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629 2569.

PRIVATE

5th May, 1982

CMR

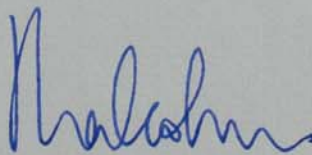
In my note of yesterday I did not report that Fiat's vice-chairman and managing director in Argentina, Mr. Riccardo Zinn, is a close friend of Lami Dozo. Rattazzi had not told me this because he believed Zinn to be a hard liner with whom he had strongly disagreed over the Argentine versions of early casualties.

Zinn asked Rattazzi to go and see him this morning. He said that the Sheffield changed everything, because the early versions didn't matter now. It was a good moment to look for peace. Rattazzi asked if Zinn knew anything about the result of Gaenza's conversation with Costa Mendez. In Rattazzi's presence Zinn rang Dozo, and Rattazzi gave me the following version of the conversation:

Costa Mendez had been in disgrace with his masters, but the Sheffield had put him back on the road; so he probably wouldn't now be so anxious for a private line to London. Dozo and Galtieri were anxious to compromise, although Anaya was not. Dozo personally would favour the following plan: (1) cease fire, (2) withdrawal from Falklands, (3) withdrawal of task force (4) interim period for negotiations with firm understanding that end result of these would be Hong Kong-type solution. (1) and (2) were not acceptable unless (4) was agreed in advance. Sovereignty was still the only essential to them.

Zinn, a friend also of Bush and Walters, is planning to go shortly to New York, and no doubt is passing some similar message via them.

I told Rattazzi that I could not pass on a message of this importance unless it was firmer than a report of an overheard telephone conversation. However, on reflection, I think I should do so, in case it fits with others which may be being received at this time.



M.E.M. Pearson