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1. We shall be considering at OD on 1 March what our next steps should be in the light of the Argentine reply to our message of 26 January. The texts of both messages are attached, together with Berne telegram number 65 reporting Caputo's comments to the Swiss on 27 February.

2. The Argentines acknowledge that the normalisation of bilateral relations is desirable. But they see the resumption of a dialogue as leading, eventually though not at the outset, to negotiations on sovereignty. This faces us with an exceedingly difficult task. We have three main objectives to reconcile:

- (i) to maintain our commitment to the Falkland Islanders;
- (ii) to exclude negotiations on sovereignty;
- (iii) to move towards more normal commercial and other relationships with Argentina.

3. Most other countries have much simpler aims. They want to get back to business as usual with the new Argentine regime, and they want to prevent the UK/Argentina dispute from obstructing that process.

4. The Americans take this view because of their interest in re-establishing their influence in Latin America. The Europeans share this interest, though less directly. The third world have in general little sympathy with our case, for the usual anti-colonialist reasons. Even those countries which formally acknowledge our position are increasingly disposed to encourage us to negotiate. They see this - as third parties are almost bound to do - as the only sensible way of approaching a dispute. The arrival of a democratic government in Argentina,



and the fact that President Alfonsin is well known on the Social Democratic circuit, will add to the pressure on us.

*No* 5. At home, some shift is taking place in public opinion. There is a growing impression that we now have an opportunity to achieve a more rational relationship with Argentina, by restoring normal trade and other relations. There are also some signs of growing concern at the cost of defending the Islands, but very little disposition as yet to see a major rundown of our forces on the Islands.

6. If we are to hold our position, we need to be particularly adroit in the management and presentation of our case. We must be seen to be doing our best to improve relations and reduce tension. At the same time we must explain why there are certain key issues of principle on which no reasonable person can expect us to enter into negotiations, still less to give way.

7. A possible agenda for talks with Argentina is taking shape. The Argentine reply accepts that the six points we put to them for discussion represent positive steps towards more normal relations. These six points were:

- (i) the reciprocal lifting of trade restrictions;
- (ii) the lifting of all outstanding financial restrictions;
- (iii) arrangements for the return of the Argentine dead from the Islands, or failing that, an Argentine next-of-kin visit;
- (iv) the restoration of the air services agreement between Britain and Argentina;
- (v) the resumption of cultural, scientific and full sporting contacts;
- (vi) the up-grading of official relations.

In addition we wish to secure a formal cessation of hostilities, but have not put this forward as an agenda item (see paragraph



10(a) below). The Argentines want to add three further items:

- (a) lifting the Falkland Islands Protection Zone;
- (b) halting the "fortification" of the Islands, the construction of the "strategic" airfield, and the "warlike concentration" in the area;
- (c) withdrawal of "nuclear weapons or artefacts" from the region.

8. The Argentines have said that the preliminary exchanges on the above subjects should lead to formal negotiations on sovereignty in the presence of the UN Secretary-General - though the latest telegram suggests that they may not insist on UN involvement. They add that they would give due consideration to the interests (not the wishes) of the Falkland Islanders and to the possibilities for economic and other co-operation in the area. They claim that this would be in effect a return to the Anglo-Argentine agreement of 1977 for negotiations on "future political relations, including sovereignty".

✓ 9. The linkage of preliminary talks to negotiations on sovereignty is clearly unacceptable. So is any suggestion that the talks should take place under UN auspices.

10. Each of the three new points which the Argentines have put forward raise difficulties. But it is worth considering whether we need to object to the Argentines raising them if talks begin. My views are as follows:

(a) Lifting the Falkland Islands Protection Zone (FIPZ)  
 The best quid pro quo would be an Argentine declaration of de jure cessation of hostilities or some other formal renunciation by Argentina of the future use of force. But that might strengthen the Argentines' hand in pressing for the withdrawal or substantial reduction of our garrison. It may therefore be best to pursue a deal involving cessation of hostilities and lifting the FIPZ separately from the main talks or at least only at a later stage (we shall in any case



avoid any suggestion of "secret talks" on this or any other subject).

