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37 42

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SIR W HARDING

MR GOODALL

MR O'NEILL

SIR C TICKELL

MR D C THOMAS

MR WESTON

MR BRIDGINGTON

HD/PUSD

HD/SAMD

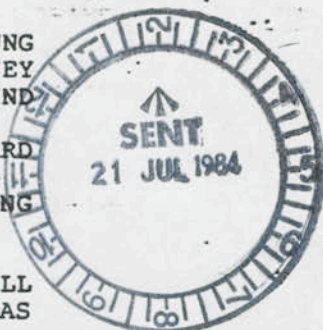
HD/FID

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PS/NO 10 DOWNING ST

PS/S OF S FOR DEFENCE

MR RD NICHOLLS, AUSD STAFF, MOD

PS/CHANCELLOR

MISS M E CUND

MR LITTLER

} TREASURY

SIR R ARMSTRONG

MR A D S GOODALL

DIO

} CABINET
} OFFICE

MR POWER, SAD, ODA

MR A FORTNAM IAT/D. TRANSPORT

RESIDENT CLERK

(2)

IMMEDIATE

GRS 900

UNCLASSIFIED

(FM BERNE 211100Z)

FM BIS BUENOS AIRES

TO IMMEDIATE FCO

TELNO 479 OF 20 JULY 1984

INFO PRIORITY MOD, BANK OF ENGLAND, ASUNCION, BRASILIA,
CARACAS, MONTEVIDEO, MEXICO CITY, SANTIAGO, UKMIS NEW YORK,
WASHINGTON, CC STANLEY

PRESS SUMMARY

1. TODAY'S FRONT PAGES ARE SHARED BETWEEN ECONOMY MINISTER BERNARDO GRINSPUN'S ANNOUNCEMENT OF HIS MEDIUM-TERM ECONOMIC PLAN AND THE BREAKDOWN OF THE BERNE TALKS BETWEEN BRITAIN AND ARGENTINA.
2. THE REFUSAL OF THE BRITISH DELEGATION AT THE BERNE TALKS TO DISCUSS SOVEREIGNTY IS REPORTED TO HAVE LED TO A WALK-OUT BY THE ARGENTINE DELEGATION. FOLLOWING A MEETING WITH PRESIDENT ALFONSIN FOREIGN MINISTER CAPUTO ISSUED A COMMUNIQUE YESTERDAY (OUR TELNO 475) CLAIMING THAT THE BRITISH HAD DEPARTED FROM THE SPIRIT WHICH HAD INSPIRED THE INVITATION TO THE MEETING. IN LENGTHY STATEMENTS TO REPORTERS HE LATER SAID THAT THE ARGENTINE GOVERNMENT HAD NOT REJECTED A PEACEFUL AND NEGOTIATED SOLUTION AND THAT THE BRITISH POSITION DENOTED AN ABSOLUTE LACK OF PREDISPOSITION TO NEGOTIATE. HE SAID THAT QUOTE THIS ARGENTINE EFFORT WAS NOT RECIPROCATED UNQUOTE. HE CLAIMED THAT THE BRITISH HAD QUOTE VIOLATED THE RULES ONLY PLAY UNQUOTE AND THAT THE ARGENTINE FOREIGN MINISTRY HAD ALREADY DECIDED ITS STRATEGY FOR

EFFORT WAS NOT RECIPROCATED UNQUOTE. HE CLAIMED THAT THE BRITISH HAD QUOTE VIOLATED THE RULES ONLY PLAY UNQUOTE AND THAT THE ARGENTINE FOREIGN MINISTRY HAD ALREADY PREPARED ITS STRATEGY FOR THE NEXT ANNUAL GENERAL ASSEMBLY OF THE UNITED NATIONS. HE CLAIMED THAT ARGENTINA HAD NOT EXPECTED SPECTACULAR RESULTS FROM THE MEETING AND CONTINUED: THE QUOTE UNALTERABLE ARGENTINE POSITION UNQUOTE IS DEMONSTRATED IN THE FOLLOWING POINTS:

A. ARGENTINA IS FULLY DISPOSED TO CONTINUE DIPLOMATIC NEGOTIATIONS,

B. NO SERIOUS AND RESPONSIBLE NEGOTIATIONS CAN EXCLUDE SOVEREIGNTY.

C. ARGENTINA IS DISPOSED TO CONSIDER ALL SUBJECTS WHETHER THEY BE ECONOMIC RELATIONS OR THE PROBLEM OF FORTIFYING THE ISLANDS, ON THE CONDITION THAT THE SUBJECT OF SOVEREIGNTY IS NOT EXCLUDED.

3. CAPUTO LATER REPORTED TO THE CHAMBER OF DEPUTIES ON THE TALKS, SAYING THAT THE BRITISH ATTITUDE WAS NOT SERIOUS BUT UNREALISTIC. HE CLAIMED THAT ARGENTINA HAD PUT FORWARD PROPOSALS ON 16 FEBRUARY TO IMPROVE RELATIONS WITH BRITAIN THROUGH FNEINFORMAL DIALOGUE WITH AN OPEN AGENDA AS AN INTRODUCTORY STAGE TO REAL NEGOTIATIONS. HOWEVER, THE ARGENTINES WERE UNABLE TO ATTEND UNTIL IT HAD BEEN AGREED THAT THE DIALOGUE WOULD BE CONDUCTED AS THE ARGENTINES WISHED WITH THE INCLUSION OF SOVEREIGNTY. HE SAID THERE WAS NOYU

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WAS FREQUENTLY APPLAUDED BY THE DEPUTIES WHO LATER PASSED A MOTION APPROVING THE MFA'S HANDLING OF THE DISPUTE.

