

424. Draft Interagency Group Paper¹

Washington, undated

POSSIBLE ARGENTINE MOVES AGAINST THE UK IN THE SOUTH ATLANTIC/ANTARCTIC: ASSESSMENT AND U.S. OPTIONS

I. SITUATION:

—[*less than 1 line not declassified*] elements in the Argentine Armed Forces may have contemplated earlier this year the use of force against the British in the Falklands or at other UK installations in the South Atlantic. There could be a recurrence of such planning in the months ahead. Any such action would have consequences for U.S. interests, particularly in Latin America, within NATO and perhaps in a broader context.

—A significant military operation is considered virtually out of the question for this year. Argentina does not have the capability or the will for such action in the foreseeable future. The most likely range of possible Argentine actions would seem to involve some sort of small scale symbolic raid, such as a frogman landing/flag planting for photos, the strafing of an isolated patrol boat, or provocative overflights. Any such actions would be intended, in part, to have a political and psychological impact domestically within Argentina—to offset the drama of Mrs. Thatcher's visit and redeem a vestige of military pride.

—The likelihood of even such a small-scale, limited-objective military action in the near future is remote—although it can not be ruled out given the Argentine military's past record of erratic behavior.

—The U.S. took a series of actions in January 1983 to indicate the unacceptability of any further Argentine hostilities against the UK.² Our actions are believed to have had an important and sobering effect on those elements in the Argentine Navy and Air Force most likely to contemplate rash action. [*less than 1 line not declassified*] on this issue had

¹ Source: National Security Council, National Security Council Institutional Files, CPPG 0030. Secret; Sensitive. Drafted by N.S. Smith (ARA/SC) on February 17; cleared by Blackwill, Raphael, Knepper (INR), Enders, Sanchez (DOD), Fontaine, Grusin (CIA), and Negroni (JCS). Smith initialed for all the clearing officials except Enders. Bremer sent the paper to Gregg, Wheeler, Stanford, Stanley, and Cormack under a February 23 covering memorandum, stating that the draft was a revision of an earlier draft shared with the OVP, NSC, DOD, JCS, and CIA, produced in response to McFarlane's request of February 9 (see Document 423). An earlier draft, dated February 15, is in the Reagan Library, Roger W. Fontaine Files, Argentina [02/15/1983–03/31/1983]. McManaway sent a "final" version of the paper to Clark under a covering memorandum on May 5. (Reagan Library, Oliver North Files, Falkland Islands (Malvinas) (2 of 2))

² See Document 421.

an important political impact in Buenos Aires, causing the Argentine government to reaffirm its decision to pursue a negotiated solution.

II. ISSUES:

This paper provides an updated assessment of the likelihood and nature of any potential Argentine action against the British. It reviews the impact of such actions on U.S. interests in NATO, Latin America and elsewhere, as well as the opportunities possibly presented to the Soviets and Cubans. After describing likely reactions by the nations involved, a final section analyzes the options open to the U.S. to counteract damage to our interests.

A. LIKELIHOOD OF ATTACK:

Argentina's desire to recover the Falkland Islands, by negotiations if possible, and by force if ultimately necessary, remains undiminished. [6½ lines not declassified]

[less than 1 line not declassified] we have concluded:

—Full-scale military action in the foreseeable future is highly unlikely. [1½ lines not declassified] Argentine military leaders probably share our assessment that they do not have the military capability to execute successfully an assault on the British defenses. From a non-military perspective, the armed forces have enough problems managing a transition to civilian rule at a time when their credibility has reached a post-1976 nadir.

—While an Argentine raid is more likely than a full-scale assault, there is not a significant chance of one occurring in the near future. The probability increases, however, in the presence of UK actions such as Mrs. Thatcher's visit to the islands. A raid would probably be a commando operation targeted against a largely unpopulated area, perhaps West Falkland Island. The intent would likely be to get in and out quickly, perhaps after planting a flag and taking some pictures to embarrass the UK.

—The possibility of an incident involving an unplanned air encounter arises out of Argentine charges that UK aircraft are flying outside the exclusion zone, and reports that flights into the exclusion zone may be undertaken by the Argentines in order to harass UK forces and keep them edgy and on alert.

—Some Argentine activities are intended to force the UK into increased expenditures on island defenses and ultimately into the conclusion that hanging on is not worth the cost. [3½ lines not declassified]

—The likelihood of an Argentine offensive in Antarctica is considered remote because Argentina probably does not want to go against broader Antarctic Treaty commitments involving the U.S. and the Soviet Union.

—While military action to retake the Islands does not appear imminent, the Armed Forces, nonetheless, can be expected to prepare contingency plans in the event diplomatic initiatives fail. Given the volatile internal situation in Argentina, military posturing and threats probably will continue, from time to time, and apprehensions regarding Argentine intentions will periodically escalate.