(b) "Fortification", the airfield, etc

There can be no question of halting the construction of the Mount Pleasant airfield and its ancillary infrastructure, which is essential in both security and economic terms. This would have to be made clear to the Argentines when they raised the subject, as they inevitably would. But the airport will not be completed for another two years: only then will we have the flexibility to make major reductions in the garrison. We must also recognise that there could be some awkwardness if political relations with Argentina run ahead of our ability to show any flexibility on force levels, because of the timetable imposed by the airport. We shall be considering some aspects of this further on the basis of the Defence Secretary's paper for OD(FAF). It would be a tactical mistake to allow any administrative reductions in the size of the garrison to be exploited as a response to Argentine pressure. But we may be able to present them in a way which tends to undermine Argentine misrepresentation of our "military build-up" in the Falklands.

(c) Nuclear guarantees

If we were to accept discussion of this item, we would have to reply on our usual formula relating to the United Kingdom's observance of the Treaty of Tlatelolco (which prohibits the development or deployment of nuclear weapons in Latin America). This is that Britain has "scrupulously observed its obligations under Additional Protocols I and II to the Treaty in not deploying nuclear weapons in territories for which the United Kingdom is internationally responsible within the Treaty's zone of application and in territories in which the Treaty is in force". Nuclear means of propulsion are specifically excluded from the Treaty's provisions. Discussion of nuclear issues could entail propaganda pitfalls, but would help to demonstrate our bona fides, both to Argentina and to others. We need not, therefore, object to it.

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11. I see four possible options for responding to the Argentine message:

- (a) to decide in the light of the Argentine reply that we do not want to go down this road;
- (b) to repeat that we are prepared to talk but on the basis of our original proposals;
- (c) to accept the Argentine proposal for preliminary talks without any agreed agenda but with a formula which fully reserves our position on sovereignty;
- (d) to accept talks on the basis of our original six points and the three additional Argentine ones, but again with a formula fully reserving our position on sovereignty.

12. To reject the Argentine proposals as in (a) and (b) above, would almost certainly rule out constructive dialogue for some time. The more promising ground lies in Options (c) and (d), but we shall need to think very carefully in the light of Caputo's remarks how precisely to respond.

*No* 13. Option (c) is superficially attractive in that it would allow talks to start without immediate difficulties over the sovereignty issue. But it is clear from what Caputo has said that the Argentines will regard the task of the preliminary talks as to establish an agenda for the substantive negotiations. We would need more convincing evidence than Caputo's comments as reported in the Berne telegram that the Argentines would in practice be able to accept an agenda for substantive talks which did not include sovereignty. There can be no certainty that Option (d) would get around this problem. It would oblige us to accept a more constraining agenda and the Argentines might well revert to the sovereignty issue. The best course might be to propose that talks should start without accepting the Argentines' distinction between "preliminary" and "substantive" and without a formal agenda, although it would be understood between us and the Argentines that the substance would comprise our six points and their three points. The

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*It cannot - we know our experience with Gibraltar on this basis.*

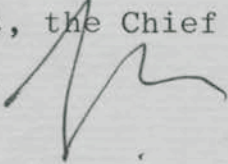
sovereignty issue could be dealt with, if the Argentines insist that it must be raised, by statements of each side's position, after which the talks would move on to other issues.

14. I have deliberately left to one side the possible declaration of a 200 mile Exclusive Fisheries Limit (EFL) around the Islands. But it might find a place on the agenda later: the Argentine reply indicated readiness to consider economic and scientific co-operation in the area.

15. The Argentine reply takes up our point that we would not welcome secret talks, and Caputo has since confirmed that the talks themselves should not be secret, although their substance should remain confidential. Caputo added that they could not however agree that the agenda should remain confidential. This may well lead to difficulties if, as indicated above, the Argentines insist that sovereignty should feature.

16. In sum, I invite my colleagues to agree at OD on 1 March that we put to the Argentines Option (d) as modified in paragraph 13 above. If Argentina accepts this, details such as the venue for the discussions and the participants could be settled by the British and Argentine Ambassadors in Berne. We need, if possible, to regain and keep the initiative.

