

WONFO 29/3040 NN 005/30

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IMMEDIATE



PP UKMIS NEW YORK

ADVANCE COPY

PS
PS/M Orslaw
PS/M Howard
PS/Pus
~~W. W. Wash~~
M Use

OO F C O (DESKBY 300830Z)

Hil/NAD
Hil/Strick
Falkland Island Unit
Hil/Newport
PS/N° 10 JS (2)

PP PARIS

PP BONN

PP UKDEL NATO

PP UKREP BRUSSELS

PP ROME

GPS 600

CONFIDENTIAL

DESKBY 300830Z

FROM WASHINGTON 300210Z JUL 82.

TO IMMEDIATE F C O

TELEGRAM NUMBER 2607 OF 29 JULY

INFO PRIORITY UKMIS NEW YORK, UKREP BRUSSELS, UKDEL NATO,
PARIS, BONN, ROME.

M.I.P.T.: MEETING WITH SHULTZ.

FALKLAND ISLANDS

1. SHULTZ SAID THAT HE HAD BEEN STRUCK HOW SWIFTLY A SEEMINGLY ISOLATED DISPUTE HAD BECOME INTERNATIONALIZED. THIS HAD BROUGHT HOME TO HIM THE FORMIDABLE DIFFICULTIES OF CONTAINING DISPUTES.

2. YOU REPLIED THAT OUR DECISIVE AND RAPID ACTION TO

2. YOU REPLIED THAT OUR DECISIVE AND RAPID ACTION TO RESOLVE THE DISPUTE HAD PREVENTED THE DAMAGE FROM SPREADING AS WIDELY AS SOME HAD FEARED: BRITISH RELATIONS WITH LATIN AMERICA HAD NOT BEEN BADLY HURT, ALTHOUGH YOU KNEW THAT THE AMERICANS WERE WORRIED ABOUT THE IMPACT ON THEIR OWN RELATIONS WITH LATIN AMERICA AS A RESULT OF THE INVALUABLE SUPPORT THEY GAVE TO THE UK.

3. SHULTZ AGREED THAT THE US HAD BEEN HURT MORE THAN THE UK. THE LATINOS REGARDED US POLICIES OVER THE FALKLANDS AS AN ACT OF BETRAYAL. THE UNITED STATES HAD NO SECOND THOUGHTS ABOUT ITS SUPPORT FOR US, EVEN THOUGH MAJOR PROBLEMS WOULD NEED TO BE RESOLVED WITH SEVERAL LATIN COUNTRIES, ESPECIALLY VENEZUELA.

4. YOU DESCRIBED HOW WE RECOGNISED THAT IT WOULD PROBABLY PROVE IMPOSSIBLE SOON TO OBTAIN FROM THE ARGENTINES ACKNOWLEDGEMENT OF A FULL CESSATION OF HOSTILITIES. WE WERE NEVERTHELESS TRYING TO DE-ESCALATE TENSION WITH ARGENTINA (SHULTZ SAID THAT HE APPRECIATED OUR SKILL IN DOING THIS) AND THAT WE WOULD PROBABLY LIFT ECONOMIC SANCTIONS IN DUE COURSE. FOR THE PRESENT HOWEVER THE TASK IN HAND WAS TO REHABILITATE THE ISLANDS. WE APPRECIATED THE DIFFICULTY IN MAKING OUR FRIENDS UNDERSTAND WHY WE COULD NOT NEGOTIATE WITH ARGENTINA AT THE MOMENT: HOWEVER THE FALKLANDS WERE BRITISH, AND THUS AS LONG AS ARGENTINA INSISTED ON ARRANGING A TRANSFER OF SOVEREIGNTY TO THEM, THERE WAS NOTHING FOR US TO DISCUSS.

