANG ME EARLY TO ASK FOR AN URGENT MEETING. HE WISHED TO COMMUNICATE THE RESULTS OF A MEETING LAST NIGHT BETWEEN HIS FOREIGN MINISTER AND PRESIDENT MENEM.

3. HIS MOST IMPORTANT NEWS WAS THAT PRESIDENT MENEM HAD DECIDED TO BREAK THE LINK BETWEEN THE AGREEMENTS RELATING TO THE FIPZ, AND AGREEMENT ON ECONOMIC AND FINANCIAL ISSUES. THUS THE ARGENTINE GOVERNMENT COULD NOW ACCEPT A PACKAGE ON ECONOMIC AND FINANCIAL ISSUES WHICH WOULD COMPRISE:

- ENDING OF DISCRIMINATORY MEASURES AGAINST BRITAIN.

- FULL NORMALIZATION OF TRADE AND FINANCIAL RELATIONS.

- AGREEMENT IN PRINCIPLE TO RE-ESTABLISHMENT OF AIR AND SEA LINKS. THIS WOULD INCLUDE LIFTING OBSTACLES TO LINKS BETWEEN THE ISLANDS AND THE CONTINENTAL MAINLAND.

IT FOLLOWED THAT THE OBSTACLE TO AN EC/ARGENTINA AGREEMENT WOULD BE REMOVED, AND THAT CONSULAR RELATIONS COULD BE RESTORED AS A RESULT OF OUR CURRENT MEETING. THE DETAILS COULD BE WORKED OUT AND ENSHRINED IN THE COMMUNIQUE TO ISSUE AT THE END OF OUR MEETING.

4. GARCIA DEL SOLAR THEN TURNED TO THE THREE ISSUES WHICH CONTINUED TO DISTURB HIS AUTHORITIES. HE HOPED THAT IN THE LIGHT OF WHAT HE HAD SAID ON ECONOMIC AND FINANCIAL ISSUES WE COULD GIVE HIM SOME HELP ON THE FIRST AND THIRD OF THEM:

- ON THE FIPZ, GARCIA DEL SOLAR COMMENDED THE PROPOSALS HE HAD PUT TO ME LAST NIGHT (PARA 4 OF MY TUR). I SAID THAT I HAD REPORTED THEM TO LONDON, BUT THEY RAISED NEW AND DIFFICULT ISSUES, AND I COULD NOT GUARANTEE AN IMMEDIATE RESPONSE. HE REPLIED THAT IN THAT EVENT AND WITH SOME RELUCTANCE HIS GOVERNMENT WOULD PREFER FOR THE PURPOSES OF THE PRESENT MEETING TO AGREE ONLY TO THE ESTABLISHMENT OF A WORKING GROUP TO EXAMINE THE CONFIDENCE BUILDING MEASURES PUT FORWARD BY EACH SIDE. THAT AT LEAST COULD BE PRESENTED AS A STEP FORWARD. BUT HE HAD TO TELL ME THAT PRESIDENT MENEM HOPED VERY MUCH FOR EARLY PROGRESS ON THE TWO

PROPOSALS HE HAD PUT TO ME: THE FIRST TO REDUCE THE FIPZ TO THE DIMENSIONS OF THE FICZ WAS THE MOST IMPORTANT, BUT THE SECOND WOULD ALSO BE OF MUCH VALUE. I REPLIED THAT IF WE COULD NOT AGREE ON THE TWO PROPOSALS THIS TIME, WE COULD PUT THEM ON THE AGENDA OF THE WORKING GROUP, OR HE AND I COULD MEET AGAIN TO DISCUSS THEM. HE SAID THEY WERE OF SUCH POLITICAL SIGNFICIANCE THAT HE WOULD PREFER ANOTHER MEETING WITH ME (WITHOUT DELEGATIONS) AS SOON AS WE WERE READY BEFORE GIVING THEM TO THE WORKING GROUP. IN THE MEANTIME, THE ARGENTINES HAD UNDER CONSIDERATION THE SUGGESTION I HAD MADE LAST NIGHT (PARA 5 OF MY TUR) AND HE HOPED TO COME BACK TO ME ON IT LATER IN THE DAY.

[I told Foreign Secretary you were disposed to conclude this].

..

- ON FISHERIES, HE SAID THAT HE COULD NOT UNFORTUNATELY ACCEPT THE FORMULA I HAD PUT TO HIM LAST NIGHT (PARA 8 OF MY TUR) BECAUSE I HAD BEEN UNABLE TO GIVE HIM ANY UNDERTAKINGS ABOUT OUR FUTURE INTENTIONS (PARA 3 OF MY TELNO 974). IN THESE CIRCUMSTANCES, AND AS FISHERIES WAS OF SUCH DELICACY FOR BOTH GOVERNMENTS, HE SUGGESTED THAT WE SHOULD SIMPLY SAY IN OUR COMMUNIQUE THAT THE MATTER HAD BEEN DISCUSSED AND THAT WE WOULD REVERT TO IT AT FUTURE MEETINGS. I SAID THAT THAT SEEMED TO BE THE BEST SOLUTION.

..

- ON DIPLOMATIC RELATIONS, HE SAID THAT PRESIDENT MENEM WAS DISAPPOINTED THAT WE COULD NOT MAKE FASTER PROGRESS TOWARDS DIPLOMATIC RELATIONS. I REPLIED THAT WITH THE ESTABLISHMENT OF CONSULAR RELATIONS AND THE RESUMPTION OF FULL ECONOMIC AND FINANCIAL RELATIONS BETWEEN BRITAIN AND ARGENTINA, THE RESUMPTION OF FULL DIPLOMATIC RELATIONS CAME INTO A DIFFERENT PERSPECTIVE. IT WAS KNOWN TO BE ON THE AGENDA OF OUR PRESENT MEETING, AND COULD FIGURE ON THE AGENDA OF OUR NEXT ONE, WHICH COULD BE EARLY IN THE NEW YEAR. GARCIA DEL SOLAR SAID THAT ANYTHING WE COULD DO TO MAKE THE PROSPECT OF FULL DIPLOMATIC RELATIONS MORE REAL WOULD BE OF GREAT POLITICAL VALUE TO HIS PRESIDENT.

..

5. GARCIA DEL SOLAR SAID THAT A DELICATE POINT HAD BEEN THE RELATIONSHIP BETWEEN THE ISLANDS AND THE CONTINENTAL MAINLAND. HE HAD CAREFULLY REPORTED THE LINE I HAD TAKEN IN MY TELNO 975, AND PRESIDENT MENEM HAD UNDERSTOOD THAT IT WOULD BE WRONG TO FORCE THE PACE IN SEEKING TO ESTABLISH DIRECT LINKS BETWEEN THE FALKLAND ISLANDS AND ARGENTINA. AT THE SAME TIME HE HAD ACCEPTED OUR POINT ON THE VALUE OF LINKS BETWEEN THE ISLANDS AND THE CONTINENTAL MAINLAND GENERALLY, AND HAD AGREED THAT NO OBSTACLES, DIRECT OR INDIRECT, SHOULD HENCEFORTH BE MAINTAINED. FOR EXAMPLE THE INDIANA WOULD BE FREE TO VISIT ARGENTINE AS WELL AS OTHER LATIN AMERICAN PORTS IF SO DESIRED.

COMMENT

6. THE ARGENTINE DECISIONS WHICH GARCIA DEL SOLAR CONVEYED TO ME HAVE CLEARLY TRANSFORMED OUR CURRENT MEETING. OUR OWN MOST IMPORTANT POINTS HAVE BEEN SECURED: IN SHORT, THE SOVEREIGNTY FORMULA, RESTORATION OF ECONOMIC AND FINANCIAL RELATIONS (WITH AIR AND SEA LINKS), AND THE CESSATION OF HOSTILITIES/REPARATIONS FORMULA. ON THE FIPZ WE REMAIN BLOCKED, BUT MENEM HOPES THAT WE SHALL BE ABLE TO RESPOND POSITIVELY TO HIS PROPOSALS, IF NOT IMMEDIATELY (WHICH WOULD HELP HIM MOST), AT LEAST FAIRLY SOON. THERE IS, OF CORUSE, A DIVIDEND FOR US IN THE SECOND ARGENTINE PROPOSAL WHICH WOULD GIVE US THE OCCASION FOR EARLY EXTENSION OF OUR TERRITORIAL WATERS FROM 3 TO 12 MILES AROUND THE FALKLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS. ON FISHERIES THERE IS NO DISADVTANGE TO US IN SHUNTING THE PROBLEM INTO A SIDING FOR THE TIME BEING, AND GARCIA DEL SOLAR ACCEPTED THIS AS INEVITABLE. ON PROSPECTS FOR DIPLOMATIC RELATIONS, I HOPE WE CAN BE HELPFUL. WITH RESOTRATION OF FULL ECONOMIC AND FINANCIAL LINKS, WE TOO SHOULD FIND FULL DIPLOMATIC RELATIONS USEFUL SOONER RATHER THAN LATER.

7. WE NOW HAVE TO FIND LANGUAGE FOR THE COMMUNIQUE WHICH WILL NAIL DOWN THE AGREEMENT WHICH SEEMS TO BE WITHIN OUR REACH. THE DEVIL ALWAYS LIES IN THE DETAIL, BUT I HOPE WE SHALL NOT HAVE EXCESSIVE DIFFICULTIES. WE SHALL BE MEETING THIS AFTERNOON TO PUT TOGETHER BRITISH AND ARGENTINE DRAFTS, AND WILL AIM TO SUBMIT AN AGREED TEXT TO CAPITALS TONIGHT.

GORDON LENNOX

YYYY

DIST :—

P/S NO 10

P/S S of S

APS S of S

PUS

MR BURNS

MISS McGINTY

ZCZC

LNUZAN 0280 MCLNAN 5857

CONFIDENTIAL

FFFF CORRECTED VERSION ←

DD 182345Z CHOGM

FM MADRI TO CHOGM

182315Z OCT

GRS 518

CONFIDENTIAL

FM MADRID

TO DESKBY 182345Z UKDEL KUALA LUMPUR

TELNO 1

OF 182315Z OCTOBER 89

AND TO DESKBY 190700Z FCOLN

FOLLOWING FROM SIR CRISPIN TICKELL..

FOR PRIVATE SECRETARY AND PS/NO 10.

MY TELNO 977: ANGLO/ARGENTINE OFFICIAL TALKS

SUMMARY

1. COMMENTARY ON THE DRAFT COMMUNIQUE AGREED AD REFERENDUM BY THE BRITISH AND ARGENTINE DELEGATIONS IN MADRID.

DETAIL

2. IN MIFT IS THE DRAFT OF THE FINAL COMMUNIQUE ON WHICH WE AND THE ARGENTINES WORKED ALL AFTERNOON. IT SETS OUT THE ESSENTIALS OF THE AGREEMENTS WE HAVE NOW REACHED, AND WOULD REQUIRE AMENDMENT IF WE WERE ABLE TO MAKE FURTHER PROGRESS ON CONFIDENCE BUILDING MEASURES TOMORROW 19 OCTOBER.

3. THE FIRST FOUR PARAGRAPHS SPEAK FOR THEMSELVES. THEY INCLUDE THE AGREED LANGUAGE ON SOVEREIGNTY, CESSATION OF HOSITILITIES AND REPARATIONS.

4. PARAGRAPH 5 ON DIPLOMATIC RELATIONS REPRESENTS A COMPROMISE BETWEEN THE WISH OF THE ARGENTINES TO MAKE RESUMPTION OF DIPLOMATIC RELATIONS AN INESCAPABLE CONCLUSION OF OUR NEXT MEETING (IN CONFORMITY WITH PRESIDENT MENEM'S PUBLIC STATEMENTS ON THE SUBJECT), AND OUR WISH TO AVOID COMMITMENT WHILE RECOGNISING THAT SUCCESSFUL NORMALIZATION WOULD NATURALLY LEAD TO RESUMPTION OF DIPLOMATIC RELATIONS.

5. PARAGRAPH 7 REPRESENTS ANOTHER COMPROMISE. THE ARGENTINES ARGUED THAT ANY EXPLICIT REFERENCE TO DISCRIMINATORY PRACTICES WOULD CAUSE THEM MAJOR DOMESTIC EMBARRASSMENT, IN PARTICULAR WITH THEIR CONGRESS. INDEED AT ONE POINT THEY ARGUED AGAINST ANY REFERENCE TO THE PAST. EVENTUALLY WE SETTLED ON LIFTING ''ALL REMAINING RESTRICTIONS AND RESTRICTIVE PRACTICES''. THE USE OF THE WORD ''FACILITATE'' IN RELATION TO AN EVENTUAL ARGENTIA/EC AGREEMENT WAS AGREED WITH SOME DIFFICULTY. ORIGINALLY THE ARGENTINES WANTED AN UNDERTAKING FROM US TO ''PROMOTE'' SUCH AN AGREEMENT, BUT THE FURTHEST WE WOULD GO WAS AN UNDERTAKING TO TRANSMIT THE PRESENT COMMUNIQUE TO THE EUROPEAN COMMISSION (RECORDED IN PARA 12).

6. PARAGRAPH 10 ON FISHERIES IS ARGENTINE LANGUAGE TO RECORD AGREEMENT TO DISAGREE. IT SEEMS TO ME QUITE USEFUL.

7. PARAGRAPH 11 ON CONTACTS BETWEEN THE FALKLAND ISLANDS AND THE CONTINENTAL MAINLAND REPRESENTS AND ARGENTINE RETREAT FROM A REQUEST TO SET UP A SPECIAL WORKING GROUP OR, FAILING THAT, AND UNDERTAKING TO DISCUSS THE MATTER FURTHER AT A FUTURE MEETING. APPARENTLY CAVALLO IS PARTICULARLY INTERESTED IN DEVELOPING DIRECT LINKS BETWEEN THE ISLANDS AND ARGENTINA, BUT WE PERSUADED THE ARGENTINES TO ACCEPT LANGUAGE WHICH I JUDGE HARMLESS. ON OUR SIDE IT COULD BE READ AS REINFORCING THE AGENTINE COMMITMENT TO GIVE FREEDOM OF PASSAGE TO THE INDIANA. IT SHOULD ALSO SERVE TO REMOVE URUGUAYAN INHIBITIONS ABOUT ACCEPTING AIRBRIDGE DIVERSIONS.

8. WE HAVE AGREED TO MEET AGAIN AT 0930Z ON 19 OCTOBER TO HEAR THE REACTIONS OF OUR RESPECTIVE AUTHORITIES AND, WE HOPE, AGREE A FINAL TEXT. IN CASE OF ANY DIFFICULTIES, AND TO ALLOW FOR ANY AMENDMENT OF SUBSTANCE ON CONFIDENCE BUILDING MEASURES, WE HAVE DECIDED TO POSTPONE PUBLICATION WITH ACCOMPANYING PRESS CONFERENCE AT THE SPANISH MINISTRY OF FOREIGN AFFAIRS UNTIL 1330Z. PUBLICATION COULD THEN TAKE PLACE SIMULTANEOUSLY IN MADRID, LONDON AND BUENOS AIRES.

.. ..

9. SEE MIFT.

GORDON LENNOX

YYYY

MCLNAN 5857

NNNN

Dist:- Ps/No 10
Ps/S of S.
APS/S of S.
Miss McGinty.
Mr. Burns.

C

ZCZC

LNUZAN 0165 MCLNAN 5813

CONFIDENTIAL

DD 180230Z CHOGM

FM MADRI TO FCOLN

180030Z OCT

GRS 376

CONFIDENTIAL

FM MADRID

TO DESKBY 180800Z FCO

TELNO 970

OF 180030Z OCTOBER 89

AND TO DESKBY 180230Z KUALA LUMPUR

INFO IMMEDIATE BUENOS AIRES, WASHINGTON, UKMIS NEW YORK, MODUK

INFO IMMEDIATE PORT STANLEY, ACTOR

KUALA LUMPUR FOR PS/NO 10, PRIVATE SECRETARY AND HEAD OF NEWS DEPT.

MODUK FOR HATFIELD SEC(O)(C)

FROM SIR CRISPIN TICKELL

ANGLO ARGENTINE OFFICIAL TALKS

17 OCTOBER: GENERAL REPORT

1. AFTER A TWO HOUR PRIVATE MEETING WITH GARCIA DEL SOLAR ON THE EVENING OF 16 OCTOBER, AND BRIEF INTRODUCTORY STATEMENTS, WE WERE ABLE TO COVER THE WHOLE AGENDA IN THE COURSE OF THE DAY. THIS AND MY FIVE IFTS GIVE AN ACCOUNT OF THE DISCUSSIONS, MY SEVENTH IFT GIVES MY COMMENTARY AND OUTLOOK FOR THE REST OF THE TALKS.

SOVEREIGNTY FORMULA

2. THE TEXT AGREED IN NEW YORK, WITH THE SMALL AMENDMENTS ALREADY PUT TO THE ARGENTINES IN FCOL TELNO 112 TO BUENOS AIRES (NOT TO ALL), WAS QUICKLY ACCEPTED. WE AGREED THAT THE FULL TEXT (IN MIFT) WOULD BE INCLUDED IN THE FINAL COMMUNIQUE.

DIPLOMATIC AND CONSULAR RELATIONS

3. GARCIA DEL SOLAR..AGRUED STRONGLY FOR EARLY RESUMPTION OF DIPLOMATIC..RELATIONS, TO WHICH PRESIDENT MENEM ATTACHED GREAT IMPORTANCE. IT WOULD MAKE IT MUCH EASIER TO TACKLE ALL OUR OUTSTANDING PROBLEMS. THE ARGENTINES DID NOT UNDERSTAND OUR RETICENCE ON THIS ISSUE. ..I MADE CLEAR THAT WE NEEDED TO REBUILD OUR RELATIONSHIP STEP BY STEP. WE HOPED AT THIS MEETING TO AGREE ON RESUMPTION OF CONSULAR RELATIONS, SUBJECT TO CONSULS BEING GIVEN SOMETHING PRACTICAL TO DO. THIS WOULD NATURALLY FOLLOW LIFTING OF ARGENTINE DISCRIMINATION IN THE TRADE, FINANCE AND TRANSPORT FIELDS.

..

4. GARCIA DEL SOLAR..SAID THE ARGENTINES WOUYLD WANT TO OPEN CONSULATES IN LONDON, AND PROBABLY LIVERPOOL AND HONG KONG AS WELL. CONSULS SHOULD ALREADY HAVE PLENTY TO DO, PARTICULARLY IN ARGENTINA SINCE RESTRICTIONS ON BRITISH EXPORTS HAD BEEN IN LIFTED IN AUGUST. RESUMPTION OF CONSULAR RELATIONS SHOULD HOWEVER BE AGREED ON ITS MERITS WITHOUT LINKAGES. HE PROPOSED WE ANNOUNCE AT THIS MEETING THAT RESUMPTION OF DIPLOMATIC RELATIONS WOULD BE CONSIDERED AT OUR NEXT MEETING. I REMINDED HIM ABOUT THE LINKAGE WITH LIFTING RESTRICTIONS ON TRADE AND FINANCIAL ISSUES. ON DIPLOMATIC RELATIONS I SAID THIS WAS PREMATURE AND WARNED AGAINST RAISING UNDUE EXPECTATIONS AT THIS STAGE.

..

5. SEE MIFT

GORDON LENNOX

YYYY

MCLNAN 5813

NNNN

PS/No 10.
PS/S of S
APS/S of S
Miss McGinty
Mr Burns.

ZCZC
LNUZAN 0169 MCLNAN 5816
CONFIDENTIAL
DD 180230Z CHOGM
FM MADRI TO FCOLN
180130Z OCT
GRS 507

CONFIDENTIAL
FM MADRID
TO DESKBY 180800Z FCO
TELNO 973
OF 180130Z OCTOBER 89
AND TO DESKBY 180230Z CHOGM..
INFO IMMEDIATE BUENOS AIRES, WASHINGTON, UKMIS NEW YORK, MODUK
INFO IMMEDIATE PORT STANLEY, ACTOR

CHOGM FOR PS/NO 10, PRIVATE SECRETARY AND HEAD OF NEWS DEPT
MODUK FOR HATFIELD SEC(O)(C)

FROM SIR CRISPIN TICKELL
SEE MIPT

ANGLO ARGENTINE OFFICIAL TALKS: 17 OCTOBER

TRADE, FINANCE, AIR AND SEA LINKS

TRADE AND FINANCE

1. I STRESSED THAT REMOVAL OF ALL REMAINING ARGENTINE DISCRIMINATORY MEASURES WAS ESSENTIAL FOR THE DEVELOPMENT OF OUR RELATIONS, AND HOPED WE COULD ANNOUNCE THIS IN THE COMMUNIQUE. WE WOULD THEN BE ABLE TO MAKE CLEAR TO THE EUROPEAN COMMUNITY THAT OUR OBJECTIONS TO AN EC/ARGENTINA COOPERATION AGREEMENT WOULD BE REMOVED. WE ALSO EXPECTED THE ARGENTINES TO AGREE TO EARLY SIGNATURE OF A SECOND BILATERAL DEBT RE-SCHEDULING AGREEMENT, AND TO END THEIR EFFECTIVE DISCRIMINATION AGAINST US BY MAKING PAYMENTS DUE UNDER BOTH FIRST AND SECOND AGREEMENTS.

..

2. IF THE ARGENTINES LIFTED THEIR MEASURES WE WOULD BE ABLE TO RESPOND POSITIVELY, NOT JUST ON THE EC POINT BUT ALSO SPONSORING THE TRADE MISSION TO ARGENTINA BEFORE THE END OF THE YEAR AND RESTORING SHORT-TERM CREDIT (ON IRREVOCABLE LETTER OF CREDIT TERMS).

..

3. GARCIA DEL SOLAR SAID THAT THE ARGENTINE PRIORITIES WERE FOR US TO LIFT OUR EC VETO, TO GIVE UP PRESSURE AND THIRD COUNTRIES TO REFRAIN FROM SELLING ARGENTINA MILITARY EQUIPMENT, AND TO RELEASE THE BLOCKED AEROLINEAS FLIGHT SIMULATOR. WE ARGUED THAT ACTION ON THEIR MEASURES HAD TO BE SEEN IN THE CONTEXT OF THE TALKS AS A WHOLE: OUR VERY TOUGH POSITION ON THE FIPZ INEVITABLY AFFECTED ARGENTINE ABILITY TO MOVE ON OTHER ISSUES. I LEFT HIM IN NO DOUBT THAT IF HE INSISTED ON SUCH LINKAGES WE WOULD HAVE TO PUT FORWARD COUNTER-LINAGES. IT WAS WRONG FOR THE ARGENITINES TO ASSUME WE ALONE HAD SOME SPECIAL INTEREST OVER DISCRIMINATION ON TRADE AND FINANCE. THE FACT WAS THAT NORMALISATION OF RELATIONS, THE OBJECTIVE OF BOTH SIDES, WAS NOT SUSTAINABLE AS LONG AS IT PERSISTED. WE COULD NOT AGREE TO DISCUSS ARMS SALES IN THIS CONTEXT: WE WOULD CONTINE TO LOOK AT THAT SOLELY IN TERMS OF THE ISLANDS' SECURITY.

AIR AND SEA LINKS

4. I SAID THAT OUR OBJECTIVE WAS TO RESTORE AIR LINKS ON THE BASIS OF THE 1965 AIR SERVICES AGREEMENT AS AMENDED IN 1971. THE TWO AIRLINES WOULD THEN BE FREE TO NEGOTIATE DIRECTLY. ON SHIPPING, WE WANTED THE ARGENTINES TO END THEIR BAN ON BRITISH SHIPS VISITING THEIR PORTS. IT WAS A SIMPLE MATTER OF JUSTICE.

..

5. GARCIA DEL SOLAR SAID THAT FOR AEROLINEAS ARGENTINAS FLYING TO BRITAIN WAS NOT A HIGH PRIORITY. THEY HAD DISMANTLED THEIR HEATHROW OPERATIONS. STARTING UP AGAIN WOULD BE COSTLY. RELEASE OF THE SIMULATOR WOULD HOWEVER HAVE A POSITIVE EFFECT. AS FOR SHIPPING, THAT COULD BE SOLVED IN THE BROADER CONTEXT OR NORMALIZATION.

..

6. I CONCLUDED BY SAYING THAT ON AIR AND SEA LINKS BOTH SIDES HAD A COMMON INTEREST. FURTHERMORE CONTINUED RESTRICTIONS IMPOSED BY ARGENTINA WOULD UNQUESTIONALY HINDER THE NORMALISATION PROCESS. THE TWO GOVERNMENTS SHOULD GIVE THE GREEN LIGHT.

..

7. SEE MIFT

GORDON LENNOX

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

From the Parliamentary Under Secretary of State

16 October 1989

NBBM
ARC6
18/10

Dear John

OD (89) 11: RELATIONS WITH ARGENTINA

In the Secretary of State's absence at the Commonwealth Heads of Government Mission in Kuala Lumpur, I am writing to thank you for your letter of 4 October.

I can confirm that briefing for our negotiators at Madrid contains clear instructions not to make any commitment which would constrain our freedom to authorise seismic survey work, when we and the Falkland Islands Government consider it appropriate.

I should however add that it would be for the Falkland Islands Government, rather than for HMG, to issue licences for such work. In the meantime I understand that your legal experts are in touch with ours at the Foreign and Commonwealth Office about the draft legislation which the FIG are preparing.

I am copying this letter to members of OD and to Sir Robin Butler.

Yours ever

Tim

The Rt Hon John Wakeham FCA JP MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

Tim Sainsbury

CONFIDENTIAL

REGAGZ

BCC

Float
FID
Members of OD
Sir Robin Butler
PS/PUS
Mr Gillmore
Mr Beamish o/r
Mr Anderson, Legal Advisers
News Dept
SEND
SAmD

ARGENTINA: Rels
Pt 42

16a

CC PL

Foreign and Commonwealth Office

London SW1A 2AH

SECRET

16 October 1989

Dear Dominic,

Chile/Argentine: Letter from Admiral Merino

Charles Powell wrote on 29 ~~September~~ Sept enclosing a letter to the Prime Minister from Admiral Merino. Recent developments over the Condor programme (see below) have delayed this reply.

Admiral Merino previously wrote to the Prime Minister in August 1988 (on a separate subject). His style is eccentric, but he is a great admirer of the Prime Minister. He has also been very helpful to us in the Falklands context.

Like Admiral Merino, we have been concerned about the Condor project because of its possible use against the Falklands and because of our efforts through the Missile Technology Control Regime to prevent the spread of ballistic missiles in the Third World.

We have seen no evidence to back up Admiral Merino's claim that Algeria has been funding the Condor project. Nor do we believe that Argentina would be likely to use a guidance system based on that of the Chinese Silkworm Missile. Nevertheless we welcome Admiral Merino's expression of concern over Argentina's activities in ballistic missile proliferation. We have recently given the Chilean authorities a comprehensive briefing on the Condor programme and they should now be fully aware of the facts as we know them.

The Condor project is now in disarray following adverse publicity and the efforts of MTCR partners to frustrate attempts by Condor project participants to obtain Western Missile Technology. President Mubarak has stated publicly that Egypt has withdrawn from the project. We have learnt from the Americans that both the Argentine Foreign Minister and the Argentine Chief of the Air Staff have said that the Condor Programme has been cancelled.

We do not yet know whether this means that Argentina will abandon ballistic missile development (we think not; the development of the shorter range ALACRAN is well advanced). In addition Iraq may also be able to continue Condor on its own, (though Iraq's efforts to develop ballistic missiles have concentrated on liquid fuelled rockets).

/I

b

SECRET

I enclose a draft reply. It does not mention the reports that the Argentines have cancelled their Condor programme, since in public the Argentines have implied that the programme is continuing.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

Dominic Morris Esq
10 Downing Street

(Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM: Prime Minister

DEPARTMENT: TEL. NO:

BUILDING: ROOM NO:

Reference

Your Reference JD2ADZ

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

..... In Confidence

CAVEAT .....

Enclosures flag(s) .....

TO:
Admiral Jose T Merino
Comandante en Jefe Armada
SANTIAGO
CHILE

Copies to:

SUBJECT:

Thank you for your letter of 24 August. I was grateful to you for raising the subject of ballistic missile proliferation and I share your concern. It is a matter which we take very seriously.

The United Kingdom is a member of the Missile Technology Control Regime (MTCR) which aims to control the transfer of Ballistic Missile Technology. Our MTCR partners are also concerned about the Condor project. The deployment of this missile in South America or the Middle East could, as you point out, have a seriously destablising effect in these regions.

I can assure you we will take every appropriate opportunity to persuade those involved in the project to end their participation.

ARGENTINA: Relations PT43

file DTS

CONFIDENTIAL

bc: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 October 1989

ARGENTINA/FALKLANDS

The Prime Minister has agreed to send a reply to President Bush's recent message but in somewhat different form. I enclose the revised text which she has approved. I should be grateful if you could let me know by 1100 whether you are content to issue in this form.

C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office

DTS

CONFIDENTIAL

SUBJECT: CUPS MASTER

CONFIDENTIAL

sent 16/10/89 via Cotbus

For General Scowcroft from Charles Powell, No 10 Downing Street. Please pass the following message from Prime Minister Thatcher to President Bush.

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T184/89

Dear George

It was good of you to share your impressions of President Menem. I certainly wish him well in dealing with Argentina's problems.

We shall be meeting the Argentines in Madrid this week. Our purpose is to make progress with the normalisation of our relations and remove remaining Argentinian discriminatory measures against British interests. We also want to make a start on confidence-building measures in the South Atlantic and shall be putting proposals for this to the Argentines in Madrid.

But I am concerned lest Argentine expectations of the Madrid talks may be unrealistic, particularly where the Falkland Islands protection zone is concerned. This is vital for the defence of the islands and we must build up confidence before we could consider changes in our existing defence arrangements. We shall be frank about this with the Argentines in Madrid. I hope it will be possible to carry forward discussions in a specialist group thereafter. After all that has happened, we must proceed a step at a time.

In short, we approach the talks in a positive spirit and I am encouraged by what you say about Menem's genuine desire to reduce tensions. I share that wish but he must not expect too much too soon: the best and most desirable arrangements are those negotiated with great care.

Warm regards,

Margaret

A:\FOREIGN\SCOWCROF.DAS

CONFIDENTIAL

(1)

PRIME MINISTER

ARGENTINA/FALKLANDS

You need to reply to President Bush's short message about Menem with the aim of winding down exaggerated expectations. I attach a draft reply. Agree to despatch?

CDP?

C. D. POWELL
15 October 1989
C:\WPDOCS\FOREIGN\ARGENTIN.DAS

cc PC

Foreign and Commonwealth Office

London SW1A 2AH

C D Powell Esq
No 10 Downing Street
London SW1

14 October 1989

Dear Mr Powell,

ARGENTINA

Top level.

Thank you for your letter of 11 October. I enclose a draft reply which the Prime Minister may wish to send to President Bush on the hot-line.

The draft concentrates on the protection zone because we see this as the most difficult issue and the one where Argentine expectations will be most disappointed. It will be valuable to put our point of view to the President before the conference takes place.

Yours sincerely

C S Fogarty.

pp Stephen Wall

DSR 11 (Revised)

CONFIDENTIAL

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Prime Minister

Reference

RY2ADM

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

TO: a:Scrowcrof.dos

President Bush

Your Reference

Copies to:

For Brent Scowcroft from Charles Powell. No.10 Downing St. Please pass the following message from Prime Minister to President Bush.

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Dear George

I was grateful for your message of 11 October in which you shared your impressions of President Menem. It was good of you to share with me how you are dealing with Argentina's problems.

I have been watching with great interest his approach to Argentina's daunting problems. I hope he succeeds in dealing with them, though I do not underestimate the difficulties.

We shall indeed be having a meeting with the Argentines, in Madrid this week. Our delegation has instructions to seek an end to remaining Argentine discrimination against British interests and progress with the normalisation of our relations. We too want to reduce tensions.

But I am

I am, however, concerned that Argentine expectations of the Madrid talks may be unrealistic, particularly where the protection zone, which we need for the defence of the islands, is concerned. We want to build up confidence in the South Atlantic and we shall be putting further proposals of our own to the Argentines in Madrid. But we

Enclosures—flag(s).....

CONFIDENTIAL

DSR 11C
(Revised 5/87)

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

In Confidence

CONFIDENTIAL

believe confidence must be built up before we could consider changes in our existing defence arrangements. We shall want to discuss these questions with the Argentines in Madrid, and possibly in a specialist group thereafter. We need to be confident that any new arrangements will offer us equivalent security.