17. I am copying this minute to our colleagues in OD, and to the Secretary of State for the Environment, the Chief Secretary to the Treasury, the Attorney General, the Minister for Overseas Development, the Chief of the Defence Staff and to Sir Robert Armstrong.

  
GEOFFREY HOWE

Foreign and Commonwealth Office  
29 February 1984

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TO FLASH BERNE

TELEGRAM NUMBER 22 OF 26 JANUARY

MIPT: RELATIONS WITH ARGENTINA

1. FOLLOWING IS TEXT OF SPEAKING NOTE.

BEGINS: THE BRITISH GOVERNMENT HAVE ASKED THE SWISS PROTECTING POWER TO APPROACH THE GOVERNMENT OF ARGENTINA, TO CONSIDER MEANS OF FOLLOWING UP THE EXCHANGE OF MESSAGES ON 10 DECEMBER BETWEEN MRS THATCHER AND PRESIDENT ALFONSIN. THE BRITISH GOVERNMENT REPEAT THEIR WELCOME FOR THE RETURN OF DEMOCRACY TO ARGENTINA. THEY BELIEVE THAT THE POSSIBILITY OF TALKS BETWEEN BRITAIN AND ARGENTINA AT OFFICIAL LEVEL ABOUT THE PROGRESSIVE NORMALISATION OF RELATIONS BETWEEN THE TWO COUNTRIES SHOULD NOW BE CONSIDERED. IT WILL BE NECESSARY HOWEVER FOR BOTH SIDES TO RECOGNISE THE REALITIES OF THE SITUATION AND THE CONSTRAINTS UNDER WHICH THE OTHER IS OPERATING.

2. WITH THIS IN MIND, THE BRITISH GOVERNMENT PROPOSE THAT ANY DISCUSSIONS SHOULD BE WITHOUT PREJUDICE TO THE POSITIONS OF THE UNITED KINGDOM AND ARGENTINA RESPECTIVELY ON THE QUESTION OF SOVEREIGNTY OVER THE FALKLAND ISLANDS, AND INDEED, THAT SOVEREIGNTY WOULD NOT BE DISCUSSED.

3. IT IS PROPOSED THAT THE AGENDA FOR DISCUSSION COULD INCLUDE:

- A. THE RECIPROCAL LIFTING OF RESTRICTIONS ON TRADE BETWEEN THE UNITED KINGDOM AND ARGENTINA.
- B. THE LIFTING OF ALL OUTSTANDING FINANCIAL RESTRICTIONS.
- C. ARRANGEMENTS FOR THE RETURN OF THE ARGENTINE DEAD FROM THE FALKLAND ISLANDS OR, FAILING THAT, FOR A NEXT-OF-KIN VISIT.