—We should carefully monitor developments and evaluate scenarios of possible action and reaction as a basis for determining what posture the United States may be required to adopt in the future.

A list of U.S. initiatives taken in January 1983 to make clear to the Argentine Government the U.S. position on further military activity is at Tab B.³

B. NATURE OF PROBABLE UK RESPONSE:

Any UK response, of course, would depend on the nature of the Argentine action. In the unlikely event of an invasion, the UK would respond at least as vigorously as it did last year. Aircraft, ships and troops would be rushed to the Falklands, the UK would call for a meeting of the UN Security Council to condemn Argentina and to impose sanctions. Mrs. Thatcher would call on the U.S. and European Community to stop military shipments and economic trade with Argentina.

In the more likely event of a small-scale commando raid, or Argentine air penetration of the exclusion zone, the UK would likely do the following:

—Combat any immediate threat with its forces already in the Falklands area. These would be sufficient for such a task, if the Argentine action/incursion were to be detected.

—Ask the UN to condemn Argentina. HMG would expect U.S. support.

—At the highest level, HMG might call on the U.S. to stop any remaining shipment of military equipment in the pipeline and to maintain a hold on certifying Argentina for new sales. We might also be asked to consider selected trade sanctions, but would not be requested to do anything which would threaten a default on Argentine bank debts. That would damage UK interests as well.

—HMG would ask the U.S. to use its diplomatic influence in Latin America to isolate Argentina. They would also ask us to warn Buenos Aires at the highest level that the U.S. would, if necessary, assist the British in opposing any further military action or encroachment.

³ Not found attached. A version of this list is in the Reagan Library, Roger W. Fontaine Files, Argentina [02/15/1983–03/31/1983]. See also Document 421.

—If the operation were considered a military success by Argentina, the UK might well call on the U.S. to provide future early warning assistance in the South Atlantic area, in addition to increased logistical support out of Ascension Island. Such U.S. assistance would become public knowledge within a short time.

C. EFFECT ON US-UK RELATIONS:

Mrs. Thatcher is perhaps our staunchest supporter in Europe. In the event of Argentine military action in this pre-electoral period in the UK, she would expect swift and unequivocal U.S. backing. It would be costly to our security, economic, and other interests among our friends and allies if the U.S. were to appear to temporize or take a neutral position. Public support for our security policies is already weak in the UK. If we failed to appear to support HMG, it would be difficult for the government to resist those who want to distance Britain from the U.S. on these and other issues.

The danger to our relationship, however, would be proportional to the severity of the military action. In the event of a low-level symbolic operation by the Argentine Navy—such as a small commando raid or systematic violations of British air space—the UK would expect only limited measures on our part. If the Argentines mounted a larger operation—such as the seizure and occupation of a British dependency—the British almost certainly would mass sizeable forces to rebuff the Argentines. The U.S. would be expected to provide at least the same level of assistance given after April 30, 1982, i.e., accelerated military sales, open support to the UK in international fora, and a cut-off of credits and military supplies to Argentina.

The British recognize that our interests in Latin America suffered as a result of our Falklands stand, but take a politic stance that the U.S. has exaggerated the damage. They also claim that we were overly concerned about the possibility of the Soviets increasing their presence and influence in Argentina. Therefore, we should be prepared to provide compelling evidence to justify any refusal of requested support in order to limit a deterioration in US-UK relations. Of course, no rationale would be publicly acceptable to Mrs. Thatcher's Government.

D. NATO IMPLICATIONS:

During the Falklands crisis, there was considerable concern about the implications to NATO over the relatively large number of British units involved in the conflict. The outcome was that the British acknowledged their NATO commitments and pledged to withdraw whatever might be needed for a NATO contingency from Falklands duty. There would have been considerations of time and readiness, but not one of commitment. Barring major hostilities, we do not foresee a situation

where large scale British forces would be needed in the South Atlantic. We anticipate, therefore, no negative impact upon NATO readiness. The British currently maintain in the South Atlantic a force of some four to six frigates or destroyers, two nuclear powered submarines, 12 fighter aircraft, plus a few thousand ground troops.

E. EFFECT ON US/ARGENTINE RELATIONS:

Following our post-mediation political and military support for the British, U.S. relations with Argentina were seriously impaired. Many in the Argentine military (and the general public), unable to cope with their glaring mistakes and humiliating loss, believed (or chose to believe) that U.S. intelligence, petroleum supplies, missiles and other arms were largely responsible for Argentina's defeat. As a result, we presently have very little influence with Argentine military leaders and potentially reduced influence with their civilian successors.