CONFIDENTIAL

ARGENTINA: Relations pt 43

ARGENTINA: Rels

051370
MDHIAN 9639

CONFIDENTIAL
FM PORT STANLEY
TO DESKBY 130900Z FCO
TELNO 179
OF 122200Z OCTOBER 89

FALKLAND ISLANDS: GENERAL ELECTION ON 11 OCTOBER 1989

SUMMARY

1. ORDERLY ELECTION WITH 87% TURNOUT. PRINCIPLE ISSUES: NEED TO STAND FIRM AGAINST ARGENTINA, AGRICULTURAL GRANTS, FISHERY LICENCE ALLOCATION, EXPATRIATE AND FCO INFLUENCE IN THE ISLANDS, AND DOMESTIC ISSUES SUCH AS HOUSING, SCHOOLING AND ROADS. ON FISHERY, ELECTION RESULT MAY MEAN SOME CONTENTION AHEAD, ON AGRICULTURAL GRANTS PROBABLY NOT. COMMENTS ON COUNCILLORS.

DETAIL

2. PLEASE REFER TO BAYLIS' FAX ON RESULTS DATED 12 OCTOBER.

3. TURNOUT WAS 87% OVERALL: VOTING WAS CARRIED OUT QUIETLY AND EFFICIENTLY UNDER REX XROWNING, ACTING REGISTRAR. NEW LEGCO WILL HAVE ITS FIRST MEETING ON 16 OCTOBER FOR SWEARING/ AFFIRMATION OF COUNCILLORS AND THE ELECTION OF THREE OF THE EIGHT TO EXCO. THE FIRST EXCO MEETING OF THE NEW EXCO WILL BE ON 17 OCTOBER.

4. PRINCIPLE ISSUES. ARGENTINA. THE SINGLE MOST PROMINENT ELECTION ISSUE: NOT SURPRISINGLY CANDIDATES HAD TO BE CONVINCING ON IT. ALL DULY DELIVERED EXCEPT THE DESIRE THE RIGHT PARTY WHO, WHETHER INTENTIONALLY OR NOT, GAVE THE IMPRESSION THAT TALKS ON CONSERVATION IN THE FISHERY WITH ARGENTINA WOULD BE A SOUND IDEA WITHOUT STRESSING THAT SUCH TALKS COULD NOT TAKE PLACE IN THE ISLANDS. ISLAND SUSPICIONS WERE PROBABLY FURTHER FUELLED BY THE FACT THAT ANN ROBERTSON, ONE OF THE THREE PARTY CANDIDATES, AND HER HUSBANDN HAVE ARGENTINE PAPERS, THOUGH BOTH ARE THOROUGHLY ISLAND IN OUTLOOK AND MANNER. PARTLY BECAUSE OF THIS SUSPECTED WEAKNESS OVER ARGENTINA AND PARTLY BECAUSE THEIR PARTY BROADCAST DID NOT COME OFF, THE DRP CANDIDATES WERE THE LOWEST SCORERS, APART FROM THE MAVERICK FRED CLARKE. LUXTON, NOT A POPULAR FIGURE, MADE A PARTICULARLY STRONG SPEECH AGAINST THE ISLANDS HAVING ANYTHING TO DO WITH ARGENTINA WHATSOEVER. HE TOPPED THE CAMP POLL.

5. AGRICULTURAL GRANTS. CAMP MEMBERS ARE LIKELY TO BE IN FAVOUR

TO GRANTS FOR ALL IF THIS ISSUE RESURFACES. I DO NOT SEE THERE BEING ENOUGH FEELING AGAINST AMONG STANLEY COUNCILLORS FOR THE CURRENT SITUATION TO BE CHANGED. I HOPE THIS, AND THE WHOLE ISSUE OF DISCRIMINATION AGAINST FOREIGN COMPANIES, WILL MOVE TO THE SIDELINES.

6. FISHERY. NORMA EDWARDS, CAMP COUNCILLOR, WHOSE HUSBAND A RETIRED BRITISH NAVAL OFFICER, HAS AN INTEREST IN THE FISHERY, HAS ANNOUNCED HER INTENTION OF BRINGING IN LEGISLATION TO RETURN LICENCE ALLOCATION TO COUNCILLORS. SHE APPARENTLY WISHES TO DO THIS ON 16 OCTOBER, BUT THERE WILL NOT BE TIME PROCEDURALLY FOR IT. I HOPE THAT GIVEN TIME AND AN EXPLANATION FOR IT THE FULL THINKING BEHIND THE PRESENT SYSTEM SHE MAY BE AMENABLE TO CHANGE. IT IS UNCERTAIN HOW MUCH SUPPORT SHE WOULD GET: THERE IS CERTAINLY OPPOSITION TO HER VIEW AMONG SOME COUNCILLORS, BUT THIS ISSUE IS SEEN BY SOME AS ONE IN WHICH EXPATRIATES AND THE FCO ARE REMOVING POWER FROM COUNCILLORS (MY TELELETTER OF 4 OCTOBER TO DEW). IT MAY BE DIFFICULT TO HAVE THE ISSUE JUDGED FULLY ACCORDING TO ITS MERIT. EXTENSION OF FICZ TO 200 MILES IS ROUTINELY DEMANDED BY MANY.

7. EXPATRIATES/FCO. AN UNWELCOME NOTE IN SEVERAL ELECTION SPEECHES WAS THE LINE TAKEN AGAINST EXPATRIATES WITH THE IMPLICATION BY LUXTON AND KILMARTIN PARTICULARLY, THAT COUNCILLORS HAD BEEN DELIBERATELY FOOLED BY EXPATRIATES AND THE ADMINISTRATION INTO PASSING LEGISLATION THEY DID NOT UNDERSTAND. THIS IS NOT FLATTERING TO PREVIOUS COUNCILLORS. PART OF IT STEMS FROM SEAMOUNT. I PROPOSE TO ADDRESS NEW COUNCILLORS ON THIS ISSUE AT THE SEMINAR ON GOVERNMENT PROCEDURE ARRANGED FOR 16 AND 1U OCTOBER TO TRY AND ENSURE A BALANCED ATTITUDE AND TO STRESS THE NEED TO AVOID ANY CONTRIVED THEM AND US SYNDROME. I SHALL ENCOURAGE COUNCILLORS TO HAVE REGULAR AND FREQUENT CONTACT WITH GOVERNMENT DEPARTMENTS. THIS WILL BE MUCH EASIER WITH THE NEW COMMUNICATION SYSTEM. I ALSO PROPOSE TO APPOINT COUNCILLORS TO CHAIR VARIOUS GOVERNMENT COMMITTEES EG THE HOUSING COMMITTEE, WHICH WILL DEVOLVE RESPONSIBILITY TO COUNCILLORS IN A NUMBER OF DIFFICULT AREAS OF GOVERNMENT.

8. THERE WERE NO REAL SURPRISES IN THE VOTING APART FROM THE ELECTION OF KEVIN KILMARTINM HE IS NOT AN ISLANDER AND ALTHOUGH A CAMP CANDIDATE IS CONSIDERED TO RUN BLUFF COVE FARM BADLY. SOME OF HIS SUCCESS MAY BE DUE TO HIS REPRESENTATION AS A BARRISTER OF ISLANDERS IN COURT WHEN THEY HAVE BROKEN LAWS SUCH AS THOSE AGAINST DRUNK DRIVING WHICH ARE, WRONGLY, SOMETIMES SEEN TO

BE A PRODUCT OF THE EXPATRIATE MIND. HIS SPEECH WAS ONE OF THE LEAST IMPRESSIVE WITH ILL-CONSIDERED, POPULIST ATTACKS ON EX-PATRIATES AND THE FCO. I HAD EXPECTED WENDY TEGGART, WHO MADE A SPIRITED AND POPULAR ATTACK IN HER CAMPAIGN AGAINST THE PRICES ASKED FOR GOVERNMENT HOUSING TO BE ELECTED. JOHN CHEEK'S FAILURE IS UNSURPRISING. HE AND TEGGART LOST POPULARITY BY RE-SIGNING OVER THE AGRICULTURAL GRANTS ISSUE. HE IS NOT AN OUT-GOING CHARACTER: HIS CONSIDERABLE FISHERY EARNINGS MAY HAVE BEEN HELD AGAINST HIM. MOST COUNCILLORS ARE BETWEEN 40 AND 55 YEARS OFAGE: YOUNGEST IS 27 (SHORT). PECK AND EDWARDS AND LUXTON HAVE SERVED IN LEGCO OR EXCO PREVIOUSLY BUT NOT IN THE LAST 4 OR 5 YEARS. ROWLANDS HAS LONG SERVED EX-OFFICIO AND SHOULD BE AN ELEMENT OF STABILITY. NONE HAVE MUCH INTERNATIONAL EXPERIENCE.

FULLERTON

YYYY

DISTRIBUTION 173

MAIN 153

.FALKLAND ISLANDS
LIMITED
FID
DEFENCE
SAMD
UND
MAED
HD/WIAD
MCAD
WED
NEWS
INFO
PLANNERS
ECONOMIC ADVISERS
RESEARCH
PUSD
PRU
NAD
LEGAL ADVISERS
RMD
ERD
PS
PS/LORD BRABAZON
PS/MRS CHALKER
PS/MR SAINSBURY
PS/PUS
PS/SIR J FRETWELL
MR J WESTON
MR GILLMORE
MR BEAMISH
MR BAYNE
MR GOULDEN
MISS SPENCER
MR LANKESTER ODA
MR AINSCOW, ODA
MR MANNING ODA
MR CARRICK

ADDITIONAL 20

FALKLAND ISLANDS

NNNN

SECRET

file DS
bc: PC
(a: foreign: Argentina)

15

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 October 1989

ARGENTINA

I enclose the text of a message which President Bush has sent the Prime Minister on the hot line about President Menem of Argentina. My own view is that the Prime Minister ought to reply, preferably ahead of the talks in Madrid, making sure that the President himself fully understands our position. The message slightly implies that he has been bowled over by Menem.

BLL

C. D. POWELL

Richard Gozney, Esq.
Foreign and Commonwealth Office

SECRET

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Bush to Thatcher 11/10/89	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	7/12/16
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

050475
MDHIAN 9602

CONFIDENTIAL
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 467
OF 111247Z OCTOBER 89
INFO IMMEDIATE UKMIS NEW YORK
INFO PRIORITY MADRID, WASHINGTON, BERNE

UK/ARGENTINA: SCENE SETTER FOR THE MADRID TALKS

SUMMARY
---

1. THE ARGENTINES HAVE MANY PROBLEMS MORE PRESSING THAN RELATIONS WITH BRITAIN. BUT MENEM IS HOPING FOR A QUICK SUCCESS. FOREIGN MINISTRY XPECTATIONS ARE RELATIVELY MODEST BUT THEY ARE PINNING A GOOD DEAL ON ELIMINATION OF THE FIPZ. WE MUST A LEAST LET THEM DOWN LIGHTLY IF WE ARE TO SECURE OUR OWN OBJECTIVES AND KEEP THE AMERICANS HAPPY.

DETAIL

BACKGROUND
---

2. AS THE MADRID TALKS DRAW NEAR PRESIDNET MENEM HAS MANY OTHER PRESSING ISSUES ON HIS PLATE. HIS CONTROVERSIAL PARDON OF MILITARY OFFICERS CONDEMNED FOR, OR FACING, HUMAN RIGHTS, FALKLANDS WAR AND REBELLION CHARGES HAS DOMINATED THIS WEEK'S HEADLINES. MENEM'S FRUSTRATED ATTEMPT TO EXPAND THE SUPREME COURT IS TEMPORARILY IN ABEYANCE. THE TRADES UNION MOVEMENT IS INVOLVED IN A BYZANTINE INTERNAL POWER STRUGGLE, WITH THE MENEMIST FACTION APPARENTLY EMERGING ON TOP.

3. BUT THE MAJOR PREOCCUPATION REMAINS THE ECONOMY. INFLATION HAS COME DOWN DRAMATICALLY FROM THE HORRENDOUS RATES OF MID-YEAR BUT AT 9 PERCENT FOR SEPTEMBER IS STILL HIGH AND THERE ARE SIGNS THAT THE AUSTRAL IS COMING UNDER PRESSURE ONCE MORE. THE GOVERNMENT HAVE THEIR EMERGENCY ECONOMIC LEGISLATION IN PLACE AND ARE DETERMINEDLY PRESSING AHEAD WITH PROPOSALS TO PRIVATIZE STATE SECTOR COMPANIES AND ELIMINATE THE PUBLIC SECTOR DEFICIT. THERE IS A LARGE MEASURE OF CONSTRUCTIVE OPTIMISM AROUND, EVEN AMONG THE NORMALLY ULTRA-CAUTIOUS INTERNATIONAL BANKING COMMUNITY.

BUT THE MOST DIFFICULT OBSTACLES REMAIN TO BE TACKLED: THE VESTED INTERESTS ENTRENCHED IN THE UNIONS, THE BUREAUCRACY AND LARGE SECTORS OF BIG BUSINESS. AND THE FULL SOCIAL EFFECTS OF THE WIDE-SCALE UNEMPLOYMENT BOUNT TO RESULT FROM AND DETERMINED RE-STRUCTURING OF THE STATE SECTOR HAVE YET TO MANIFEST THEMSELVES.

4. THESE MAJOR PREOCCUPATIONS SERVE ONE USEFUL PURPOSE, THAT OF DEFLECTING PRESS ATTENTION FROM THE MADRID TALKS AND, AT LEAST TO SOME EXTENT, LESSENING THE DANGER OF UNREALISTIC HYPING UP OF EXPECTATIONS. IN THIS RESPECT THE ABSENCE OF BOTH PRESIDENT MENEM AND FOREIGN MINISTER DOMINGO CAVALLO IN LIMA THIS WEEK IS ALSO A POSITIVE, AS IS THE FACT THAT 16 OCTOBER IS A PUBLIC HOLIDAY.

5. BUT FOR ALL THIS WE SHOULD NOT UNDERESTIMATE THE IMPORTANCE MENEM ATTACHES TO THE SUCCESS OF HIS INITIATIVE TOWARDS BRITAIN, BOTH BECAUSE OF THE POLITICAL KUDOS HE MAY DERIVE FROM A RAPID MAJOR BREAK-THROUGH AND BECAUSE OF THE MATERIAL ADVANTAGES HE PRECEIVES FROM ARGENTINA IN A DEAL WITH BRITAIN. IT FORMS PART OF HIS GRAND SCHEME TO ALLY ARGENTINA TO THE DEVELOPED WORLD. HE HAS ALREADY SECURED HIS POSITION WITH THE UNITED STATES. PATCHING UP THE QUARREL WITH BRITAIN IS THE KEY TO EUROPE.

ARGENTINE EXPECTATIONS
---

6. ARGENTINE ASPIRATIONS TO ASSERT SOVEREIGNTY OVER THE FALKLANS HAVE NOT BEEN ABANDONED AND ARE NOT LIKELY TO BE FOR THE FORESEEABLE FUTURE. BUT MENEM AND CAVALLO HAVE TAKEN THE VIEW THAT THE CURRENT ESTRANGEMENT HURTS ARGENTINA MORE THAN BRITAIN AND ARE PREPARED TO SHELVE THE SOVEREIGNTY ISSUE TO PERMIT A RAPPROCHEMENT TO BOTH SIDES' BENEFIT. WHATEVER THEIR LONG-TERM ASPIRATIONS MAY BE (AND HOWEVER CLUMSY THEIR PUBLIC STATEMENTS FREQUENTLY ARE) THEY SHOW EVIDENCE OF FULLY UNDERSTANDING THE NEED TO PLAY STRAIGHT ON THE SOVEREIGNTY ISSUE SO AS NOT TO ENDANGER THE RAPPROCHEMENT THEY GENUINELY SEEK TO CULTIVATE.

7. THE ARGENTINES ARE IN A HURRY BECAUSE THEY WISH TO ACHIEVE PROGRESS BEFORE INTERNAL OPPOSITION CAN GROW. BUT THE FOREIGN MINISTRY ACCEPT THAT DIPLOMATIC RELATIONS CANNOT BE RESTORED AT MADRID. THEY HOPE FOR CONSULAR RELATIONS AS AN IMMEDIATE STEP TO MARK PROGRESS. ABOVE ALL THEY WISH TO RETURN FROM MADRID WITH THE FIPZ ELIMINATED AND WILL TABLE COMPREHENSIVE CONFIDENCE-

BUILDING MEASURES TO THIS END. DESPITE THE ALARMINGLY EXTRAVAGANT CLAIMS IN THE PRESS TO AN EARLIER STAGE ARGENTINE EXPECTATIONS ON FISHERIES AT MADRID (AS OPPOSED TO LONGER TERM) ARE MORE MODEST: THEY WILL LOOK FOR AGREEMENT ON MECHANISMS TO HANDLE FUTURE NEGOTIATIONS AND APPEAR PREPARED TO ACCEPT THE DE FACTO EXISTENCE OF THE FICZ. IN DISCUSSIONS ON COMMERCIAL NORMALIZATION THEY MAY HOPE, AS A SUBSIDIARY OBJECTIVE, TO ACHIEVE RELEASE OF THE AEROLINEAS ARGENTINAS SIMULATOR. BUT THEIR MAIN OBJECTIVE IS TO REMOVE OBSTACLES TO A MORE COMPLETE RELATIONSHIP WITH THE EUROPEAN COMMUNITY AND WITH THE DEVELOPED WORLK IN GENERAL (AND, OF COURSE, TO EXERCISE LEVERAGE ON US OVER THE FIPZ).

8. ONE FURTHER REPEATED REFRAIN OF CAVALLO'S IN THE PRESS OF LATE HAS BEEN THE DESIRABILITY OF CONTACT WITH THE FALKLAND ISLANDERS AND OF COMMUNICATIONS BETWEEN THE ISLANDS AND THE MAINLAND. THESE ISSUES HAVE NOT BEEN TOUCHED ON IN MY LIMITED EXCHANGES IN THE LAST FEW WEEKS WITH THE FOREIGN MINISTRY. THEY ARE IN LINE WITH THE GENERAL DESIRE FOR NORMALIZATION AND AS SUCH DESERVE SERIOUS CONSIDERATION. BUT THEY ARE NOT, OF COURSE, UNCONNECTED WITH THE LONG-TERM ASPIRATIONS ON SOVEREIGNTY AND ARE CLEARLY OUT OF TUNE WITH THE ISLANDERS' VIEWS.

OPPOSITION
---

9. OPPOSITION REMAINS REMARKABLY MUTED, ITS MAIN VOCAL PUBLIC EXPRESSION COMING FROM EXTREMISTS LIKE FORMER ADMIRAL CARLOS BUSSER AND, IN MORE CONSIDERED FORM, FROM RADICAL POLITICIANS DEFENDING THE LINE OF THE FORMER FOREIGN MINISTER, CAPUTO. THEIR CLAIM IS THAT ARGENTINA IS GIVING BRITAIN EVERYTHING SHE SEEKS AND ACHIEVING NOTHING IN RETURN. THERE IS ALSO LATENT OPPOSITION WITHIN THE PERONIS PARTY, WHICH COULD FLARE UP IF THE ARGENTINES RETURN EMPTY-HANDED FROM MADRID. THE ROLE OF THE FISHERIES LOBBY, AT PRESENT CONTAINED, MAY ALSO THEN BE IMPORTANT.

10. RIVALRIES AND DISSENSION WITHIN THE FOREIGN MINISTRY SEEM TO HAVE ABATED FOR NOW SINCE THE DEPARTURE OF DEPUTY FOREIGN MINISTER (LANUS) AND CAVALLO'S CLEAR CHAMPIONING OF GARCIA DEL SOLAR. BUT THE LATTER'S POSITION (AS WELL AS CAVALLO'S OWN) WILL BE UNDER THREAT IF MADRID DOES NOT GO WELL.

CONCLUSION
---

1. THERE IS MUCH GOODWILL ON THE PART OF THE ARGENTINES TO MAKE THE NEGOTIATIONS GO WELL. THEY HAVE ALREADY MADE TWO WELCOME GESTURES: LIFTING IMPORT RESTRICTIONS AND ABOLOSHING NAVAL WARNING IN THE SOUTH-WEST ATLANTIC. BUT THEY WILL NEED TO DEMONSTRATE SOME ACHIEVEMENT ON THEIR RETURN IF THEY ARE TO MAINTAIN THEIR COURAGE AND KEEP THEIR CRITICS AT BAY. IF, AS SEEMS CLEAR, THEIR ASPIRATIONS ON THE FIPZ CANNOT BE MET AT MADRID IT WOULD BE HELPFUL IF WE COULD PROVIDE THEM WITH A FORMULATION WHICH ALLOWED GENUINE HOPE OF EARLY MOVEMENT PROVIDED ADEQUATE CONFIDENCE-BUILDING MEASURES COULD BE AGREED. WHILE THERE IS CLEARLY NO QUESTION OF OUR ALLOWING LINKAGE BETWEEN THE FIPZ AND THE REMOVAL OF REMAINING ARGENTINE COMMERCIAL RESTRICTIONS THE ARGENTINES WILL NEED SOME KIND OF FIG-LEAF IF WE ARE TO GET WHAT WE SEEK ON FINANCIAL RESTRICTIONS AND AIR AND SEA LINKS.

12. BUT I BELIEVE IT IS IMPORTANT TO KEEP THE ARGENTINES IN PLAY NOT JUST TO SECURE OUR SHORT-TERM OBJECTIVES. THE OVERRIDING CONCERN MUST BE THE SECURITY OF THE FALKLANDS. THIS IS BEST SERVED IN THE LONG TERM BY A NORMAL RELATIONSHIP WITH THE ARGENTINES. IF THE CURRENT OPPORTUNITY IS LOST WE MAY NOT SOON GET ANOTHER. LAST, BUT BY NO MEANS LEAST, THE AMERICANS ARE WATCHING ANXIOUSLY AND HOPING THAT WE SHALL FIND SOME WAY OF SATISFYING THE ARGENTINES. SOME CARE WILL NEED TO BE TAKEN TO DEMONSTRATE TO THE AMERICANS THAT WE HAVE GONE AS FAR AS THEY COULD REASONABLY EXPECT.

HUNT

YYYY

DISTRIBUTION 173

MAIN 153

.FALKLAND ISLANDS
LIMITED
FID
DEFENCE
SAMD
UND
MAED
HD/WIAD
RMD
ERD
PS
PS/LORD BRABAZON
PS/MRS CHALKER
PS/MR SAINSBURY
PS/PUS
PS/SIR J FRETWELL

043221
MDHIAN 9299

PS TO PRIME MINISTER
NO 10 DOWNING ST

CONFIDENTIAL
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 458
OF 101345Z OCT 89

PERSONAL FOR TATHAM, FID

UK/ARGENTINA: STATEMENT BY MARINE INFANTRY CORPS COMMANDER

1. LA PRENSA OF 7 OCTOBER CARRIES AN ARTICLE BY HORACIO PAGANO (FAX TO FID) REPORTING A NAVAL CEREMONY HE HAD ATTENDED AT PUERTO BELGRANO. PAGANO SAYS THAT AT THE CEREMONY HE ASKED THE MARINE INFANTRY CORPS COMMANDER, NAVAL CAPTAIN CARLOS ROBACIO (A FALKLANDS VETERAN), WHAT HE THOUGHT OF THE GOVERNMENT'S POLICY TOWARDS BRITAIN. ROBACIO REPLIED THAT WHAT HAD BEEN DONE IN APRIL 1982 HAD BEEN DONE WELL BECAUSE OTHERWISE THE BRITISH WOULD NOT NOW BE PREPARED TO TALK. HE WENT ON: ''THEY ARE ALL MEANS OF RETURNING, NOW BY PEACE AND WITH WAR WAITING FOR LATER.''

2. I DREW THIS ARTICLE TO OTEGUI'S ATTENTION ON 9 OCTOBER. I SAID I WAS OBLIGED TO REPORT IT TO LONDON BUT IF I DID SO WITHOUT COMMENTARY UNTOLD DAMAGE COULD BE DONE TO THE DELICATE PROCESS IN WHICH WE WERE ENGAGED. OTEGUI UNDERTOOK TO LOOK INTO THE MATTER AND COME BACK TO ME, WHICH HE DID ON 10 OCTOBER. HE SAID IT WAS EVIDENT THAT ROBACIO'S STATEMENT WAS AN ISOLATED PERSONAL OPINION. THESE THINGS REGRETTABLY HAPPENED. STEPS HAD BEEN TAKEN TO REGISTER OUR CONCERN.

COMMENT
---

3. THE INTERVIEW WAS BURIED IN THE MIDDLE OF AN ARTICLE WHICH APPEARED ONLY IN LA PRENSA AND WILL HARDLY HAVE BEEN NOTICED BY ANYONE. BUT ASSUMING ROBACIO WAS QUOTED ACCURATELY IT IS A DISTURBING REMINDER OF THE MINDSET OF SOME MEMBERS OF THE ARMED FORCES.

HUNT

YYYY

04322
MDHIAN 9299

DISTRIBUTION 173

MAIN 153

.FALKLAND ISLANDS
LIMITED
FID
DEFENCE
SAMD
UND
MAED
HD/WIAD
MCAD
WED
NEWS
INFO
PLANNERS
ECONOMIC ADVISERS
RESEARCH
PUSD
PRU
NAD
LEGAL ADVISERS
RMD
ERD
PS
PS/LORD BRABAZON
PS/MRS CHALKER
PS/MR SAINSBURY
PS/PUS
PS/SIR J FRETWELL
MR P J WESTON
MR GILLMORE
MR BEAMISH
MR BAYNE
MR GOULDEN
MISS SPENCER
MR LANKESTER ODA
MR AINSCOW, ODA
MR MANNING ODA
MR CARRICK

ADDITIONAL 20

FALKLAND ISLANDS

NNNN

030521
MDHIAN 8732

PS TO PRIME MINISTER
NO 10 DOWNING ST

CONFIDENTIAL
FM BUENOS AIRES (AMENDED DISTRIBUTIION)
TO DESKBY 051400Z FCO
TELNO 444
OF 042125Z OCT 89
AND TO DESKBY 051400Z ACTOR ADDRESSEES
INFO IMMEDIATE UKMIS NEW YORK

MY TELNOS 442 AND 443: RELATIONS WITH ARGENTINA: MADRID TALKS, 17-18 OCTOBER: FIPZ, FISHERIES AND DIRECT FLIGHTS

SUMMARY

1. ABOLITION OF THE FIPZ THE PRIME ARGENTINE OBJECTIVE AT MADRID. MODEST OBJECTIVES ON FISHERIES. A POTENTIAL SNAG ON DIRECT FLIGHTS.

DETAIL

2. OTEGUI TOOK THE OPPORTUNITY OF OUR MEETING TO MAKE A NUMBER OF SUBSTANTIVE POINTS.

FIPZ

3. OTEGUI SAID THE ARGENTINES WERE ANXIOUS ABOVE ALL TO RETURN FROM MADRID WITH THE FIPZ LIFTED. THEY WERE WORKING INTENSIVELY, IN CONSULTATION WITH THE ARMED FORCES, ON A PACKAGE OF CBM'S WHICH WOULD PROVIDE GENUINE SECURITY (AND BE PERCEIVED TO DO SO) WHICH WOULD BE EQUIVALENT TO OR EVEN SUPERIOR TO THAT PROVIDED BY THE FIPZ. IF WORK ON THIS WERE COMPLETED IN TIME THE ARGENTINES MIGHT COMMUNICATE THEIR VIEWS TO US IN ADVANCE OF MADRID TO GIVE US SOME OPPORTUNITY TO REFLECT BEFORE NEGOTIATIONS BEGAN.

4. I SAID THAT, AS HAD BEEN MADE CLEAR IN PREVIOUS EXCHANGES, THE FIPZ WAS NOT SOMETHING WE COULD LIGHTLY RELINQUISH. THE IDEA THAT THE DECISION TO LIFT THE FIPZ COULD BE TAKEN AT MADRID WAS EXTRAORDINARILY AMBITIOUS. WE SHOULD NEED TO STUDY ANY ARGENTINE PROPOSAL CAREFULLY.

5. OTEGUI SAID HE FULLY UNDERSTOOD. BUT IT WAS OF CRUCIAL IMPORTANCE TO THE ARGENTINES. IF THEY RETURNED FROM MADRID WITH THE FIPZ STILL IN PLACE THERE WOULD BE AN UPSURGE OF DOMESTIC CRITICISM OF THE INITIATIVE TOWARDS BRITAIN WHICH HAD HITHERTO BEEN RELATIVELY MUTED.

FISHERIES

6. OTEGUI SAID THE ARGENTINES HAD NOW MOVED MUCH CLOSER TO OUR OWN POSITION. FISHERIES DISCUSSIONS WERE IMPORTANT BUT COMPLEX AND

LIKELY TO BE PROTRACTED. THEY WOULD NOT EXPECT A SUBSTANTIVE NEGOTIATION AT MADRID. BOTH SIDES WOULD PRESUMABLY STATE THEIR RESPECTIVE POSITIONS AND THEN TRY TO DEVISE A MECHANISM FOR HANDLING FUTURE NEGOTIATIONS. THE ARGENTINES WOULD NOT SPRING ANY SURPRISES AT MADRID. THEY HOPED WE WOULD NOT DO SO EITHER.

DIRECT FLIGHTS

7. OTEGUI SAID THAT SOMEWHAT TO HIS SURPRISE HE HAD DERIVED THE IMPRESSION FROM AEROLINEAS ARGENTINAS RECENTLY THAT THEY WERE LESS ANXIOUS FOR A RESUMPTION OF DIRECT FLIGHTS THAN WERE BRITISH AIRWAYS, WHO IN AEROLINEAS EYES STOOD TO BENEFIT FAR MORE. FOR THIS REASON THE PROBLEM OF THE AEROLINEAS SIMULATOR NOW LOOMED RATHER LARGER THAN OTEGUI HAD ORIGINALLY BELIEVED. THERE WAS NO DOUBT THAT IF THIS PROBLEM WERE RESOLVED BEFORE MADRID DISCUSSIONS ON DIRECT FLIGHTS WOULD BE THAT MUCH EASIER.

8. I SAID I WAS NOT SURPRISED THAT OTEGUI HAD RAISED THE SIMULATOR AND I WOULD REPORT WHAT HE SAID. BUT I WAS FRANKLY SURPRISED TO BE TOLD THAT AEROLINEAS WERE LESS THAN ENTHUSIASTIC ABOUT DIRECT FLIGHTS. THIS FLEW IN THE FACE OF EVERY IMPRESSION I HAD RECEIVED IN THE LAST TWO YEARS.

COMMENT

9. THERE CAN NOW BE NO LINGERING DOUBT ABOUT THE PRIORITY OBJECTIVE FOR THE ARGENTINES AT MADRID. IF (AND I GRANT IT IS A BIG IF) THEY CAN GENUINELY COME UP WITH A CONVINCING PACKAGE OF CBM'S AND ARE PREPARED TO THROW REMOVAL OF ALL REMAINING COMMERCIAL DISCRIMINATION INTO THE POT WE WOULD SEEM TO HAVE THE MAKINGS OF A DEAL.

NO

10. OTEGUI'S DESCRIPTION OF THE ARGENTINE POSITION ON FISHERIES SEEM SATISFACTORY. I ASSUME THAT HIS REFERENCE TO NO SURPRISES HAS TO DO WITH FEARS OF POSSIBLE PLANS TO EXTEND THE FICZ BUT HE DID NOT SAY AS MUCH.

11. I AM SOMEWHAT SUSPICIOUS OF THE DIRECT FLIGHTS PLOY WHICH SOUNDS LIKE A TRY-ON TO EXERT PRESSURE OVER THE SIMULATOR PROBLEM. BUT IT IS UNDENIABLE TAHAT AN EARLY RESOLUTION OF THE LATTER WOULD CONTRIBUTE TOWARDS A POSITIVE ATMOSPHERE AT MADRID.

HUNT

LONG

CCPC

CONFIDENTIAL

THE RT HON JOHN WAKEHAM MP

Department of Energy
1 Palace Street
London SW1E 5HE

01 238 3290

CBP
5/x.

The Rt Hon John Major
Foreign Secretary
Foreign and Commonwealth Office
LONDON SW1

4 October 1989

Dear John

in meeting folder.

OD (89) 11 RELATIONS WITH ARGENTINA

I have seen the above paper and am content with the targets you suggest for Madrid. However, as I will not be present tomorrow I should like to add a point to the objectives you set out in paragraph 4 of the paper.

You will recall that at the meeting of OD on 27 July I raised the issue of a seismic survey regime for the Falklands continental shelf. The Falkland Islands Government is preparing legislation and several companies have approached your Department and mine expressing interest. OD agreed on 27 July that there was a good case for a survey. I should be grateful therefore if our negotiators at Madrid could be instructed to ensure that they do not agree to anything which would constrain our freedom to authorise such seismic work whenever HMG considers the time appropriate.

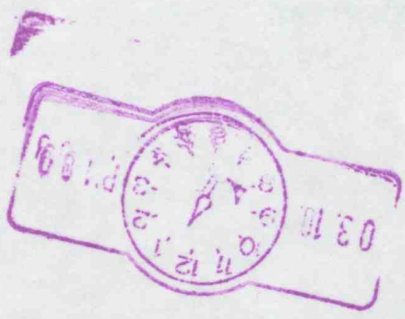
I am copying this letter to members of OD and to Sir Robin Butler.

Yours ever

JW

JOHN WAKEHAM

CONFIDENTIAL



PRIME MINISTER

OD: RELATIONS WITH ARGENTINA

OD is to have a discussion on Thursday on relations with Argentina and, in particular, the forthcoming meeting in Madrid. I attach the Foreign Secretary's paper. OD(89)11

As you will see, there is a very considerable gap in perceptions of the Madrid meeting between us and the Argentinians. This is not so much on the matter of sovereignty, where the chances seem better than last time that the Argentinians will stick to the deal (at least initially). But they are obviously hoping that the talks will lead us to lift the Falkland Islands Protection Zone in return for a declaration of cessation of hostilities, while it is quite clear that we cannot agree to anything of the sort. Moreover, we shall need at some stage to tell the Argentinians that we are intending to extend the Falkland territorial waters to 12 miles which they will probably regard as a further blow. There is a more than fair prospect, therefore, that the Madrid talks will come unstuck.

None the less, there is obviously an incentive to try to have a positive outcome. The Foreign Secretary's paper proposes a number of fairly small steps:

> some confidence-building measures which would involve some adjustment in the way we operate the FIPZ, for instance notification rather than prior authorisation for ships entering the FIPZ, mutual notification of military exercises, co-operation on air/sea rescue operations;
>
> expert talks on fisheries, but only provided the Argentinians have by then given us the assurance which we have sought that they will not challenge the existence of the FICZ;
>
> a package of measures combining removal by the Argentinians of all commercial and financial discrimination, in response to

which we would remove our veto on closer relations with the European Community and agree to start a process leading to eventual restoration of diplomatic relations (with consular relations being the first step).

These ideas seem to me to be very much on the right lines. My only concern is that we should not lift the veto on closer relations with the European Community too soon in the process. It is a high card in our dealings with the Argentinians, and we would want to be sure that we could get a satisfactory overall package from the Madrid meeting before giving it away.

C.D.P.

CHARLES POWELL
3 October 1989

A:\ARGENTIN.EAM

13a-f

B.0230

PRIME MINISTER

c Sir Robin Butler

RELATIONS WITH ARGENTINA
OD Meeting after Cabinet on Thursday 5 October 1989
OD(89)11

KEY ISSUES

The main issues for resolution at the meeting are:

(a) to ensure that the UK position on sovereignty is fully preserved;

(b) whether retention of the Falkland Islands Protection Zone (FIPZ), combined with confidence-building measures, will safeguard our defence needs and provide a successful basis for negotiations;

(c) specifically, whether the negotiators should offer to allow Argentine civil shipping (but not aircraft) to enter the FIPZ upon prior notification and whether, as a further variant, they might indicate willingness to dispense even with prior notification after 6 months;

(d) whether to proceed now or later with extending the territorial waters around the Falklands to 12 miles, and when to inform the Argentines;

(e) whether the proposed way forward on fisheries is acceptable;

(f) similarly on trade and financial relations and air and sea links;

(g) whether we should be ready to restore consular relations under the conditions set out.

ATTENDANCE

2. All members of the Committee are expected to be present. The Secretary of State for Northern Ireland and the Chief of the Defence Staff have been invited to attend.

BACKGROUND

3. You are very familiar with the issues set out in the FCO paper. On 27 June the Committee approved direct talks with Argentina provided prior assurances were received that the question of sovereignty would not be introduced and that the existence of the Falkland Islands Conservation and Management Zone (FICZ) would not be challenged. The Committee also approved revised Rules of Engagement (ROE) for the armed forces and endorsed the aim of extending the Falkland Islands' territorial waters from 3 to 12 nautical miles as soon as possible, the timing of this to be considered further in the light of the progress of discussions with Argentina.

4. You have seen the latest JIC assessment (Weekly Survey of Intelligence, 21 September 1989).

HANDLING

5. After the Foreign Secretary has introduced the paper, the Defence Secretary and Chief of Defence Staff might be asked to assure you that the proposals put forward with their

agreement fully protect our defences. Discussion might then cover the following points:

(a) The FIPZ

The Argentines are likely to press for dismantling of the FIPZ. The Ministry of Defence (Appendix B) say this is premature until trust has been built up. The Foreign Secretary agrees that the FIPZ cannot be lifted, but identifies three options for change and proposes that the negotiating team should have flexibility to discuss all three during the talks. They are:

(i) confidence-building measures. The most important of these is to allow Argentine civil shipping to enter the FIPZ upon prior notification, as opposed to prior authorisation as at present. The others are notification of exercises, co-operation in air/sea rescue and the establishment of direct means of communication between military commanders;

(ii) as for (i), but with extension of the Falklands territorial sea to 12 miles;

(iii) as for (i), but with an indication that even the prior notification requirement might be withdrawn after 6 months provided there had been no abuse; the extension to 12 miles would also take place after 6 months.

If the Defence Secretary and Chief of the Defence Staff have given the necessary assurances on our defences:

- Are the confidence-building measures acceptable in principle?
- Which of the three options is preferred? Or are Ministers content to give the negotiating team discretion on how far they go?
- Will the measures cause practical difficulty for the garrison?
- What will be the Argentine reaction?
- Would it be acceptable to withdraw the prior notification requirement for civil shipping after 6 months?
- What is planned on the withdrawqal of the South Georgia garrison (paragraph 17 of Annex B)?

(Foreign Secretary, Defence Secretary, Chief of the Defence Staff)

(b) Extension of territorial waters to 12 nautical miles

This goes logically with permitting Argentine civil shipping to enter the FIPZ with prior notification only (prior authorisation being required to enter territorial waters). It also complements the Rules of Engagement (ROE) approved by OD in July. It would cause no difficulties with regard to the Treaty of Tlatelolco.

- What is the best timing?
- Is it likely to prejudice the negotiations with Argentina?

- Has this any implications for oil exploration (see press cutting at Annex)?
  (Foreign Secretary, Defence Secretary)

(c) Fisheries

The Argentines have not yet assured us that they will not challenge the existence of the FICZ (though this was one of our pre-conditions for direct talks). The Foreign Secretary confirms that failure on their part to give this assurance would preclude discussion of fisheries.

- If the assurance is forthcoming, is it agreed that expert talks should follow?
  (Foreign Secretary)

(d) Trade and financial relations, air and sea links

The Foreign Secretary proposes that the team should press for the lifting of all Argentine barriers to trade, investment and financial relations and air/sea links.

- Is it agreed that we must insist on this?
- Can we agree in Madrid that direct air flights between the UK and Argentina should be resumed pending expert talks?
- Will the Argentines be told clearly that there is no question of direct links with the Falklands?
  (Trade and Industry Secretary, Foreign Secretary)

(e) Resumption of consular and diplomatic relations

The Foreign Secretary proposes that we should be prepared to restore consular relations without delay

f

provided we reach satisfactory agreement on trade, finance, air and sea links.

- Is this agreed?
- Is it acceptable for the team to hold out the prospect of diplomatic relations further down the road?

(Foreign Secretary)

(f) Cessation of hostilities

The Foreign Secretary proposes that a line should be drawn under the 1982 conflict by insertion of language along the lines of Appendix C in an agreed communique on the Madrid talks.

- Is this acceptable? Do we need to do this?

(Foreign Secretary, Defence Secretary)

(g) Further meeting

The Foreign Secretary suggests that the team should have authority to agree in principle on a further meeting.

- Is this acceptable?

(Foreign Secretary)

(h) US reaction

It will be important to ensure that the US reaction to our proposals is positive in order to preserve the veto on arms sales to Argentina.

- What is the likely US reaction?

(Foreign Secretary)

L V Appleyard

L V Appleyard

Cabinet Office
3 October 1989

ANNEX

TIMES, MONDAY 2 OCTOBER 1989

Oil firms set for Falkland drilling

By Our Diplomatic Editor

Exploration for oil in the Falkland Islands appears to be imminent following a flurry of interest from oil companies.

The timing reflects the improving relationship between Britain and Argentina. The industry now accepts that there is no risk of a resumption of fighting and that investment in the Falklands could be profitable.

Even before the Falklands War of 1982 it was thought possible that huge reserves could exist, possibly comparable with the North Sea oil and gas fields. But the best areas are probably offshore, rather than under the islands, and oil rigs would be easy targets for attack. This danger, together with weather conditions even more difficult than those of the North Sea, has until now reduced the oil companies' interest.

A sale of exploration licences could produce a huge improvement in the islands' economy, already boosted by fishing licence fees paid by foreign fleets.

Mr Tony Blake, a member of the islands' Executive Council, said that the oil licences could be worth several times as much as those for fishing, which brought in £30 million this year.

But renewed interest in exploration could complicate the talks to be held in Madrid later this month. Argentina is already seeking participation in the fishing boom and could be expected to want involvement in the oil industry.

Mr Blake said that four companies had approached the Governor, Mr William Fullerton, seeking exploration licences. He said there were also "strong indications" that the Falkland Islands Company, which owns 27 per cent of the land area, is interested. The company has a royal charter which includes mineral rights.

A senior executive of Anglo United, a big Derbyshire coal merchant, is expected to inspect its property this week. In a £478 million deal it took over Coalite, Britain's biggest independent fuel distributor, which in turn owned the Falkland Islands Company.

Its holding includes Lafonia, the area believed to offer the best prospect of yielding onshore oil. Mr Blake said he was surprised to discover how much information was available, even though little exploration had been done. Lafonia, south of the Wickham Heights on East Falkland, appeared to be promising.

Other oil deposits are believed to lie offshore, but as the Falklands has only a three-mile limit for such matters it would not necessarily receive the full benefit.

CONFIDENTIAL

file to a: argentine

10 DOWNING STREET

LONDON SW1A 2AA

29 September 1989

From the Private Secretary

ARGENTINA/CHILE

I enclose a copy of a letter to the Prime Minister from Admiral Merino in Chile about Argentina's development of the CONDOR missile. I should be grateful for advice and a draft reply.

I am copying this letter and enclosure to Brian Hawtin (Ministry of Defence), and to Trevor Woolley (Cabinet Office).

C.D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL AND PERSONAL

cc P.C. ✓

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

28 September 1989

Dear Stephen,

ANGLO-ARGENTINE RELATIONS

The Prime Minister has noted the formulation used in the summary of the Foreign Secretary's address to the United Nations General Assembly and repeated in paragraph 7 of UKMIS New York telegram no. 1338 to the effect that we have agreed to "set aside" the question of sovereignty in our talks with the Argentinians. She does not at all like that formulation which could be held to put sovereignty in doubt. It is far better to make unequivocally clear that sovereignty will not be discussed and is not for discussion. She hopes that we can use this formulation in future.

Yours ever,

Charles Powell

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL AND PERSONAL

GLJ

CONFIDENTIAL

000532
MDHIAN 7473

CONFIDENTIAL
FM UKMIS NEW YORK
TO IMMEDIATE FCO
TELNO 1338
OF 280010Z SEPTEMBER 89
INFO IMMEDIATE: WASHINGTON, BERNE, MONTEVIDEO, BRASILIA, MADRID

FROM PRIVATE SECRETARY
SECRETARY OF STATE'S MEETING WITH ARGENTINE FOREIGN MINISTER

SUMMARY
1. 20 MINUTE MEETING IN THE UK OFFICE AT THE UN. BOTH SIDES REAFFIRM AGREED BASIS FOR MADRID TALKS. CAVALLO DESCRIBES MENEM'S AIM AS BEING NOT SO MUCH TO SOLVE AS TO DISSOLVE THE PROBLEM. SETS OUT ARGENTINE ECONOMIC AGENDA. FRIENDLY ATMOSPHERE THROUGHOUT MEETING.

DETAIL
2. THE SECRETARY OF STATE MET THE ARGENTINE FOREIGN MINISTER FOR 20 MINUTES IN THE UK OFFICE AT THE UN THIS AFTERNOON. CAVALLO SAID THAT COOPERATION WAS THE MOST IMPORTANT WAY TO SOLVE EVERY KIND OF PROBLEM. THAT WAS TRUE OF LATIN AMERICA AND THE EUROPEAN COMMUNITY AND WAS ONE FACTOR IN THE ARGENTINE DECISION TO OPEN A DIALOGUE WITH BRITAIN. THE CONFLICT BETWEEN THE UK AND ARGENTINA HAD CREATED PROBLEMS BETWEEN LATIN AMERICA AND EUROPE AS A WHOLE. IT WAS TIMELY AND CONVENIENT FOR THE TWO COUNTRIES TO TRY, NOT ONLY TO HELP THEMSELVES, BUT ALSO LATIN AMERICA AND EUROPE.

3. THE SECRETARY OF STATE AGREED THAT THERE HAD BEEN A SHAKY PERIOD BETWEEN THE TWO COUNTRIES. CAVALLO SAID TWO THINGS WERE IMPORTANT FOR THE SUCCESS OF THE DIALOGUE THAT WAS BEING OPENED BETWEEN BRITAIN AND ARGENTINA. THE FIRST WAS THAT DEMOCRACY WAS NOW FIRMLY ESTABLISHED IN HIS COUNTRY. 99 PERCENT OF ARGENTINES REALLY WANTED A DEMOCRATIC GOVERNMENT. THE SECOND WAS THAT NO DEMOCRATIC GOVERNMENT WOULD EVER HAVE TRIED TO SECURE THE MALVINAS BEFORE AS THE MILITARY HAD IN 1982. THIS WAS THE VIEW OF EVERY SIGNIFICANT POLITICIAN AND OF PUBLIC OPINION IN ARGENTINA. BEFORE THE ELECTIONS, THE POLLS HAD SHOWN THAT 50 PERCENT OF THE POPULATION APPROVED OF A DIALOGUE WITH BRITAIN, EVEN THOUGH THEY KNEW THAT IT WOULD NOT COVER THE SUBJECT OF SOVEREIGNTY. NOW SUCH A DIALOGUE HAD 89 PERCENT SUPPORT. ARGENTINA WAS INTERESTED IN TRYING TO WORK FOR NORMALISATION.

4. THE SECRETARY OF STATE SAID WE SHARED THAT AIM. WE WERE ENTERING

INTO TALKS IN THE HOPE OF AN AGREEMENT. AFTER THE CONFLICT AND ALL THAT HAD FOLLOWED, TALKS WOULD NOT BE EASY. WE EACH HAD OUR PUBLIC OPINION TO THINK OF. WE WOULD HAVE TO WORK CAREFULLY BUT WE WANTED TO ACHIEVE NORMALISATION. WE WOULD NOT OTHERWISE HAVE ENTERED INTO THE TALKS. WE HOPED THE MADRID TALKS WOULD BE CONSTRUCTIVE AND WORTHWHILE. OUR SUCCESS IN AGREEING AN AGENDA WAS A VERY ENCOURAGING START. HE WAS PLEASED TO NOTE THAT PRESIDENT MENEM HAD RULED OUT FORCE IN HIS SPEECH TO THE GENERAL ASSEMBLY. THAT WAS THE BEST PART OF THE SPEECH. THE REST WAS LESS TENABLE. IN GENERAL, WE SHOULD NOT RAISE EXPECTATIONS TOO FAR AT THIS STAGE.

5. SENOR CAVALLO AGREED ON THE LAST POINT. HE WISHED TO SAY THAT PRESIDENT MENEM WAS VERY SINCERE. THAT SINCERITY MADE IT RATHER DIFFICULT FOR HIM TO STICK TO A PRE-AGREED SPEECH OUTLINE. MENEM REALLY WANTED GOOD RELATIONS WITH BRITAIN. WHEN MENEM SAID THAT HE HOPED TO BE ABLE TO RECOVER THE ISLANDS, HE WAS NOT SAYING THAT THIS WAS AN ISSUE FOR DISCUSSION NOW. HE BELIEVED THAT, ONCE ARGENTINA HAD BECOME A DEVELOPED AND STABLE COUNTRY, RELATIONS BETWEEN ARGENTINA AND THE FALKLAND ISLANDS WOULD BE AS GOOD AS THEY HAD BEEN BEFORE THE INVASION. HE HOPED THERE WOULD COME A TIME WHEN, IN THE WORDS THE SPANIARDS HAD USED ABOUT GIBRALTAR, THE PROBLEM WOULD NOT BE SO MUCH SOLVED AS DISSOLVED.

6. THE SECRETARY OF STATE ASKED ABOUT MENEM'S ECONOMIC PROGRAMME. CAVALLO SAID THERE WAS A HISTORY OF POPULIST POLITICAL LEADERS IN LATIN AMERICA. IN THE PAST THEY HAD BEEN VERY INTERVENTIONIST. MEMEM WAS USING POPULAR SUPPORT TO ADOPT A REALISTIC APPROACH, TO TRY TO REORGANISE THE ECONOMY IN THE DIRECTION OF OPEN MARKETS, WITH A LIMITED PUBLIC SECTOR AND A GROWING PRIVATE SECTOR. HE HAD THE SUPPORT OF THE PEOPLE AND, IF HE SUCCEEDED, THAT WOULD OFFER A GOOD EXAMPLE TO OTHER LEADERS OF THE SAME POLITICAL IDEOLOGY. THE BOLIVIANS HAD MOVED IN THE SAME DIRECTION. BRAZIL, WHICH WAS FACING HYPERINFLATION, MIGHT LOOK TO ARGENTINA AS A MODEL FOLLOWING ITS OWN ELECTIONS. ARGENTINA WAS RICH IN RESOURCES AND ITS PEOPLE WERE HARD-WORKING. HITHERTO THEY HAD BEEN UNSUCCESSFUL BUT NOW THINGS WERE CHANGING. IT WAS IMPORTANT TO SOLVE THE OBSTACLES WHICH HAD KEPT ARGENTINA APART FROM THE REST OF THE WORLD POLITICALLY AND ECONOMICALLY. MENEM WANTED TO PUT AN END TO THE OLD CIVILIAN/MILITARY CONFLICTS. HE WAS WORKING SIMULTANEOUSLY ON EVERY FRONT TO CREATE A COUNTRY WHICH PRODUCED RESULTS. THAT MEANT IMPROVING THE COUNTRY'S ECONOMIC AND SOCIAL INSTITUTIONS.

7. AT THE END OF THE MEETING, THE SECRETARY OF STATE AND SENOR CAVALLO AGREED THE LINE THEY WOULD EACH TAKE WITH THE PRESS. THE

CONFIDENTIAL

000532
MDHIAN 7473

? SECRETARY OF STATE MENTIONED THAT HE WOULD SAY THAT SOVEREIGNTY HAD BEEN SET ASIDE. CAVALLO SAID THAT HE WOULD STICK TO THE FORMULA THAT SOVEREIGNTY HAD BEEN PUT UNDER AN UMBRELLA. HE WELCOMED THE FACT THAT PERSONAL RELATIONS HAD BEEN ESTABLISHED WHICH MIGHT PROVE USEFUL IN THE ENSUING NEGOTIATIONS. HE HOPED THAT THE TWO OF THEM WOULD ONE DAY BE ABLE TO MEET AS REPRESENTATIVES OF COUNTRIES WHICH HAD REBUILT THEIR OLD FRIENDSHIP. THE SECRETARY OF STATE AGREED

TICKELL

YYYY

DISTRIBUTION 92

MAIN 87

.FALKLANDS-ARGENTINE PROPOSALS	PRU
LIMITED	PS
FID	PS/LORD BRABAZON
SAMD	PS/MR SAINSBURY
NAD	PS/PUS
NEWS	PS/SIR J FRETWELL
PUSD	MR GILLMORE
PLANNERS	MR FEARN
DEFENCE	MISS SPENCER

ADDITIONAL 5

CDR COURTNAY CAB OFF	PS/PUS MOD
HD/SEC(O)(C) MOD	MR L V APPLEYARD DEP SEC
MR ANDERSON LEGAL ADVISER	(ROOM 225 CABINET OFFICE)

NNNN

cc PC

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

28 September 1988

CDP 29/9.

Dear Charles,

Anglo/Argentine Relations

Thank you for your letter of 26 September. The Foreign Secretary is clear that nothing he has said has left any doubt about our position on sovereignty. In the media interviews he has given in New York, he has made absolutely clear that sovereignty is not up for grabs. For example, in one of the TV interviews [illegible] have to hand, the Foreign Secretary said that sovereignty, as far as we are concerned, is not in question and is not to be discussed either by me today or our officials in October ... Our claim over the Falkland Islands is secure in international law and we have no intention of relinquishing it".

Yours,

Stephen

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

cc PE

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

28 September 1989

CDP 29/9.

Dear Charles,

Anglo/Argentine Relations

Thank you for your letter of 28 September. The Foreign Secretary is clear that nothing he has said has left any doubt about our position on sovereignty. In the media interviews he has given in New York, he has made absolutely clear that sovereignty is not at issue. For example, in one of the TV interviews whose transcripts I have to hand, the Foreign Secretary said "sovereignty, as far as we are concerned, is not in question and it is not to be discussed either by me today or by our officials in October ... Our claim over the Falkland Islands is secure in international law and we have no intention of relinquishing it".

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

ARGENTINA: Rels

CONFIDENTIAL AND PERSONAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

28 September 1989

Dear Stephen,

ANGLO-ARGENTINE RELATIONS

The Prime Minister has noted the formulation used in the summary of the Foreign Secretary's address to the United Nations General Assembly and repeated in paragraph 7 of UKMIS New York telegram no. 1338 to the effect that we have agreed to "set aside" the question of sovereignty in our talks with the Argentinians. She does not at all like that formulation which could be held to put sovereignty in doubt. It is far better to make unequivocally clear that sovereignty will not be discussed or is not for discussion. She hopes that we can use this formulation in future.

Yours ever,

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL AND PERSONAL

CONFIDENTIAL

file

DcAA82

dc

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

6 September 1989

MEETING WITH ARGENTINE FOREIGN MINISTER

Thank you for your letter of 5 September about the Argentine suggestion for a meeting between their Foreign Minister and the Foreign Secretary in the margins of the UN General Assembly. The Prime Minister agrees with the way the Foreign Secretary proposes to handle this, by having a brief courtesy exchange in the margins of the meeting of the Foreign Ministers of the Twelve and the Latin American Group of Eight.

(C.D. POWELL)

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL

c c/c (1)

Foreign and Commonwealth Office

London SW1A 2AH

5 September 1989

Dear Charles

Prime Minister

Meeting with Argentine Foreign Minister

Agree no to this proposed? Or seems to strike the right note. CDM 5/9

My letter of 25 August described the outcome of the recent talks with Argentina in New York. As you know, the Argentines felt they had taken considerable risks in laying sovereignty aside, and they are looking for a reciprocal gesture from us. During the talks they made it plain that they would welcome a meeting between the Foreign Secretary and the Argentine Foreign Minister, Dr Cavallo, in the margins of the UN General Assembly. Sir Crispin Tickell is strongly in favour of such a meeting; and we have no doubt that the Americans and other allies/partners would welcome it.

Notwithstanding this pressure, the Foreign Secretary thinks it would be odd to have a formal meeting, however brief, with the Foreign Minister of a country with which we do not have diplomatic relations. The official level discussions, though successful, were after all only "talks about talks". A formal meeting, however discreetly organised, would attract a great deal of media attention, which might complicate the negotiating process rather than help it. The Foreign Secretary is therefore disinclined to arrange such a meeting at this stage.

However, he is equally disinclined to sour improving relations or snub Dr Cavallo, who is the architect of President Menem's more realistic policy towards relations with Britain. He recognises that a meeting of some kind would help the climate for negotiations in Madrid in October.

The Foreign Secretary therefore proposes to decline a formal meeting but to agree to a brief courtesy exchange in the margins of the meeting on 27 September between the Foreign Ministers of the Twelve and the Latin American Group of Eight. He is in any case bound to encounter Dr Cavallo at this meeting. He proposes to instruct Sir Crispin Tickell to set this up with his Argentine opposite number. In answer to press enquiries, we would simply say that the Foreign Secretary expected to meet Dr Cavallo at the EC/Group of Eight meeting.

Yes - a good arrangement

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
PS/10 Downing Street

CONFIDENTIAL

ARGENTINA : Relations

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 September 1989

ANGLO-ARGENTINE RELATIONS: IPU CONFERENCE

I have seen a copy of Bob Peirce's letter to you of 31 August, suggesting that the Speaker might receive Senator Eduardo Menem during the IPU Conference. The Prime Minister would be grateful if the Speaker were able to undertake this.

C. D. POWELL

P. J. Kitcatt, Esq., C.B.,
House of Commons.

Foreign and Commonwealth Office

London SW1A 2AH

31 August 1989

Dear Peter

Anglo/Argentine Relations: IPU Conference

As you know, a group of Argentine parliamentarians will be visiting London from 4-7 September to attend the IPU Conference, led by Senator Eduardo Menem, President of the Argentine Senate and younger brother of the new President.

The Foreign Secretary believes that it is in the British interest to help the Argentine Government defend their policy of rapprochement with us against domestic criticism and sustain the momentum of the process. It would be helpful in this context if Senator Menem were given some individual attention during his time here. The Argentines may well ask for a meeting with a Minister, which would be difficult for us in the absence of diplomatic relations. In order to head this off, the Foreign Secretary would be most grateful if the Speaker could offer to receive him instead.

I understand that the Speaker's diary is still free for the afternoons of the week of the Conference; the Speaker might perhaps invite Menem for a pre-lunch drink or tea one afternoon.

I enclose a background note on Senator Menem. If the Speaker is able to receive him we will provide full briefing on Argentina and Anglo/Argentine relations, and will be ready to supplement this with an oral briefing if the Speaker would find that useful.

I am sending copies of this letter to Charles Powell (No 10), to Brian Hawtin (MOD) and to Paul Stockton (Lord Chancellor's Department).

Yours ever

(R N Peirce)
Private Secretary

P Kitcatt Esq
House of Commons
LONDON SW1

PERSONALITY NOTES

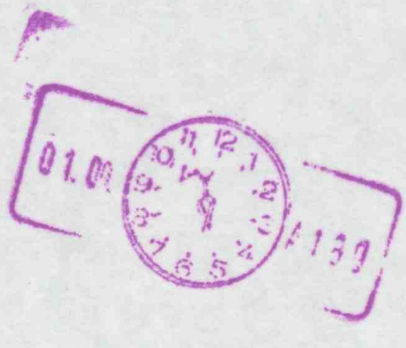
MENEM, DR EDUARDO

Born 30 April 1938 in La Rioja where he has been a Justicialist Party (Peronist) Senator since 1983. Brother of President Carlos Menem.

Lecturer in law at La Rioja university during the 1970s and also President of the Provincial Lawyers' Association and Law Council. Acted for his brother Carlos when the latter was arrested and imprisoned by the former de facto military government. Has a long standing interest in foreign affairs and he exerts a major influence on his brother. Believed to be responsible for the apparent hard line towards relations with Britain expressed by Menem during the presidential election campaign. But he has since publicly defended Menem's initiative for rapprochement with Britain and in particular the 'umbrella' formula which he believes safeguards the Argentine claim to sovereignty over the Falklands. Provisional President of the Senate since May 1989 and Chairman of the Senate Foreign Relations Committee since July 1989.

Married with three children. He speaks good English.

TG2ABA



067612
MDHIAN 3717

PS TO PRIME MINISTER
NO 10 DOWNING ST

TELEGRAM

UNCLASSIFIED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 359
OF 291430Z AUGUST 89
INFO PRIORITY UKMIS NEW YORK, WASHINGTON, SANTIAGO, MONTEVIDEO
INFO PRIORITY BRASILIA, PORT STANLEY, CBFFI

UK/ARGENTINA: PRESS COVERAGE 26-28 AUGUST (ALL ITEMS FAXED TO FID)

1. AT A PRESS CONFERENCE ON 25 AUGUST FOREIGN MINISTER DOMINGO CAVALLO CONFIRMED THAT ARGENTINA WOULD NOT PURSUE THE FALKLANDS ISSUE AT THE UNGA THIS YEAR BECAUSE OF THE CONCRETE POSSIBILITY OF NEGOTIATIONS IN OCTOBER. NEGOTIATIONS WITH SOVEREIGNTY PROTECTED UNDER AN UMBRELLA HAD BEEN MADE POSSIBLE BY PRESIDENT MENEM'S COHERENCE AND EFFECTIVE CONTROL OF POWER. THE BERNE TALKS BY CONTRAST HAD BEEN ILL PREPARED AND TOO CLOSE IN TIME TO THE CONFLICT. RECOGNITION (BY BRITAIN) THAT A SOVEREIGNTY DISPUTE EXISTED WAS OF ENORMOUS VALUE. THE ARMED FORCES SUPPORTED MENEM'S POLICY. ASKED ABOUT FISHING IN THE SOUTH ATLANTIC CAVALLO SAID ARGENTINE VESSELS WOULD ENJOY PRIORITY AND FOREIGN COMPANIES RECEIVE PERMISSION IF THERE WERE CAPACITY. THE FISHERIES AGREEMENTS WITH THE SOVIET UNION WOULD BE TREATED SPECIALLY. CAVALLO ALSO SAID THAT INTEGRATION WITH BRAZIL WAS AS IMPORTANT AS RAPPROCHEMENT WITH BRITAIN. (SAT CLARIN PP1/4, NACION P3)

2. AT THE SAME PRESS CONFERENCE CAVALLO SAID THAT DISCUSSION ABOUT THE INDIANA I WOULD LOSE RELEVANCE AS THE MADRID TALKS WOULD COVER CONTACT BETWEEN THE FALKLANDS AND THE MAINLAND. THE RECENT PERMISSION GRANTED BY THE URUGUAYAN GOVERNMENT WAS BASED ON THE FACT THAT THE FALKLANDS WERE NOT INVOLVED AND THE VESSEL WAS TRAVELLING BETWEEN CONTINENTAL PORTS. SEVEN DAYS BEFORE THE NEW YORK MEETING HE HAD AGREED WITH THE URUGUAYAN FOREIGN MINISTER THAT THE SHIP SHOULD WAIT OFF MONTEVIDEO UNTIL THE MEETING HAD TAKEN PLACE. (SAT CLARIN P4)

3. ACCORDING TO LA PRENSA CAVALLO ALSO SAID THAT ARGENTINA HAD THANKED BRAZIL FOR HER INTERVENTION, THAT DEMILITARIZATION OF THE FALKLANDS WAS ONE OF THE POINTS CONTEMPLATED IN THE MADRID AGENDA AND THAT REPATRIATION OF ROSAS' REMAINS WAS NOT ON THE AGENDA BECAUSE THE MATTER WAS ALREADY BEING DEALT WITH. CAVALLO SAID THAT FOR BRITAIN A DECLARATION OF CESSATION OF HOSTILITIES WAS NOT RELEVANT FOR THE MOMENT. IT WOULD PRESENT NO PROBLEM FOR ARGENTINA WITHIN THE CONTEXT OF A PACKAGE OF MEASURES TO BE

NEGOTIATED. TALKING ABOUT THE FOREIGN DEBT CAVALLO MADE CLEAR THAT BRITAIN HAD NEVER PLACED OBSTACLES IN THE WAY OF NEGOTIATIONS ON THIS ISSUE. (ACCORDING TO THE HERALD CAVALLO SAID HE THOUGHT TALKS WITH BRITAIN COULD HELP UNBLOCK THE FOREIGN DEBT SITUATION. HE ALSO SAID A VISIT TO THE FALKLANDS BY RELATIVES OF THE WAR DEAD WAS FEASIBLE.) (SAT PRENSA P3, HERALD P11)

4.CONSERVATIVE MPS TERRY DICKS AND IVOR STANBROON HAVE PROTESTED AT EDUARDO MENEM'S VISIT TO BRITAIN FOR THE IPU CONFERENCE, OFFICIALLY BY INVITATION OF THE QUEEN. BUT LABOUR MP GEORGE FOULKES HAS DESCRIBED THE INVITATION AS A POSITIVE STEP AND SAID THE ARGENTINE DELEGATION WOULD MEET A BRITISH PARLIAMENTARY DELEGATION ON 5 SEPTEMBER. EDUARDO MENEM HAS DESCRIBED THE MEETING AS COMPLEMENTING THE OCTOBER MADRID MEETING. (SAT CLARIN P4, NACION P3)

5. THE RADICAL PARTY NATIONAL COMMITTEE HAVE SAID THEY SUPPORT THE GOVERNMENT'S NEGOTIATIONS WITH BRITAIN SO LONG AS THEY DO NOT REPRESENT A RETROGRADE STEP IN THE OBJECTIVE OF RECOVERING THE FALKLANDS. BUT THEY HAVE EXPRESSED CONCERN THAT THE FALKLANDS WILL NOT BE RAISED AT THE UNGA THIS YEAR AND THAT THE BRITISH AGENDA FOR NEGOTIATIONS HAS BEEN ADOPTED IN ITS ENTIRETY. (SAT NACION PP1/5)

6. UCEDE DEPUTIES HAVE SUBMITTED A RESOLUTION SUPPORTING THE GOVERNMENT'S POLICY AND CALLING FOR ARGENTINE WITHDRAWAL FROM THE NAM. (SAT PRENSA P3)

7. ACCORDING TO CLARIN ON 26 AUGUST PRESIDENT MENEM SAID THAT AT THE MADRID MEETING ARGENTINA WOULD AIM TO GET BRITAIN TO LIFT THE MARITIME EXCLUSION ZONE (SIC) WHICH PREJUDICED ARGENTINA. IN A RADIO INTERVIEW ON 27 AUGUST MENEM SAID THERE WAS NO SPECIAL SIGNIFICANCE IN THE VISIT TO BRITAIN BY ARGENTINE LEGISLATORS BUT THERE WOULD NO DOUBT BE DISCUSSIONS ON THE FALKLANDS ''WITH BRITISH LEGISLATORS AND OFFICIALS''. MENEM SAID THE RENEWAL OF DIALOGUE WITH BRITAIN, WITH SOVEREIGNTY PROTECTED UNDER AN UMBRELLA, WAS DOING ARGENTINA MUCH GOOD. (SUN CLARIN P3, MON CLARIN P5)

8. AP REPORTS FROM THE FALKLANDS THAT FEELINGS ARE MIXED THERE ABOUT THE RAPPROCHEMENT BETWEEN BRITAIN AND ARGENTINA, SOME ISLANDERS FEARING THIS WOULD ULTIMATELY LEAD TO A TRANSFER OF SOVEREIGNTY. (MON NACION P4)

9. SPEAKING ON RADIO ON 27 AUGUST LOWER HOUSE FOREIGN RELATIONS

COMMITTEE CHAIRMAN FEDERICO STORANI DEMANDED THAT THE GOVERNMENT MAKE CLEAR IF THEIR POLICY IS TO POSTPONE THE SOVEREIGNTY ISSUE IN ORDER TO OBTAIN ECONOMIC BENEFIT (WHICH HE DOUBTED WOULD BE FORTHCOMING) AND CLAIMED THAT THE FALKLANDS WERE NEVER AN IMPEDIMENT TO INTEGRATION WITH THE EC. STORANI SAID BRITAIN'S DEMAND THAT COMMERCIAL AND FINANCIAL RESTRICTIONS BE LIFTED HAD BEEN MET WHILE SHE REFUSED TO DISCUSS SOVEREIGNTY. (MON CLARIN P6, PRENSA P3)

HUNT

LONG

YYYY

DISTRIBUTION 125

MAIN 107

PRESS SUMMARIES FROM ARGENTINA
LIMITED
FID
SAMD
UND
LEGAL ADVISERS
ERD
MCAD
ECD(E)
NEWS
ECONOMIC ADVISERS
RESEARCH
PUSD
SEND
PS/MR SAINSBURY
MR GILLMORE
MR FEARN
MISS SPENCER

ADDITIONAL 18

BUENOS AIRES PRESS SUMMARIES

NNNN

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 August 1989

Dear Bill,

RELATIONS WITH ARGENTINA

Thank you for your letter of 25 August with its round up on relations with Argentina. The Prime Minister has noted this.