- D. THE RESTORATION OF THE AIR SERVICES AGREEMENT BETWEEN THE TWO COUNTRIES.
- E. THE RESUMPTION OF CULTURAL, SCIENTIFIC AND FULL SPORTING CONTACTS.
- F. THE UP-GRADING OF OFFICIAL RELATIONS.
4. THERE HAVE BEEN SUGGESTIONS FOR SECRET TALKS. THE BRITISH GOVERNMENT WOULD NOT WELCOME SUCH A PROCEDURE, SEEING NO NEED TO CLOAK IN SECRECY MEETINGS ABOUT THE NORMALISATION OF BILATERAL RELATIONS. MOREOVER, THERE WOULD BE SERIOUS DANGERS OF MISUNDERSTANDING IF THERE WERE TO BE CLANDESTINE DISCUSSIONS, AND WORD OF THESE WERE TO LEAK.
5. REGARDING PRESENTATION, SIR GEOFFREY HOWE HAS SAID PUBLICLY THAT BOTH SIDES ARE DEVELOPING A WILL TO BEGIN TAKING STEPS TOWARDS RESTORING A NORMAL RELATIONSHIP. IF BRITISH SPOKESMEN ARE ASKED ABOUT THE PRESENT SWISS APPROACH TO THE GOVERNMENT OF ARGENTINA, THEY PROPOSE TO CONFIRM IN GENERAL TERMS THAT MEANS OF CARRYING THIS PROCESS FORWARD ARE BEING EXPLORED. BUT THE SWISS AND BRITISH GOVERNMENTS HAVE NO INTENTION OF STIMULATING PUBLICITY AT THIS EARLY STAGE. THE PUBLIC PRESENTATION OF TALKS BETWEEN BRITISH AND ARGENTINE OFFICIALS CAN BE DISCUSSED ONCE TERMS OF REFERENCE HAVE BEEN AGREED.
6. THE BRITISH GOVERNMENT LOOK FORWARD TO KNOWING THE VIEWS OF THE GOVERNMENT OF ARGENTINA ON THESE SUGGESTIONS. THEY CONSIDER IT MOST IMPORTANT TO FOLLOW UP THE EXCHANGE OF MESSAGES THROUGH EXCHANGES IN AREAS ON WHICH IT IS REALISTIC TO EXPECT EARLY PROGRESS. THE BRITISH GOVERNMENT HOPE THAT THIS CAN LEAD TO THE ESTABLISHMENT OF A RENEWED CLIMATE OF MUTUAL CONFIDENCE IN WHICH OUR RELATIONS CAN BE MANAGED IN A PRACTICAL AND PRODUCTIVE WAY. ENDS.

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UNOFFICIAL TRANSLATION OF ARGENTINE NOTE HANDED TO THE SWISS  
AMBASSADOR IN BUENOS AIRES ON 17 FEBRUARY 1984

Mr Ambassador,

I have the honour to ask Your Excellency to bring the following reply to the attention of the British Government:

'The Argentine Government, inspired by its dedication to peace, favours contacts which might mean a first exchange of ideas leading to the opening of substantive negotiations at the appropriate time. It follows from a realistic appraisal of the totality of relations between Argentina and the United Kingdom that those substantive negotiations cannot overlook the vital subject of sovereignty if a complete solution to the dispute is to be achieved. Such negotiations about sovereignty over the Falkland Islands [Malvinas], South Georgia and South Sandwich Islands must be held within the framework of the relevant United Nations resolutions, with <sup>the</sup> participation ['intervencion'] of the Secretary General as envisaged in those resolutions. A global negotiation such as that proposed by the Argentine Government would also give due consideration to the interests of the inhabitants of the Islands and likewise to the subject of economic and scientific-technological co-operation in the area. It must be made clear that the Argentine Government wishes to remove the obstacles which impede the normalisation of relations between the two countries, and understands that the aim of that normalisation is a return to the pre-conflict situation in all its dimensions. In this connexion the proposed plan does not add anything substantially new to those issues which were expressly endorsed in the joint Argentine-British communiqué of 26 April 1977.

'As will be known, that communiqué was brought to the attention of the international community through parallel notes presented by the Permanent Representatives of the Argentine Republic and the United Kingdom at the United Nations in June 1977.

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"The Argentine Government has analysed with great interest the British Government's proposal of 26 January 1984 in which they suggest an agenda to include the following points:

- (A) The reciprocal lifting of restrictions on trade between the United Kingdom and Argentina.
- (B) The lifting of existing financial restrictions.
- (C) Arrangements for the transfer of the Argentine dead from the Islands, or, in the absence of this, for a visit by next-of-kin.
- (D) The reactivation of the air services agreement between the two countries.
- (E) The resumption of cultural, scientific and sporting contacts.
- (F) The raising of the level of official relations.

"The Argentine Government considers that this British initiative constitutes a positive step insofar as it suggests the possibility of an exchange of ideas at official level which could lead towards the progressive normalisation of relations between the two countries.

"Recognising the desirability of examining these questions in depth, the Argentine Government is persuaded that other unavoidably important questions which exist between the two countries, and which require immediate attention, must also be included.

"It therefore believes that it is essential to add the following subjects:

- (A) The lifting of the Protection Zone [sic] which the United Kingdom purports to have established in the South Atlantic.
- (B) A halt to the fortification of the Islands, to the construction of the strategic airfield and to the warlike concentration in the area.
- (C) Guarantees that nuclear weapons or artifacts will be withdrawn from the region.