The U.S. undertook a series of post-Falklands initiatives to improve relations with Argentina and other Latin American countries.⁴ There was no expectation of substantial US-Argentine improvement in the short run, but rather the hope that we could exert some degree of future influence to prevent further hostilities in the Falklands, or an attack against Chile. The removal of most U.S. sanctions and our subsequent efforts to round up international support for IMF and private bank arrangements for Argentina's damaged economy had a positive impact on the government. Broad public perceptions of the U.S. continue to be strongly negative, however.

More significant was our vote in the UN in favor of a moderate Argentine resolution which demonstrated to the GOA the feasibility of working with the U.S. to secure future diplomatic progress on the Falklands/Malvinas. Mrs. Thatcher's strong reaction to our UN vote helped dramatize our shift.

Argentina today is feeling its way through a delicate political transition.⁵ The military government announced elections by November, and a transfer of power to a constitutional president soon thereafter. Difficult relations are anticipated with the civilian government, whether led by the Peronist or Radical party. It is likely to adopt foreign policy positions more closely aligned with the third world—a shift which has

⁴ In telegram 1087 from Buenos Aires, February 18, the Embassy transmitted to the Department a study of U.S.-Argentine relations in the 8 months since the end of the fighting in the Falklands/Malvinas. (Department of State, Central Foreign Policy File, D830094-0188)

⁵ In telegram 1162 from Buenos Aires, February 23, the Embassy transmitted to the Department a study of the prospects for Argentine stability, the institutionalization of democracy, and U.S.-Argentine relations over the next 8 months. (Department of State, Central Foreign Policy File, D830100-0438)

already occurred to a great extent. Populist/statist/nationalist economic policies will create difficulties for U.S. economic interests. While the new government may be less to our liking, and its rhetoric more anti-American, it is not likely to be extremist/radical along the lines of Nicaragua, Libya, or the PLO. The likely Peronist presidential candidates are middle-aged, bourgeois, and strongly anti-communist. They seem to understand the necessity for dealing with the U.S. to achieve their own objectives, despite public rhetoric. We expect a less hospitable atmosphere toward the U.S. than with the pre-Falklands military, and there will be a very bumpy time. Nevertheless, the new Argentine government is expected to recognize essential U.S. interests as it develops its future policies.

The range of actions discussed below to help deter an Argentine military raid on the Falklands is unlikely to have a significant negative impact on US/Argentine relations because they would be private approaches which reiterate well-known U.S. positions. On the other hand, the likely U.S. response should Argentina launch a small scale raid would have an important negative impact on our relations and the public attitude of the Argentines. In that event, U.S. actions could include: (a) a strong, *post facto* demarche; (b) condemnation at the UN and in the OAS; (c) closing of the small FMS pipeline; and (d) freezing for the immediate future U.S. consideration of Presidential certification of Argentina required for a renewal of future U.S. arms sales. Such actions also would make it difficult to deal with a successor civilian regime in Buenos Aires.

F. EFFECT ON US-LATIN AMERICAN RELATIONS:

The Falklands War initially had a strongly negative impact on our relations with Latin America. Few Latins thought wise Argentina's resort to force, but supported, or felt forced publicly to side with Argentina. The U.S. was viewed critically for having materially supported the UK's war effort against a Rio Treaty partner. Much of the rancor seems to have dissipated, but residual resentments remain acute in some countries.

U.S. actions taken privately to prevent renewed Argentine adventurism from breaking out would have no significant adverse impact on our hemispheric relations.

The reaction in the event of renewed hostilities would probably depend upon the extent of conflict. Given an incident that involved neither casualties nor major property loss, the U.S. would be condemned if we reacted strongly. The Latins would probably view such an incident as a legitimate part of the diplomatic game and a harmless face saver. However, if hostilities provoked by the Argentines involved casualties there would be less sympathy from most Latin capitals

(except perhaps Venezuela and Peru). Cuba, Nicaragua, and Grenada would respond, predictably condemning a strong U.S. reaction. We would face in the UN and OAS renewed strains, which could make it difficult to secure cooperation on some hemispheric issues of importance.

G. OPPORTUNITIES PRESENTED TO THE SOVIETS & CUBANS:

Any festering of the old wounds of the Falklands crisis could provide some new opportunity for initiating military cooperation by the Soviets and Cubans, depending upon the extent of renewed hostilities. Given the limited possibility for anything more than an isolated incident, however, there probably would be little opportunity for the USSR or its clients. In the diplomatic area, Argentina has moved toward NAM positions already in order to gain support for Falklands/Malvinas negotiations. In the economic field, it agreed to Aeroflot service, increased trade with Cuba, and heavy Soviet grain purchases continue. But so far we have not seen signs that Argentina is seriously considering any arms transactions with the Soviets. This is the most sensitive area, and we doubt that a small symbolic and basically ineffectual raid would add meaningfully to arguments on either side for a new arms supply relationship.

