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Foreign and Commonwealth Office

London SW1A 2AH

10 July 1989]

Sean Charles,

French Bicentenary: Bilateral with President of Uruguay

President Sanguinetti (whom the Prime Minister has not previously met) asked for this meeting following his recent meeting with President-elect Menem of Argentina. He has said that he wants to discuss the South Atlantic and also bilateral issues. The meeting will take place at 1610-1640 hrs at the Elysée. I enclose a personality note.

Since 1982, the Uruguayans have provided us with important Falklands-related assistance (principally on emergency flight diversions). Their vulnerability to Argentine pressure obliges them however to maintain a balance and to keep their help discreet. Earlier this year, in seeking to help the Alfonsin government keep the Peronists out of power, they tilted further towards Argentina. This caused us problems over an emergency diversion of an RAF aircraft and over access to Montevideo for a commercial shipping link (the 'Indiana') between the Falklands and the mainland. In addition Sanguinetti has been too nervous of the possible Argentine reaction to take up our 1987 invitation to pay an official visit to the UK during his term.

The Uruguayans are looking both for a reasonable relationship with Menem and an opportunity to improve their relations with us. Thus, they have an interest in promoting a more normal UK/Argentine relationship. When Menem visited Uruguay on 25 June, he told Sanguinetti that he wanted to take UK/Argentine relations forward and that he would set out his thinking in more detail when he met Sanguinetti again at his inauguration on 8 July. We expect therefore that Sanguinetti will wish to give the Prime Minister a first-hand account of Menem's views and possibly to convey a message from him.

In contrast to his belligerent comments early in his election campaign, Menem's recent statements on the Falklands have been more measured, with careful emphasis on the peaceful, diplomatic track. We have had other

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indications that he and his Foreign Minister-designate, Cavallo, may be considering a more pragmatic approach to the sovereignty issue. We have ourselves asked the Americans to convey a message to Menem reiterating our readiness to make progress on practical issues (leaving sovereignty on one side), while making clear our determination to defend our and Falklands interests. The Americans delivered the message at Menem's inauguration last week-end.

Sanguinetti's account of Menem's position will therefore be worth hearing (although the Prime Minister will want to discourage any Uruguayan wish for a mediatory role). The Prime Minister may wish to reaffirm our commitment to work for more normal relations with Argentina, provided the sovereignty issue is excluded. She could point out that if Menem is serious he could show it quickly and without difficulty by ending discriminatory restrictions on UK trade. For our part, we remain ready to pursue exchanges on fisheries conservation with Argentina, subject to satisfactory assurances on sovereignty and on the FICZ.

Our willingness to listen and to recognise Sanguinetti's concerns will make it easier for the Uruguayans to maintain their assistance to us on RAF diversions (for which the Prime Minister might express our appreciation). Sanguinetti may also say that he has persuaded Menem to raise no objection to future access to Montevideo by the 'Indiana'. We can welcome this, while making clear that the 'Indiana' is a commercial operation in which HMG is not involved.

The Prime Minister could tell Sanguinetti:

- we admire the way he has led Uruguay back to democracy;
- we sympathise with Uruguay's current economic difficulties (low growth rate, public sector too large; drought causing cattle losses and power shortages);
- we hope Sanguinetti will visit the UK;
- we want to bolster our relationship with Uruguay, hence our helpful position on beef exports to the EC, our decision to start a small aid programme, and our increased scholarship allocation.

Sanguinetti leaves office after the November 1989 election, while hoping to return as President in 1995



(the Uruguayan Constitution prohibits successive terms). His own choice for the next President was recently defeated in the ruling Colorado party internal elections. Nevertheless he remains influential as the statesman who re-established Uruguayan democracy and negotiated the military's retirement from politics after the period of military rule up to 1985.

I am copying this letter to Alex Allan (HMT) and Trevor Woolley (Cabinet Office).

A handwritten signature in blue ink, appearing to read 'J S Wall', with a long horizontal flourish extending to the right.

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

DR JULIO SANGUINETTI

President of the Oriental Republic of Uruguay

Born 1936 in Montevideo of Genovese descent. A lawyer and journalist, first elected to Parliament in 1962.

Held Ministerial portfolios for Industry and Commerce, and Education and Culture. Became Colorado Party leader in 1983, and President in March 1985.

He is by nature friendly and cheerful and inspires loyalty and devotion among his collaborators.

Well disposed towards Britian, but within the limits imposed by the state of Anglo-Argentine relations. He is dedicated to the prospect of restoring Uruguay's fortunes and once high international prestige.

His interests include football, painting, literature and philosophy.

Married to a teacher of architectural history. Two children. Fluent in French, hesitant English.