Yours ever,

Charles Powell

CHARLES POWELL

R. N. Peirce, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

25 August 1989

Dear Charles

Relations with Argentina

Sir Crispin Tickell's meeting with a senior Argentine official in New York on 16-18 August (on the basis agreed in OD on 27 July) was highly successful. We achieved our principal objective - agreement on substantive talks in October from which the sovereignty issue would be firmly excluded, and a practical agenda. I enclose a copy of the joint communique, which summarises the outcome.

The Argentines made clear that they want to make substantial progress towards a more normal relationship with us, and to do so quickly while they still have domestic room to manoeuvre. They accepted that this meant leaving sovereignty firmly on one side. They also agreed without difficulty that the formula safeguarding each side's position on sovereignty (which we had agreed earlier to cover the proposed fisheries exchanges) should cover these talks too.

The Argentines agreed to our package of direct access and communications and removal of ceilings for Interests Sections.

The agenda agreed for the October meeting in Madrid meets our requirements (see attached copy of communique) and the prospects for progress are reasonable. The main problems will be:

(a) The FIPZ. The Argentines made clear that early removal of the FIPZ is a key issue for them in maintaining domestic support for the policy of rapprochement. They appear to envisage an equation in which they would declare a cessation of hostilities and we would lift the FIPZ. This would then lead to restoration of diplomatic relations.

Sir Crispin left them in no doubt that the FIPZ was not a political bargaining counter. He proposed that the way to approach the issue was to examine ways to build up confidence in the military sphere. The Argentines may prove susceptible to such an approach: they told him that they had recently, without publicity, changed their rules for naval operations in the South Atlantic to make them markedly less warlike.

/(b)

(b) Fisheries. The Argentines did not give us the additional assurance we have sought from them as a pre-condition for talks on fisheries - that they would not challenge the existence of the FICZ. They came very close to it, and said they hoped to do so before October. It clearly remains very difficult for them domestically, even to agree on the private assurances we require. Sir Crispin made it clear that we will not be able to discuss fisheries in October without such an assurance, but that this would not prevent us discussing other items on the agenda.

Reaction to the successful outcome of the talks has been generally favourable both in this country and Argentina. The fact we have induced the Argentines to negotiate while leaving sovereignty firmly on one side has been generally welcomed in the British press and in the Falklands. It is also welcome to the US Administration who have been fully briefed.

Sir Crispin Tickell handled these talks with skill. The Argentines appear to be acting in good faith, but by dropping their previous insistence on sovereignty they have taken a major domestic risk. When preparing our approach to the October talks we will need to keep our guard up and pursue our interests firmly, while being flexible in those areas where it is possible.

The Foreign Secretary intends to put specific proposals for our approach to the Madrid talks to OD in due course, probably in early October. FCO officials will meanwhile be working closely with the Ministry of Defence and other Departments concerned.

I am copying this letter to the Private Secretaries of other members of OD and Sir Robin Butler.

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

LATE SPOKESMAN, FRIDAY 18 AUGUST 1989

The following communiqué has been issued jointly by the United Kingdom and Argentine authorities, in New York at 1500 GMT today:

The British Permanent Representative to the United Nations, Sir Crispin Tickell, and the Special Representative of the Government of Argentina, Ambassador Lucio Garcia del Solar, met in New York on 16/18 August 1989 to discuss the timing, agenda and conditions for a later substantive meeting between representatives of the two countries.

It was agreed that this meeting would take place in Madrid on 17/18 October 1989. It was agreed that, where necessary, discussion would take place under the terms of a formula to protect the position of each side with regard to sovereignty or terrritorial and maritime jurisdiciton over the Falkland Islands, South Georgia and the South Sandwich Islands and the surrounding maritime areas.

The meeting will cover British/Argentine relations (including the future of diplomatic and consular relations):

- Measures to build confidence and avoid incidents in the military sphere;
- trade and financial relations;
- communications links: air and sea;
- fishery conservation and future cooperation on fisheries;
- contacts between the Falkland Islands and the continental mainland;
- cultural, scientific and sporting relations;
- other bilateral matters.

In order to stress their commitment to the improvement of relations and to facilitate arrangements to this end, both sides agreed (subject to the agreement of their protecting powers) on a package of measures to improve diplomatic contacts and communications. In particular they undertook to permit the respective Interests Sections to enjoy their own direct secure communications; to have direct access at official level to foreign

ministries; and to remove the ceiling on numbers of staff.

The representatives of the United Kingdom and Argentina stressed the intention of their respective governments to use the present opportunity to permit the normalization of their relations, and the furtherance of their mutual interest in peace and stability in the South Atlantic.

COMANDANTE EN JEFE ARMADA
CHILE

Santiago, August 24th, 1989

The Rt. Hon.
Margaret Thatcher
M.P.
10 Downing Street
London S.W. 1
GREAT BRITAIN

Dear Prime Minister:

It is an honor and a pleasure to write to you about a sensitive and highly relevant matter for the preservation of peace and harmony in this part of the world.

As it is known, Argentine Armed Forces are developing, with Algerian funding, a new missile, the CONDOR, which through the employment of the Chinese Silkworm's guidance system or something of the sort, would have a range of 270 nautical miles.

This type of weapon added to the Argentine nuclear reactor, which is also being developed with Algerian funding, means a serious potential unbalance between the Armed Forces of the South American nations, in circumstances that the hard economic situation generally prevailing in this continent makes it utterly absurd to undertake investments of such magnitude.

We know you have handled not long ago more or less similar issues with Argentina and, although the new Argentine Government has shown interest in peacefully settling the Falklands problem, it seems contradictory that they are at the same time building up their war capacity not only with the above mentioned weapon, but also updating their aircraft carriers and manufacturing or purchasing armaments which definitely are not necessary in a region where war is by no means a solution for political problems.

Therefore, it would be desirable that those powers that can have an influence on these decisions, make their best to avoid such demonstrations of belligerent purposes because they only cast doubts on the veracity of good intentions uttered at diplomatic talkings.

I hope you will understand the threat that this situation represents for a small country like ours, that since its Independence has had problems with this neighbour, due to its lack of sincerity. I am addressing you as President of the Legislative Power of Chile, that is doing its best to give its people welfare and security to foster economical development so as they may have the high standard of life they deserve because of their efforts and working spirit.

With great respect I remain yours sincerely

/ José Merino

JOSE T. MERINO
ADMIRAL

CONFIDENTIAL
FM UKMIS NEW YORK
TO DESKBY 180800Z FCO
TELNO 1081
OF 180440Z AUGUST 89
INFO IMMEDIATE BERNE, WASHINGTON, MONTEVIDEO, BRASILIA, PORT STANLEY
INFO IMMEDIATE MODUK

SIC
MODUK FOR SEC(O)(C)

MY 2 IPTS : ANGLO/ARGENTINE RELATIONS

1. FOLLOWING ARE THE ENGLISH AND SPANISH TEXTS OF THE DRAFT COMMUNIQUE FOR ISSUE AT THE CONCLUSION OF THE TALKS IN NEW YORK.

BEGINS

A

ENGLISH TEXT

THE BRITISH PERMANENT REPRESENTATIVE TO THE UNITED NATIONS, SIR CRISPIN TICKELL AND THE SPECIAL REPRESENTATIVE OF THE GOVERNMENT OF ARGENTINA, AMBASSADOR LUCIO GARCIA DEL SOLAR, MET IN NEW YORK ON 16/18 AUGUST 1989 TO DISCUSS THE TIMING, AGENDA AND CONDITIONS FOR A LATER SUBSTANTIVE MEETING BETWEEN REPRESENTATIVES OF THE TWO COUNTRIES.

IT WAS AGREED THAT THIS MEETING WOULD TAKE PLACE IN ~~BEGIN~~ ~~SQUARE BRACKET~~S MADRID END ~~SQUARE BRACKETS~~ ON 17/18 OCTOBER 1989. IT WAS AGREED THAT, WHERE NECESSARY, DISCUSSION WOULD TAKE PLACE UNDER THE TERMS OF A FORMULA TO PROTECT THE POSITION OF EACH SIDE WITH REGARD TO SOVEREIGNTY OR TERRITORIAL AND MARITIME JURISDICTION OVER THE FALKLAND ISLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS AND THE SURROUNDING MARITIME AREAS.

THE MEETING WILL COVER BRITISH/ARGENTINE RELATIONS (INCLUDING THE FUTURE OF DIPLOMATIC AND CONSULAR RELATIONS):

(A) MEASURES TO BUILD CONFIDENCE AND AVOID INCIDENTS IN THE MILITARY SPHERE:

(B) TRADE AND FINANCIAL RELATIONS:

(C) COMMUNICATIONS LINKS: AIR AND SEA:

(D) FISHERY CONSERVATION AND FUTURE COOPERATION ON FISHERIES:

(E) CONTACTS BETWEEN THE FALKLAND ISLANDS AND THE CONTINENTAL MAINLAND:

(F) CULTURAL, SCIENTIFIC AND SPORTING RELATIONS:

(G) OTHER BILATERAL MATTERS.

IN ORDER TO STRESS THEIR COMMITMENT TO THE IMPROVEMENT OF RELATIONS AND TO FACILITATE ARRANGEMENTS TO THIS END, BOTH SIDES AGREED (SUBJECT TO THE AGREEMENT OF THEIR PROTECTING POWERS) ON A PACKAGE OF MEASURES TO IMPROVE DIPLOMATIC CONTACTS AND COMMUNICATIONS. IN PARTICULAR THEY UNDERTOOK TO PERMIT THE RESPECTIVE INTERESTS SECTIONS TO ENJOY THEIR OWN DIRECT SECURE COMMUNICATIONS: TO HAVE DIRECT ACCESS AT OFFICIAL LEVEL TO FOREIGN MINISTERIES: AND TO REMOVE THE CEILING ON NUMBERS OF STAFF.

THE REPRESENTATIVES OF THE UNITED KINGDOM AND ARGENTINA STRESSED THE INTENTION OF THEIR RESPECTIVE GOVERNMENTS TO USE THE PRESENT OPPORTUNITY TO PERMIT THE NORMALIZATION OF THEIR RELATIONS, AND THE FURTHERANCE OF THEIR MUTUAL INTEREST IN PEACE AND STABILITY IN THE SOUTH ATLANTIC.

SPANISH TEXT

TGIABT

EL REPRESENTANTE ESPECIAL DE GOBIERNO DE LA REPUBLICA ARGENTINA, EMBAJADOR LUCIO GARCIA DE SOLAR Y EL REPRESENTANTE PERMANENTE DEL REINO UNIDO ANTE LAS NACIONES UNIDAS, SIR CRISPIN TICKELL SE REUNIERON EN NUEVA YORK ENTRE EL 16 Y 18 DE AGOSTO DE 1989 PARA CONSIDERAR LA FECHA, AGENDA Y CONDICIONES DE UNA PROXIMA REUNION SUSTANTIVA ENTRE REPRESENTANTES DE AMBOS GOBIERNOS.

SE ACORDO QUE DICHA REUNION TENDRA LUGAR EN BEGIN SQUARE BRACKETS MADRID END SQUARE BRACKETS EL 17 Y 18 DE OCTUBRE DE 1989. ASIMISMO SE ACORDO QUE, CUANDO RESULTE NECESARIO, LAS DISCUSIONES SE REALIZARAN BAJO LOS TERMINOS DE UNA FORMULA QUE PROTEJA LA POSICION DE CADA PARTE CON RELACION A LA SOBERANIA O JURISDICCION TERRITORIAL Y MARITIMA SOBRE LAS ISLAS MALVINAS, GEORGIAS DEL SUR Y SANDWICH DEL SUR Y LAS AREAS MARITIMAS CIRCUNDANTES.

LA REUNIOIN ABARCARA LAS RELACIONES ARGENTINO-BRITANICAS

(INCLUYENDO EL FUTURO DE LAS RELACIONES DIPLOMATICAS Y CONSULARES):

A) MEDIDAS PARA FOMENTAR LA CONFIANZA Y EVITAR INCIDENTES EN LA ESFERA MILITAR.

B) RELACIONES COMERCIALES Y FINANCIERAS.

C) COMUNICACIONES AERAS Y MARITIMAS.

D) CONSERVACION DE LA PESCA Y FUTURA COOPERACION SOBRE PESQUERIAS.

E) CONTACTOS ENTRE LAS ISLAS MALVINAS Y EL TERRITORIO CONTINENTAL.

F) RELACIONES CULTURALES, CIENTIFICAS Y DEPORTIVAS.

G) OTROS ASUNTOS BILATERALES.

CON EL PROPOSITO DE SUBRAYAR SU COMPROMISO CON LA MEJORIA DE LAS RELACIONES Y FACILITAR ARREGLOS CONDUCENTES A ESE FIN, AMBAS PARTES ACORDARON (SUJETO A LA CONFORMIDAD DE LAS POTENCIAS QUE LOS REPRESENTAN) UN PAQUETE DE MEDIDAS DIRIGIDAS A MEJORAR LOS CONTACTOS Y COMUNICACIONES DIPLOMATICOS. EN PARTICULAR, SE COMPROMETIERON A PERMITIR QUE LAS RESPECTIVAS SECCIONES DE INTERESES CUENTEN CON SUS PROPIAS COMUNICACIONES SEGURAS Y TENGAN ACCESO DIRECTO AL NIVEL OFICIAL DE LOS MINISTERIOS DE RELACIONES EXTERIORES Y A ELIMINAR LOS CUPOS DE PERSONAL DE DICHES SECCIONES DE INTERESES.

LOS REPRESENTANTES DE LA REPUBLICA ARGENTINA Y EL REINO UNIDO DESTACARON LA INTENCION DE SUS RESPECTIVOS GOBIERNOS DE APROVECHAR LA PRESENTE OPORTUNIDAD PARA ALENTAR LA NORMALIZACION DE SUS RELACTIONES Y PROMOVER SU INTERES COMUN EN LA PAZ Y LA ESTABLIDAD DEL ATLANTICO SUR.

ENDS

TICKELL

YYYY

037063
MDHIAN 2559

DISTRIBUTION 90

MAIN 86

.FALKLANDS-ARGENTINE PROPOSALS
LIMITED
FID
SAMD
NAD
NEWS
PUSD
PLANNERS
DEFENCE
PRU
PS
PS/MRS CHALKER
PS/LORD BRABAZON
PS/MR SAINSBURY
PS/PUS
MR GILLMORE
MR FEARN

ADDITIONAL 4

CDR COURTNAY CAB OFF
HD/SEC(O)(C) MOD
MR ANDERSON LEGAL ADVISER
PS/PUS MOD

NNNN

SECRET AND PERSONAL

12

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 August 1989

Dear Richard,

RELATIONS WITH ARGENTINA:
DIRECT COMMUNICATION

Thank you for your letter of 7 August to Caroline Slocock, which the Prime Minister has seen. She is content with the Foreign Secretary's proposal to authorise Sir Crispin Tickell to raise this issue with his Argentinian counterpart.

Yours,
Paul

PAUL GRAY

Richard Gozney, Esq.,
Foreign and Commonwealth Office

SECRET AND PERSONAL

cc O.D.(5)
Woolley

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 August 1989

Dear Richard,

RELATIONS WITH ARGENTINA

Thank you for your letter of 7 August to Caroline Slocock, which the Prime Minister has seen. She is content with the action proposed.

I am copying this letter to Private Secretaries to members of OD and to Trevor Woolley (Cabinet Office).

Yours,
Paul

PAUL GRAY

Richard Gozney, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

GLT

10 DOWNING STREET

Prime Minister

I would like to let the FCO know your response to the attached, which you saw in an earlier box.

Are you content with what is proposed?

AS
9/8

Yes

10 DOWNING STREET

Prime Minister (1)

I would like to let the FCO know your response to the attached.

Are you content with what is proposed.

Yes

CRS
7/8

013440
MDHIAN 1659

Prime Minister

UNCLASSIFIED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 318
OF 081530Z AUGUST 89
AND TO IMMEDIATE ACTOR ADDRESSEES
INFO PRIORITY UKMIS NEW YORK, WASHINGTON, SANTIAGO, MONTEVIDEO
INFO PRIORITY BRASILIA, PORT STANLEY, CBFFI

UK/ARGENTINA

1. THE FOLLOWING IS A FREE TRANSLATION OF THE TEXT OF A COMMUNIQUE RELEASED BY THE ARGENTINE FOREIGN MINISTRY ON 7 AUGUST.

BEGINS
PRESIDENT MENEM AND FOREIGN MINISTER DOMINGO CAVALLO REITERATE THE POSITION OF THE ARGENTINE GOVERNMENT WITH RESPECT TO THE NORMALIZATION OF RELATIONS WITH THE UNITED KINGDOM THROUGH PEACEFUL NEGOTIATIONS.

BY MEANS OF A FORMULA WHICH PERMITS THE PRESERVATION OF OUR SOVEREIGN RIGHTS TO THE FALKLAND ISLANDS, SOUTH GEORGIA AND THE SOUTHERN SANDWICH ISLANDS SUITABLE WAYS ARE BEING SOUGHT THROUGH NORMAL CHANNELS TO CARRY OUT THE SAID NORMALIZATION, INCLUDING THE ELIMINATION OF THE VESTIGES OF THE 1982 WWAR AND THE RENEWAL OF DIPLOMATIC RELATIONS.

AT THE MOMENT THERE ARE NO DIRECT CONVERSATIONS WITH THE UNITED KINGDOM ALTHOUGH THAT COULD OCCUR IN FUTURE. NEGOTIATION IS THE MOST SUITABLE METHOD TO SETTLE AMICABLY THE DIFFERENCES WHICH EXIST. THEREFORE OUR GOVERNMENT WILL ABOVE ALL TAKE INTO ACCOUNT THE NATIONAL INTEREST.
ENDS

HUNT

LONG

YYYY

[redacted]440
MDHIAN 1659

DISTRIBUTION 166

MAIN 147

.FALKLAND ISLANDS
LIMITED
FID
DEFENCE
SAMD
UND
MAED
HD/WIAD
MCAD
WED
NEWS
INFO
PLANNERS
ECONOMIC ADVISERS
RESEARCH
PUSD
PRU
NAD

LEGAL ADVISERS
RMD
PS
PS/LORD BRABAZON
PS/MRS CHALKER
PS/MR SAINSBURY
PS/PUS
PS/SIR J FRETWELL
MR J WESTON
MR GILLMORE
MR FEARN
MR [redacted]GOULDEN
MISS SPENCER
MR LANKESTER ODA
MR AINSCOW, ODA
MR MANNING ODA
MR CARRICK

ADDITIONAL 19

FALKLAND ISLANDS

NNNN

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

7 August 1989

Dear Caroline,

Relations with Argentina

As agreed by OD on 27 July, we have arranged for Sir Crispin Tickell to meet an Argentine Foreign Ministry official, Senor Garcia del Solar, in New York on 16 August. He will explore the possibility of a more substantive meeting in the near future, to discuss ways of achieving more normal relations without including the issue of sovereignty.

The Foreign Secretary will send Sir Crispin detailed instructions. He proposes these should cover the ground rules as follows:

- The objective is to achieve demonstrable progress towards a more normal bilateral relationship, concentrating on practical matters of mutual interest.

- The basis of any substantive meeting must be that sovereignty will be put firmly on one side and not be raised. We must have a clear and explicit assurance on this, in advance.

- We believe the formula agreed with the Alfonsin Government and recently transmitted to the new Government via the Brazilians (copy enclosed) would fully protect our position in relation to Falklands-related issues (eg. fisheries questions); we hope the Argentine Government will now confirm they accept it.

- We will not be able to discuss fisheries matters without clear assurances that the Argentine Government accept the sovereignty formula and agree not to use these discussions to challenge the existence of the FICZ (or to raise the sovereignty issue): these are the same conditions we sought via the US from Alfonsin.

/As

CONFIDENTIAL

As far as the agenda is concerned, the Foreign Secretary proposes that Sir Crispin should put forward the following outline, starting with bilateral matters:

- Introductory statements (possibly preceded by a private meeting between heads of delegation to ensure mutual understanding on ground rules).

- Confirmation of agreement on the sovereignty formula.

- British-Argentine relations, covering trade, financial relations, shipping and civil aviation matters, cultural relations, the future of diplomatic and consular relations and other bilateral matters.

The agenda could go on to include strictly defined South Atlantic matters: measures to increase confidence and avoid incidents in the military sphere, a possible next-of-kin visit to the Argentine cemetery on the Islands, fishery conservation and Falkland/mainland contacts.

On practical arrangements Sir Crispin should make clear:

- We want to move quickly, to take advantage of apparent Argentine co-operativeness while it lasts; this suggests substantive discussions no later than mid October.

- We can be flexible over location, but a European capital (eg. Rome) would be best; we must avoid Berne with its unfortunate history; New York would risk associating talks too closely with the UN.

Sir Crispin will have firmly to disabuse the Argentines of any expectations that we may lift the FIPZ following the substantive meeting. But he could indicate that, if the talks led to a suitable climate of confidence we would be ready to examine whether the degree of security the FIPZ provides could be guaranteed in any other way. He will stress that any discussion of fisheries conservation will have to be modest and at least to begin with, confined to technical exchanges and be subject to the caveats I have set out above.

We also hope that the Argentines will agree to pragmatic steps to improve contacts between us at the meeting on 16 August, and provide a tangible albeit modest result. Subject to your reply to my letter of 7 August we

/hope

hope to propose to them that our respective Interests Sections should have direct communications, direct access to government Ministries and no longer be subject to ceilings on staff.

Press interest will inevitably be intense. The Argentines have promised there will be no leaks from their side, but all previous experience suggests there will. We have agreed a short press statement (attached) with the Argentines, which they want to issue as late as possible. We may have to issue it earlier if speculation becomes too strong. The Foreign Secretary believes it would be highly desirable to issue a joint statement as soon as Sir Crispin's talks are concluded. I enclose a draft text which could form part of his instructions.

I am copying this to the Private Secretaries of other members of OD and Trevor Woolley (Cabinet Office).

Yours sincerely,

Richard Gozney

(R H T Gozney)
Private Secretary

Miss Caroline Slocock
10 Downing Street

Enclosure

ANGLO-ARGENTINE RELATIONS

TEXT OF THE ARRANGEMENT REGARDING THE QUESTION OF SOVEREIGNTY (AGREED WITH THE ALFONSIN GOVERNMENT)

1. Nothing in the conduct or content of the present meeting may be interpreted as:

(A) A change in the position of the United Kingdom with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands and the surrounding maritime areas:

(B) A change in the position of the Argentine Republic with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands and the surrounding maritime areas:

(C) Recognition of or support for the position of the United Kingdom or the Argentine republic with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands and the surrounding maritime areas.

2. No act or activity carried out as a consequence and in implementation of anything agreed to in the present meeting may constitute a basis for affirming, supporting, or denying the position of the United Kingdom or the Argentine republic regarding the sovereignty or territorial and maritime jurisdiction over the Falkland Islands and the surrounding maritime areas.

JD1ANS

Enclosure

TEXT OF PRESS RELEASE: MEETING ON 16 AUGUST

It has been agreed that a meeting will be held in New York on 16 August, at a time convenient to both sides, between the United Kingdom's permanent representative to the United Nations, Sir Crispin Tickell, and the Director-General of the Argentine MFA, Sr Garcia del Solar, representing the Government of Argentina.

This meeting, which will be without prejucide to the sovereignty position of either side, will seek to establish the conditions and agenda for direct talks between the UK and Argentina.

JD1ANT

SECURITY CLASSIFICATION

Top Secret

Secret

Confidential

Restricted

Unclassified

PRIVACY MARKING

.....

In Confidence

ANNEX B

DRAFT COMMUNIQUÉ

[ON CONCLUSION OF BRITISH-ARGENTINE TALKS IN NEW YORK]

The British Permanent Representative to the United Nations, Sir Crispin Tickell and the Director-General of the Argentine Foreign Ministry, Sr Garcia del Solar met in New York on .. August to discuss the timing, agenda and conditions for a later substantive meeting between representatives of the two countries.

It was agreed that this meeting would take place in ..... on .. October and would cover the following subjects:

Relations between the United Kingdom and Argentina (including trade, financial questions, communications links, cultural relations and the future of diplomatic and consular relations).

South Atlantic matters (including measures to build confidence and avoid incidents; possible visits to the Argentine Military Cemetery in the Falklands; fishery conservation and future co-operation on fisheries and contacts between the Falkland Islands and South America).

/...

It was agreed that where questions which affected the sovereignty of the Falkland Islands were raised, discussion would take place under the terms of a formula on sovereignty to protect the position of each side.

? See Note

[Both sides noted the forthcoming meeting between Foreign Ministers of the Group of Eight and the European Community in New York on 27 September and agreed that a separate meeting should be held in New York between the Foreign Ministers of the United Kingdom and Argentina to discuss the outcome of this present meeting and the prospects for the substantive meeting planned in October.]

In order to stress their commitment to the improvement of relations and to facilitate arrangements to this end, both sides agreed to implement (subject to the agreement of their protecting powers) a package of new measures to improve diplomatic contacts and communications. In particular they undertook to:

(i) Offer access to the Interests Sections of the other party for discussion of administrative matters with Foreign Ministries (up to the level of Head of Department).

/(ii)

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

.....

In Confidence

(ii) Lift restrictions on direct communications between Interest Sections and capitals. This would permit the resumption of confidential bag services and the installation of secure telecommunications.

(iii) Lift the limits on the numbers of diplomatic and support staff permitted to Interests Sections.

The Representatives of the United Kingdom and Argentina stressed the intention of their respective Governments to use the present opportunity to permit the normalisation of relations and the furtherance of their mutual interest in peace and stability in the South Atlantic.

11(A-B)

SECRET AND PERSONAL

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Are you content with what is proposed?

CDS 7/8

7 August 1989

Yes - agreed

Dear Caroline,

Relations with Argentina: Direct Communications

Following discussion in OD on 27 July, we are arranging for Sir Crispin Tickell to meet a senior Argentine official in New York later this month to see whether it will be possible to work out acceptable ground rules for subsequent direct talks. I will write shortly with the Foreign Secretary's proposals for the line Sir Crispin should be authorised to take.

Meanwhile there is one issue that we need to agree more rapidly in advance. We believe that it would be well worth using the meeting to try and secure agreement that our interests section in Buenos Aires should be allowed their own direct secure communications.

It would make our vital intelligence operations much easier; they have been seriously handicapped since 1982 by the fact that our only secure communications with Buenos Aires are via our protecting power, the Swiss.

We have long sought a way to restore direct secure links of our own. It would be worth taking advantage of the opportunity which Sir Crispin Tickell's meeting provides. It is not unusual for interest sections to have direct communications and direct access; the US have enjoyed both in Havana for many years.

The installation of secure links could be combined with two other measures to improve the working roles of interest sections:

(i) removing ceilings on numbers - this is primarily necessary to enable us to man a secure system - at present we are confined to four diplomats and two support staff. But we may also wish to post commercial staff to Buenos Aires now that the restrictions on our exports have been lifted;

(ii) allowing interest sections direct access at official level to Foreign Ministries. The Prime Minister agreed that we should put this proposal to the Americans last May and again in July. In the new atmosphere it could prove interesting to the Argentines.

SECRET AND PERSONAL

With these measures we should have a small but worthwhile package to emerge from this first meeting. It would be a tangible sign that both governments are serious in wanting to do practical business together, and that progress is possible without any shift in our position on sovereignty.

If we are to have a chance of securing Argentine agreement at this meeting we will, however, need to give them some warning, and not spring it on them. We will also need to let the Swiss know in advance.

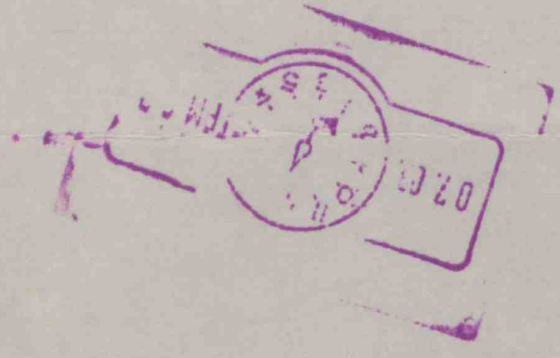
The Foreign Secretary therefore proposes to authorise Sir Crispin to mention this proposal to his Argentine counterpart (with whom he is arranging the details of the meeting later this month) later this week, and to arrange for the Swiss to be briefed too.