H. EFFECT ON U.S. INTERNATIONAL CREDIBILITY AS A PEACEMAKER:

If there is some restricted, symbolic, or low-level action by the Argentines against the British, the public and press aspects of the event probably would be the most significant result. There would be governmental and public speculation throughout the world as to whether anyone could have foreseen the hostilities, or whether anyone had reasonable intelligence of such a possibility, and whether peace could have been preserved by private or diplomatic action. The U.S. would be the likely target of such speculation. After any hostilities, our credibility as a peacemaker will be affected by what we might have done to prevent it, how we acted to contain or reduce the violence, and the perception of fairness that we showed.

III. U.S. OPTIONS:

The U.S. took vigorous action in January 1983 to warn the Argentine Government that a South Atlantic incident would not serve their own interests, and certainly would not enjoy U.S. acquiescence or support. A chronology of these actions is contained at Tab B.

Beyond such diplomatic activity, the range of additional U.S. steps would appear to be limited. The U.S. seems to have very little ability to directly influence either party in the dispute, as we saw during the

Falklands War. Mrs. Thatcher seems impervious to U.S. suggestions on this subject, and U.S. influence on the Falklands issue in Argentina is even less. We have little or no influence on the military, which probably sees little to be gained from us (with one possible exception) in the brief period remaining before elections.

Obviously, it is essential that we closely monitor Argentine military activities and intentions. And we should not hesitate to express our serious concerns whenever there are indications of potentially dangerous activities.

Theoretically, the U.S. could threaten to undermine Argentina's foreign debt arrangements with the International Monetary Fund, the Bank for International Settlements, and private banks. But that could seriously damage important U.S. interests and does not constitute a credible threat. A reactivation of hostilities and increased tensions would have that effect, regardless of the U.S. position. Argentina's precarious economic situation may work as a broad constraint against adventurous actions, but the military is not likely to be swayed by any U.S. economic leverage.

The one area of potential impact on the military relates to Presidential certification of Argentina's human rights record and U.S. national interests, required by the Foreign Assistance authorization bill of 1981, as a first step to future arms sales. Argentina's democratic opening, its recent releases of political prisoners plus the sharp decline of repression and absence of disappearances would seem to make early certification a feasible U.S. policy. There are, however, Chile-Argentine considerations and a U.S. customs investigation into alleged illegal Argentine arms exports that will weigh negatively on that outcome. With respect to the investigation, we would wish to ascertain if evidence available relating to possible Argentine misdeeds poses major political and legal obstacles before making the certification. Domestically, some Democratic Congressmen have urged us to wait and certify Argentina after the elections so the U.S. does not appear to be encouraging the military government.

We have given preliminary consideration to trying to use the certification issue to help reduce the likelihood of any incident in the Falklands. One proposal is to inform the Argentine Government this spring that we would be prepared to certify before their elections (and perhaps consider sales after the elections) provided there were no "unpleasant surprises", either with regard to action against the Falklands or efforts to thwart the civilian transition.

Potential options on the certification issue, therefore, involve carrots and sticks. While it is difficult to evaluate the impact of U.S. certification on Argentine military thinking, by making it clear that we were prepared to certify in the near term, we would demonstrate that

the Argentine military had something concrete to lose by a rash action in the Falklands.

Major Argentine military procurement has already been arranged with the Germans, French, Austrians and Israelis to provide new and used ships, aircraft, tanks and other armaments. The Argentine military may prefer not to develop a dependence on U.S. suppliers for political reasons. Certification would offer them two advantages however: (1) Political/psychological benefits since our action would be seen by many as symbolic of U.S. approval; and (2) Some military equipment which the Argentines would clearly prefer to buy from the U.S., such as engines and parts for their U.S. airplanes, communications equipment and possibly helicopters.

The question of possible Argentine certification during the first half of 1983 will be examined in more depth in a subsequent memorandum.

Should there be a small-scale incident, the recommended U.S. reaction would be determined by the circumstances. Presumably it would include public declarations and diplomatic demarches as well as activity in the UN and OAS. Whether it would involve the possibility of specific U.S. sanctions would have to be determined at the time.

[1 paragraph (3½ lines) not declassified]

British moderation, in terms of future visits and public declarations on the Falklands anniversary, could reduce the possibility of hostile Argentine activities. Whether Mrs. Thatcher is prepared to tone down British rhetoric or symbolic actions in a difficult election year is very much in doubt. Still, it is a useful point we could make to our British allies. One possible conciliatory step by the UK would be the reduction of the 150 mile exclusion zone. This would not seem to make sense from a military perspective, however, and there seems to be no reasonable chance we could convince them that this would serve UK interests.