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FM WASHINGTON 242332Z JUL 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2248 OF 24 JULY

INFO ROUTINE UKMIS NEW YORK, BERNE, BRASILIA AND BIS BUENOS AIRES

MY TELNO 2238: VISIT OF ARGENTINE FOREIGN MINISTER

1. ON 23 JULY CAPUTO CALLED ON SHULTZ AND MRS KIRKPATRICK AND ATTENDED A LUNCH HOSTED BY MOTLEY.
2. ACCORDING TO MORLEY (DIRECTOR, OFFICE OF THE SOUTHERN CONE), THE CALL ON MRS KIRKPATRICK WAS A US INITIATIVE, PARTLY TO FILL OUT THE PROGRAMME AND PARTLY TO EXPLORE ARGENTINE UNGA INTENTIONS CONCERNING THE FALKLANDS. IN THE EVENT THERE WAS LITTLE SUBSTANCE TO IT AND MRS KIRKPATRICK FAILED TO DRAW CAPUTO ON THE LIKELY ARGENTINE UN ATTITUDE IN THE WAKE OF THE COLLAPSE OF THE BERNE TALKS. CAPUTO WAS TOLD, HOWEVER, THAT THE US WOULD AGAIN BE WILLING TO SUPPORT A BALANCED RESOLUTION (THE IMPLICATION BEING THAT US SUPPORT FOR A MORE EXTREME TEXT SHOULD NOT BE COUNTED UPON).
3. THE FALKLANDS FEATURED MORE PROMINENTLY IN DISCUSSIONS WITH SHULTZ. IN MORLEY'S VIEW, CAPUTO SPOKE MORE IN SORROW THAN IN ANGER WHEN HE BLAMED THE UK FOR FAILING TO SHOW QUOTE THE MINIMUM NECESSARY FLEXIBILITY UNQUOTE IN BERNE. CAPUTO'S PRESENTATION WAS UNEMOTIONAL AND RESTRAINED BUT HE CLEARLY HELD THE UK RESPONSIBLE AND FELT LET DOWN. SPEAKING SUBSEQUENTLY IN THE CORRIDORS, HE INDICATED THAT THE KEY ELEMENT IN THE PROBLEM RELATED TO WHETHER THE UK WAS 'NOT PREPARED' OR 'NOT DISPOSED' TO DISCUSS SOVEREIGNTY. HE MADE LESS OF THE NEED TO ESTABLISH MECHANISMS FOR ADDRESSING SOVEREIGNTY BUT STRESSED THAT PROVISIONS FOR DISCUSSING THE SUBJECT AT SOME STAGE WERE IMPORTANT. HE OBSERVED THAT, DOMESTICALLY, THE BREAKDOWN IN BERNE MADE THE NEXT STEP MUCH MORE DIFFICULT. BUT HE CONFIRMED HIS INTEREST IN THE RESUMPTION OF THE DIALOGUE IF POSSIBLE. THAT, HE SAID, WAS HIS FIRST OBJECTIVE: THE ARGENTINE GOVERNMENT WAS COMMITTED TO PEACEFUL NEGOTIATIONS.
4. MORLEY SAID THAT SHULTZ TOOK A NEUTRAL LINE IN REPLY. AS BRIEFED, OBSERVING THAT THE US WAS VERY DISAPPOINTED BY RECENT DEVELOPMENTS. SHULTZ ADDED THAT THE US BELIEVED THAT THE UK ALSO HOPED TO BE ABLE TO RESUME THE DIALOGUE.
5. ON DEBT THERE WERE NO SURPRISES AND CAPUTO'S COMMENTS FOLLOWED STANDARD LINES. HE APPEARED TO RECOGNISE THAT AGREEMENT WITH THE IMF WAS NECESSARY BUT MADE NO PROMISES ON TIMING. HE WARNED THAT ARGENTINA'S FRAGILE DEMOCRACY MUST NOT BE UPSET BY TOO SEVERE AN AUSTERITY PROGRAMME. THE AMERICANS WERE THEREFORE NONE TOO REASSURED BY THIS ASPECT OF HIS VISIT. MOTLEY APPARENTLY TOOK A FORTHRIGHT LINE AT HIS LUNCH.

WRIGHT

MONETARY  
ERD  
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(REPEATED AS REQUESTED)

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