Yours sincerely

Richard Gozney

(R H T Gozney)
Private Secretary

Miss Caroline Slocock
10 Downing Street



010733
MDHIAN 1557

Prime Minister

CNS 8/8

UNCLASSIFIED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 314
OF 071540Z AUGUST 89
AND TO IMMEDIATE ACTOR ADDRESSEES
INFO PRIORITY UKMIS NEW YORK, WASHINGTON, SANTIAGO, MONTEVIDEO
INFO PRIORITY BRASILIA, PORT STANLEY, CBFFI

UK/ARGENTINA: PRESS COVERAGE 5-7 AUGUST (ALL ITEMS FAXED TO FID)

1. FOREIGN SECRETARY JOHN MAJOR HAS SENT FOREIGN MINISTER DOMINGO CAVALLO A MESSAGE IN WHICH HE DESCRIBES THE RECENT ARGENTINE DECISION TO ELIMINATE TRADE RESTRICTIONS AS REFLECTING THE GESTURES THE TWO COUNTRIES ARE ADOPTING IN THE COMMON TASK OF SEEKING TO RE-ESTABLISH NORMAL RELATIONS. (SAT HERALD P11, CLARIN P9) (SEE MIFT)

2. THE PERONISTS' LEADER IN THE CHAMBER OF DEPUTIES JOSE LUIS MANZANO HAS TOLD CAVALLO THAT THE PARTY SUPPORTS THE GOVERNMENT'S POLICY TOWARDS THE UK. (SAT NACION P3, CLARIN P9)

3. ON 4 AUGUST CAVALLO TOLD REUTERS THAT ARGENTINA WISHED TO CLEAR AWAY ALL VESTIGES OF THE WAR WITH GREAT BRITAIN AND SAID THERE WERE NO OBSTACLES FOR DECLARING A CESSATION OF HOSTILITIES. ARGENTINA SOUGHT THE RE-ESTABLISHMENT OF RELATIONS WITH THE UK PROVIDED THAT HER CLAIMS TO THE FALKLANDS WERE NOT JEOPARDISED. PROGRESS WOULD NOT DEPEND ON PRECISE RECIPROCITY. IF ARGENTINA AND THE UK BEGAN TALKS, THERE WOULD BE NO UN FALKLANDS RESOLUTION THIS YEAR. (SAT CLARIN P9, PRENSA P3)

4. ON 5 AUGUST CAVALLO REITERATED ARGENTINA'S INTEREST IN RESTORING DIPLOMATIC RELATIONS. HE TOLD JOURNALISTS THAT DISCRETION WAS NECESSARY. CONCRETE RESULTS WOULD BE ANNOUNCED AS AND WHEN THEY OCCURRED. THE US HAD FACILITATED EXCHANGES ON FISHING AND CONFLICT AVOIDANCE IN THE SOUTH ATLANTIC, AND THIS CHANNEL COULD AT SOME POINT LEAD TO NEGOTIATIONS. (SUN NACION P5, CRON COM P5)

5. IN A LETTER TO LA NACION, RETIRED REAR ADMIRAL CARLOS BUSSER ARGUES AGAINST RAPPROCHEMENT WITH THE UK ON THE GROUNDS THAT HMG HAS NO INTENTION OF EVER DISCUSSING THE ISLANDS' SOVEREIGNTY. (SUN NACION P8)

6. AN ARTICLE IN THE TIMES CLAIMS THAT PRIME MINISTER MARGARET THATCHER HAS APPROVED DIRECT TALKS WITH ARGENTINA. THE TALKS WOULD

TAKE PLACE IN NEW YORK BETWEEN THE TWO COUNTRIES' UN AMBASSADORS, SIR CRISPIN TICKELL AND MARCELO DELPECH. BRITISH OFFICIALS HAD SPOKEN OF INDIRECT CONTACTS BETWEEN BRITAIN AND ARGENTINA. BUT A DOWNING STREET SPOKESMAN COULD NOT CONFIRM THE STORY. DELPECH IS REPORTED AS SAYING HE HAD NO KNOWLEDGE OF THE MATTER. A SENIOR FOREIGN MINISTRY SOURCE IS QUOTED AS SAYING THAT HE DOUBTED THAT THE MEETING WOULD TAKE PLACE AND ATTRIBUTING THE REPORT TO PRESS SPECULATION. (MON CRON COM P3, CLARIN P2, PRENSA P2, NACION P1)

HUN

LONG

YYYY

DISTRIBUTION 125

MAIN 107

PRESS SUMMARIES FROM ARGENTINA	NEWS
LIMITED	ECONOMIC ADVISERS
FID	RESEARCH
SAMD	PUSD
UND	SEND
LEGAL ADVISERS	PS/MR SAINSBURY
ERD	MR GILLMORE
MCAD	MR FEARN
ECD(E)	MISS SPENCER

ADDITIONAL 18

BUENOS AIRES PRESS SUMMARIES

NNNN

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Cradock to Powell 28/7/89 + attachment	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

COPIED TO MIDDLE EAST: Arms Sales PT4.

PRIME MINISTER

OD: THURSDAY 27 JULY

OD after Cabinet has two separate issues on the agenda:

- Argentina
- Sale of Hawk to Iraq

Argentina

There is a jumble of papers on Argentina from the FCO and MOD. The main issues which need to be discussed are these:

- has the Argentinian threat to the Falklands increased? Menem made some bellicose statements during his election campaign. More recently he has sounded conciliatory. But we cannot afford to take a short-term view. If Menem runs into domestic trouble, he may turn attention back to the Falklands to divert people from other problems. Or he may make such an mess of things that the military will depose him, with a consequent increase in the threat. When it comes to capabilities, the JIC assess that Argentina is not presently capable of mounting an invasion - and the build-up of her military strength is something we would be able to monitor. But the possibility of hit-and-run attacks or incursions remains. All we can conclude is that in the short-term the threat is not acute: but Argentinian politics are notably volatile, and we cannot assume that the threat of some sort of action is diminished, at least until we have tested the Argentinian Government's intentions and seen them demonstrate by actions that they are putting the military option behind them.

- are the Falklands vulnerable to an Argentinian military threat, despite the heavy investment of the past few years? The Defence Secretary's paper suggests that there are still gaps in the defences in two crucial respects: low level radar cover against air attack is deficient in some sectors: and the bulk fuel installations are vulnerable to such attack or to action by special forces. OD needs to decide whether the risk is sufficient to justify extra expenditure to improve radar cover. In principle, we ought to take whatever action is necessary to close loopholes in our defences. It would also be useful if OD were also to confirm the continuing need for pre-emptive action to stop Argentina from acquiring arms which would increase its threat to the Falklands. This means above all continued persuasion of the US Administration, which is likely to become more difficult.

- in the light of the threat, are the proposed new RoE for the Falklands acceptable? The main change is to require proof of hostile intent rather than mere presence in the central zone before any action is taken, with the qualification that discovery of a submarine within the 12-mile limit will in itself be regarded as evidence of hostile intent. You have agreed to this and I am not aware of any objections from colleagues. The outstanding question is whether we should formally claim a 12-mile territorial waters' limit for the Falklands and if so when. In principle, it seems a perfectly sensible step to take. But we shall not want to do it in a way which can be presented by others as provocative in its timing and calculated to undermine or upset any tentative steps by Argentina towards a more conciliatory approach. There may be a case for taking the decision now to extend the territorial limit, but deferring implementation until we have tested Argentina's political intentions.

- how do we respond to the political feelers put out by Argentina? The signals are mixed, but there does seem to be an attempt by Menem - both in public statements and in private messages - to initiate contacts with the aim of improving relations. You have agreed to preliminary discussions in New York to explore Argentina's intentions. Whether we agree to move on to direct talks depends on two crucial conditions: on Argentine undertakings not to introduce the question of sovereignty, and not to challenge the existence of the Falklands Islands Conservation and Management Zone. You will want to get OD's support for a cautious and sober response to Argentinian overtures: and agreement that we should not rise to some of the zanier ideas being touted, such as a meeting between you and Menem in the United States.

Sale of Hawk to Iraq

You read the OD paper on this at the week-end. The more I think about it, the more dubious the proposition looks. We are being asked to give carte blanche to a distant and hazy sales prospect with very major political and financial implications for the Government. Iraq is run by a despicable and violent government, which has gloried in the use of CW, and a substantial defence sale to them would be seen as highly cynical and opportunistic. It would not sit easily with our robust attitude towards nasty regimes. It is not reasonable of the Iraqis to demand an open-ended assurance from us before negotiations even begin. It must be doubtful whether other countries to which we are selling Hawk - e.g. Saudi Arabia and Oman - would welcome supply to Iraq. And we would all too likely find ourselves with a substantial obligation on ECGD. All for a pot of gold which looks pretty uncertain anyway: its far from clear that the Iraqis can pay. I think you will find both the Chancellor and the Foreign Secretary opposed to the proposition as it stands.

This does not mean that OD need dismiss the deal out of hand. To do so could be damaging to our other commercial interests in Iraq. OD could ask for a much fuller assessment of the possible financial implications and of the nature of the assurances being sought. It may be that some of these points can only be established by preliminary negotiations with Iraq - in which case, it would have to be clear that the decision on whether to grant an export was not being pre-empted.

A Cabinet Office brief and full set of supporting documents are in the folder.

CD?

C. D. POWELL
26 July 1989

KK1ATT

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Cradock to PM 25/7/89 and attachment	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	7/12/16
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

SECRET UK EYES A

FILE 8Ph
CEPC

10

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 July 1989

SOUTH ATLANTIC RULES OF ENGAGEMENT

The Prime Minister has considered the Defence Secretary's minute of 21 July setting out the outcome of the review of the rules of engagement for the South Atlantic. She is content with the new and more flexible ROE, including the rules governing action against submerged submarines discovered inside Falklands territorial waters. She also agrees that there is a strong case to extend the Falklands territorial waters to 12 nautical miles, although the timing of such action would have to be carefully weighed.

I am sending copies of this letter to the Private Secretaries to members of OD, to the Attorney General and to Sir Robin Butler.

(C. D. POWELL)

Brian Hawtin, Esq.,
Ministry of Defence.

SECRET UK EYES A

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 July 1989

Dear Stephen,

UK/ARGENTINA

A banking contact of Alan Walters', whose name is Pucci Roehm, telephoned him today to say that he expected the Argentinian Government to lift all restrictions on British companies in Argentina in the next few days. This would apparently be a unilateral gesture.

Yours ever,

CHARLES POWELL

J. S. Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270 0050

SECRET

T0614

25 July 1989

CB7247

J P Colston Esq
APS/ Secretary of State for Defence
Ministry of Defence
Room 6165
Main Building
Whitehall SW1

Dear John

with CSP.

INTELLIGENCE COVER OF ARGENTINA

This is just to record that your letter of 6 July to Charles Powell enclosing a highly classified note, which you copied on a very narrow distribution, is not mentioned on the agenda for Thursday's meeting of OD, and I am assuming that those Ministers who are aware of it will not mention it at the meeting.

2. I am copying this letter to the recipients of yours.

Yours sincerely
B D Reeves

W D REEVES

Copied to: ✓C D Powell Esq - No 10
J S Wall Esq - FCO

SECRET

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Younger to PM 21/7/89 and attachments	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	7/12/16
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: AH to Younger 20/7/84	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	7/12/16
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

CONFIDENTIAL

file mem

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 July 1989

Dear Stephen.

ARGENTINA: NEXT STEPS

The Prime Minister has noted the Foreign Secretary's minute of 20 July about the next steps in dealing with Argentina and is content with it.

I am copying this letter to the Private Secretaries to members of OD(FAF) and to Trevor Woolley (Cabinet Office).

Yours ever,

CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

mer

CONFIDENTIAL

FCS/89/038

PRIME MINISTER

Argentina: Next Steps

1. On 27 July OD will discuss the issues raised in my minute (and enclosed contingency paper) of 16 June to the Defence Secretary, his reply of 4 July and developments since. Menem took office (early) on 8 July. Since then there has been a good deal of movement both within Argentina and on UK/Argentine relations.

2. Despite the country's acute economic problems, Menem is enjoying a honeymoon. He selected a responsible, indeed in key posts a conservative, ministerial team. A severe programme of economic retrenchment has been introduced, with provision for privatisation of the sprawling para-state sector. When this programme bites, it will offend Menem's traditional Peronist constituency - the powerful trade unions and the blue collar workers. We could see a rapid end of the honeymoon and a recurrence of the rioting and looting which marked the last days of Alfonsin's Presidency. Meanwhile the military will remain highly volatile: even if they receive an amnesty on human rights offences, tension will remain.

CONFIDENTIAL

3. Since the inauguration we have received a number of signals from Menem and his new Foreign Minister that they wished to improve relations with Britain. In particular they have suggested placing the sovereignty question "in parentheses" to enable progress to be made on practical issues. Argentine statements have not, however, been consistent and the detail of their approach remains unclear.

4. On 13 July, the Brazilians told us that they had been authorised by the Argentines to put a formal proposal to us that British and Argentine representatives should meet under the so called sovereignty "umbrella formula" (as agreed with the Alfonsin Government in last year's fisheries exchanges through the Americans). We have replied through the Brazilians that we would be prepared to hold an initial meeting between Permanent Representatives in New York at which the ground rules for any further talks and their scope might be agreed. This message was passed on 17 July and we expect an Argentine response shortly. A meeting could not, however, take place until Sir Crispin Tickell returns to New York on 4 August.

5. If we get as far as a substantive meeting, which is by no means certain, I believe that the issues should be:

- the restoration of normal trade between Britain and Argentina;

- communications (especially resumption of air links);

- the abolition of financial restrictions (already agreed but only partially implemented by Argentina);

- fishery conservation.

6. In the initial talks in New York, as in the past, we should seek two prior assurances:

- that Argentina would not use the talks to introduce the question of sovereignty;

- that the Argentine Government would not challenge the existence of the Falkland Islands Conservation and Management zone.

7. If these assurances were forthcoming, we could then consider moving to direct talks. But we should make it plain that if the Argentines went back on these assurances once talks had begun, we would be fully justified in withdrawing from the talks.

/8.

8. It is doubtful whether Menem and his advisers yet understand the complexity of the issue. His room for domestic manoeuvre may diminish under economic and possibly military pressures within a few months. If this happens, we may have to face a more difficult and dangerous Menem.

9. I believe, however, that we should seek to take advantage of the new Argentine mood, while it lasts. The approach I have set out above is in line with our position up to now and could offer tangible benefits, for example to British exporters and to British Airways. If the Argentines are unable to deliver we shall at least have demonstrated, to our own public opinion as well as to the Americans and internationally, that we are willing to seek a more normal relationship. The proposed meeting in New York will show whether a real chance of progress exists.

10. Looking further ahead, we may be faced with some difficult decisions later this year over the Falklands, South Georgia and their fisheries, which could have direct consequences for UK/Argentine relations and implication for our dealings with the Americans. We are awaiting two reports:

/(i)

(i) in late summer on the sensitive question of squid stocks, which has implications for conservation measures in our economic zone outside the FICZ ("the Doughnut"), as well as in the Argentine economic zone and on the high seas;

(ii) next month on fish stocks around South Georgia. This is a less urgent and less sensitive question but could still rebound on Anglo-Argentine relations.

11. We are also examining the question of extension of the territorial sea for certain Dependent Territories (including the Falklands and South Georgia) from 3 to 12 miles. No decision on any of these matters should be needed for a few months.

12. I am copying this minute to members of OD(FAF) and to Sir Robin Butler.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
20 July 1989

20 JUL 1989

CONFIDENTIAL

File

SRW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 July 1989

Dear Stephen,

FALKLAND ISLANDS: RELATIONS WITH ARGENTINA

Thank you for your letter of 15 July about the various signals from the new Argentine President and his Foreign Minister about their wish to improve relations with Britain. The Prime Minister is content with the way in which the Foreign Secretary proposes to respond to these and would like to be kept closely in touch with progress.

Yours ever,

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

1885

(1)

Foreign and Commonwealth Office

London SW1A 2AH

15 July 1989

Prime Minister

Dear Charles,

Content with this approach?

CDD 15/7

Yes

Falkland Islands: Relations with Argentina

Since the Argentine Presidential inauguration, we have received a number of signals from President Menem and his Foreign Minister, Senor Cavallo, that they wish to improve relations with Britain. In particular, they have:

- offered to place the sovereignty question "in parentheses" to enable relations to be improved;

- welcomed messages from the Prime Minister and Foreign Secretary on the inauguration and replied promptly and in kind;

- stated that Argentina would be prepared finally to cease hostilities, though this appears to be conditional on Britain suspending the exclusion zone (ie FICZ/FIPZ) around the Falklands.

protection

The Brazilian Acting Foreign Minister, Paulo Tarso, has told our Ambassador that the Brazilians have been authorised by the Argentine Government to put to us a formal proposal that UK and Argentine representatives should meet under the so-called 'umbrella formula', ie a meeting constructed in such a way as to ensure that neither side's sovereignty claims would be prejudiced. Tarso said that the Argentines had suggested that the meeting might take place in Brazil. Issues for discussion might be natural resources (ie fisheries) and communications between the Falklands and the mainland.

In discussions at lunchtime yesterday, Secretary Baker said that the US had also had positive signals from the Argentines in response to the message they had carried on our behalf to Menem's inauguration.

The Foreign Secretary thinks that we should see if we can make something of the new Argentine mood. He proposes to tell the Brazilians (who are the

Argentine protecting power in London) that we would be prepared for our mission in New York and the Argentine mission to hold an initial meeting at which the ground rules for any further talks could be agreed. The issues for discussion would be:

- the restoration of normal trade between Britain and Argentina;

- communications (especially resumption of air links);

- the abolition of financial restrictions (already agreed but only partially implemented by Argentina);

- fishery conservation.

We would, as in the past, seek two assurances before talks could begin:

- that Argentina would not seek to use the talks to introduce the question of sovereignty;

- that the Argentine Government would not challenge the existence of the Falkland Islands Conservation and Management zone.

If these assurances were forthcoming, we could then consider moving to direct talks.

We may not get beyond first base. But the approach set out above would be in line with our position hitherto. If the Argentines are unable to deliver, we shall have again demonstrated our willingness to seek a more normal relationship.

If the issue comes up at the post-Summit press conference, Sir Geoffrey Howe suggests the Prime Minister should say:

- I have followed with very close interest the various comments which President Menem has made on relations between Argentina and the United Kingdom;

- if his approach is indeed to ssek a more normal relationship between us, while putting the difficult issue of sovereignty aside, then I welcome it;

- we have made long-standing proposals to regularise our relations in the fields of finance, trade and air links;

- we are ready to develop exchanges on the South Atlantic Fishery;

- I very much hope that progress can now be made on these practical issues which affect our bilateral relations.

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

127210
MDHIAN 3462

PS TO PRIME MINISTER
NO 10 DOWNING ST

UNCLASSIFIED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 265
OF 141520Z JUL 89
AND TO IMMEDIATE ACTOR ADDRESSEES
INFO PRIORITY WASHINGTON, CBFFI, PORT STANLEY, MONTEVIDEO, BRASILIA
INFO PRIORITY SANTIAGO, UKREP BRUSSELS, UKMIS NEW YORK

UK/ARGENTINA: PRESS COVERAGE

SUMMARY

1. PRESIDENT MENEM SAYS HIS 12 JULY REMARKS DID NOT CONSTITUTE A FORMAL PROPOSAL.

DETAIL

2. THE FALKLANDS RETURNED TO THE INSIDE PAGES AGAIN ON 14 JULY. PAGINA 12, AMBITO FINANCIERO AND THE BUENOS AIRES HERALD REPORT THAT MENEM APPEARS TO HAVE TONED DOWN HIS 'OFFER' TO THE UK. IN DOORSTEP COMMENTS TO THE PRESS, HE SAID THAT HIS STATEMENT ON THE POSSIBILITY OF DECLARING AN END TO HOSTILITIES IN THE SOUTH ATLANTIC WAS ''AN EXPRESSION OF THE GOVERNMENT'S WISHES, NOT A FORMAL PROPOSAL''. MENEM WENT ON TO SAY ''AN EVENTUAL DE JURE DECLARATION OF AN END TO HOSTILITIES COULD BE A POSSIBLE WAY OF ELIMINATING THE MILITARY AND ECONOMIC EXCLUSION ZONE IMPOSED BY BRITAIN AROUND THE 'MALVINAS'''. ASKED SPECIFICALLY IF HIS STATEMENT OF 12 JULY CONSTITUTED A PROPOSAL, MENEM SAID ''WE HAVE NOT PROPOSED ANYTHING AT ALL. THE INFORMATION HAS BEEN A LITTLE DISTORTED. THEY WERE SIMPLY EXPRESSIONS OF THE NEED TO MOVE FORWARD IN THE PACIFICATION OF THE SOUTH ATLANTIC. NEITHER BRITAIN NOR ARGENTINA CAN AFFORD TO SUSTAIN INDEFINITELY A STATE OF WAR, OF CONFRONTATION, OR AT LEAST A STATE OF HOSTILITIES. AS I HAVE SAID NUMEROUS TIMES, WE ARE GOING TO PRESERVE THE SOVEREIGNTY ASPECT, BUT WE HAVE TO ADVANCE ON THIS EXCLUSION ZONE, WHICH IS OUR SEA, TO THE EXTENT THAT WE CAN AGREE MEASURES WITH BRITAIN WHICH WILL ENABLE ARGENTINA TO ENTER THE EXCLUSION ZONE. A FORMAL DECLARATION OF HOSTILITIES COULD BE A POSSIBLE WAY OF ELIMINATING THAT EXCLUSION ZONE. THAT IS TO SAY, TO RETURN, TO SOME EXTENT, TO THE SITUATION PREVAILING PRIOR TO THE 1982 CONFLICT. WITHOUT RENOUNCING HER LEGITIMATE RIGHTS ARGENTINA IS DEMONSTRATING TO THE WORLD THAT SHE HAS OPTED FOR PEACE, NOR WAR''. PAGINA 12 SAYS MENEM DID NOT CLARIFY IF HIS PROPOSAL AS ANY DIFFERENT FROM THE ONE MADE BY ALFONSIN IN NOVEMBER 1986.

3. AMBITO REPORTS THAT FOREIGN MINISTER DOMINGO CAVALLO, WHO

TRAVELS TO THE US TO MEET SECRETARY OF STATE JAMES BAKER ON 18 JULY, REFUSED TO COMMENT ON WHETHER THERE ARE DIRECT CONTACTS UNDERWAY WITH BRITAIN. HE SAID ''ONE CANNOT BE PRECISE IN SUCH A DELICATE QUESTION.'' CAVALLO'S COLLEAGUES HAD TWO MESSAGES FOR THE PRESS: THE QUESTION WAS HANDLED DIRECTLY BY THE FOREIGN MINISTER AND NOT BY HIS SUBORDINATES, AND THERE WAS NO DISAGREEMENT ON THE ISSUE BETWEEN THE MFA SECRETARIATS HEADED BY ARCHIBALDO LANUS AND MARIO CAMPORA.

4. AMBIO QUOTES A REUTERS REPORT THAT THE PRIME MINISTER TOLD PRESIDENT SANGUINETTI IN PARIS ON 13 JULY THAT THE UK WISHED TO RESTORE GOOD COMMERCIAL AND DIPLOMATIC RELATIONS WITH ARGENTINA, BUT THAT BRITAIN WOULD NOT DISCUSS SOVEREIGNTY.

5. SEVERAL PAPERS QUOTE AMBASSADOR-DESIGNATE TO THE UNITED STATES, GUIDO DI TELLA, AS FOLLOWS: ''WASHINGTON CANNOT BE ABSENT IN QUESTIONS BEARING ON RELATIONS WITH THE UNITED KINGDOM. WASHINGTON'S WORDS AND OPINIONS WILL CARRY A CERTAIN WEIGHT IN EVENTUAL DISCUSSIONS WITH BRITAIN.'' AMBITO COMMENTS THAT THE IMPLICATIONS OF HIS REMARK ARE UNCLEAR.

6. LA NACION CARRIES AN INTERVIEW WITH CAVALLO. ASKED WHAT THE PRIORITY AREAS FOR FOREIGN POLICY ARE HE SAID: ''WITHOUT DOUBT, THAT CONCERNED WITH THE MALVINAS AND RELATIONS WITH BRITAIN, WHICH IN TURN IS LINKED TO RELATIONS WITH THE EC AND, EVEN MORE SO, RELATIONS BETWEEN EUROPE AND LATIN AMERICA ... IN HIS INAUGURAL ADDRESS TO CONGRESS MENEM EXPRESSLY INDICATED THAT THE MEANS THE GOVERNMENBT WILL USE TO RECOVER THE ISLANDS WILL BE THE LAW AND RIGHT. IN HIS REMARKS TO FOREIGN JOURNALISTS, AND OTHERS SINCE, MENEM MADE CLEAR THAT, TO THE EXTENT THAT THE TWO SIDES CAN PRESERVE THEIR RESPECTIVE POSITIONS, IN ORDER TO TALK ABOUT THE SOVERIEGNTY ISSUE WHEN CIRCUMSTANCES ALLOW, ARGENTINA INTENDS TO MOVE FORWARD THROUGH NEGOTIATION TOWARDS THE RESUMPTION OF DIPLOMATIC RELATIONS. THIS MEANS THAT ARGENTINA'S AND LATIN AMERICAN RELATIONS WITH THE EC COULD BE DEVELOPED WITHOUT HINDRANCE. AT THE SAME TIME WE HAVE IN MIND TO CREATE A BETTER CLIMATE FOR A REALISTIC AND CONSTRUCTIVE DEFENCE OF OUR RIGHTS OVER THE 'MALVINAS', BECAUSE RHETORIC DOES NOT HELP YOU PROGRESS: ADVANCES HAVE TO BE PRACTICAL, CONCRETE. IF THROUGH NORMALISATION OF RELATIONS WITH THE UK WE MANAGE THE SORT OF RAPPROCHEMENT WHICH EXISTED BETWEEN THE ISLANDERS AND THE CONTINENT BEFORE 2 APRIL 1982 IT WILL PROBABLY BE EASIER TO MAKE PROGRESS IN THE DEFENCE OF OUR SOVEREIGN RIGHTS, THAN WE ACHIEVE BY TOTALLY DISTANCING OURSELVES, AS AT PRESENT''.

7. ASKED IF HE FORESAW THE RESUMPTION OF CONVERSATIONS OVER THE

ISLANDS PRIOR TO THE RESUMPTION OF DIPLOMATIC RELATIONS CAVALLO SAID: ''WHAT WE HAVE TO FIND ARE FORMS WHICH, PRESERVING OUR RIGHTS AND WITHOUT ENTERING INTO DISCUSSIONS ABOUT SOVEREIGNTY PERMIT US NOW TO NEGOTIATE ALL THE OTHER ASPECTS WHICH SEPARATE US FROM GREAT BRITAIN. THIS IS THE MOST I CAN SAY FOR THE MOMENT.'' CAVALLO ADDED THAT EUROPE WANTS TO FACILITATE RELATIONS WITH ARGENTINA AND LATIN AMERICA ONCE THE OBSTACLES ARE REMOVED WHICH SEPARATE ARGENTINA FROM BRITAIN. HE DENIED REPORTS OF ANY MFA INTENTIONS TO REPLACE BRAZIL WITH URUGUAY AS THE PROTECTING POWER.

HUNT

BRIGHT

YYYY

DISTRIBUTION 125

MAIN 107

PRESS SUMMARIES FROM ARGENTINA
LIMITED
FID
SAMD
UND
LEGAL ADVISERS
ERD
MCAD
ECD(E)
NEWS
ECONOMIC ADVISERS
RESEARCH
PUSD
SEND
PS/MR EGGAR
MR GILLMORE
MR FEARN
MISS SPENCER

ADDITIONAL 18

BUENOS AIRES PRESS SUMMARIES

NNNN

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

14 July 1989

Dear Charles

Argentina: Messages

As you will have seen in telegrams, President Menem's and Foreign Minister Cavallo's replies to the messages of congratulations sent by the Prime Minister and the Foreign Secretary were published in the Argentine press on 9 July. Nevertheless, you might like to see the enclosed Note from the Brazilian Embassy (translation attached) containing the texts of the Argentine replies. They are very similar to our own, both in length and content.

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

TRANSLATION OF BRAZILIAN NOTE OF 12 JULY 1989

The Government of the Republic of Argentina present their compliments to the Government of the Federal Republic of Brazil and have the honour to ask them to transmit to the Government of the United Kingdom of Great Britain and Northern Ireland the following messages in response to the communications received from the Prime Minister and the Foreign Secretary of the aforementioned country;

Response from the President of the Argentine Republic, Dr Carlos Menem to the message of the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, Mrs Margaret Thatcher:

> On taking up the Presidency of the Argentine Republic in an act which consolidates the irrevocable democratic decision of her people I thank you for your congratulations and send you equal wishes for success. Carlos Menem.

Response of the Minister for Foreign Relations of the Republic of Argentina, Dr Domingo Cavallo to the Foreign Minister of the United Kingdom of Great Britain and Northern Ireland, Sir Geoffrey Howe:

> I thank you for your congratulations and reciprocate equal wishes for you and your country. Domingo Cavallo.

The Government of the Republic of Argentina reiterates to the Government of the Federal Republic of Brazil the assurances of its highest consideration. Buenos Aires, 8 July 1989

TG1ASA

EMBAIXADA DA REPÚBLICA FEDERATIVA DO BRASIL

Nº 61 /JUST EO2 H11

The Brazilian Embassy present their compliments to the Foreign and Commonwealth Office and have the honour, at the request and on behalf of the Argentine Government, to transcribe hereunder the following Note:

"EL GOBIERNO DE LA REPÚBLICA ARGENTINA PRESENTA SUS ATENTOS SALUDOS AL GOBIERNO DE LA REPÚBLICA FEDERATIVA DEL BRASIL Y TIENE EL AGRADO DE SOLICITARLE HAGA LLEGAR AL GOBIERNO DEL REINO UNIDO DE GRAN BRETAÑA E IRLANDA DEL NORTE LOS SIGUIENTES MENSAJES DE RESPUESTA A LAS COMUNICACIONES ADJUNTAS RECIBIDAS DE LA PRIMER MINISTRO Y DEL MINISTRO DE RELACIONES EXTERIORES DE DICHO PAÍS:

RESPUESTA DEL PRESIDENTE DE LA REPÚBLICA ARGENTINA, DR. CARLOS MENEM, AL MENSAJE DE LA PRIMER MINISTRO DEL REINO UNIDO DE GRAN BRETAÑA E IRLANDA DEL NORTE, SEÑORA MARGARET THATCHER:

"AL ASUMIR LA PRESIDENCIA DE LA REPÚBLICA ARGENTINA, EN UN ACTO QUE CONSOLIDA LA DECISIÓN DEMOCRÁTICA IRREVOCABLE DE SU PUEBLO, AGRADEZCO SUS FELICITACIONES Y LE EXPRESO IGUALES DESEOS DE ÉXITO. CARLOS MENEM"

RESPUESTA DEL MINISTRO DE RELACIONES EXTERIORES Y CULTO DE LA REPÚBLICA ARGENTINA, DR. DOMINGO CAVALLO, AL MINISTRO DE RELACIONES EXTERIORES DEL REINO UNIDO DE GRAN BRETAÑA E IRLANDA DEL NORTE, SEÑOR GEOFFREY HOWE:

"AGRADEZCO SUS FELICITACIONES Y RETRIBUYO IGUALES DESEOS DE ÉXITO PARA USTED Y SU PAÍS. DOMINGO CAVALLO"

EL GOBIERNO DE LA REPUBLICA ARGENTINA REITERA AL GOBIERNO DE LA REPUBLICA FEDERATIVA DEL BRASIL LAS SEGURIDADES DE SU MÁS

EMBAIXADA DA REPÚBLICA FEDERATIVA DO BRASIL

ALTA Y DISTINGUIDA CONSIDERACIÓN.

BUENOS AIRES, 8 DE JULIO DE 1989."

The Brazilian Embassy avail themselves of the opportunity to renew to the Foreign and Commonwealth Office the assurance of their hihest consideration.

London, July 12, 1989.

14 JUL 1989

123502
MDHIAN 3273

PS TO PRIME MINISTER
NO 10 DOWNING ST

UNCLASSIFIED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 256
OF 121630Z JUL 89
AND TO IMMEDIATE ACTOR ADDRESSEES
INFO PRIORITY MOD (SIC EYG), BANK OF ENGLAND, CBFFI, UKMIS NEW YORK
INFO PRIORITY WASHINGTON, MONTEVIDEO, SANTIAGO
FID PLEASE FAX TO PORT STANLEY

PRESS SUMMARY FOR 8-11 JULY

1. MAIN HEADLINES
MENEM'S INAUGURATION SPEECH. ECONOMIC PLAN.

2. ECONOMY
THE PRICE OF SOME FOODSTUFFS, INCLUDING BREAD AND MILK, HAS MORE THAN DOUBLED IN 24 HOURS. MANY SHOPS HAVE CLOSED BECAUSE OF UNCERTAINTY OVER PRICE LEVELS. THE AVERAGE MONTHLY WAGE ONLY STRETCHES TO THE PURCHASE OF TWO KILOS OF BREAD AND ONE LITRE OF MILK DAILY. (SAT NAC P16)
ON 9 JULY ECONOMY MINISTER MIGUEL ROIG ANNOUNCED A PACKAGE OF ECONOMIC MEASURES. (MON ALL PAPERS- SEE SEP TEL)
ON 9 JULY, WHEN THE PERONIST GOVERNMENT TOOK OVER, CENTRAL BANK RESERVES STOOD AT TEN MILLION DOLLARS. (TUES CLARIN P10)
ON 9 JULY, INTEREST RATES FELL TO 15 PERCENT. (ALL PAPERS)

Monthly

3. POLITICAL
UCEDE LEADER ALVARO ALSOGARAY AND PARTY PRESIDENT FEDERICO CLERICIHAVE AGREED ON A TRUCE IN THE INTERNAL SQUABBLE OVER ALSOGARAY'S RELATIONSHIP WITH THE PERONISTS. (SAT NAC P8)
ARRIVING AT HIS HOME TOWN OF CHASCOMUS AFTER RELINQUISHING POWER, EX-PRESIDENT ALFONSIN CALLED ON THE UCR TO RID ITSELF OF FEAR OF PERONISM AND TO OFFER CONSTRUCTIVE OPPOSITION. THE UCR WOULD OPPOSE ANY MOVE TO RESTRICT PUBLIC LIBERTIES. (SUN NAC P18)
PABLO CHALLU HAS BEEN APPOINTED DOMESTIC TRADE MINISTER, FOLLOWING RESIGNATION OF UCEDE MEMBER ALBERTO ALBAMONTE WHO WAS OPPOSED TO A PRICE FREEZE. (SUN PAG 12 P5)
PERONISTS HAVE BEEN APPOINTED TO THE CHAIRMANSHIP OF THE KEY SENATE COMMITTEES. (TUES NAC P5 - FAX TO FID)

4. SECURITY
MENEM HAS APPOINTED COMMISSIONER GENERAL JORGE LUIS PASSERO

HEAD OF THE FEDERAL POLICE AND JUAN BELTRAN VARELA AS DEPUTY. (SAT ALL PAPERS)

TWO SUPERMARKETS WERE LOOTED IN TUCUMAN ON 9 JULY. THERE WAS ALSO TROUBLE IN RESISTENCIA. (SAT ALL PAPERS)

5. MILITARY

DEFENCE MINISTER ITALO LUDER HAS ANNOUNCED THE APPOINTMENT OF SENIOR MILITARY OFFICERS. (TUES ALL PAPERS, SEE SEP TEL)

DEFENCE MINISTER ITALO LUDER HAS SAID HE WOULD BE INFLEXIBLE WITH THE C ORRUPT, BUT UNDERSTANDING WITH THOSE WILLING TO COLL-ABORATE. HE HAS WARNED MILITARY OFFICERS THAT THERE IS NO SCOPE FOR INTERNAL DISPUTES. WARRING FACTIONS WILL HAVE TO MAKE MUTUAL CONCESSIONS. (TUES ALL PAPERS - SEE SEP TEL)

6. NUCLEAR

MANUEL MONDINO HAS BEEN SWORN IN AS PRESIDENT OF THE ATOMIC ENERGY COMMISSION CNEA. MENEM HAS CALLED FOR THE ARROYITO HEAVY WATER PLANT TO BE FINISHED BY THE END OF THE YEAR. (TUES BRIEF)

7. UK/ARGENTINA

THE PRIME MINISTER EXCHANGED MESSAGES WITH CARLOS MENEM ON THE OCCASION OF HIS INAUGURATION. (MON ALL PAPERS - SEE SEP TELS ON STATEMENTS BY MENEM AND FOREIGN MINISTER CAVALLO ON PROSPECTS FOR RENEWING A DIPLOMATIC DIALOGUE WITH BRITAIN.)

