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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

SUB-COMMITTEE ON THE SOUTH ATLANTIC  
AND THE FALKLAND ISLANDS

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FALKLAND ISLANDS: RELATIONS WITH LATIN AMERICA

Memorandum by the Foreign and Commonwealth Secretary

1. In ODSA on 2 June I was invited to circulate papers on:
  - a) the efforts made by the Government to strengthen its relations with Latin America before the present crisis;
  - b) the restoration and development of our relations with the countries of Latin America after the Falklands had been reoccupied.

I attach two papers accordingly.

2. As the first paper makes clear, we have during the life of this Government made exceptional efforts to consolidate our relations with Latin America. The number and level of ministerial exchanges have been unprecedented. Although our trade performance has continued to be disappointing, good progress had been made towards developing a closer and mutually beneficial relationship with the region.
3. The second paper seeks to identify why Latin America is important to us (and to the general Western interest) and indicates the broad tactics and methods to be pursued in restoring our relations. I see little advantage in attempting greater precision at this stage. The scope for repairing damage to our relations and the nature and immediacy of the measures to be taken will

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depend to a considerable extent on Argentine intentions after full repossession by us of the Falkland Islands, the manner of our repossession, and the consequent attitudes of Latin American countries. We will need to consider this in greater detail when the situation has begun to settle down.

FP

Foreign and Commonwealth Office

10 June 1982



ACTION TO STRENGTHEN RELATIONS WITH LATIN AMERICA BEFORE THE  
FALKLANDS CRISIS

The present British Government have made sustained efforts to develop and strengthen relations with the countries of Latin America. This has been in recognition not only of the region's vast economic potential and of the markets which it has traditionally provided, but more particularly of the growing political importance of Latin America and of its influence in world affairs. We have sought to remedy past neglect; to make clear to Latin American Governments that we take them seriously; and wherever possible to develop a genuine political dialogue.

The clearest evidence of this lies in the unparalleled quantity and quality of ministerial exchanges with countries in Latin America over the past three years. The first ever visits by a Foreign and Commonwealth Secretary were made to Brazil, to Venezuela and to Mexico in 1980 (the only previous visits by a Foreign Secretary were to Argentina, Chile and Peru in 1966). The Prime Minister visited Mexico in 1981. This has been complemented by a vigorous series of visits, both inward and outward, by British Ministers and their Latin American counterparts. (A visit by Princess Alexandra to Peru in May 1982 had to be cancelled because of the Falklands crisis; and a proposed visit by The Queen to Venezuela and Ecuador in the spring of 1983 must now be in doubt.)

Although the relatively limited horizons of many Latin American countries, as well as human rights issues, have acted as inhibiting factors in the development of a political dialogue, useful progress has been made. In addition to the ministerial exchanges, planning talks have taken place with the Brazilians and a programme for regular official talks on the Caribbean and Central America has been established with both Venezuela and Colombia.

We have seen this greater political effort as acting in support of our commercial and economic interests in the region. Our

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trade figures have remained disappointing. But we have been actively pursuing major project business; and the conclusion in October 1981 of a Memorandum of Understanding with Brazil covering £350m of project work for British companies has been an important breakthrough.

This policy of consolidating relations with Latin America has also been pursued through the Community, where our objectives have been broadly shared. Conflicting trading interests between the EC and Latin America remain an obstacle. But the Community interest was demonstrated by the meeting of EC and Andean Pact Foreign Ministers in May 1980 and in the uncompleted negotiations for an EC/Andean Pact Economic Co-operation Framework Agreement. Some new life has also been put into the hitherto sterile exchanges with the EC Group of Latin American Ambassadors in Brussels (GRULA). The prospect of Spanish and Portuguese accession to the Community, with their historical links with Latin America, should give these efforts further impetus.

A note is attached on Ministerial exchanges with Latin American countries (both inward and outward) which have taken place under the present Government.