"An agenda comprising the subjects proposed by Argentina and the United Kingdom could then permit contacts to begin.

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"Similarly, the Argentine Government wishes to convey to the United Kingdom the spirit in which it is approaching the problem of bilateral relations. In this connection, the Argentine Government:

(1) Attaches very great importance to the definitive normalisation of relations between the Argentine Republic and the United Kingdom.

(2) Considers that to achieve this, it is essential - and this is its wish - to put an end, through peaceful means, to the dispute over the Falkland Islands [Malvinas], South Georgia and South Sandwich Islands.

(3) Also agrees about the undesirability of secret meetings, negotiations or talks, it being a fundamental point of its foreign policy to keep public opinion informed in accordance with the democratic style which has been restored in the Argentine Republic.

(4) Considers that at the present time it would be highly desirable to explore the matter sincerely and in good faith, taking into account all the elements involved and thus enabling each side to assess the future prospects for a formal negotiation.

(5) Considers, as has been previously indicated, that the presence of United Nations peace-keeping forces in the Islands, in place of other military forces, would serve to re-establish a better atmosphere in the area and safeguard the security of the inhabitants.

(6) Considers that in order to fulfil a determined wish to put a final end to the division existing between the two countries the most advisable course would be to hold a preliminary and open exchange of ideas, at an appropriate time informing the Secretary General of the United Nations of the content thereof. These informal exchanges would pave the way towards subsequent negotiations which would be held in the presence of the Secretary General of the United Nations by virtue of the mandate of good offices received from the General Assembly."

With my warm respects to Your Excellency,

(signed Caputo).

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TO IMMEDIATE FCO  
TELNO 65 OF 28 FEBRUARY

MY TELNO 60: RELATIONS WITH ARGENTINA

SUMMARY

1. ARGENTINE MINISTER FOR FOREIGN AFFAIRS VISITED BERNE ON 27 FEBRUARY. EXTENSIVE AND CONSTRUCTIVE DISCUSSIONS TOOK PLACE ON UK/ARGENTINE RELATIONS. THE SWISS CONSIDER CAPUTO'S VISIT TO HAVE BEEN USEFUL AND ENCOURAGING.

DETAIL

2. STATE SECRETARY RECEIVED ME AT 08.00 ON 28 FEBRUARY FOR ONE HOUR IN ORDER TO CONVEY AN ACCOUNT OF YESTERDAY EVENING'S MEETING. BRUNNER (HIS SUCCESSOR DESIGNATE) WAS ALSO PRESENT. PROBST SAID THAT DISCUSSION OF ANGLO/ARGENTINE MATTERS HAD BEEN DELIBERATELY RESERVED UNTIL AFTER THE FORMAL TALKS AND DINNER, WHEN AUBERT, PROBST AND BRUNNER WITHDREW FOR A RESTRICTED DISCUSSION WITH CAPUTO, ARGENTINE AMBASSADOR KATZENSTERIN AND CAPUTO'S CHEF DE CABINET ROMERO. AUBERT RAISED THE POSSIBILITY OF PRELIMINARY TALKS BEING HELD ABOUT THE AGENDA FOR LATER SUBSTANTIVE TALKS MAKING IT CLEAR THAT HE WAS NOT DOING SO ON THE BRITISH BEHALF. HE SAID THAT IF TALKS IN SWITZERLAND WERE ACCEPTABLE TO BOTH PARTIES, BERNE COULD OFFER A FRAMEWORK AND TAKE RESPONSIBILITY FOR THE INITIATIVE. THE LEVEL AND COMPOSITION OF SUCH TALKS WAS FOR DISCUSSION BUT THEY COULD PERHAPS START BETWEEN AMBASSADORS, POSSIBLY WITH SUPPORT FROM CAPITALS.