HUNT

BRITH

YYYY

DISTRIBUTION 125

MAIN 107

PRESS SUMMARIES FROM ARGENTINA
LIMITED
FID
SAMD
UND
LEGAL ADVISERS
ERD
MCAD
ECD(E)
NEWS
ECONOMIC ADVISERS
RESEARCH
PUSD
SEND
PS/MR EGGAR
MR GILLMORE
MR FEARN
MISS SPENCER

ADDITIONAL 18
BUENOS AIRES PRESS SUMMARIES.

NNNN

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: MacRae to Powell 12/7/83	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

123645
MDHIAN 3290

UNCLASSIFIED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 260
OF 122010Z JUL 89
AND TO IMMEDIATE ACTOR ADDRESSEES
INFO PRIORITY MOD (SIC EYG), BANK OF ENGLAND, CBFFI, MONTEVIDEO
INFO PRIORITY WASHINGTON, UKMIS NEW YORK, SANTIAGO

FID PLEASE FAX TO PORT STANLEY

PRESS SUMMARY FOR 12 JULY

1. MAIN HEADLINES
PRICES. WAGES. SEINELDIN.

2. ECONOMY

ECONOMY MINISTER MIGUEL ROIG IS STILL SEEKING A PRICE AGREEMENT WITH BUSINESS LEADERS AND HOPING TO AVOID A GENERAL FREEZE. AMBITO FINANCIERO BELIEVES AN AGREEMENT WILL BE SIGNED ON FRIDAY. MANY FOOD PRICES CONTINUE TO RISE SHARPLY. HIGH PETROL PRICES HAVE CAUSED A DRAMATIC DROP IN SALES. (ALL PAPERS, P1)

IMF DIRECTOR-GENERAL MICHEL CAMDESSUS HAS SENT A TELEGRAM OF CONGRATULATIONS TO ROIG ON HIS ECONOMIC PLAN. THE RURAL SOCIETY HAVE ALSO EXPRESSED SUPPORT. BUT THE UCEDE NATIONAL COMMITTEE HAVE CRITICIZED THE MEASURES AS ANTIQUATED AND INTER-VENTIONIST. (CRON COM P3, CLARIN P4, PAG 12 P5)

PUBLIC WORKS MINISTER JOSE DROMI HAS PRESENTED A NEW DRAFT PUBLIC SECTOR REFORM BILL TO THE SENATE. IT INCLUDES THE POSSIBILITY OF USING DEBT CAPITALISATION FOR PRIVATIZATION. (NAC P1)

THE NATIONAL MORTGAGE BANK IS TO BE INTERVENED. (NAC P1)

A BRIDGING LOAN IS BEING NEGOTIATED WITH THE UNITED STATES. (NAC P11)

THE ECONOMIC SITUATION OF SEVERAL CITIES IN THE INTERIOR IS CRITICAL. PUBLIC TRANSPORT IS AT A STANDSTILL AND MANY SHOPS HAVE CLOSED. IN TUCUMAN, RESISTENCIA AND CORDOBA THERE HAVE BEEN FURTHER ATTACKS ON SUPERMARKETS AND IN TUCUMAN A YOUTH WAS SHOT DEAD. (NAC PP7/10)

375 MILLION DOLLARS HAVE BEEN RECEIVED IN THE CENTRAL BANK IN THE FIRST TWO DAYS OF THE WEEK AS EXPORTERS EXCHANGE THEIR EXPORT EARNINGS. MONTHLY INTEREST RATES HAVE GONE BELOW 15 PERCENT. (NAC P11, CRON COM P5)

3. LABOUR

THE GOVERNMENT HAVE CALLED ON THE COLLECTIVE WAGE BARGAINING COUNCILS TO AGREE WAGES FOR JULY TO SEPTEMBER AND MAINTAIN A WAGE FREEZE DURING THE PERIOD. METALWORKERS' UNION LEADER LORENZO MIGUEL IS OPPOSED TO SUCH A FREEZE. (NAC P1, CLARIN PP2/3)

LABOUR MINISTER JORGE TRIACA AND CGT LEADER SAUL UBALDINI HAVE AGREED TO WORK FOR A LAW PREVENTING DISMISSALS OR LAY-OFFS DURING THE ECONOMIC EMERGENCY. (NAC P6)

4. POLITICAL

MENEM NAD JUSTICIALIST PARTY PRESIDENT ANTONIO CAFIERO HAVE MET AND AGREED ON THE NEED FOR TH PARTY AND THE GOVERNMENT TO BE CONSISTENT WITH ONE ANOTHER. (CLARIN P4, PRENSA P5)

5. MILITARY

LT COL MOHAMED ALI SEINELDIN HAS REPORTEDLY REQUESTED RETIREMENT. FORMER LT COL ALDO RICO IS INTENDING TO DO THE SAME. MENEM HAS DENIED REPORTS THAT HE HAD SOUGHT THIS AND SAID IT IS A MATTER FOR THE ARMY. (NAC P6, CLARIN P6)

6. UK/ARGENTINA/FALKLANDS

FOREIGN MINISTER DOMINGO CAVALLO HAS REPEATED THE ARGENTINE DESIRE TO NEGOTIATE WITH BRITAIN AND HAS INSTRUCTED A SPECIAL FOREIGN MINISTRY GROUP TO STUDY VARIOUS HYPOTHESES. (NAC P5, CRON COM P2, SEP TEL, FAX TO FID)

A UPI REPORT FROM NEW YORK DESCRIBES GREAT EXPECTATIONS AT THE UNITED NATIONS FOLLOWING MENEM'S WEEKEND STATEMENTS. A BRITISH SOURCE IS QUOTED AS SAYING THAT SO FAR NO CONCRETE PROPOSAL HAD BEEN RECEIVED BUT THAT MENEM'S STATEMENTS WERE ENCOURAGING. (CLARIN P7, PRENSA P3, PAG 12 P7, FAX TO FID)

AMBITO FINANCIERO CARRIES A SIGNED ARTICLE DESCRIBING THE BACKGROUND TO MENEM'S FALKLANDS INITIATIVE. (AMB P8 - SEP TEL, FAX TO FID)

HUNT

BRIGHT

YYYY

CONFIDENTIAL

CHARLES POWELL

11 July 1989

A MESSAGE FROM MENEM

Last week in Washington I received a message from Sr Menem which he wished conveyed to the Prime Minister. The intermediary was Sr "Pucci" Roehm, President of a large private commercial bank in Buenos Aires. Associated with this initiative was Adelbert Krieger-Vassena, the last efficient Minister of Finance of Argentina. I have known both men for many years. They are most honourable men and, incidentally, great supporters of the Prime Minister. Roehm said that Menem really had made all the right moves so far, but conceded that these were early and easy days.

Mr Menem is very anxious to resume normal relations. He believed that it would be best not to go through the normal channels, but to have a face-to-face meeting in the United States, so that the initiative would not get "bogged down" in the arcane procedures of the bureaucrats. Menem thought it quite wrong that our two countries, which had many close cultural and commercial links, should still be "at loggerheads". Menem appreciated that he had much to learn from the Prime Minister since he was about to announce a very "Thatcherite" policy for Argentina - privatising, reducing deficits and monetary growth, freeing up markets from state control etc. To him it was unknown and unchartered territory, but he thought it would be familiar to the Prime Minister and her advisers.

He suggested that they might arrange to meet in the United States and settle the main issues on the path to renewed diplomatic relations, co-operation and friendship. The bureaucrats could then fill in the details later.

I said I would pass on the message, and did so immediately to you on the phone last week.

ALAN WALTERS

CONFIDENTIAL

112153
MDHIAN 2790

PS TO PRIME MINISTER
NO 10 DOWNING ST

UNCLASSIFIED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 246
OF 101535Z JULY 89
AND TO IMMEDIATE ACTOR ADDRESSEES, UKMIS NEW YORK, WASHINGTON
AND TO PRIORITY MONTEVIDEO, SANTIAGO, BRASILIA, PORT STANLEY
AND TO PRIORITY CBFFI

UK/ARGENTINA

SUMMARY

1. MENEM SUGGESTS NEGOTIATIONS WITH BRITAIN UNDER SOVEREIGNITY UMBRELLA.

DETAIL

2. CLARIN OF 9 JULY REPORTS THAT IN AN INTERVIEW WITH THE DAILY MAIL THE DAY BEFORE PRESIDENT MENEM HAD SAID HE WAS PREPARED, IF MRS THATCHER WAS, PROVISIONALLY TO LEAVE THE FALKLANDS ISSUE TO ONE SIDE SO THAT DIPLOMATS FROM BOTH COUNTRIES MIGHT BEGIN A DIALOGUE WITHIN THE FRAMEWORK OF THE UNITED NATIONS TO STUDY THE MEANS OF RENEWING DIPLOMATIC RELATIONS. MENEM SAID ARGENTINA'S PERMANENT AND FUNDAMENTAL OBJECTIVE WAS THE PEACEFUL RECOVERY OF THE FALKLANDS AND THE SOUTH ATLANTIC TERRITORIES. EXPRESSING HIS PERSONAL OPINION HE ACCEPTED THE POSSIBILITY THAT THIS FUNDAMENTAL OBJECTIVE MIGHT BEGIN TO BE PURSUED ON THE DIPLOMATIC PLANE IN THE CONTEXT OF NORMALIZED RELATIONS WITH THE UK. ACCORDING TO CLARIN MENEM WAS AT PAINS TO REPEAT BOTH THAT HIS DISPOSITION TO PLACE THE FALKLANDS ISSUE IN PARENTHESIS IN AN EVENTUAL DIALOGUE WITH BRITAIN WAS STRICTLY PROVISIONAL AND THAT HIS GOVERNMENT WOULD PURSUE ARGENTINA'S SOVEREIGN RIGHTS EXCLUSIVELY THROUGH PEACEFUL MEANS. HE REFERRED TO DE FACTO SITUATIONS WHICH HAD TO BE RESOLVED BEFORE ANYTHING ELSE: AN EXCLUSION ZONE WHICH INCLUDED ARGENTINE TERRITORIAL SEA AND A STATE OF HOSTILITIES WHICH HAD NOT BEEN FORMALLY TERMINATED. MENEM SAID THAT THE FIRST STEP NECESSARY TOWARDS A SOLUTION OF THE CONFLICT WOULD BE FOR MRS THATCHER TO GIVE INSTRUCTIONS TO HER DIPLOMATS, AND FOR HIM TO DO THE SAME TO HIS, SO THAT A DIALOGUE MIGHT BEGIN WITHIN THE AMBIT OF THE UNITED NATIONS TO SEEK THE MEANS OF NEGOTIATION APPROPRIATE TO TWO SERIOUS NATIONS. CLARIN SAYS THAT MENEM'S WILLINGNESS TO STUDY A POSSIBLE RENEWAL OF DIPLOMATIC RELATIONS

PUTTING THE FALKLANDS ISSUE IN PARENTHESIS WOULD IMPLY A CLEAR MODIFICATION OF ARGENTINE POLICY UNTIL NOW. (FULL TEXT OF CLARIN ARTICLE BY FAX TO FID)

3. IN A TELEVISED PRESS CONFERENCE FOR FOREIGN JOURNALISTS ON THE EVENING OF 9 JULY MENEM WAS ASKED HOW HE RECONCILED HIS PRE-ELECTION THREAD TO EXPROPRIATE BRITISH PROPERTY WITH REPORTS THAT HIS GOVERNMENT WOULD NEGOTIATE WITH BRITAIN WHILE PUTTING THE SOVEREIGNITY ISSUE IN PARENTHESIS. MENEM SAID THAT THERE WAS NO CONTRADICTION. HIS GOVERNMENT WOULD BE PREPARED TO HAVE NEGOTIATIONS WITH BRITAIN WHICH WOULD NOT TOUCH SOVEREIGNITY BUT USING AN UMBRELLA FORMULA TO PROTECT THE SOVEREIGNTY ISSUE. AS TO ECONOMIC MEASURES AGAINST BRITAIN THESE HAD BEEN MENTIONED IN REACTION TO THE BRITISH DEPREDATION OF ARGENTINE RESOURCES REPRESENTED BY THE ESTABLISHMENT OF THE EXCLUSION ZONE (SIC) IN THE SOUTH ATLANTIC. BUT SUCH MATTERS WOULD BE FOR DISCUSSION IN THE POSSIBLE NEGOTIATIONS WITH BRITAIN. ASKED LATER ABOUT A POSSIBLE CESSATION OF HOSTILITIES MENEM SAID THIS TOO WOULD BE A MATTER FOR THE NEGOTIATIONS IF BRITAIN WAS PREPARED TO HAVE THEM. HE REPEATED AGAIN HIS INSISTENCE THAT THE SOVEREIGNITY ISSUE WOULD NOT BE SET ASIDE BUT PROTECTED UNDER AN UMBRELLA FORMULA (THIS TIME USING THE ENGLISH WORD). AS HIS SPEECH TO CONGRESS WOULD HAVE MADE CLEAR ARGENTINA REGARDED THE ISLANDS AS ARGENTINE (TRANSCRIPT OF RELEVANT EXTRACTS FROM MENEM'S PRESS CONFERENCE BY FAX TO FID)

4. THE PRESS OF 10 JULY REPORT MENEM'S REMARKS BRIEFLY AND WITHOUT PROMINENCE (THE MAIN LEAD STORY BEING THE NEW ECONOMIC MEASURES). THERE ARE ALSO REPORTS OF AN EARLIER STATEMENT BY FOREIGN MINISTER DOMINGO CAVALLO TO THE EFFECT THAT DIPLOMATIC RELATIONS MIGHT BE RENEWED IF EACH SIDE PRESERVES THE RIGHTS IT BELIEVES IT HAS WHILE PUTTING THE SOVEREIGNITY ISSUE IN PARANTHESIS. CAVALLO SAID NEGOTIATIONS SHOULD TAKE PLACE WITHIN THE FRAMEWORK OF THE UN RESOLUTION ON THE ISSUE. HE DESCRIBED MRS THATCHER'S MESSAGE TO MENEM AS THE ACT OF A SEROIUS COUNTRY WHICH HONOURS THIS TYPE OF FORMALITY DESPITE THE ABSENCE OF DIPLOMATIC RELATIONS. IT WAS ENCOURAGING AND HE HOPED IT REFLECTED A FAVOURABLE ATTITUDE TOWARDS EVENTUAL NEGOTIATIONS ON THE ISSUES DIVIDING THE TWO COUNTRIES. (PRESS CUTTINGS BY FAX TO FID).

HUNT

BRIGHT

SECRET UK EYES A

7a-b

CC/c

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3

MO 6/20V

7th July 1989

OD(M)7/7

Dear Richard,

ARGENTINA: POSSIBLE THREAT TO UK INTERESTS

The Defence Secretary wrote to the Foreign Secretary on 4th July flap on defence arrangements in the Falklands in the light of the new situation created by the election of Carlos Menem as President of Argentina.

There was I regret a small typographical error in the third line of the fifth page of his letter. The word "force" should read "form". I enclose a copy of an amended page.

I am copying this letter to Private Secretaries of OD Ministers, and to Trevor Woolley (Cabinet Office).

Yours sincerely,

John Colston

(J P COLSTON)
Private Secretary

R H T Gozney Esq
Foreign and Commonwealth Office

SECRET UK EYES A

b

assumes greater significance in this new situation. The review was prompted by the assessment that the present ROE might, at least in form, be insufficiently flexible to meet the range of events that might now occur, for example Argentine incursions of the FIPZ which do not appear to represent a direct attack. They could thereby lay us open to the possibility of being provoked into firing unnecessarily upon an Argentine unit in the FIPZ, which would have obvious political disadvantages. If the election of Menem means that there is a greater threat of limited military action designed to hurt or embarrass, it is even more important that the ROE are designed to ensure that our military reactions are proportionate to the nature and threat of any incursion and to provide clear and practical guidance to commanders on the spot.

We have almost completed our work on the review which has proposed new ROE based on the criterion of hostile intent rather than simply physical location. This would be far better suited to deal with the wide range of situations, falling short of reinvasion, with which we might be faced. We must, of course, ensure that these continue to meet our military needs and an important element of the proposals in this respect is an extension of the territorial limit to 12 nautical miles (in line with general practice) from the present 3 miles. I have recently written to you and to the Attorney General about this and another particular issue raised by the reviews. Once I have your views on these points, I will submit my proposals to OD.

Finally, I have in hand a review of possible retaliatory actions open to us in response to Argentine harassment.

In summary, I believe that the present garrison remains appropriate although we might need to review this if we faced serious or continuing harassment (which seems unlikely at present).

ARGENTINA - Relations P143.

10 JUL 1989

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: MacRae to Powell 7/7/84	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	RJ 7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Colston to Powell 6/7/84 and attachments	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

SECRET [redacted]

S(A+)

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 6/20

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

~~4th~~ July 1989

Dear Geoffrey,

ARGENTINA: POSSIBLE THREAT TO UK INTERESTS

In your minute of ~~16th~~ June, covering a paper on possible responses to Argentine action against the Falklands or UK interests, you asked me to consider the adequacy of our defence arrangements in the new situation created by the election of Carlos Menem as President of Argentina.

The basis of our defence posture in the Falklands is to deter Argentine aggression by maintaining the capability to counter small scale incidents and to reinforce the garrison rapidly in the event of a more substantial threat. The opening of Mount Pleasant Airport in 1985, which gave us the capability to reinforce the garrison rapidly by air, also enabled us to reduce the size of the garrison to its present level. This essentially comprises four Phantom aircraft, a Rapier air defence squadron, a reinforced infantry company, a destroyer or frigate, submarine deployments and a variety of supporting arms and services.

The Rt Hon Sir Geoffrey Howe QC MP

B

Although the election of Menem does not appear to call into question our underlying approach, I am sure it is right to review our dispositions and plans against the possibility that it could give rise to some form of military adventurism. As you say, it is very difficult to form a clear view of Menem's own intentions - indeed he himself may have little real idea of how to handle the Falklands issue. Nevertheless, his rhetoric and likely increased support for the Armed Forces will themselves produce a more volatile situation than under Alfonsin. I have therefore reviewed the possible military threats that could be mounted against the Falklands and our ability to respond to them.

The most serious threat would, of course, be a full scale attempt to reinvade the islands. The recent JIC assessment to which you refer concluded that the Argentine forces are insufficient for this task at present, and that it would take a great deal of money and considerable time for them to acquire such a capability. Although Menem will want to be sympathetic to military demands for re-equipment, the state of the Argentine economy and the competing demands for funds will severely limit his ability to deliver. It will nonetheless be very important to monitor closely attempts to re-equip the Argentine forces and to maintain our so far very successful efforts to prevent significant overseas purchases.

The JIC assessment did, however, also draw attention to the more immediate risk of lower level military action, whether authorised or unauthorised, especially if the Seineldin faction were to come to dominate within the Armed Forces. Although the election of Menem increases the possibility of such action, it is a threat which we have always recognised. The prime purpose of any such action would probably be political rather than military. It might be nothing more than a nationalist "flag waving" gesture on an

C

outlying island using a yacht or fishing boat; or it might be something as serious as a fast, low flying strafing attack by jet aircraft using cannon or rockets against a military installation. There are small gaps in our low level radar cover to the south of East Falkland, and if an attacking aircraft were to exploit this it could possibly get through to the garrison's bulk fuel installation before the defences could react. Damage to those fuel tanks would reduce our capability and might also impair air operations and reinforcement. These radar gaps also admit the possibility of aircraft getting through to the Mount Pleasant runway itself. However, it is judged highly unlikely that any significant damage would be caused to the runway, since we assess that the Argentines are not at present able to mount an operation on a scale sufficient to achieve such a result. Measures have been in hand for some months to reduce our vulnerability in these and other areas, although it will remain extremely difficult to anticipate a maverick attack on the fuel tanks by special forces.

Apart from direct military action, there is also the possibility of lesser provocative action such as harassment of the INDIANA or simply through incursions into the Falkland Islands Protection Zone (FIPZ) designed to test our defences and resolve. I believe that, at present, our force level is adequate to respond to such actions, although incidents like that of the yacht PATAGON in January this year underline that we cannot be one hundred per cent certain of detecting incursions by small boats under cover of poor weather conditions. The increase in effort and assets which would be needed to be certain of preventing such incident would be out of proportion to the threat.

There are a number of additional short term measures that Commander British Forces Falkland Islands (CBFFI) could take with

D

the forces currently at his disposal in the face of significant probing by the Argentines of the FIPZ, or if there were indications that some of attack could be expected. These include deployment of the in-theatre reserve radar, an increase in the frequency of maritime reconnaissance flights, intensified coastal surveillance by helicopter and infantry patrols, concentration of ship patrols towards the western FIPZ and deployment of two additional Rapier Fire Units. These measures could be maintained for a maximum of two weeks before either CBFFI had to call for increases in manpower and flying hours, or the situation was judged to merit the activation of some reinforcement.

The most important single measure as we enter this period of uncertainty is to ensure that we have taken all appropriate measures to make proper provision for intelligence collection and analysis. The current emphasis is on Argentine political developments, arms supplies and the build up of military capability. In a deteriorating situation the Agencies would be able to raise the level of military reporting with particular emphasis on movements and preparations for an attack. In addition, CBFFI could seek deployment of Nimrod aircraft from the UK equipped for aerial intelligence collection (which will in any case be deployed periodically). There is also a nuclear powered submarine on call in UK waters at 14 days notice to be off the Falklands. Deployment of this submarine would enhance CBFFI's intelligence collection capability. It has to be recognised, however, that it is highly unlikely that we would detect preparation for a maverick attack whether by air or sea. I am addressing sensitive aspects of intelligence collection in a separate note on limited distribution.

I should also say that I believe that the review of the South Atlantic Rules of Engagement (ROE) which is now nearing completion

E

assumes greater significance in this new situation. The review was prompted by the assessment that the present ROE might, at least in force, be insufficiently flexible to meet the range of events that might now occur, for example Argentine incursions of the FIPZ which do not appear to represent a direct attack. They could thereby lay us open to the possibility of being provoked into firing unnecessarily upon an Argentine unit in the FIPZ, which would have obvious political disadvantages. If the election of Menem means that there is a greater threat of limited military action designed to hurt or embarrass, it is even more important that the ROE are designed to ensure that our military reactions are proportionate to the nature and threat of any incursion and to provide clear and practical guidance to commanders on the spot.

We have almost completed our work on the review which has proposed new ROE based on the criterion of hostile intent rather than simply physical location. This would be far better suited to deal with the wide range of situations, falling short of reinvasion, with which we might be faced. We must, of course, ensure that these continue to meet our military needs and an important element of the proposals in this respect is an extension of the territorial limit to 12 nautical miles (in line with general practice) from the present 3 miles. I have recently written to you and to the Attorney General about this and another particular issue raised by the reviews. Once I have your views on these points, I will submit my proposals to OD.

Finally, I have in hand a review of possible retaliatory actions open to us in response to Argentine harassment.

In summary, I believe that the present garrison remains appropriate although we might need to review this if we faced serious or continuing harassment (which seems unlikely at present).

f

There is a need to resolve some known deficiencies, in particular small gaps in radar cover. We must also ensure that our intelligence collection and analysis is providing the correct level of information. I believe that the new Rules of engagement that I hope to put to OD very soon would be positively helpful in the sort of situation which might arise. Rapid reinforcement remains an option, and the content of the package could be tailored to the needs of the situation; but I see no need to undertake any reinforcement before we have evidence of what, if anything, Menem will do.

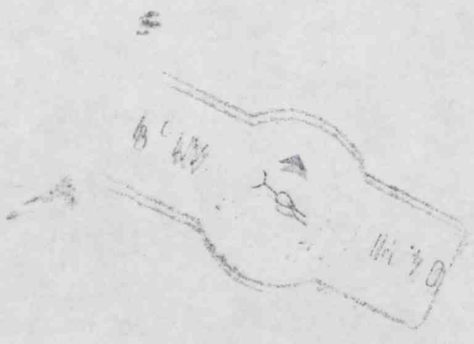
I am copying this letter to the Prime Minister and to other members of OD, and to Sir Robin Butler.

Yours ever,

George

George Younger

ARGENTINA: Relatos PTUS



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T221/89
SUBJECT cc MASTER OPS

132

CONFIDENTIAL

TOP COPY
Q DIST ?

AFA820/4

073152
MDHOAN 4352

RECEIVED IN REGISTRY
05 JUL 1989
DESK OFFICER | REGISTRY
INDEX | PA | Action Taken
AP 6/7

CONFIDENTIAL
FM FCO
TO IMMEDIATE BERNE
TELNO 90
OF 041145Z JULY 89

DEW'S TELELETTER OF 29 JUNE TO BRIGHT: MESSAGE TO NEW ARGENTINE PRESIDENT

1. THE PRIME MINISTER WISHES TO SEND THE FOLLOWING PERSONAL MESSAGE TO MENEM.

BEGINS:

I CONGRATULATE YOU ON YOUR INAUGURATION AS PRESIDENT OF ARGENTINA, IN ACCORDANCE WITH THE RESULT OF DEMOCRATIC ELECTIONS, AND WISH YOU SUCCESS.

ENDS

2. PLEASE TELL THE SWISS WE HOPE THAT KEUSCH WILL BE ABLE TO DELIVER IT PERSONALLY TO MENEM ON 8 JULY. NO 10 PRESS OFFICE WILL RELEASE THE TEXT ON THAT DAY.

HOWE

YYYY

DISTRIBUTION 51

MAIN 50

LIMITED
FID
SAMD
NEWS DEPT
WED
PS
PS/MRS CHALKER
PS/MR EGGAR
PS/PUS
PS/SIR J FRETWELL
MR GILLMORE
MR FEARN

ADDITIONAL 1

P J WESTON, CAB OFFICE

NNNN

11 JUL 1989

CONFIDENTIAL
UK COMMS ONLY AMENDED DISTRIBUTION 051151Z JUL
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 235
OF 031900Z JUL 89
AND TO IMMEDIATE ACTOR ADDRESSEES
INFO ROUTINE WASHINGTON, UKMIS NEW YORK, BRASILIA, MONTEVIDEO
INFO ROUTINE UKREP BRUSSELS, PORT STANLEY, CBFFI

ARGENTINA: PROSPECTS UNDER MENEM

SIC
SUMMARY

1. MUCH HOPE INVESTED IN MENEM, WHICH HE SEEMS DOOMED TO DISAPPOINT. DIRE ECONOMIC PROBLEMS AND CONTINUING, THOUGH MAYBE LESSER, DIFFICULTIES WITH THE MILITARY. THE FAINTEST GLIMMERS ON ANGLO-ARGENTINE RELATIONS, BUT NO POINT IN GETTING ONE'S HOPES UP TOO MUCH.

DETAIL

2. ON 8 JULY CARLOS MENEM BECOMES PRESIDENT OF ARGENTINA. ON 15 MAY HE ACHIEVED JUST UNDER HALF THE POPULAR VOTE. TODAY HE CLAIMS, PROBABLY WITHOUT EXAGGERATION, THAT HE WOULD OBTAIN 70 PERCENT IF THE ELECTIONS WERE REPEATED. TO MANY WHO VOTED AGAINST HIM (AND DREADED HIS VICTORY) HE HAS BECOME MIRACULOUSLY TRANSFORMED IN THE LAST SIX WEEKS INTO A POTENTIAL NATIONAL SAVIOUR. THE ENFANT TERRIBLE FROM THE INTERIOR IS SUDDENLY THE DARLING OF THE RIGHT. (ONCE HE IS IN POWER MIRACLES WILL BE HARDER TO PERFORM.)

THE ECONOMIC PROMISE

3. MENEM HAS ACHIEVD THIS ASTONISHING SPURT IN POPULARITY BY TWO MEANS. FIRST, HE HAS PREACHED CONCILIATION AND PROJECTED A MEASURED AND REALISTIC IMAGE IN HIS FREQUENT PRESS AND TELEVISION APPEARANCES. SECOND, HE HAS APPOINTED A MINISTERIAL TEAM WHICH REACHES OUTSIDE PERONIST RANKS (ALTHOUGH PARTY FAITHFULS ARE NUMEROUS AT THE SECOND LEVEL) AND OFFERS AT LEAST THE PROSPECT OF SOUND POLICES TO COMBAT ARGENTINA'S DREADFUL ECONOMIC ILLS. HIS ECONOMY MINISTER (ROIG) IS A SUCCESSFUL BUSINESSMAN, THE CENTRAL BANK PRESIDENT (GONZALEZ FRAGA) A BANKING CONSULTANT WELL-KNOWN AND RESPECTED BY WESTERN CREDITOR BANKS. THE FORMER HEAD OF THE CONSERVATIVE UCEDE PARTY (ALSOGARAY) HAS BEEN APPOINTED SPECIAL FOREIGN DEBT NEGOTIATOR AND HIS DAUGHTER CHARGED WITH THE TASK OF PRIVATISING THE STATE TELEPHONE COMPANY. THE GENERAL REMIT OF THE PUBLIC WORKS MINISTER (DROMI) IS TO

PRIVATISE WHEREVER NECESSARY AND APPOINTMENTS IN THE STATE OIL AND AIRLINE COMPANIES REFLECT THE TREND.

4. MENEM HAS GIVEN HIS MINISTERS CONSIDERABLE AUTONOMY TO DRAW UP POLICIES. DETAILS ARE STILL BEING WORKED OUT BUT THE EMPHASIS IS ON RESTRUCTURING AND SLIMMING THE STATE SECTOR, MONETARY DISCIPLINE, FISCAL ORTHODOXY AND EXPORT PROMOTION. MENEM HIMSELF HAS WARNED OF TOUGH TIMES AHEAD AND MADE RINGING CALLS FOR SACRIFICE TO THE EXTENT OF SUGGESTING THE IMPOVERISHED CAR OWNERS FACED WITH MASSIVE PETROL PRICE RISES SHOULD TAKE TO THEIR BIKES). HIS LABOUR MINISTER (TRIACA, FROM THE ORTHODOX UNION GROUP OF 15) HAS FIRED A WARNING BLAST ACROSS THE BOWS OF THE CGT LEADER (UBALDINI) ABOUT THE NEED TO ABANDON OLD POLICIES IN ORDER TO COMBAT THE CRISIS. MENEM PROJECTS THE IMAGE OF A MAN WHO HAS FULLY GRASPED THE GRAVITY OF THE CRISIS AND IS DETERMINED TO TACKLE IT. HE HAS CREATED AN ATMOSPHERE OF HOPE WHERE ALL WAS PREVIOUSLY DESPAIR.