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MINISTERIAL VISITS TO SOUTH AMERICA SINCE MAY 1979

Argentina: Mr Ridley (July 1979)  
Mr Parkinson (August 1980)  
Mr Walker (September 1980)  
Mr Clarke (May 1980)  
Mr Walker (September 1981)

Bolivia: Mr Ridley (March 1980)

Brazil: Mr Ridley (July 1979)  
Mr Nott (May 1980)  
Lord Carrington (July 1980)  
Mr Walker (September 1981)

Chile: Mr Parkinson (August 1980)  
Mr Clark (May 1981)

Colombia: Mr Ridley (February 1980)  
Mr Parkinson (July 1981)

Ecuador: Lord Trefgarne (August 1979)  
Mr Ridley (March 1980)

Paraguay: Lord Trefgarne (August 1980)

Peru: Mr Ridley (March 1980)  
Lord Trefgarne (July 1980)  
Mr Parkinson (July 1981)

Uruguay: Lord Trefgarne (July 1980)

Venezuela: Mr Ridley (July 1979)  
Mr Parkinson (September 1979)  
Mr Ridley (February 1980)  
Lord Carrington (August 1980)  
Mr Walker (September 1980)  
Mr Howell (September 1980)

Mexico: Lord Carrington (August 1980)  
Mr Howell (September 1980)  
Mr Carlisle (March 1981)  
Mr Parkinson (July 1981)

Prime Minister and Lord Carrington for  
Cancun Summit (October 1981)

MINISTERIAL VISITS FROM SOUTH AMERICA SINCE MAY 1979

Argentina: Minister of Economic Affairs (June 1980)  
C in C Navy (December 1980)  
Minister of Agriculture (February 1981)

Brazil: Minister of Industry and Commerce (October 1979)  
Minister of Mines and Energy (March 1981)  
Minister of Planning (October 1981)  
Minister of Industry and Commerce (November 1981)  
Minister of Finance (February 1982)  
Minister of Planning (April 1982)

Colombia: President Turbay (July 1979)  
Minister of Finance (October 1980)

Chile: Minister of Mines (October 1981)

Ecuador: Minister of Natural Resources (1980)  
Minister of Finance (April 1982)

Paraguay: Minister of Industry (April 1980)  
Minister of Foreign Affairs (June 1981)

Peru: Prime Minister (March 1981)  
Minister of Mines and Energy (November 1981)

Venezuela: Minister of Planning (September 1979)  
Minister for Development of Intelligence  
(March 1980)  
Minister of Agriculture (August 1980)  
Minister of Finance (May 1981)  
Minister of Development (May 1981)  
Minister of Planning (May 1981)  
Minister of Foreign Affairs (June 1981)  
Deputy Minister of Foreign Affairs (November 1981)

Visits in prospect

Brazil: Minister of Communications (August 1982)  
President (1983)

Venezuela: Minister of Energy



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THE RESTORATION AND DEVELOPMENT OF BRITISH  
RELATIONS WITH LATIN AMERICA

1. The Falklands crisis has affected not only Britain's relations with Latin America but also those of the European Community and, more particularly, of the United States.
2. Following repossession of the Falkland Islands, Britain and the West will need to give priority to repairing relations with the region. The scope for this will be influenced by the military outcome: in particular, whether Argentina continues hostilities and seeks Latin American support. The policy which we ourselves adopt towards the future of the Falkland Islands will play its part. It is hard to make predictions at this stage. But, if active confrontation continues, the task of restoring relations with the region will be made much more difficult.
3. For Britain, Latin America is important primarily for economic and commercial reasons. It is an area of vigorous growth and is an expanding source of commodities and raw materials. Venezuela and Mexico are major oil-producers. Brazil, Argentina and Mexico have ambitious and advanced civil nuclear programmes. There is substantial British investment in the region and British banks have played an important role in financing Latin America's development needs. Although British exporters have so far failed to capitalise sufficiently on the opportunities, the area offers a substantial and fast-growing market and considerable major project business.
4. The area is also of increasing political significance. The UK has sought in recent years to repair previous neglect and to demonstrate that we take Latin America seriously. Although the region as a whole is not of first importance to us strategically, the inherent instability of many Latin American Governments and internal economic disparities provide potential for Soviet/Cuban mischief-making, of which the dangers have already been clearly shown in Central America. A defeated Argentina may give further  
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opportunities to the Soviet Union. The West, including Britain, needs to work to buttress stability and democracy in the region so as to preclude opportunities for Soviet infiltration. We have also to take account of the growing political influence of Brazil, Venezuela and Mexico and to encourage them to play a more forward and moderating role in international fora and to serve as a bridge between North and South. The accession of Spain and Portugal to the European Community will give fresh impetus to the Community's efforts to consolidate and develop relations with the region.