3. CAPUTO EXPRESSED AGREEMENT WITH AUBERT'S IDEA. HE THOUGHT BRASIL OUGHT ALSO TO BE REPRESENTED AND SUGGESTED THAT SINCE TWO OR THREE ROUNDS OF PRELIMINARY TALKS WOULD BE NEEDED THEY COULD ALTERNATE BETWEEN BERNE AND BRAZILIA. THE QUESTION OF WHETHER THE SUBSEQUENT SUBSTANTIAL TALKS SHOULD BE HELD IN NEW YORK OR ELSEWHERE COULD BE LEFT OPEN AT PRESENT. THE TWO MINISTERS AGREED THAT A STEP-BY-STEP PROCEDURE WAS NEEDED.

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4. CAPUTO ALSO ACCEPTED THAT THE AIM OF THE PRELIMINARY TALKS SHOULD BE TO ESTABLISH AN AGREED AGENDA FOR THE SUBSTANTIVE TALKS. HE EXPRESSED THE VIEW THAT THE MAIN THING WAS TO ESTABLISH CONTACT AND TO GET DIRECT TALKS GOING AFTER WHICH PROGRESS WOULD HE THOUGHT BECOME EASIER. HE CONFIRMED HIS AGREEMENT IN PRINCIPLE THAT TALKS SHOULD START IN BERNE ON THE UNDERSTANDING THAT THERE SHOULD BE A BRAZILIAN PRESENCE.

5. ON THE QUESTION OF SOVEREIGNTY CAPUTO SAID THAT THE ARGENTINE SIDE COULD NOT TAKE PART IN ANY TALKS WITHOUT RAISING THIS SUBJECT BUT HE WAS READY TO ACCEPT THAT AN ARGENTINE STATEMENT AND A BRITISH RESPONSE SHOULD CLOSE THE DISCUSSION WHICH SHOULD THEN MOVE ON. CAPUTO EXPLAINED THAT THE ARGENTINE GOVERNMENT WOULD HAVE TO BE ABLE TO TELL THEIR PARLIAMENT THAT THE ARGENTINE POSITION HAD BEEN STATED. AT THE SAME TIME HE RECOGNISED THAT DISCUSSIONS ON SOVEREIGNTY WOULD LEAD NOWHERE UNTIL CONFIDENCE HAD BEEN RESTORED BETWEEN THE TWO GOVERNMENTS AND WAS THEREFORE BETTER LEFT ASIDE AFTER THE INITIAL EXCHANGE OF STATEMENTS.

6. ON CONFIDENTIALITY PROBST SHEWED ME A TEXT WHICH HE HAD PASSED TO CAPUTO BASED ON AND CLOSELY FOLLOWING PARAS ONE AND TWO OF YOUR TELNO 42 AS TRANSMITTED IN MY LETTER TO MUHEIM. HE HAD ALSO TOLD CAPUTO OF MY PREPARATORY DISCUSSION WITH MUHEIM AND THAT WE SHOULD BE MEETING THIS MORNING. CAPUTO COMMENTED THAT THE ARGENTINE PARLIAMENTARY COMMISSION WOULD HAVE TO BE KEPT INFORMED ABOUT ANY TALKS AND WOULD HAVE TO BE TOLD OF THEIR AGENDA. WHILE HE AGREED THEREFORE THAT SUCH TALKS COULD NOT BE QUOTE SECRET UNQUOTE AND AGREED ALSO THAT THE SUBSTANCE OF DISCUSSIONS SHOULD REMAIN CONFIDENTIAL, HE COULD NOT AGREE TO MAINTAIN CONFIDENTIALITY ABOUT THE AGENDA.

7. IN FURTHER DISCUSSION BETWEEN PROBST, BRUNNER AND CAPUTO IT WAS ENVISAGED THAT THE PRELIMINARY TALKS SHOULD TAKE PLACE UNDER THREE HEADS OF DISCUSSION:-

- (A) CONFIDENTIALITY OF THE TALKS SEMI COLON
- (B) EXCHANGE OF STATEMENTS ON SOVEREIGNTY SEMI COLON
- (C) AGENDA FOR SUBSTANTIVE TALKS.