THE REALITY

5. WITH ALL THIS HOPE INVESTED IN HIM MENEM SEEMS DOOMED TO DISAPPOINT. THE PROBLEMS HE IS INHERITING ARE ENORMOUS: THREE-FIGURE MONTHLY INFLATION, VIRTUAL ZERO FOREIGN RESERVES, 60 BILLION DOLLARS OF EXTERNAL DEBT ON WHICH NO SUBSTANTIAL INTEREST PAYMENTS HAVE BEEN MADE FOR OVER A YEAR, A BURGEONING FISCAL DEFICIT, EFFECTIVE BANKRUPTCY THROUGHOUT THE STATE SECTOR AT NATIONAL AND PROVINCIAL LEVEL AND A STEADILY DEEPENING RECESSION. THERE IS TALK OF AN EMERGENCY 2 BILLION DOLLARS INJECTION FROM THE PRIVATE SECTOR TO RE-ACTIVATE INVESTMENT BUT NO-ONE HAS YET SIGNED UP. THE FOREIGN BANKS, ARE UNSURPRISINGLY, RESERVING JUDGEMENT. INTERNALLY, FOR THE MOMENT, MENEM IS RIDING HIGH BUT UNHAPPINESS IS ALREADY BEING EXPRESSED BY THE UNIONS AND IN THE RENEWALIST WING OF THE PARTY (WHO ARE, IRONICALLY, IN DANGER OF BEING LEFT DEFENDING RELATIVELY ORTHODOX PERONIST POLICIES). THERE ARE IMMENSE VESTED INTERESTS IN THE STATUS QUO WHICH WILL NOT BE SHIFTED BY MERE EXHORTATION. AND MENEM HIMSELF, ALTHOUGH APPARENTLY DETERMINED AND UNAFRAID, MAY NOT BE ABLE TO TOLERATE THE PRESSURES FROM THOSE AFFECTED BY THE PLANNED ECONOMIC ADJUSTMENT, ABOVE ALL FROM THE UNDER-PRIVILEGED WHO ARE HIS NATURAL CONSTITUENCY. HE IS ALREADY TALKING OF DOUBLING WAGES IMMEDIATELY ON TAKING OFFICE. ONE CAN ENVISAGE FEARFUL CONTRADICTIONS RAPIDLY EMERGING, HOWEVER GOOD THE ORIGINAL INTENTIONS.

6. ARGENTINES TEND TO SEE THINGS IN BLACK AND WHITE: EITHER MENEM WILL SAVE THEM (WHICH THEY NOW THINK HE MIGHT) OR THEY WILL PLUNGE INTO CATACLYSM (THEY ARE NOT SURE WHAT EXACT FORM THIS WILL TAKE BUT

I HAVE EVEN HEARD PREDICTIONS OF CIVIL WAR). I CLING TO THE PRECEPT THAT THINGS ARE NEVER AS GOOD OR AS BAD AS THEY SEEM IN ARGENTINA. I DO NOT THINK MENEM WILL SUCCEED SPECTACULARLY BUT NOR DO I NECESSARILY EXPECT CATASTROPHE.

THE MILITARY

7. BY AND LARGE (AND FAUTE DE MIEUX) THE MILITARY WANTED MENEM AND EXPECT HIM TO SATISFY THEIR DEMANDS. THE APPOINTMENT AS DEFENCE MINISTER OF LUDER (WHOSE SYMMPATHIES ARE CLEAR) TENDS TO CONFIRM THIS VIEW. MENEM LOOKS SET TO END THE HUMAN RIGHTS TRIALS AND MAY EVEN DEVISE SOME MEANS OF AMNESTY FOR THOSE ALREADY SENTENCED, BOTH ON HUMAN RIGHTS AND FALKLANDS WAR RELATED CHARGES. IT WILL BE MORE DIFFICULT TO HANDLE THE LIKES OF SEINELDIN AND RICO WHO FACE CHARGES OF REBELLION. AND IN THE CURRENT ECONOMIC CRISIS IT WILL BE IMPOSSIBLE TO MEET MILITARY ASPIRATIONS FOR MORE RESOURCES. THE MILITARY PROBLEM WILL NOT BE RESOLVED TO EVERYONE'S SATISFACTION OVERNIGHT.

EXTERNAL

8. THE FOREIGN MINISTER-DESIGNATE (CAVALLO) HAD HOPED FOR THE ECONOMY MINISTER (AND MAY STILL GET IT IF ROIG FAILS). HE IS INEXPERIENCED IN FOREIGN AFFAIRS AND AS A PRACTICAL ECONOMIST ADAPTS A DISARMINGLY DIRECT APPROACH WHICH MUST DISCOMFIT HIS MORE IDEOLOGICALLY INCLINED OFFICIALS. HE IS UNLIKELY TO INNOVATE DRASTICALLY: FOR ALL THEIR MUTUAL PUBLIC CASTIGATION THERE IS CONSIDERABLE IDENTITY OF VIEW OF THE OUTSIDE WORLD BETWEEN THE PERONISTS AND THE RADICALS. BUT CAVALLO'S INSTINCTS ARE PRAGMATIC AND, ON PRESENT EVIDENCE, HE WILL GENUINELY SEEK TO CULTIVATE COLLABORATION WITH THE UNITED STATES, WESTERN EUROPE AND JAPAN.

UK/ARGENTINA

9. I AM CONSTANTLY BEING ASSURED THAT, DESPITE HIS INCAUTIONS ELECTORAL CAMPAIGN STATEMENTS, MENEM WANTS TO PATCH UP THE QUARREL WITH BRITAIN. CAVALLO HAS SAID TO MY FACE THE HE WISHES TO CONCENTRATE ON RESOLVING PRACTICAL MATTERS LIKE TRADE AND FISHERIES, LEAVING ASIDE FOR NOW THE DIFFICULT ISSUE OF FALKANDS SOVEREIGNTY. I THINK THEY ARE GENUINE IN WANTING PROGRESS: CAVALLO IN PARTICULAR HAS A CLEAR UNDERSTANDING OF THE PENALTIES ATTACHED TO PRESENT ARGENTINA POLICY, PARTICULARLY AS IT AHFECTS RELATIONS WITH THE EC. BUT THEIR PUBLIC STATEMENTS ARE NECESSARILY CAUTIOUS AND CONTINUE TO PLACE THE EMPHASIS ON PURSUING THE ARGENTINE CLAIM TO THE ISLANDS.

10. WE MAY CONCEIVABLY SEE WELCOME DEVELOPMENTS ON TRADE DISCRIMINATION. AND IT IS JUST POSSIBLE THAT ON THE WIDER ISSUE

MENEM WILL CONFOUND OUR WORST FEARS JUST AS (SO FAR) HE HAS CONFOUNDED THOSE OF HIS CONSIRVATIVE CRITICS ON ECONOMIC POLICY. BUT ON PRESENT EVIDENC I AM NOT CONFIDENT THAT MENEM IS WILLING (OR, IN POLITICAL TERMS, ABLE) TO SET THE SOVEREIGNTY ISSUE ASIDE IN A WAY WHICH WOULD BE SUFFICIENTLY EXPLICIT TO SATISFY US AND THUS PERMIT A MAJOR BREAKTHROUGH. MUCH TO WILL DEPEND ON HOW MATTERS GO ON THE ECONOMIC FRONT AND THE EXTENT TO WHICH MENEM JUDGES THE POLITICAL RISK ACCEPTABLE IN THE CONTEXT OF ALL HIS OTHER GRAVE PROBLEMS.

HUNT

BRIGHT

YYYY

DISTRIBUTION 434

MAIN 434

FCO/WHITEHALL FID (-)

NNNN

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 July 1989

NEW PRESIDENT OF ARGENTINA

Thank you for your letter of 29 June enclosing a draft message from the Prime Minister to President-Elect Menem. This may issue in the slightly revised form enclosed.

C. D. Powell

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL

(1)

Foreign and Commonwealth Office

London SW1A 2AH

29 June 1989

Prime Minister

Agree to send a short message?

CDP 30/6

Have amended. I think we should refer to domestic audiences

Dear Charles,

New President of Argentina

The Argentine President Elect, Carlos Menem, will take office on 8 July. We need to consider whether the Prime Minister should send a message of congratulation.

We cannot be sure how the new Argentine government will behave. We must expect to find them difficult and unpredictable. There have been some indications, including the secret report referred to in your letter of 21 June, that Menem and his chosen Foreign Minister may be ready to consider some movement in our relations without insisting on unacceptable linkage to sovereignty. We cannot be optimistic, but we should not discourage them.

As the Prime Minister knows, we have asked the Americans to pass a message to Menem, stressing both our readiness to have more normal relations (with sovereignty clearly left out) and our determination to defend our interests robustly if need be.

The Foreign Secretary believes that a further brief direct message from the Prime Minister would usefully demonstrate to domestic, Falkland Islander and international opinion that, while we have no illusions and no intention of making any concessions on sovereignty, we are still seeking a more normal, practical relationship with Argentina. The inauguration provides a chance to send such message without going into detail, or appearing to be taking any special initiative. The Prime Minister sent Alfonsin a well-publicised message on his inauguration in 1983 (text enclosed, with his reply).

I enclose the text of a short message which could be delivered by the Swiss (as in 1983). If the Prime Minister agrees, we will arrange for the text to be sent by telegram to Berne. It would be appropriate for the No 10 Press Office to release the text, once delivered.

Yours,

Stephen Wall

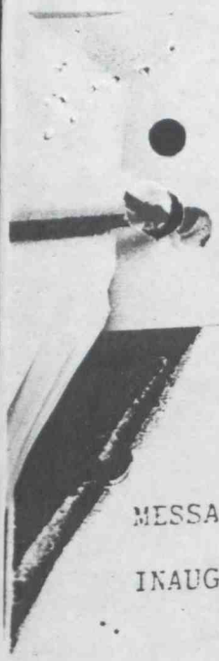
(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

DRAFT MESSAGE FROM THE PRIME MINISTER TO PRESIDENT MENEM OF ARGENTINA, ON HIS INAUGURATION, 8 JULY 1989

I congratulate you on your inauguration as President of Argentina in accordance with the result of democratic elections, ~~[The transfer of power through the ballot box is a significant achievement for democracy in Argentina.]~~ and I wish you success.



MESSAGE FROM THE PRIME MINISTER TO PRESIDENT ALFONSIN AT HIS INAUGURATION, 10 DECEMBER 1983

On the occasion of your inauguration I wanted to let you know that, although we have many differences, we can all take pleasure in the restoration of democracy to Argentina, believing it will bring freedom and justice to all your people. Today brings new hope to your country.

MESSAGE FROM PRESIDENT ALFONSIN TO THE PRIME MINISTER, 10 DECEMBER 1983

I thank you for your words regarding the restoration of democratic institutions in Argentina. I agree with your appreciation on the existence of differences between Argentina and the United Kingdom. In this respect it would be worthwhile mentioning the old English proverb " where there's a will, there's a way" .

29. VI.

SECRET

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 June 1989

Dear Stephen,

ARGENTINA

Thank you for your letter of 20 June about the message which the Foreign Secretary intends to send to Secretary Baker about Argentina. The Prime Minister has commented that this ought to be looked at again in the light of the more recent report of Argentina's intentions which is carried in the current Weekly Digest of Intelligence. If we place credence on that report, then the proposed message could appear rather heavy-handed. This points to more careful formulation of the first and second sub-paragraphs of your outline. Subject to that, I think the Prime Minister would be content for a message to go.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

Yours ever,

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

SECRET

(1) cdr

Foreign and Commonwealth Office

London SW1A 2AH

20 June 1989

Prime Minister

Agree that this message should go?

Agree in general but check Parly

Dear Charles, (I have asked separately for could be an OD discussion of the need to counter threat from Argentina attached under Menem, & possible implications)

There was discussion previously in the OD when this message was first made

CDP 20/6

Argentina

When the Prime Minister saw President Bush on 1 June, she referred to the need to warn the Argentine President Elect, Carlos Menem, to avoid rash or provocative action. The Foreign Secretary mentioned this in his minute to the Defence Secretary of 16 June (copied to OD members). It is important to give Menem clear warning before he takes office in July; and this can best be done through the Americans. If thereafter Menem resorts to extreme action, a firm response will be all the more justifiable.

The Foreign Secretary now intends to write to the US Secretary of State asking him to pass a message to Menem in the following terms:

- we have noted statements by the President Elect which appear to threaten an increase in tension, and others which commit him to pursue Argentina's claim peacefully;

- he should be in no doubt that we will respond promptly and firmly to any actions by Argentina against British interests wherever they may be;

can this be indicated

- we shall honour our obligations to the Falkland Islanders. But we should also like to see normalisation of relations with Argentina. Progress on this can, however, only be made if neither side introduce the intractable issue of sovereignty;

agreed

- we would like to think that the new Government of Argentina will be equally ready to reduce tensions in the region, and will want to pursue, in the same constructive spirit, steps to achieve more normal relations between Britain and Argentina;

agreed

- our proposals to the Government of President Alfonsin on practical issues affecting bilateral relations remain open. These cover trade, communications and fisheries. The proposal, subject to certain assurances, for direct talks on fishery conservation in the South Atlantic offers an immediate opportunity to make early progress on an issue of importance to both sides.

agreed

/

A message in these terms could get our warning across to Menem. It should also help keep the Americans on side. We need to do this, not least because they are the leading potential supplier of arms. Whatever their own misgivings on Menem, they will be anxious to give him the benefit of the doubt.

The Foreign Secretary will also stress our wish to keep in close touch with the US over developments in Argentina and to ensure that they are fully briefed on any significant developments over the Falklands. We know that the Americans are already watching closely to see whether we plan to extend the FICZ following a report on conservation of squid stocks due next month. In the meantime, it makes sense to enlist their help in keeping Menem on a responsible path.

I am copying this letter to Brian Hawtin (MOD) and Trevor Woolley (Cabinet Office).

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

fric OD (80)

bc: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 June 1989

ARGENTINA: POSSIBLE THREAT TO UK INTERESTS

The Prime Minister has noted the Foreign Secretary's minute of 16 June to the Secretary of State for Defence about the election of Carlos Menem as the next President of Argentina. She has commented that this is a matter which ought to be considered by Ministers collectively. We might therefore take it at a future meeting of OD.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office

CONFIDENTIAL

OD

CONFIDENTIAL

FCS/89/127

SECRETARY OF STATE FOR DEFENCE

Argentina: Possible Threat to UK Interests

1. Following the election of Carlos Menem as the next President of Argentina I believe we should take seriously the possibility of some sort of action against us. I have therefore arranged for our contingency plans on the economic/diplomatic side to be updated, in consultation with officials from other Departments. The results are set out in the attached paper. They take account of the judgement that unless Menem were to take very extreme action, we would have difficulty in mobilising Community and wider international support.

2. The threat is as much military as political and I think it would be helpful if you could consider how far our defence arrangements are adequate in the light of this new situation and whether any reinforcement or revision is necessary. I understand your officials are already considering this question.

3. Menem was due to take office in December. But since the election on 14 May, the situation in Argentina has deteriorated and the Peronists are now due to take power in July.

CONFIDENTIAL

4. I believe there are real grounds for concern. Menem is an unpredictable populist. Before the election he hinted at further military adventures against the Falklands "even if we must endure the spilling of blood". He has threatened to embargo or expropriate British or Crown property in Argentina; and has come close to threatening a military response to any moves on our part to extend the Falklands fishing zone. His statements may be put down to pre-electoral posturing; indeed he has subsequently said that he would pursue Argentina's claims peacefully through diplomatic channels. But we cannot be confident about such assurances.

5. The armed forces in Argentina are in a volatile and dangerous state. They are so poorly equipped and morale is so low that a sustained assault against the Falklands is probably beyond them. Nevertheless, the JIC assessed (JIC(89)(IA)45) that there may be an increased likelihood of provocative actions against the Islands. Given the bleak internal situation, sections of the military could, for domestic advantage, attempt eg a commando raid, fighter sorties, incursions into the FICZ and harassment of Falkland vessels or landings on outlying parts of the Falklands (or even on South Georgia and the South Sandwich Islands). Menem, once in power, might be driven to seek a popular diversion from economic troubles by action against British commercial interests or by encouraging the military to try something on.

/6.

CONFIDENTIAL

I think we should consider this more actively collectively not

6. Prevention is better than cure. I am therefore considering warning Menem in clear terms, via the Americans, of the consequences of any action against our interests. I will need to judge the optimum form and timing of such a message in the light of the situation in Argentina: but with Menem now likely to take power next month, I see a need for early action.

7. I am copying this to the other members of OD, and Sir Robin Butler.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

16 June 1989

CONFIDENTIAL

POSSIBLE RESPONSE TO ARGENTINE ACTION AGAINST THE FALKLANDS OR UK INTERESTS

Review of Economic and Diplomatic Responses

1. The annexed summary of British assets in Argentina shows that the scope for hostile action against our interests is limited; British investment there is relatively small (£161 million in 1984) and there are no "Crown Lands", contrary to Peronist mythology, of the sort President-Elect Menem vowed to "embargo". But if we were faced with expropriation or freezing of UK assets in Argentina (including a selective default against British banks with outstanding loans in Argentina) or with Argentine military action against the Falklands or South Georgia and South Sandwich Islands, we could consider a range of possible responses.

Re-imposing a ban on Argentine imports

2. This would be a prompt and effective counter-measure to a range of Argentine action. It would hurt Argentina. Argentine exports to the UK last year totalled £66 million. As UK exports to Argentina in 1988 were worth only about £13 million (reflecting continued Argentine restrictions), we would not lose much from any counter-measures.

3. We could:

- ideally seek an EC-wide ban, following a political initiative with our partners (see para 7 below). This would be the most effective option;

- seek EC agreement to a UK ban on Argentine imports. Article 36 of the EEC Treaty permits national restrictions on imports on grounds of "public security" and "public policy".

Once agreed, we could implement either quickly by administrative order, without need for new legislation, under the Import, Export And Customs Powers (Defence) Act 1939.

4. If Argentina challenged us in the GATT we could mount a defence based on article XXI (national security); the Commission would have to represent us (as they would if Argentina took counter action against us and we wished to pursue a GATT case).

Freezing of Argentine Assets

5. Apart from the (small) Banco de la Nacion branch in London, we believe that Argentine assets here are minimal. If the Argentines took action against the considerable assets of any of our banks we could:

- retaliate against Banco de la Nacion's branch in London;

- freeze Argentine assets or financial transactions in the UK (as in 1982), under the Emergency Laws (Re-enactments and Repeals) Act 1964. This would prevent British banks participating in international efforts to provide Argentina with new finance. Our non-participation could make foreign banks unwilling to continue with further syndicated loans, and thus impose a very real penalty on Argentina (far more significant than the loss of banking assets in the UK). (Argentina could retaliate by not paying British banks interest due on existing loans if they in fact start paying such interest again).

Action in international financial institutions

6. We could:

- hold up for a time - but not indefinitely - agreement on further rescheduling of Argentine loans in the Paris Club, as long as the bilateral UK/Argentina Debt Agreement for the last such rescheduling in 1987 is still unsigned or not being honoured;

- vote against new loans in the IMF/IBRD, on technical grounds if Argentine action to which we wish to respond were to violate the terms of existing loan agreements.

Political Action with our European partners

7. We could seek:

- a prompt joint statement condemning Argentine action, which we could use to underpin action on trade (see para 3 above);

- the freezing of high level visits.

- an immediate stop to any arms sales or negotiations;

8. We could also seek EC partners' help with pre-emptive action, asking them to convey warnings to the Argentines if we had reliable indications that hostile Argentine action might be afoot (as we did successfully in early 1983).

Action at the United Nations

9. We could:

- make and circulate a prompt protest to the Secretary General setting out the details of any Argentine action against us;

- appeal to the Security Council in the event of a serious military attack.

Curtailment of sporting/cultural links

10. We could:

- seek to curtail Argentine participation in sporting/cultural events in the UK including through selective delaying action in the operation of our existing visa controls. (However, this might provoke Argentine reciprocal action against

British travellers to Argentina).

Imposing a ban on Argentine ships and aircraft

11. Given the small numbers involved such a gesture is unlikely to have much effect.

FALKLAND ISLANDS DEPARTMENT

FOREIGN AND COMMONWEALTH OFFICE

15 JUNE 1989

ANNEX

BRITISH ASSETS IN ARGENTINA

1. BANKS

i) British Banks' Exposure to Argentina, including lending by branches and subsidiaries overseas of British owned banks (see footnote).

End December 1987	End December 1988
$3316m	£3278m

ii) British Banks' claims on Argentina. Unadjusted figure. (UK offices only).

End December 1987	End December 1988
$2923m	$3039m

iii) British Banks liabilities vis-a-vis Argentina. Unadjusted figure. (UK offices only).

End December 1987	End December 1988
$87m	$99m

2. ECGD.

i) Debts owed to ECGD under the two Bilateral Debt Rescheduling Agreements (provisional figures)

1985 Agreement	1987 Agreement (not yet signed)
£34.36m	£30.32m
+ $46.97m	+ $9.03m

plus arrears on interest.

NB Exposure is defined as all claims on Argentina after adjustment for inward and outward risk transfer and the inclusion of net local claims (if possible) in local currency.

(Source: Bank of England).

TG2AJS

/ 3.

3. COMPANIES

i) Net direct overseas investment by British companies in Argentina.

1984	1985	1986	1987
£31m	£31m	£44m	£37m

ii) Total Effective Earnings of British Companies.

1984	1985	1986	1987
£35m	£42m	£42m	£37m

iii) Estimated net value of British assets in Argentina

End 1984 (latest figures available)

£161m

iv) British subsidiaries and firms with UK participation operating in Argentina.

Agencia Maritime Mundial SA (Shipping agents)
Banco Lloyds (Lloyds Bank)
Barclays Bank International Limited
Boroquimica SA (RTZ Borax Ltd)
Brassovora SRL (Reckitt and Coleman)
Ciabasa SA (Union International)
Commercial Union Assurance Co Ltd
Cooper Argentina SA (The Wellcome Foundation)
Dunlop Argentina Ltda
Nobleza Piccardo SACIF (BAT)
Papelco SACIF (Wiggins Teape)
Perkins Argentina SAIC (Perkins Engines)
Price Waterhouse y Cia
Royal Exchange Assurance SA
Shell CAPSA (Shell International)
Stone Electrical SA
VASA (Vidrieria Argentina SA) (Pilkington Brothers)
Wellcome Argentina Ltd (The Wellcome Foundation)
Duperial SAIC (ICI)
Electroclor SAIC (ICI)
EMI Odeon SAIC (EMI Music Ltd)
Hilos Cadena SACeI (Coats Patons PLC)
Hiram Walker Sa
Laboratorios Glaxo (Argentina) SACI (Glaxo)
Lever y Asociados SACIF (Unilever)
Martin Amato y Cia SAIC (Lucas Industries)
The Midland Bank

(Source: Department of Trade and Industry)

TG2AJS

011165
MDHIAN 9223

PS TO PRIME MINISTER
NO 10 DOWNING ST

RESTRICTED
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 215
OF 131530Z JUN 89
AND TO IMMEDIATE ACTOR ADDRESSEES
INFO PRIORITY MOD (SIC EYG), BANK OF ENGLAND, CBFFI, UKMIS NEW YORK
INFO PRIORITY WASHINGTON, SANTIAGO, PORT STANLEY, BRASILIA,
INFO PRIORITY MONTEVIDEO

ARGENTINA: INTERNAL SITUATION

SUMMARY

1. ALFONSIN TO RESIGN WITH EFFECT FROM 30 JUNE. MENEM RELUCTANTLY AGREES TO ASSUME POWER ON THAT DATE.

DETAIL

2. IN A NATIONWIDE TELEVISION ADDRESS ON 12 JUNE PRESIDENT ALFONSIN ANNOUNCED THAT HE (AND HIS VICE-PRESIDENT) WOULD RESIGN WITH EFFECT FROM 30 JUNE AND HAD ISSUED INSTRUCTIONS THAT THE NECESSARY FORMALITIES FOR HIS SUCCESSOR'S EARLY INAUGURATION BE IMPLEMENTED AS RAPIDLY AS POSSIBLE. ALFONSIN SAID THAT HIS GOVERNMENT'S ROOM FOR MANOEUVRE WAS TOO LIMITED TO TACKLE THE GRAVE PROBLEMS FACING ARGENTINA. THE EFFORTS MADE BY ALL CONCERNED FOR AN ORDERLY TRANSITION WERE NOT TO BE UNDERRATED. BUT NO PRESIDENT HAD THE RIGHT TO DEMAND INDEFINITE SACRIFICE FROM HIS PEOPLE. ATTEMPTS TO GOVERN IN CONSULTATION WITH THE PRESIDENT-ELECT HAD FAILED. NOW DETAILS OF THE LATTER'S FUTURE ECONOMIC POLICY WERE BEING PUBLICIZED: THIS INEVITABLY AFFECTED THE MARKETS. WHILE THE CONSTITUTION HAD TO BE SAFEGUARDED AN ACCELERATED TRANSITION OF POWER WAS THEREFORE DESIRABLE. HE HAD SIGNED A DOCUMENT, WHICH HE HOPED CARLOS MENEM WOULD ALSO SIGN, WHICH STIPULATED THAT:-

I. HE WOULD SUPPORT ECONOMIC LEGISLATION PROPOSED BY THE FUTURE GOVERNMENT&

II. HIS MINISTERS WOULD FULLY INFORM THEIR SUCCESSORS&

III. A JOINT DELEGATION WOULD BE FORMED TO NEGOTIATE WITH INTERNATIONAL CREDITORS&

IV. AN EXHAUSTIVE INVESTIGATION WOULD BE MADE INTO ALL ADMINISTRATIVE ACTS UNDER HIS ADMINISTRATION (THIS IS CODE FOR ''ALLEGED CORRUPTION'').

3. MENEM'S INITIAL RESPONSE TO ALFONSIN'S MESSAGE WAS CAUTIOUS. HE EXPRESSED SURPRISE THAT ALFONSIN SHOULD HAVE TAKEN A UNILATERAL

DECISION IN THE MIDDLE OF NEGOTIATIONS ON THE SUBJECT. MANAGEMENT OF THE TRANSITION IN THE FORM HE AND ALFONSIN HAD AGREED REQUIRED A SERIES OF NECEESARY AND PREVIOUS ACTS WHICH ALFONSIN'S ANNOUNCEMENT RENDERED IMPOSSIBLE. IT WAS ESSENTIAL THAT ALFONSIN AND HIS PARTY COMMIT THEMSELVES PUBLICLY TO APPROVAL OF THE NECESSARY LEGISLATION TO ALLOW THE NEW GOVERNMENT TO CARRY FORWARD THEIR ECONOMIC AND SOCIAL PROGRAMME. HE WAS CONSCIOUS THAT HE WOULD BE ASSUMING POWER DURING THE WORST CRISIS IN THE NATION'S HISTORY. POSTERITY WOULD JUDGE THE ATTITUDES BEING TAKEN TOWARDS A CHAOTIC SITUATION WHICH WAS NOT THE RESPONSIBILITY OF THOSE ELECTED ON 14 MAY.

4. AFTER LEAVING THE NATION DANGLING ALL MORNING MENEM FINALLY ANNOUNCED SHORTLY BEFORE 1330 LOCAL TIME ON 13 JUNE THAT HE WAS PREPARED TO TAKE POWER ON 30 JUNE.

5. INTERIOR MINISTER JUAN CARLOS PUGLIESE HAS PROVISIONALLY AGREED WITH PROVINCIAL GOVERNORS THAT THE PROVINCIAL ELECTORAL BOARDS SHOULD NOW VOTE ON 21 JUNE, THUS PERMITTING CONGRESS TO MEET IMMEDIATELY THEREAFTER TO CONFIRM MENEM AS PRESIDENT-ELECT.

COMMENT

6. THE HEAT IN THE KITCHEN HAS FINALLY BECOME TOO GREAT FOR ALFONSIN. THE LAST STRAW WAS THE HIGHLY PUBLICIZED STATEMENTS BY MEMBERS OF MENEM'S FUTURE ECONOMIC TEAM WHICH ALFONSIN EVIDENTLY FELT DESTROYED WHATEVER SLENDER HOPE HE MAY HAVE RETAINED OF MANAGING THE ECONOMIC CRISIS. IN SUBSTANCE HE HAS CONCEDED EVERYTHINIG MENEM HAS SOUGHT EXCEPT A RESOLUTION OF THE ARMED FORCES HUMAN RIGHTS ISSUE BEFORE THE TRANSFER OF POWER. THIS LATTER WILL REMAIN A BONE OF CONTENTION.

7. THE CONSTITUTIONAL POSITION IS COMPLICATED (TO SAY THE LEAST). FOLLOWING RESIGNATION BY THE PRESIDENT AND VICE-PRESIDENT THE LEY DE ACEFALIA PROVIDES FOR THE INTERIM PRESIDENCY TO BE ASSUMED BY THE PROVISIONAL PRESIDENT OF THE SENATE (EDUARDO MENEM): THE LATTER IS THEN REQUIRED TO CALL ELECTIONS WITHIN THIRTY DAYS. ARTICLE 75 OF THE CONSTITUTION ITSELF SIMPLY SAYS THAT THE INTERIM PRESIDENT EXERCISES HIS FUNCTION UNTIL THE PRESIDENT'S INCAPACITY HAS CEASED OR A NEW PRESIDENT HAS BEEN ELECTED. BY 30 JUNE MENEM WILL BE FORMALLY PRESIDENT-ELECT AND IT IS BEING ARGUED THAT THE SPIRIT OF THE CONSTITUTION CAN BE FULFILLED WITHOUT RESORT TO AN INTERIM PRESIDENCY. THIS ARGUMENT IGNORES THE CONSTITUTIONAL REQUIREMENT THAT THE ELECTORAL COLLEGE VOTE TAKE PLACE FOUR MONTHS BEFORE THE END OF THE PRESIDENTIAL TERM BUT IF THERE IS

A GENERAL CONSENSUS THIS WILL NO DOUBT BE GOT ROUND. THE IMMEDIATE PROBLEM OF THE CONGRESSIONAL TERM BECOMING OUT OF SYNCHRONISATION WITH THE PRESIDENTIAL TERM IS ALSO RESOLVED IN PRACTICAL TERMS IF THE RADICALS AGREE TO SUPPORT MENEM'S POLICIES. BUT THERE IS STILL PLENTY OF SCOPE FOR ARGUMENT BETWEEN NOW AND 30 JUNE.

HUNT

LONG

YYYY

DISTRIBUTION 166

MAIN 147

.FALKLAND ISLANDS
LIMITED
FID
DEFENCE
SAMD
UND
MAED
HD/WIAD
MCAD
WED
NEWS
INFO
PLANNERS
ECONOMIC ADVISERS
RESEARCH
PUSD
PRU
NAD
LEGAL ADVISERS
RMD
PS
PS/LORD GLENARTHUR
PS/MR PATTEN
PS/MR EGGAR
PS/PUS
PS/SIR J FRETWELL
MR BOYD
MR GILLMORE
MR FEARN
MR GOULDEN
MISS SPENCER
MR CAINES, ODA
MR AINSCOW, ODA
MR MANNING ODA
MR CARRICK

ADDITIONAL 19

FALKLAND ISLANDS

NNNN

3a-b

111510
MDLOAN 9586

SECRET
FM FCO
TO PRIORITY TEL AVIV
TELNO 174
OF 191130Z MAY 89
INFO ROUTINE WASHINGTON, MONTEVIDEO

MONTEVIDEO FOR BISBA

YOUR TELNO 131: ISRAEL/ARGENTINA - ARMS SALES

1. THE ARGENTINE PRESS HAS REPORTED THAT ISRAEL IS TO PROVIDE ARGENTINA WITH SPARE PARTS FOR THE TRACKER ANTI-SUBMARINE NAVAL AIRCRAFT AS COMPENSATION FOR THE 12 SKYHAWKS PURCHASED BY THE ARGENTINES PRE-1982 BUT NEVER DELIVERED.

THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT

2. IF SUCH A SALE WERE TO GO THROUGH, IT WOULD REPRESENT A MOST UNWELCOME INCREASE IN ARGENTINE ANTI-SUBMARINE WARFARE (ASW) CAPABILITY. YOU HAVE ALREADY IMPLIED IN YOUR TUR THAT YOU DO NOT EXPECT THE ISRAELIS TO BE FORTHCOMING ABOUT ARMS SALES. BUT WE NEVERTHELESS BELIEVE THAT WE SHOULD DO WHATEVER WE CAN TO PREVENT THIS DEAL, AND AT LEAST ENSURE THEY UNDERSTAND OUR POINT OF VIEW BEFORE PROCEEDING WITH A DEAL THAT WOULD CAUSE US REAL CONCERN. IT MAY BE POSSIBLE TO INCREASE OUR EFFECTIVENESS ON THIS BY PLAYING THE CONDOR CARD.

3. GRATEFUL THEREFORE IF YOU CAN SPEAK TO ISRAELI MFA ON FOLLOWING LINES:

- NATURALLY CONCERNED AT PRESS REPORTS THAT YOU MAY PROVIDE ARGENTINA WITH SPARE PARTS FOR MODERNISATON OF ANTI SUBMARINE NAVAL AIRCRAFT QUOTE TRACKERS UNQUOTE AS COMPENSATION FOR PURCHASE OF 12 SKYHAWKS (WHICH US WILL NOT ALLOW TO BE RELEASED).