5. YOU SAID THAT WE WOULD CONTINUE TO IMPOSE OUR ARMS EMBARGO AGAINST ARGENTINA AND HOPED THAT THE US WOULD KEEP ITS OWN EMBARGO IN PLACE. SHULTZ REPLIED THAT THERE WAS A CONTINUUM OF STEPS OPEN TO THE US. THE FIRST WAS A REOPENING OF THE ARMS SUPPLY PIPELINE WHICH HAD BEEN CLOSED ON 30 APRIL. THIS CONTAINED ABOUT DOLLARS 3.6 MILLION OF WAR MATERIALS BASED ON CONTRACTS WHICH PRE-DATED THE IMPOSITION OF A GENERAL ARMS EMBARGO AGAINST ARGENTINA IN 1978. SECONDLY, THERE WAS A MORE GENERAL QUESTION OF THE ARMS EMBARGO ITSELF. THE US CONTINUED TO BE CONCERNED ABOUT ARGENTINA'S HUMAN RIGHTS PERFORMANCE, AND A JUDGEMENT WOULD NEED TO BE MADE ON WHEN TO LIFT THAT EMBARGO. SHULTZ UNDERTOOK TO MAINTAIN CLOSE CONTACT WITH THE UK ON US THINKING ABOUT ARMS SALES AND TO GIVE ADVANCE WARNING OF ANY CHANGE IN EXISTING POLICY. HE THOUGHT THAT THE TIME WOULD SOON COME TO RELEASE THOSE ITEMS CAUGHT IN THE PIPELINE WHEN IT WAS CLOSED IN APRIL.

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CAUGHT IN THE PIPELINE WHEN IT WAS CLOSED IN APRIL.~~

6. YOU EXPLAINED THAT THE COST OF MILITARILY DEFENDING THE ISLANDS AGAINST ARGENTINE THREATS WOULD RUN INTO HUNDREDS OF MILLIONS OF POUNDS. YOU ADDED HOWEVER THAT THE RECOVERY OF THE ISLANDS HAD HAD A SIGNIFICANT POLITICAL IMPACT IN UK DOMESTIC POLITICAL TERMS. SHULTZ DREW A PARALLEL BETWEEN THE INTERNATIONAL IMPACT OF OUR DETERMINATION OVER THE FALKLAND ISLANDS TO THE DOMESTIC IMPACT OF PRESIDENT REAGAN'S ACTION IN FIRING THE AIR TRAFFIC CONTROLLERS. NO ONE HAD THOUGHT THAT THESE RESOLUTE ACTIONS WOULD EVER HAVE BEEN POSSIBLE; HOWEVER THE FACT THAT BOTH GOVERNMENTS HAD THE COURAGE TO TAKE SUCH STEPS INJECTED A NEW AND ENCOURAGING REALITY INTO THE SITUATION. BRITISH ACTION IN THE FALKLAND ISLANDS WOULD HAVE MADE PEOPLE REALISE THAT SOME COUNTRIES WERE PREPARED TO FIGHT FOR PRINCIPLES. THIS COULD HAVE A HEALTHY STABILISING EFFECT BEYOND PARTICULARS OF THE DISPUTE ITSELF.

HENDERSON

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ADVANCE COPIES: FALKLAND ISLANDS GENERAL

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PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
~~SIR I SINCLAIR~~
SIR I SINCLAIR
~~MR WRIGHT~~
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~~MR BRIDGES~~ Mr GOODISON
~~LORD BRIDGES~~
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ADVANCE COPY

IMMEDIATE

PS/NO 10 DOWNING ST (2)
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

HD/PUSD (2)
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HD/FALKLANDS UNIT (2)
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Mr. COLIN ROTH, LAEPD, ODA
Mr. BORDEN, LAEPD, ODA

SECRET

FM WASHINGTON 282225Z JUL 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 2581 OF 28 JULY
INFO PRIORITY UKMIS NEW YORK.

YOUR CALL ON SHULTZ: FALKLANDS

1. WHEN YOU SEE SHULTZ, I THINK IT WILL BE IMPORTANT TO RE-EMPHASISE OUR CONTINUED OPPOSITION TO RELAXATION OF THE U.S. ARMS EMBARGO AGAINST ARGENTINA. THERE IS EVIDENCE THAT SOME U.S. OFFICIALS WOULD LIKE THE ADMINISTRATION TO BEGIN TO EASE THE RESTRICTIONS IN THE FAIRLY NEAR FUTURE. TWO SEPARATE QUESTIONS ARE AT ISSUE:

