



cop,  
I told you  
re this prior  
to your Friday  
night departure

Mays  
4/7

*With the compliments of*

**THE PRIVATE SECRETARY**

Apologies for  
earlier omission for  
falklands of paper

Jhr

**FOREIGN AND COMMONWEALTH OFFICE**

**SW1A 2AH**



SECRET

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Foreign and Commonwealth Office

London SW1A 2AH

*From the Secretary of State*

EDD  
7/7

I should like to share some thoughts with you about Argentina.

1985 brought some indications of a more constructive approach from the Argentine Government in their dealings with us. These, together with internal developments in Argentina - in particular the determined attempt by the civil authority to exert effective control over the military - were very welcome. It was at this time too that you outlined your hopes of developing a new strategic relationship with Argentina, aimed at reinforcing the trends then emerging.

Developments so far in 1986 are less encouraging. As you know, we had hoped that the Argentines would not only give public support for the FAO study on the fisheries problem in the South West Atlantic but would also join in efforts to work out a multilateral solution, without prejudice to the conflicting sovereignty claims in the region. That, as you know, is our approach. Unfortunately there is no sign that the Argentines share it. On the contrary, they have been actively trying to negotiate bilateral fisheries agreements with some of the fishing nations, including the Soviet Union. Such agreements would purport to regulate fishing in waters around the Falkland Islands. These activities clearly indicate that the Argentines aim to circumvent the multilateral approach. In addition, they have recently shown a new determination to assert sovereignty over

The Hon George P Shultz

SECRET





waters in the South West Atlantic, including waters over which we are entitled to claim jurisdiction by virtue of our sovereignty over the Falklands. They have gone so far as to use force in pursuit of this policy, with resultant loss of life, and have sought to justify their action by explicitly challenging our rights. I am therefore coming - with real sadness - to the conclusion that the Argentines prefer the confrontational to the co-operative approach in the South West Atlantic.

Juanarena is Alfonsin's fourth Defence Minister. His appointment and the way his predecessor, German Lopez, relinquished the post, may indicate that the Government's efforts to exercise full civilian control over the military are progressing less smoothly than earlier hoped; they may also be an indication that the military themselves are recovering some of their lost confidence. German Lopez expressed clearly his frustration at the difficulties of controlling the military.

Taken together, these developments leave me uneasy. It is against this background that the recently concluded Memorandum of Understanding between McDonnell Douglas and the Argentine Fabrica Militar de Aviones gives us real cause for concern. Your people will have seen the text: it makes provision for, inter alia, the eventual construction of A4 Skyhawks.

You know how much we have valued the care with which you have taken account of our concerns about the supply of military equipment to Argentina. What you have done and the assurances you have given to us speak for themselves. But the question remains one of very great sensitivity for us. This





is why I am now drawing your personal attention to it once again. I understand that the Memorandum of Understanding between McDonnell Douglas and the Argentine firm is predicated upon the approval of both Governments. I trust that we can be confident that your Government will not approve the co-production of A4 Skyhawks. It is in our view vital that Argentina should not be distracted from the imperative task of re-establishing healthy democratic institutions and restoring her economy. And while I can appreciate your concern to promote a healthy balance between the civil and military powers in Argentina, I feel bound to reiterate the familiar point that any action on your part which had the effect of enhancing Argentina's capacity to threaten the security of the Falkland Islands and our forces there would create great difficulties for us.

GEOFFREY HOWE