RM 'LA NACION' REPORTS THAT THE BREAKDOWN OF TALKS RECEIVED FRONT PAGE COVERAGE IN THE MAJOR ENGLISH NEWSPAPERS AND THAT QUOTE OBSERVERS CONSIDER THAT THE EPISODE HAS BEEN POSITIVE FOR ARGENTINA UNQUOTE. YOUR STATEMENT THAT THE TALKS HAD ENDED BECAUSE THE ARGENTINES WERE NOT PREPARED TO CONTINUE ON THE BASIS PLAINLY AGREED IN ADVANCE IS ALSO REPORTED HERE. A BUENOS AIRES HERALD EDITORIAL CLAIMS THAT THE ARGENTINE ACTION WAS EITHER A FEINT DESIGNED TO IMPRESS PUBLIC OPINION WITH ITS STRENGTH OF PURPOSE, OR AN ATTEMPT TO DISTRACT ATTENTION FROM THE GOVERNMENT'S RELATIVELY CONCILIATORY STAND ON THE BEAGLE CHANNEL DISPUTE. 'LA NACION' REPORTS RUMOURS OF ILL-FEELING IN THE ARGENTINE MFA AMONG SENIOR OFFICIALS AND DEPUTY FOREIGN SECRETARY ELSA KELLY OVER A LACK OF PRIOR CONSULTATION ABOUT THE TALKS. THE PAPER CLAIMS DIPLOMATIC SOURCES SEE THE ARGENTINE WALK-OUT AS A REVERSE WHICH WILL ENABLE GREAT BRITAIN TO REINFORCE ITS ACCUSATIONS OF ARGENTINE INTRANSIGENCE AND WHICH WILL UNDERMINE ARGENTINA'S POSITION IN THE NEXT UNGA AND ALSO IN CAPUTO'S VISIT TO THE US BEGINNING TODAY.

5. GRINSPUN SPOKE FOR ONE AND A HALF HOURS ON TELEVISION LAST NIGHT OUTLINING HIS NEW ECONOMIC PLAN. THE BULK OF THE SPEECH WAS DEVOTED TO RECENT ECONOMIC HISTORY AND THERE WERE FEW CONCRETE PROPOSALS FOR THE FUTURE. 'LA VOZ' SAYS THE SPEECH WAS QUOTE A LONG WAY FROM THE FORMULATION OF AN ECONOMIC PLAN UNQUOTE. AMONG THE POINTS COVERED BY GRINSPUN WERE MEASURES TO ERADICATE TAX EVASION, PROMOTE EXPORTS, FACILITATE FOREIGN INVESTMENT AND INDUSTRIAL REACTIVATION. HE ALSO UNDERLINED THE GOVERNMENT'S NEED FOR A SOCIO-ECONOMIC CONTRACT WITH THE UNIONS AND REAFFIRMED ITS COMMITMENT TO QUOTE REAL WAGE INCREASES UNQUOTE.

6. PRESIDENT ALFONSIN IS REPORTED TO HAVE ACCEPTED THE RESIGNATION

ECONOMIC CONTRACT WITH THE UNIONS AND REAFFIRMED ITS COMMITMENT TO QUOTE REAL WAGE INCREASES UNQUOTE.

6. PRESIDENT ALFONSIN IS REPORTED TO HAVE ACCEPTED THE RESIGNATION OF ARGENTINA'S CHIEF NEGOTIATOR IN THE BEAGLE TALKS, RETIRED GENERAL RICARDO ETCHVERRAY BONEO. NO EXPLANATION FOR THE RESIGNATION WAS GIVEN BUT ALFONSIN IS RUMOURED TO HAVE REJECTED BONEO'S ADVICE TO PUT OFF SIGNING ANY TREATY OVER THE BEAGLE WHICH MIGHT BE PROPOSED IN THE NEAR FUTURE. FORMER THIRD ARMY CORPS COMMANDER LUCIANO MENENDEZ CRITICISED THE QUOTE VATICAN BEAGLE PROPOSAL UNQUOTE FOR QUOTE NOT RESPECTING THE BIOCEANIC PRINCIPAL, IT GIVES US NOTHING UNQUOTE. IN A PRESS CONFERENCE YESTERDAY MENENDEZ AND OTHER MEMBERS OF THE AFFIRMATION OF SOVEREIGNTY MOVEMENT WARNED OF THE QUOTE OBVIOUS BRITISH AND CHILEAN AIMS TO CONSOLIDATE THEIR PRESENCE IN USURPED TERRITORIES.

7. DURING CLASHES BETWEEN RIVAL PERONIST SUPPORTERS OF BUENOS AIRES PROVINCE JUSTICIALIST LEADER HERMINIO IGLESIAS AND THE MAYOR OF FLORENCIO VARELA, JULIO CARPINETTI, A FORMER CITY OFFICIAL RECEIVED GUNSHOT WOUNDS AND A STATUE OF PERON WAS DAMAGED BY A BOMB-BLAST.

8. ACCORDING TO AN AGENCY REPORT, ARGENTINA WILL ADOPT A QUOTE CRAWLING PEG UNQUOTE DEVALUATION TO DEVALUE THE PESO BY 15-20 PER CENT PER MONTH OVER THE NEXT FOUR MONTHS INSTEAD OF AN ABRUPT DEVALUATION BY THE SAME AMOUNT AS DEMANDED BY THE IMF.

JOY

POWELL-KJONES

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AFTER - HE SAID THERE WAS NO NEED - IN LINE 8 OF PARA 3 PLEASE READ

FOR QUOTE SECRET DIPLOMACY UNQUOTE. DURING HIS REPORT CAPUTOT