(1) THE EMBARGO ON ARMS SHIPMENTS TO ARGENTINA WAS ORIGINALLY IMPOSED IN 1978 ON HUMAN RIGHTS GROUNDS. THE EMBARGO DID NOT COVER ALL MILITARILY RELEVANT EQUIPMENT: JET ENGINES FOR USE IN ARGENTINA'S SKY HAWK AIRCRAFT ARE NOT, FOR INSTANCE, SUBJECT TO LICENSING FOR EXPORT. A GOOD DEAL OF EQUIPMENT IN THE PIPELINE WAS ALLOWED TO GO THROUGH. SINCE THE ARGENTINE INVASION, UNDER STRONG PRESSURE FROM US, THE EMBARGO HAS BEEN MUCH MORE STRICTLY ENFORCED. SOME PROGRESSIVE LIBERALISATION IS INEVITABLE, AS THE AMERICANS AT OUR

THROUGH. ~~SINCE THE ARGENTINE INVASION, UNDER STRONG PRESSURE FROM US, THE EMBARGO HAS BEEN MUCH MORE STRICTLY ENFORCED.~~ SOME PROGRESSIVE LIBERALISATION IS INEVITABLE, AS THE AMERICANS AT OUR BEHEST HAVE BEEN HOLDING UP A NUMBER OF ITEMS MAINLY BY ADMINISTRATIVE DELAY. BUT WE DO NOT WANT LIBERALISATION TO GO TOO FAR, OR TOO FAST.

(11) BEYOND THAT, THERE ARE THOSE ON THE LATIN AMERICAN SIDE OF THE STATE DEPARTMENT WHO WOULD LIKE TO MOVE PROGRESSIVELY TOWARDS A CERTIFICATION THAT THE ARGENTINE RECORD ON HUMAN RIGHTS HAS IMPROVED SUFFICIENTLY TO ENABLE THE EMBARGO TO BE LIFTED COMPLETELY IN A FEW MONTHS/TIME. (A MOVE WOULD HOWEVER BE LIKELY TO ENCOUNTER CONSIDERABLE RESISTANCE IN CONGRESS).

2. AGAINST THIS BACKGROUND, I THINK IT WOULD BE WORTH FOCUSING SHULTZ'S MIND ON THIS STRAIGHTAWAY, REMINDING HIM THAT THE ARGENTINES HAVE NOT RENOUNCED THE USE OF FORCE NOR GIVEN ANY FORMAL ACCEPTANCE OF THE GENERAL CESSATION OF HOSTILITIES, AND THAT WE HOPE THE AMERICANS WILL NOT MOVE TOWARDS ANY EARLY RESUMPTION OF ARMS SUPPLIES.

3. YOU MAY WISH ALSO TO RAISE THE QUESTION OF THE EXPECTED ARGENTINE DIPLOMATIC DEFENSIVE AT THE U.N. GENERAL ASSEMBLY. (UKMIS TELNO 1165). THE AMERICANS WILL REMAIN NEUTRAL ON THE QUESTION OF SOVEREIGNTY; AND THEIR ATTITUDE WILL DEPEND ON THE PRECISE TERMS OF ANY RESOLUTION WHICH IS PUT FORWARD. A SIMPLE CALL FOR NEGOTIATIONS, WITHOUT PREJUDICE TO THE QUESTION OF SOVEREIGNTY, THEY WOULD PROBABLY WANT TO SUPPORT. IF, HOWEVER, A RESOLUTION IS TABLED WHICH REITERATES PREVIOUS GENERAL ASSEMBLY AND NON-ALIGNED RESOLUTIONS RECOGNISING ARGENTINE QUOTE SOVEREIGNTY UNQUOTE, THEN THERE IS A GOOD CHANCE THAT THE AMERICANS CAN BE INDUCED TO ABSTAIN.

4. YOU WILL NO DOUBT WISH TO TELL SHULTZ THAT, SO FAR AS WE ARE CONCERNED, TALK OF NEGOTIATIONS NOW IS SIMPLY NOT ON AFTER ALL THAT HAS HAPPENED. YOU MIGHT ADD THAT WE ATTACH IMPORTANCE TO VERY CLOSE CONSULTATION, AND THE AVOIDANCE OF SURPRISES BETWEEN US, OVER WHATEVER RESOLUTIONS ARE TABLED AT THE U N.

HENDERSON

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