5. It is also in the Latin American interest to rebuild relations with Britain and with Europe generally. Here again the prime interest is economic and commercial. The Community is an important market for their commodities and the provision of finance and technology is essential for the region's development. But there has also been a genuine wish to improve the level of political exchanges. The region has close historical and cultural affinities with Europe and, whatever the Third World labels, is generally pro-Western in its underlying sympathies. Europe has offered an alternative to the increasingly uneasy relationship with the United States. Memories of British participation in the Latin American independence struggle, the leading part played by British capital and entrepreneurs in the region's development and the sizeable British communities which remain in Latin America have provided a solid platform of goodwill towards Britain.

6. These factors have been reflected in Latin American reactions to the Argentine invasion of the Falklands. With certain exceptions (eg Venezuela, Panama), the countries of the region have responded slowly and with reluctance to Argentine pressures. There is little love for Argentina or for its military government in the region: in private, there has been some condemnation of the Argentine aggression. It has in the

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circumstances been remarkable that, despite Latin American support for Argentina's sovereignty claim and the considerable pull of regional solidarity, the military conflict in the Falklands has reached its culminating stage without any Latin American country, other than Argentina itself, as yet taking direct action over its relations with the UK.

7. Argentine attempts to persuade her Latin American partners to take open measures of support in diplomatic, commercial and military sanctions have almost completely failed. Military support has been offered by only a few countries, and is limited and secretive. No states have taken direct official action against their diplomatic and commercial relations with Britain. The Latin Americans are unable to offer significant assistance to Argentina in countering the economic sanctions ranged against her. The reaction of most Latin American countries has demonstrated their overriding concern to preserve to the greatest possible extent their links with Western Europe, and their recognition that relations with Britain are an essential element in these European links. The crisis has also underlined Britain's status as a significant political and economic power in the region. The concern of Latin American countries to gauge our approach to the complex problems affecting our relations with the area has been consequently heightened. Even if some countries will wish to be cool in their responses to us they are not likely to be uninterested. Provided that we can now repossess the Islands quickly and without too much bloodshed, there is a good chance that we can emerge from the crisis with our bilateral relations bruised (badly in some cases) but not seriously or lastingly damaged.

8. Our moves towards restoring good relations will require vigour and imagination in planning, but tact and care in application. We should give immediate attention to establishing a list of possible initiatives, including high level visits. This list should be formulated on a 'best case' basis, and cover all possible spheres of action. However, the timing and implementation of these initiatives will have to pay due regard to the further development of the crisis and the attitudes, interests and sensitivities of each individual country in the region.



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9. Our approach should be selective, taking account of each country's individual attitudes and interest. The countries of the region can be divided into a number of categories on the basis of their character and status and their general approach to the Falklands problem.

The Moderates

a) Brazil and Mexico

These two countries merit prime attention, both as significant regional powers who desire proper recognition of their status, and as states which have attempted to maintain a reasonably neutral and restrained attitude to the Falklands crisis. Brazil is a major candidate for participation in any international arrangements for security in the Falklands area, and for possible cooperation in communication and supply arrangements for the Islands. The protection and development of our relations with these two countries should be given highest priority.

b) Colombia

Colombia merits particular attention because of her notable restraint over the Falklands issue. She wishes for understanding of her own territorial problems (with Venezuela and Nicaragua) and recognition of her image of herself as the leading democracy in Latin America.

c) Chile

Our relations with Chile will require very careful consideration. She wants defence sales co-operation, a further easing of her political isolation, favourable commercial credits, a lessening of censure of her human rights violations, and support over her Beagle Channel dispute with Argentina. She may expect any or all of these as a quid pro quo for her policy over the



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Falklands dispute. She is also a possible source of cooperation in communications and supply arrangements for the Falklands.

d) The lesser moderates:

Paraguay, Uruguay, Costa Rica. Uruguay is of particular significance as a further possible candidate for cooperation in communications and supply arrangements for the Falklands.

The hard-liners

a) Peru, Venezuela and Ecuador

Three democracies, keen to maintain their European and United States links, and concerned about the threat posed by their own military. We have invested considerable effort in improving relations with them over the last few years with some success. Peru is particularly concerned to cultivate Western European countries to counter-balance her previous closer relationship with the Soviet Union and her natural dependence on the United States. Ecuador is preoccupied with her territorial dispute with Peru and wishes to maintain her defence sales relationship with Britain. Venezuela's support for Argentina has been fuelled by party political considerations in the run up to the presidential elections. In the longer term we should be able to exploit her democratic character and basic disapproval of the Argentine military regime.

b) The lesser hard-liners

Nicaragua, Honduras, Bolivia, Panama, El Salvador and Guatemala.

