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COPY NUMBER 2 OF 13

From the Secretary of State

Prime Minister (2)

Sent before you

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Francis Richards Esq  
Private Secretary to the  
Secretary of State for  
Foreign and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1A 2AH

PA Mus 6/9 meeting with the  
Chancellor.  
Unreadable!  
MS 2/9  
2 September 1982

Dear Francis,

ARGENTINA

1 Lord Cockfield understands that there has been no further response from the Argentine side on the proposition that our agreement to the unfreezing of assets should be accompanied by agreement on the resumption of air services. We have provided the FCO with clarification of the minimum we need on air services, but I understand that the relevant instructions to Washington are being held in abeyance. It seems to my Secretary of State that we should now give the Americans a fuller briefing on our position and urge them to seek some package deal from the Argentines. So far as air services are concerned this can draw on the material we have already supplied. But it might also be worth exploring a package which combined the unfreezing of assets with the lifting of trade embargoes and only some more general assurance about m.f.n treatment for air services. We are ready to consider this, and it might be an easier package for the Argentines to accept. Such an approach need not cut across any discussions which the Chancellor may be having in Toronto.

2 My Secretary of State recognises that in the last resort if the Argentines will not budge, the question of unfreezing the assets will have to be considered on its own merits. Clearly there are advantages to the City of London but the matter needs to be considered wider than that. Unless it can be demonstrated - and so far it has not been - that there would be a clear advantage to the United Kingdom economy in unfreezing the assets without movement elsewhere, he would think the right tactic would be to continue to press on the other trade matters.

3 I am sending copies of this letter to John Cotes (Number 10), Peter Jenkins (Treasury) and to the Private Secretary to the Governor of the Bank of England.

John Rhodes  
Private Secretary

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