8. PROBST THEN TURNED TO THE CLUB OF PARIS, WHICH HE HAD RAISED WITH CAPUTO IN THE CONTEXT OF A GENERAL ENQUIRY ABOUT ARGENTINE INTENTIONS CONCERNING THEIR DEBT PROBLEM. CAPUTO SAID THAT HIS GOVERNMENT WAS IN A DILEMMA OVER THE QUESTION OF A BRITISH PRESENCE AT THE NEGOTIATING TABLE IN PARIS. FOR REASONS

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OF DOMESTIC POLICY THE PARIS CLUB TALKS COULD NOT BE ALLOWED TO COINCIDE WITH TALKS ON UK RELATIONS WITH ARGENTINA. CAPUTO ASKED WHETHER SWITZERLAND COULD REPRESENT THE UK AT THE PARIS CLUB, WHICH WOULD GREATLY EASE THE SITUATION FOR ARGENTINE PUBLIC OPINION. TO THIS PROBST REPLIED THAT THE SWISS AUTHORITIES AWAITED A REPLY FROM LONDON AND WERE THEMSELVES WILLING IN PRINCIPLE TO RESPOND TO ARGENTINE REQUEST.

9. MORE GENERALLY, CAPUTO ASSURED THE SWISS THAT HIS GOVERNMENT WERE EARNESTLY AND GENUINELY LOOKING FOR A SOLUTION TO THE PROBLEM OF RELATIONS WITH GREAT BRITIAN AND WISHED TO START TALKS ON THIS SUBJECT. AT THE SAME TIME HE MADE IT CLEAR THAT THE ARGENTINE GOVERNMENT HAS AN INETRNAL PROBLEM IN THIS RESPECT. LEVEL OF TOLERANCE FOR ANY NEW DEPARTURE BY THE GOVERNMENT ON THIS SUBJECT WAS LOW AND THE MILIATRY AND THE PERONIST OPPOSITION WERE LOOKING FOR OPPORTUNITIES TO CRITICISE THE GOVERNMENT. WHILE HE ACCEPTED THAT THERE WAS A SIMILAR PROBLEM ON THE BRITISH SIDE, IT WAS THERE LESS IMPORTANT BECAUSE WE HAD NOT SUFFERED THE TRAUMA OF LOSING A WAR. THE GOVERNMENT THEREFORE HAD TO BE VERY CAUTIOUS AND WEIGH EVERY STEP CAREFULLY. CAPUTO EXPRESSED THE HOPE THAT THIS WOULD BE UNDERSTOOD IN LONDON WHILE AT THE SAME TIME GIVING AN ASSUANCE THAT WE COULD COUNT ON A SERIOUS AND BUSINESS-LIKE APPROACH FROM ARGENTINA AND ON HIS COUNTRY'S GENERALLY WESTERN ALIGNMENT.

10. PROBST AND BRUNNER ALSO TOLD ME THAT CAPUTO HAD MADE A FAVOURABLE IMPRESSION ON HIS SWISS INTERLOCUTORS. HE EXPRESSED HIMSELF CLEARLY IN EXCELLENT FRENCH AND HAD SHOWN A SYSTEMATIC, ANALYTICAL AND LOGICAL TURN OF MIND. HE HAD PROVED MATTER OF FACT AND WILLING TO CORRECT PAST MISTAKES, NOT GIVEN TO THE USUAL LATIN AMERICAN RHETORIC. PROBST COMMENTD THAT IF THE NEGOTIATIONS EVENTUALLY TOOK PLACE AT THAT LEVEL HE THOUGHT THAT CAPUTO WOULD BE A STRONG NEGOTIATOR BUT AT THE SAME TIME AN INTELLIGENT PARTNER WITH WHOM YOU COULD DO BUSINESS.

11. ON PUBLICITY FOR YESTERDAY'S TALKS PROBST CONFIRMED THAT (AS FORESEEN IN MY TUR) SWISS SPOKESMAN IN REPLY TO PRESS ENQUIRES WOULD NOT GO BEYOND CONFIRMING THAT MATTERS RELATING TO THE SWISS MANDATE WERE DISCUSSED.

POWELL-JONES

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PS/MR. WHITNEY

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SIR. W. HARDING

MR. D. THOMAS

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