10. The major areas in which action should be pursued are:

a) Official visits

Ministerial and other high level visits to a number of Latin American countries may not be appropriate for the time being. However, this should not prevent us from establishing in consultation with all Whitehall departments, as full a list of provisional proposals for visits as possible. The compilation of such a comprehensive list will allow specific proposals to be taken up, when they become appropriate, with speed and flexibility. This exercise should include consideration of outstanding Royal and State Visits, and the few possibilities for extending the



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programme for inward State Visits. It is possible that senior ministerial visits to Mexico and Brazil may become appropriate relatively soon, and early attention should be given to high level contact with these two countries in particular. Attention should also be given to our political exchanges with the Anglophone Caribbean countries who are a useful counterbalance to Argentine support in the OAS.

b) Non-official visits

Attention should be given to the promotion of non-official visits (inward and outward) by non-government political figures and in the trade, cultural, academic and media fields. Given the importance of relations with Latin American democracies (notably Peru, Ecuador and Venezuela) particular attention should be given to the earliest possible resumption of parliamentary contacts. This should be undertaken through the sponsored visits programme, and by early requests for proposals from the British Council, the IPU, Canning House, Chambers of Commerce etc.

c) Information

We should continue and expand our vigorous information efforts both through our Embassies and in Latin American countries and with Latin American correspondents in London. Special attention should be given to Latin America in official speeches and statements. The increased BBC budgets for broadcasts to the region should be maintained.

d) Trade and Aid

A positive review should be made of government funding for major project business, both ECGD credits and Aid Trade Provision. These should be a general review of our aid programme to Latin America and expansion where possible.

e) ECGD and the Bank of England

Most of Latin America is suffering from recession and needs sympathetic bankers. Brazil and Venezuela are in the market for jumbo loans, Chile and Uruguay may soon follow. Within the limits of banking prudence, it is important that British bankers maintain their lead role and do not start to pull out from Latin America. The Bank of England's support would be of great value in encouraging the City bankers to take a long term view. Exporters



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have stressed the need to match the credit offered by our competitors. ECGD could therefore help relations by continuing to do its utmost to match the competition and by not imposing too restrictive a credit ceiling. A positive financial approach with greater use of ODA's scarce ATP funds could do much to restore our relations.

f) EC/Latin America

We should maintain an active role in the European Community in pressing for efforts to improve EC/Latin American relations. We have already taken the lead on this, especially over relations between the EC and the Andean Pact, and there is little reason why we should abandon our efforts in this area and leave the field to our partners. However, in working to reassert the general Western interest in Latin America (and to limit the scope for the Soviet Union to gain influence by default), we must recognise that, at least in the immediate aftermath of the Falklands crisis, our EC partners may be able to act more effectively than we can. This will of course be particularly the case in attempts to restrain Argentina itself from any dangerous political re-alignment. We have however to keep in mind that if Argentina continues hostilities there will be a need for us to seek to maintain EC sanctions. On this will depend whether the EC will be able to get back on terms with other countries in the region. If so, the scope for positive policies to consolidate the relationship (EC/Andean Pact, EC/GRULA, encouragement of European Parliament links with Latin America) might be considered at an early stage by the Ten.

11. For the United States the problem of restoring relations with the region will be particularly acute. The Reagan Administration has given a high priority to its relations with Latin America and to strengthening the region's resistance to Soviet/Cuban expansionism. The Falklands crisis has been a severe setback. The US has borne a great deal of the brunt of Latin American criticism, and doubts about US motives in the region have been accentuated. It will be a matter of urgency for the US to repair the damage. But developments on the Falklands.

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will continue to affect their ability to do this and will thus have a bearing on UK/US relations.

Conclusions

12. Western relations with Latin America will inevitably have suffered damage as a result of the Falklands crisis. Developments in the Falklands, particularly the degree of Argentine determination to continue confrontation, will condition the scope for healing the wounds. But Latin American countries have so far shown reluctance to move from rhetoric to action: and there will be a mutual interest in a gradual resumption of normal relations. It will be to our advantage to support Community action to repair the relationship. We shall need to take particular account of the very high priority which the United States attaches to its relations with the region.

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