He visited the UK in 1984. Never speaks from notes even on formal occasions.

10 JUL 1968

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PRESIDENT SANGUINETTI'S MEETING WITH THE PRIME MINISTER : 13 JULY

SUMMARY

1. PRESIDENT SANGUINETTI'S FORTHCOMING MEETING WITH THE PRIME MINISTER HAS NOT YET BEEN GIVEN PUBLICITY IN URUGUAY. PRESIDENT'S DOMESTIC POLITICAL STANDING NOT HIGH AT PRESENT. URUGUAYAN ECONOMY WEATHERING DIFFICULTIES QUITE WELL. PRESIDENT HAS GOOD REASONS TO WANT TO SEE AN IMPROVEMENT IN ANGLO-ARGENTINE RELATIONS.

DETAIL

2. PRESIDENT SANGUINETTI LEFT URUGUAY ON 7 JULY FOR ARGENTINA, PORTUGAL AND FRANCE STILL ABSORBING THE SHOCK OF THE OUTCOME OF HIS GOVERNING COLORADO PARTY INTERNAL ELECTIONS OF 28 MAY. HIS CHOSEN SUCCESSOR AND CURRENT VICE-PRESIDENT, TARIGO WAS HEAVILY DEFEATED BY SANGUINETTI'S ARCH-OPPONENT BATLLE, IN A VICTORY WHICH HAS BEEN INTERPRETED WIDELY AS A PERSONAL DEFEAT FOR THE PRESIDENT. IT IS BELIEVED THAT SANGUINETTI WILL RETURN TO PRIVATE LIFE IN MARCH 1990 WHEN THE NEW GOVERNMENT ASSUMES OFFICE, AND WILL RETURN TO ACTIVE POLITICS IN TIME TO RUN FOR PRESIDENT AGAIN IN 1994.

3. URUGUAY'S EXTERNAL ECONOMY IS HOLDING UP WELL DESPITE THE PROBLEMS OF ITS LARGER NEIGHBOURS, ARGENTINA AND BRAZIL. EXPORTS ARE INCREASING AND DEBT AND UNEMPLOYMENT LEVELS ARE MANAGEABLE. INFLATION, HOWEVER, IS WORSENING (NOW RUNNING AT 80% PER ANNUM COMPARED WITH 69% IN 1988), AND THE LONG TERM EFFECTS OF THE DROUGHT (NOW IN ITS FIFTEENTH MONTH) COULD BE SERIOUS FOR AGRICULTURAL EXPORTS (ON WHICH THE ECONOMY DEPENDS) IN THE LONGER

TERM. THE ELECTRICITY SUPPLY POSITION HAS IMPROVED AND ZONAL POWER CUTS HAVE BEEN SUSPENDED UNTIL 16 JULY WHEN THE SITUATION WILL BE REVIEWED. THERE IS HOWEVER A DISCONTENT WITH THE WAY IN WHICH PRESIDENT SANGUINETTI'S GOVERNMENT HAVE HANDLED THE ECONOMY AND TARIGO'S DEFEAT IN THE COLORADO INTERNALS IS IN PART A MANIFESTATION OF THIS.

4. THERE HAS BEEN NO ANNOUNCEMENT AS YET ABOUT PRESIDENT SANGUINETTI'S MEETING WITH THE PRIME MINISTER IN THE URUGUAYAN MEDIA (CF BUENOS AIRES TELNO 244 TO THE FCO (NOT TO ALL)). PRESIDENT SANGUINETTI WILL ALMOST CERTAINLY WISH TO PRESENT HIMSELF AS AN ACCEPTABLE GO-BETWEEN IN THE HOPE OF PLAYING A PART IN THE IMPROVEMENT OF ANGLO-ARGENTINE RELATIONS. URUGUAY HAS NOT ENJOYED BEING PIGGY-IN-THE-MIDDLE OVER RAF DIVERSIONS, INDIANA, SERVICING FISHING VESSELS WHICH USE THE FICZ ETC AND WILL BE ANXIOUS TO ESCAPE THESE TENSIONS IF BILATERAL ANGLO-ARGENTINE RELATIONS IMPROVE. URUGUAY WOULD ALSO LIKE TO RESTORE THE TRADING RELATIONSHIP WHICH EXISTED WITH THE FALKLAND ISLANDS PRIOR TO 1982, PARTICULARLY GIVEN THE NEW AFFLUENCE IN THE ISLANDS, AND WILL HOPE THAT THEIR FISHING INDUSTRY CAN BENEFIT FROM ANY RELAXATION IN OUR RELATIONS WITH ARGENTINA (EG BY FISHING IN THE FICZ).

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