- WOULD INCREASE ARGENTINE ANTI-SUBMARINE WARFARE CAPABILITY. ARGENTINA STILL REFUSES TO DECLARE A CESSATION OF HOSTILITIES IN SOUTH ATLANTIC - WOULD NOT BE UNDERSTOOD IN BRITAIN IF ISRAEL WERE TO SUPPLY ARMS WHICH WOULD THREATEN OUR FORCES ON THE FALKLAND ISLANDS, PARTICULARLY FOLLOWING THE ELECTION ON 14 MAY OF THE ULTRA-NATIONALIST MENEM AS ARGENTINA'S NEXT PRESIDENT.

- (AS APPROPRIATE) SURPRISED THAT YOU SHOULD APPARENTLY BE CONTEMPLATING SUCH A DEAL WITH A COUNTRY THAT IS DEVELOPING CONDOR MISSILE WITH EGYPT AND IRAQ. IF DEPLOYED IN MIDDLE EAST CONDOR WOULD SURELY POSE THREAT TO ISRAEL.

HOWE

YYYY

DISTRIBUTION 118

MAIN 109

.FALKLANDS ISLANDS
.(ARMS SALES TO ARGENTINA)
LIMITED
FID
DEFENCE
SAMD
UND
LEGAL ADVISERS
WED
NAD
NEWS
RESEARCH
PUSD
PLANNERS
PS
PS/MR EGGAR
PS/PUS
PS/SIR J FRETWELL
MR GILLMORE
MR BOYD
MR FEARN
MR GOULDEN

ADDITIONAL 9

FALKLANDS ARMS SALES ARGENTINA

NNNN

CONFIDENTIAL
FM BUENOS AIRES
TO IMMEDIATE FCO
TELNO 185
OF 171500Z MAY 89
AND TO IMMEDIATE ACTOER ADDRESSEES
INFO IMMEDIATE MOD (SIC EYG,), CBFFI, WASHINGTON, UKMIS NEW YORK
INFO IMMEDITE MONTEVIDEO SANTIAGO, BRASILIA, ASUNCION
INFO IMMEDIATE PORT STANLEY

ARGENTINE PRESIDENTIAL ELECTIONS: AN AFTERVIEW

INTRODUCTION

1. WE ARE WRITING SEPARATELY WITH A DETAILED ANALYSIS OF THE FINAL ELECTION RESULTS, WHICH DO NOT DIFFER MARKEDLY FROM THE INTERIM FIGURES CONTAINED IN MY TELNO 181 OF 15 MAY AND LATER FAXED MATERIAL. THE FOLLOWING ARE GENERAL COMMENTS ON THE ELECTIONS AND WHERE ARGENTINA GOES FROM HERE.

THE RESULTS

2. MENEM'S WIN HAS BEEN DESCRIBED LOCALLY AS THE VICTORY OF HUNGER (OR ANGER) OVER FEAR. THERE IS NO DOUBT THAT THE ECONOMIC SHAMBLES CREATED BY ALFONSIN'S ADMINISTRATION IN THE LAST THREE MONTHS WAS THE MAIN REASON FOR ANGELOZ'S DEFEAT. THE FALSE HOPE RAISED BY MENEM'S APPALLING GAFFES IN THE EARLY STAGES OF THE CAMPAIGN WAS ALREADY DWINDLING IN ITS CLOSING WEEKS. MENEM TOOK THE ADVICE OF HIS CAMPAIGN MANAGERS AND ADOPTED A LOWER PROFILE. THE UNIONS BEHAVED LIKE ANGELS. ANGELOZ, WHO RECEIVED SCANT SUPPORT FROM THE DOMINANT COORDINADORA FACTION IN THE RADICAL PARTY, CAMPAIGNED VIGOROUSLY AND RESPONSIBLY. BUT HE COULD NOT AVOID ASSOCIATION WITH THE GOVERNMENT'S MISMANAGEMENT AND WAS PUNISHED ACCORDINGLY.

3. THE EXTENT OF THE RADICAL DEFEAT IS DEMONSTRATED BY THE FACT THAT IN NO PROVINCE DID THE ANGELOZ/CASELLA TICKET SINGLE-HANDEDLY EMERGE AHEAD OF MENEM/DUHALDE. ONLYIN CONJUNCTION WITH MARIA CRISTINA GUZMAN AND CFI DID ANGELOZ BEAT MENEM IN THE FEDERAL CAPITAL, CORDOBA, CHUBUT AND SALTA (ALTHOUGH IN THE FEDERAL CAPITAL AND CORDOBA THE RADICAL AND PERONIST VOTES WERE SO CLOSE THAT IT IS POSSIBLE THE RADICALS MIGHT HAVE WON SINGLE-HANDED IF SOME ANGELOZ SUPPORTERS HAD NOT BEEN DISTRACTED BY THE CFI TICKET).

4. THE CFI EMERGED AS THE FOURTH FORCE IN ARGENTINE POLITICS,

BUT WITH LESS THAN 5 PERCENT OF THE POPULAR VOTE THEY WILL NOT EXERT NATIONAL INFLUENCE UNLESS THEY JOIN FORCES WITH OTHER REGIONAL PARTIES, WHO BY AND LARGE FARED RATHER POORLY. A MAJOR EXCEPTION WAS BUSSI'S FUERZA REPUBLICANA, WHICH CAME A STRONG SECOND IN TUCUMAN ON A LAW AND ORDER TICKET.

5. AT NATIONAL LEVEL THE STANDARD-BEARER OF THE RIGHT REMAIN THE UCEDE, ALTHOUGH IN THE PRESIDENTIAL RACE THEIR CENTRE ALLIANCE COULD NOT TOP 7 PERCENT. IN THE CONTEST FOR NATIONAL DEPUTIES THEY FARED BETTER. THE EXTREME LEFT, ALTHOUGH VIRTUALLY ECLIPSED, ALSO DID BETTER IN CONGRESS THAN IN THE PRESIDENTIAL RACE.

MENEM IN GOVERNMENT

6. FROM 10 DECEMBER THE PERONISTS AND THEIR ALLIES HAVE AN OVERALL MAJORITY IN THE LOWER HOUSE. THERE WILL ALSO BE A DE FACTO PERONIST MAJORITY IN THE SENATE. WITH ALL BUT FIVE OF THE PROVINCES PERONIST-GOVERNED AND THE UNIONS BEHIND HIM MENEM IN THEORY WILL HAVE EVERYTHING GOING FOR HIM. WHETHER HE USES THIS POLITICAL STRENGTH TO TAKE TOUGH BUT CORRECT DECISIONS OR SQUANDERS IT ON SELF-INDULGENT AND IRRESPONSIBLE ACTIONS IS A MAJOR IMPONDERABLE, ALTHOUGH WE MAY GET SOME CLUE WHEN HE NOMINATES HIS CABINET, WHICH HE HAS SAID HE WILL DO WITHIN THIRTY DAYS.

C

HIS POST-ELECTION STATEMENTS HAVE BEEN ON FAMILIAR LINES (PRODUCTIVE REVOLUTION, NO HUMAN RIGHTS AMNESTY, NEGOTIATED GRACE PERIOD ON THE FOREIGN DEBT AND SO ON). BUT WHAT MENEM DOES ONCE HE ASSUMES POWER IS A LONG-TERM PROBLEM FOR ARGENTINA TODAY. THE CURRENT PREOCUPATION IS THE NEXT SEVEN MONTHS.

THE TRANSITION

7. WITH MENEM'S CLEAR VICTORY ONE MAJOR ELEMENT OF UNCERTAINTY ABOUT THE TRANSITION HAS BEEN REMOVED. BUT WE STILL HAVE LITTLE REAL IDEA AS TO HOW IT WILL BE MANAGED. MENEM IS TO SEE ALFONSIN AT THE LATTER'S REQUEST THIS WEEK. BOTH HAVE MADE CLEAR THAT THEY ARE OPPOSED TO AN EARLIER TRANSFER OF POWER THAN THE CONSTITUTION DECREES. AND MENEM SHOWS NO INCLINATION TO BECOME DIRECTLY INVOLVED IN GOVERNMENT BEFORE 10 DECEMBER. (HIS DECISION TO MAKE A PILGRIMAGE TO CATAMARCA BEFORE ARRIVING IN TRIUMPH IN BUENOS AIRES IS SYMPTOMATIC OF HIS SENSE OF PRIORITIES, ALTHOUGH IT WAS ALSO TACTICAL GOOD SENSE TO STAY CLEAR OF ANY POSSIBLE POST-ELECTION VIOLENCE.)

8. BUT CAN MENEM AFFORD TO STAND BACK WHILE THE COUNTRY STAGGERS TOWARDS ECONOMIC COLLAPSE? MENEM'S MEN WILL BE TALKING

TO THE GOVERNMENT IN THE COMING WEEKS, NO DOUBT WITH A VIEW TO GETTING THE RADICALS TO DO THE NECESSARY DIRTY WORK INVOLVED IN GETTING THINGS BACK ON THE RAILS. BUT THERE WILL ALSO BE PRESSURE ON MENEM TO DO SOMETHING IMMEDIATELY ABOUT SALARIES AND MONEY FOR THE PROVINCES, NOT TO MENTION THE MASS REDUNDANCIES BOUND TO EMERGE FROM ANY SERIOUS ATTEMPT TO TACKLE THE FISCAL DEFICIT EVEN IF (AS SOME ARE SUGGESTING) THE EXISTING INTERNAL DEBT WERE TO BE REPUDIATED WHOLESALE. AND IF, INSTEAD (OR AS WELL), THE GOVERNMENT TURN TO THE AMERICANS TO BAIL THEM OUT ONE MORE TIME, MENEM WILL WILLY-NILLY HAVE TO BE INVOLVED IN THE NEGOTIATIONS. IT IS DIFFICULT TO SEE HOW HE CAN AVOID GETTING SUCKED INTO THE BUSINESS OF GOVERNMENT OR AT LEAST INTO SOME KIND OF RATIFYING ROLE FOR ALFONSIN'S POLICIES. THIS IS LIKELY TO MAKE THE POLICY-MAKING PROCESS EVEN MORE CHAOTIC THAN IT ALREADY IS.

UK/ARGENTINA

9. MENEM'S STATEMENTS ON RELATIONS WITH BRITAIN SINCE THE ELECTION HAVE ECHOED THOSE HE MADE IMMEDIATELY BEFORE IT. HE SAYS THAT HE IS PREPARED TO MEET MRS THATCHER UNDER UNITED NATIONS AUSPICES BUT THAT BRITAIN MUST FIRST RECOGNISE ARGENTINE SOVEREIGNTY OVER THE FALKLANDS. WHILE THIS IS AT LEAST DEVOID OF MENACE IT DOES NOT OFFER MUCH HOPE OF DIALOGUE ON TERMS LIKELY TO BE ACCEPTABLE TO US. THE ISSUE IS ANYWAY UNLIKELY TO ENJOY HIGH PRIORITY GIVEN THE COUNTRY'S DESPERATE ECONOMIC PROBLEMS.

HUNT

LONG

YYYY

DISTRIBUTION 448

MAIN 448

FCO WHITEHALL SAMD
FID

NNNN

071375
MDHIAN 4748

RESTRICTED
FM BUENOS AIRES
TO DESKBY 151800Z FCO
TELNO 181
OF 151300Z MAY 89
AND TO IMMEDIATE ACTOR ADDRRESSEES
INFO IMMEDIATE MOD (SIC EYG), WASHINGTON, UKMIS NEW YORK
INFO IMMEDIATE MONTEVIDEO, SANTIAGO, BRASILIA, ASUNCION
INFO IMMEDIATE PORT STANLEY

ARGENTINE PRESIDENTIAL ELECTIONS OF 14 MAY

SUMMARY

1. MENEM WINS BY A LANDSLIDE AND IS NOW PRESIDENT-ELECT. NO MAJOR INCIDENTS.

DETAIL

2. WITH 89.5 PERCENT OF THE VOTES COUNTED THE PARTIES RECEIVED THE FOLLOWING PERCENTAGE OF THE POPULAR VOTE IN THE ELECTIONS OF 14 MAY:-

	PRESIDENT-VICE PRESIDENT	NATIONAL DEPUTY
FREJUPO	47.2	44.4
UCR	32.5	29.0
ALIANZA DEL CENTRL	7.0	10.0
CFI (VOTE WITH UCR)	4.5	3.7
IZQUIERDA UNIDA	2.5	3.5
UNIDAD SOCIALISTA	1.4	2.5
BLANCO DE LOS JUBILADOS (VOTE WITH FREJUPO)	1.9	1.8
(95#34'	3.0	5.1

CURRENT PREDICTIONS GIVE MENEM A COMFORTABLE OVERALL MAJORITY IN THE ELECTORAL COLLEGE, THE LATEST ESTIMATE GIVING HIM AS MANY AS 320 ELECTORS.

3. ANGELOZ CONCEDED THE RACE WELL BEFORE MIDNIGHT. MENEM IS NOW PRESIDENT-ELECT AND HAS MADE A CONCILIATORY ACCEPTANCE SPEECH. ALFONSIN HAS SENT HIM A TELEGRAM OF CONGRATULATION.

4. THE ELECTION TOOK PLACE IN AN ATMOSPHERE OF GOOD-HUMOURED CALM. MEMBERS OF BISBA WITNESSED THE VOTING IN THE FEDERAL CAPITAL, GREATER BUENOS AIRES, LA PLATA, MAR DEL PLATA, PARANA, SANTA FE, ROSARIO, CORDOBA, MENDOZA, SALTA AND JUJUY. ALL REPORTED THAT

THE VOTING WAS WITHOUT INCIDENT AND WAS EFFICIENTLY AND FAIRLY MANAGED. POLICE AND ARMED FORCES SECURITY ARRANGEMENTS WERE DISCREET AND UNOBSTRUSIVE. PEOPLE WERE IN A GOOD MOOD. IT WAS ALMOST LIKE ANY OTHER SUNDAY. THE PERONIST VICTORY CELEBRATIONS WERE ALSO LARGELY (BUT NOT ENTIRELY) INCIDENT-FREE. IN THE FEDERAL CAPITAL THE VICTORY RALLY WAS DAMPENED BY HEAVY RAIN.

5. MENEM SWEPT THE BOARD, WITH ANGELOZ ON PRESENT ESTIMATES WINNING CONVINCINGLY ONLY IN THE FEDERAL CAPITAL AND SALTA AND BY A WHISKER IN CORDOBA AND CHUBUT. MENEM THUS FULFILLED HIS PREDICTION OF ACHIEVING HIS OWN ELECTORAL COLLEGE, ALTHOUGH HE HAS FALLEN SHORT OF HIS FORECAST OF 55 PERCENT OF HIE POPULAR VOTE. THE PERONISTS WILL ALSO NOW DOMINATE THE LOWER HOUSE AS WELL AS HAVING A DE FACTO OVERALL MAJORITY IN THE SENATE.

6. PROVISIONAL OVERALL RESULTS ARE EXPECTED AT 1600 LOCAL TIME ON 15 MAY.

COMMENT

7. IN THE EVENT, THE RADICAL GOVERNMENT'S DISMAL ECONOMIC FAILURE PROVED THE DECIDING FACTOR FOR INDEPENDENT VOTERS AND EVIDENTLY OUTWEIGHED ANY LINGERING DOUBTS THEY MIGHT HAVE HAD ABOUT THE UNCERTAINTIES OF A MENEM PRESIDENCY. THE CENTRE ALLIANCE ATTRACTED VIRTUALLY NONE OF THE UNDECIDED AND THE EXTREME LEFT ONCE MORE CAME NO-WHERE..

8. THERE IS INEVITABLY ALREADY TALK OF A TRANSFER OF POWER IN ADVANCE OF 10 DECEMBER. BUT MENEM (WHO IS STUDIOUSLY AVOIDING COMING TO BUENOS AIRES UNTIL THE DUST HAS SETTLED) HAS SAID HE WILL REMAIN GOVERNOR OF RIOJA UNTIL DECEMBER. HIS TEAM WILL BE IN TOUCH WITH THE GOVERNMENT TO SEEK AGREEMENT ON BASIC ISSUES.

9. THE IMMEDIATE UNCERTAINTY IS RESOLVED. WHAT HAPPENS HEREAFTER REMAINS AS UNPREDICTABLE AS EVER.

HUNT MJ

BRIGHT

YYYY

DISTRIBUTION 430

MAIN 430

PAGE 2
RESTRICTED

FCO WHITEHALL

NNNN

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Cradock to Powell 26/4/89	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2585 (one piece/item number)	Date and sign
Extract details: Cradock to Powell 10/2/89	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	7/12/16
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

3 February 1989

Dear Charles

Occidental Oil and Patagonia

I told you on 16 January that Occidental Oil had signed a contract with the Argentine National Oil Company for exploration and possible exploitation of a block between Patagonia and the Falklands, part of which extended over the Falklands continental shelf.

Following the representations made by the Minister of State at the Department of Energy and the Embassy in Washington, Occidental have redrawn their block entirely to the west of the median line between the Falklands and Argentina. This is well to the west of any area over which we claim jurisdiction under international law (see map enclosed).

This is very good. We are telling Occidental that we have no problem with their contract in its amended form. It will then be up to them to renegotiate the area with the Argentines.

I am sending a copy of this letter to Stephen Haddrill (Department of Energy).

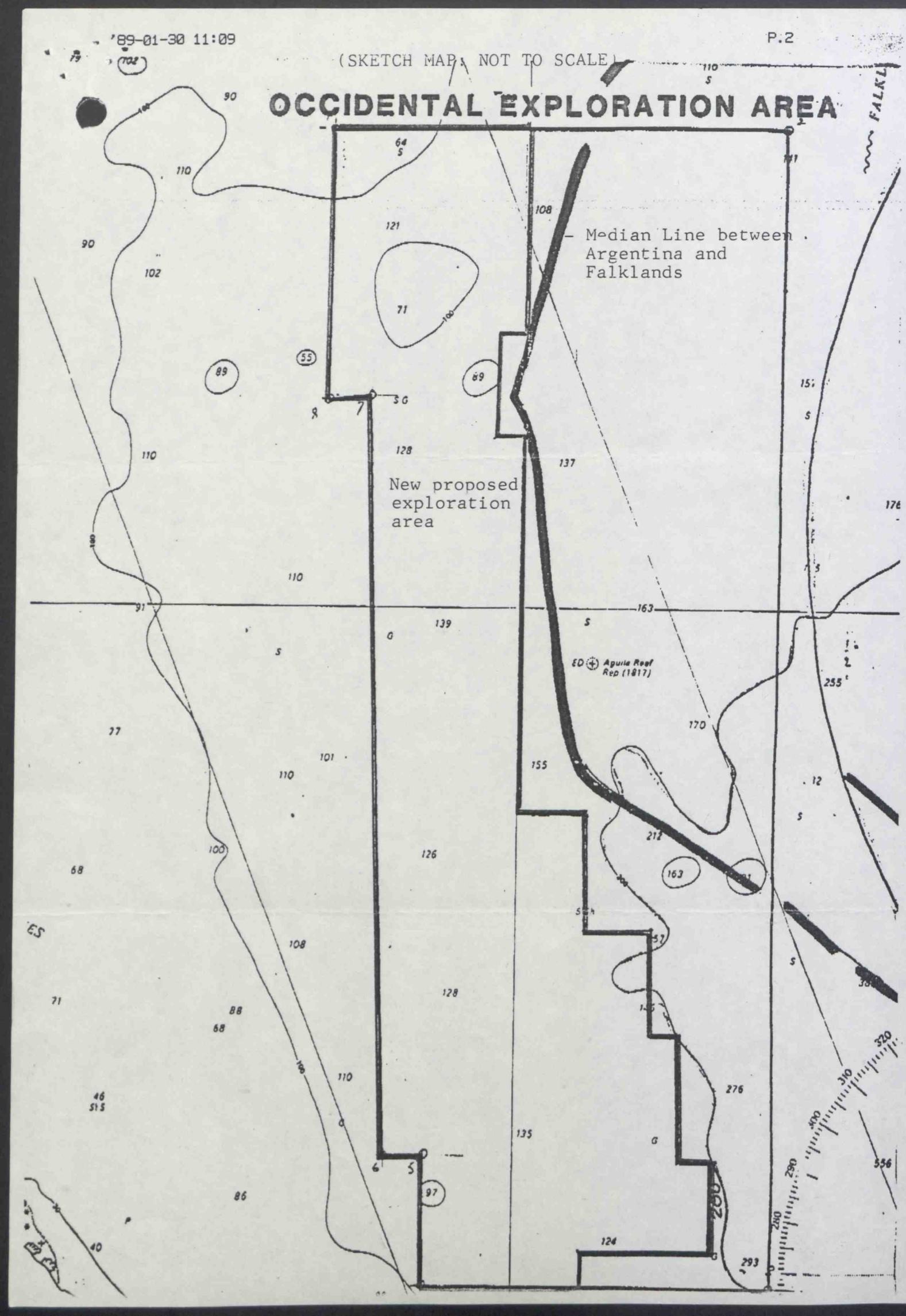
Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

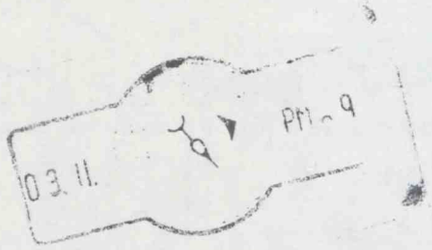
CONFIDENTIAL

(SKETCH MAP, NOT TO SCALE)



Argentina: PT 43

Relatorio.



CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

16 January 1989

Dear Charles

The Prime Minister will wish to be aware that the US company Occidental Petroleum (of which Dr Arnold Hammer is Chairman and Chief Executive) have signed a contract with the Argentine National Oil Company for exploration and subsequent exploitation of a 14.2m acre block between Patagonia and the Falklands, part of which extends on to the Falklands continental shelf (see map attached).

The Embassy in Washington have spoken to Occidental's Head Office, pointing out that the block in question appears to encroach on areas which, under international law, appertain to the Falklands shelf. The Department of Energy has done the same here and Mr Morrison has written to the Chairman of Occidental Petroleum (Caledonia) Ltd to make the position clear. Occidental claim to have been unaware that our jurisdiction extended beyond the boundaries of the FICZ, but that does not make the situation any more acceptable.

We await a formal response from Occidental. In the meantime, however, we need to protect our position under international law and the Foreign Secretary has asked the Swiss to deliver a formal protest Note to the Argentine Government on our behalf.

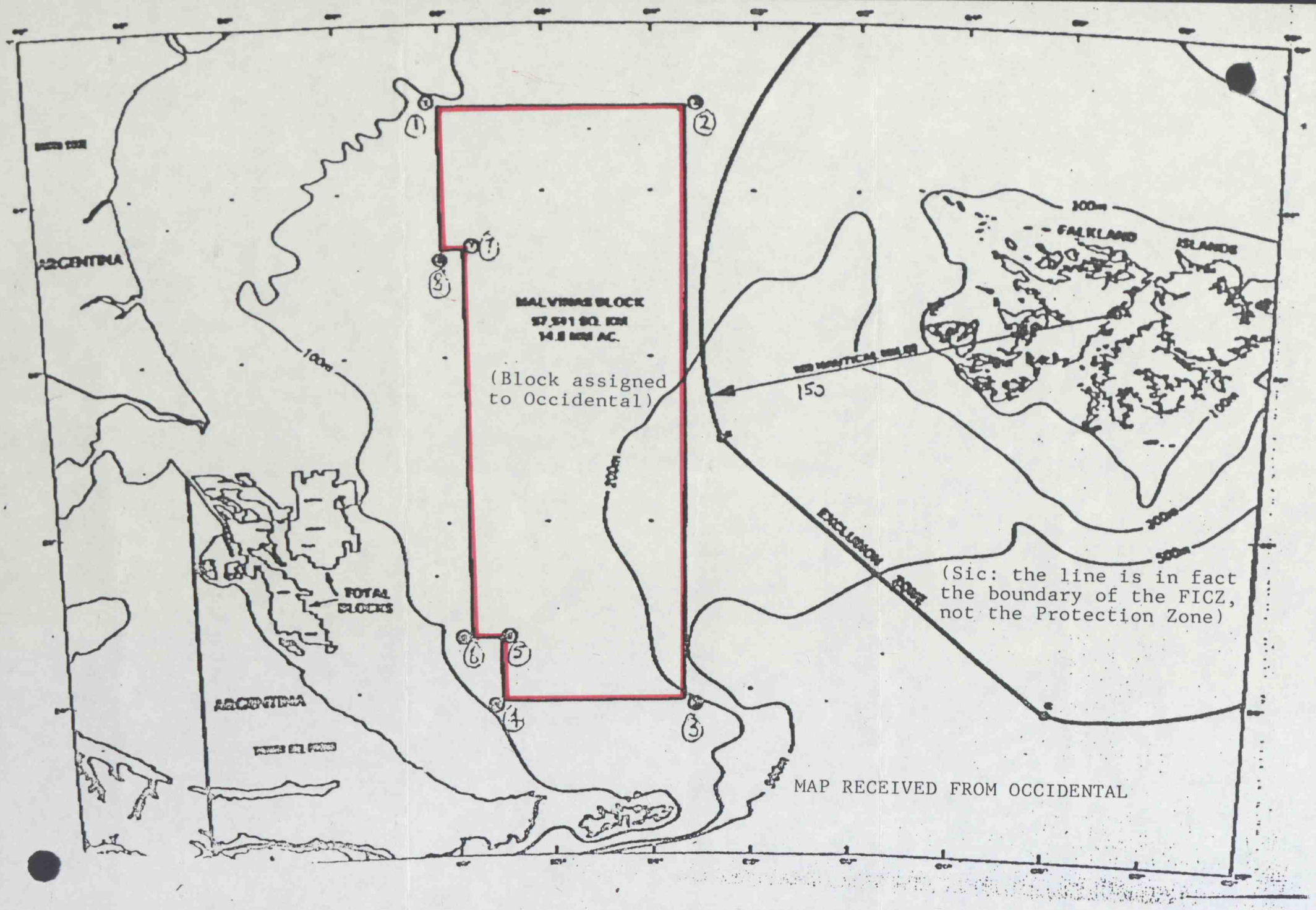
I am sending a copy of this letter to Stephen Haddrill (Department of Energy).

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



(Sic: the line is in fact the boundary of the FICZ, not the Protection Zone)

MAP RECEIVED FROM OCCIDENTAL

15. I.

CONFIDENTIAL

TG
ESM(87)
cc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 January 1989

Dear Stephen,

CONTACTS WITH ARGENTINA

The Prime Minister has seen your letter of 13 January with the Foreign Secretary's advice that we should tell the Americans that we are prepared to meet the Argentines at technical level to see if an agenda for fishery talks can be agreed.

The Prime Minister takes the view that we have repeatedly pressed the Argentines for clear and explicit assurances not to raise sovereignty and to accept the Falklands Islands Conservation zone as a fact of life, but they have consistently failed to give them. In the circumstances it would be wrong to embark on the slippery slope by agreeing even to limited talks before the Argentines have fulfilled our conditions. That will only create misunderstanding and an impression that we are prepared to fudge the issue.

The Foreign Secretary may wish to discuss this with the Prime Minister at his bilateral this week.

yours sincerely,

CHARLES POWELL

J S Wall Esq
Foreign and Commonwealth Office

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

13 January 1989

We are not going to embark on what will be a slippery slope. We seek clear assurances. They must give them not

Dear Charles,

Contacts with Argentina

My letter of 19 December reported on Sir Crispin Tickell's meeting in New York with Dr Dante Caputo. I said that there appeared to have been some shift in the Argentine position on the fisheries exchanges and that, by requiring that assurances be made to the Americans, we should be able to test Argentine sincerity before a third party. In your letter of 20 December, you recorded the Prime Minister's suspicion of the Argentine approach and her view that we should proceed very cautiously.

The Foreign Secretary has received the enclosed message from George Shultz, reporting on a meeting with Caputo on 21 December - before Shultz had received the letter which the Foreign Secretary sent commenting on the Caputo/Tickell meeting. During the course of the meeting, Caputo asked Shultz to transmit President Alfonsin's assurances on the two points we had raised.

The Argentine replies still fall short of the clarity we have been seeking. The Foreign Secretary believes we should now tell the Americans that:-

- the Argentines ~~assurances~~ continue to lack the ~~clarity we have sought~~; have not given clear assurances

- we note, however, Mr Shultz's belief that the Argentine response genuinely intends to meet our requirements;

- on that basis, we are prepared to meet the Argentines at technical level to see if an agenda for fishery talks can be agreed. But the agenda must of course exclude sovereignty.

/This

This approach will allow us to test Argentine intentions but would not commit us to substantive talks if a technical agenda, which would clearly exclude the sovereignty issue and which is based on the acceptance of two fishery jurisdictions, cannot be agreed. FCO Legal Advisers confirm that entering into talks on this basis would not prejudice our legal position. The Foreign Secretary shares the Prime Minister's belief in the need to proceed very cautiously. Given the slow pace of these exchanges they may be overtaken by the Argentine Presidential elections in May where the erratic Peronist Carlos Menem is still the front runner. But he believes we must do our utmost to ensure that the Americans remain onside, particularly so that we can continue to count on their cooperation on the key issue of the supply of arms.

I am copying this letter to the Private Secretaries to other members of OD(FAF) and to Sir Robin Butler.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

CONFIDENTIAL

December 22, 1988

Dear Geoffrey:

Thank you very much for ensuring that I received a prompt readout of the meeting between Foreign Minister Caputo and Sir Crispin Tickell. On December 21, Minister Caputo and Director General Garcia del Solar met with me to discuss the situation in Argentina and to provide me with their readout of the meeting. Caputo asked me to transmit to you President Alfonsin's response to your request for assurances in order for HMG to initiate direct talks, under a sovereignty disclaimer, on conservation of fisheries and the avoidance of incidents in the South Atlantic. Caputo said that Sir Crispin had specifically requested that these assurances be transmitted through me to you.

With regard to the assurance you sought that Argentina not raise the issue of sovereignty in these talks, to add further weight to the information I passed to you after my visit to Buenos Aires in August, Caputo last night stressed that Alfonsin had once again stated that "we are people of good faith and there will be no surprises."

With regard to the second assurance sought by HMG that Argentina accept the Falkland Islands Conservation Zone as a fact of life, Caputo said that Alfonsin had objected to the term "fact of life" because its connotation in the Spanish language is so strong and final. Nonetheless, Alfonsin stated, "yes, you (the British) are there. We do not enter the zone, and our people have instructions not to enter."

Caputo then noted that if these two Argentine responses are real, together they should provide ample assurance of the seriousness with which his government views the prospects of opening talks with HMG.

Caputo characterized the atmosphere of his meeting with Sir Crispin as "excellent, very positive." He saw it as a confidence building event that, together with the assurances that he was transmitting, should finally permit the beginning of direct Anglo-Argentine talks. In addition, Caputo commented that the first meeting between the two sides, in his view, would be reserved for setting the agenda for future meetings.

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,
Secretary of State for Foreign and
Commonwealth Affairs,
Foreign and Commonwealth Office,
London, S.W.1.

CONFIDENTIAL

I would be happy to transmit back to Caputo any response you have.

Warm regards,

Sincerely yours,

/s/

George

ARGENTINA : Relations PTGS

8

(1)

PRIME MINISTER

CONTACTS WITH ARGENTINA

The attached Foreign and Commonwealth Office letter records the latest steps in the minuet being danced round contacts with Argentina. In short:

- the Argentinians have not yet given the absolutely clear assurances we seek that sovereignty will not be raised;

- but the Americans continue to press us to move forward and we have a very strong interest in keeping them loyal to us on the question of arms supplies to Argentina;

- the Foreign Secretary therefore suggests that we agree to meet the Argentinians at technical level, to see if an agenda for fishery talks can be agreed which excludes sovereignty.

This would stop short of substantive talks and is, I think, just about alright. But the point will come when we - or rather you - will have to say not a step further until the Argentinians give the absolutely explicit assurances we want. But for now, the important thing is not to be wrong-footed with the Americans just at the time of a change of Administration.

Agree to the Foreign Secretary's proposal?

CDP

C. D. POWELL
13 January 1989

DASASY

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 January 1989

Dear Stephen,

US ARMS SALES TO ARGENTINA:
THE WAY AHEAD

Thank you for your letter of 29 December setting out how we might best ensure that the new US Administration maintains present practice on sales of significant weapons to Argentina. The Prime Minister is content with the course of action proposed.

I am copying this letter to the Private Secretaries of members of OD(FAF) and to Sir Robin Butler.

Yours sincerely,

CHARLES POWELL

J S Wall Esq
Foreign and Commonwealth Office

CONFIDENTIAL

PART 42 ends:-

FCO to COP. 29.12.88

PART 43 begins:-

COP to FCO 2.1.89

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
A B C D E F G H I J K L
IT8.7/2-1993
2009:02
Image Access
IT-8 Target
Printed on Kodak Professional Paper
Charge: R090212