

CONFIDENTIAL

File



SRW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 July 1989

Dear Stephen,

FALKLAND ISLANDS: RELATIONS WITH ARGENTINA

Thank you for your letter of 15 July about the various signals from the new Argentine President and his Foreign Minister about their wish to improve relations with Britain. The Prime Minister is content with the way in which the Foreign Secretary proposes to respond to these and would like to be kept closely in touch with progress.

A handwritten signature in dark ink, appearing to read 'C. D. Powell'.

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

1085



Foreign and Commonwealth Office

London SW1A 2AH

15 July 1989

Prime Minister

Dear Charles,

Content with this approach?

Falkland Islands: Relations with Argentina

Since the Argentine Presidential inauguration, we have received a number of signals from President Menem and his Foreign Minister, Senor Cavallo, that they wish to improve relations with Britain. In particular, they have:

CDD
15/7
Yes

- offered to place the sovereignty question "in parentheses" to enable relations to be improved;
- welcomed messages from the Prime Minister and Foreign Secretary on the inauguration and replied promptly and in kind;
- stated that Argentina would be prepared finally to cease hostilities, though this appears to be conditional on Britain suspending the exclusion zone (ie FICZ/FIPZ) around the Falklands.

protection

The Brazilian Acting Foreign Minister, Paulo Tarso, has told our Ambassador that the Brazilians have been authorised by the Argentine Government to put to us a formal proposal that UK and Argentine representatives should meet under the so-called 'umbrella formula', ie a meeting constructed in such a way as to ensure that neither side's sovereignty claims would be prejudiced. Tarso said that the Argentines had suggested that the meeting might take place in Brazil. Issues for discussion might be natural resources (ie fisheries) and communications between the Falklands and the mainland.

In discussions at lunchtime yesterday, Secretary Baker said that the US had also had positive signals from the Argentines in response to the message they had carried on our behalf to Menem's inauguration.

The Foreign Secretary thinks that we should see if we can make something of the new Argentine mood. He proposes to tell the Brazilians (who are the



Argentine protecting power in London) that we would be prepared for our mission in New York and the Argentine mission to hold an initial meeting at which the ground rules for any further talks could be agreed. The issues for discussion would be:

- the restoration of normal trade between Britain and Argentina;
- communications (especially resumption of air links);
- the abolition of financial restrictions (already agreed but only partially implemented by Argentina);
- fishery conservation.

We would, as in the past, seek two assurances before talks could begin:

- that Argentina would not seek to use the talks to introduce the question of sovereignty;
- that the Argentine Government would not challenge the existence of the Falkland Islands Conservation and Management zone.

If these assurances were forthcoming, we could then consider moving to direct talks.

We may not get beyond first base. But the approach set out above would be in line with our position hitherto. If the Argentines are unable to deliver, we shall have again demonstrated our willingness to seek a more normal relationship.

If the issue comes up at the post-Summit press conference, Sir Geoffrey Howe suggests the Prime Minister should say:

- I have followed with very close interest the various comments which President Menem has made on relations between Argentina and the United Kingdom;
- if his approach is indeed to seek a more normal relationship between us, while putting the difficult issue of sovereignty aside, then I welcome it;

CONFIDENTIAL



- we have made long-standing proposals to regularise our relations in the fields of finance, trade and air links;
- we are ready to develop exchanges on the South Atlantic Fishery;
- I very much hope that progress can now be made on these practical issues which affect our bilateral relations.

*Yours,
Stephen Wall*

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL