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INFO DESKBY 190700Z MADRID, MODUK

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MODUK FOR PS/S OF S/DEFENCE, MR HATFIELD, SEC(O)(C)

FOR SECRETARY OF STATE FROM MR SAINSBURY

MADRID TELS NO 970-976 AND NO 977: TALKS WITH ARGENTINA

1. I HAVE BEEN CONSIDERING CRISPIN TICKELL'S OVERNIGHT TELEGRAMS FROM MADRID WITH DAVID GILLMORE AND OFFICIALS HERE PARTICULARLY IN THE LIGHT OF HIS LATEST REPORT (MADRID TELNO 977) OF MOVEMENT IN THE ARGENTINE POSITION. WE HAVE ALSO CONSULTED THE MINISTRY OF DEFENCE.
2. ARGENTINE ACCEPTANCE OF THE PACKAGE ON ECONOMIC AND FINANCIAL ISSUES, LEADING ON TO CONSULAR RELATIONS HAS SECURED ONE OF OUR PRIME OBJECTIVES. THIS ARGENTINE CONCESSION WILL BE OF DIRECT FINANCIAL VALUE TO BRITISH COMPANIES AND PARTICULARLY TO BRITISH AIRWAYS. ARGENTINE AGREEMENT NOT TO PLACE OBSTACLES IN THE WAY OF LINKS BETWEEN THE FALKLANDS AND THE CONTINENTAL MAINLAND IS ALSO AN IMPORTANT ACHIEVEMENT.
3. AGAINST THIS BACKGROUND (AND IN THE LIGHT OF MOD VIEWS - SEE BELOW) I BELIEVE WE SHOULD TRY TO REACH AGREEMENT WHERE POSSIBLE ON THE OTHER ITEMS IN THE MADRID AGENDA, RATHER THAN ADJOURNING THE MEETING AS WE AT FIRST THOUGHT MIGHT BE NECESSARY. WITH THIS IN MIND, I HAVE CONSIDERED THE THREE POINTS IN PARA 4 OF TELNO 977:

(A) THE TWO ARGENTINE SUGGESTIONS ON THE FIPZ, SPELT OUT IN PARA 4 OF TELNO 976. I UNDERSTAND THAT MOD WOULD BE PREPARED TO ACCEPT BOTH OF THESE (PROVIDED THAT THE TERRITORIAL SEA WAS EXTENDED AT THE SAME TIME AS CIVILIAN VESSELS ARE PERMITTED TO ENTER THE FIPZ). I BELIEVE TOM KING WILL BE SENDING YOU HIS VIEWS IN A TELEGRAM OVERNIGHT. OPTION 1 (FIPZ TO EQUAL FICZ) MARKS A SMALL VISIBLE EROSION OF THE FIPZ (EVEN THOUGH I UNDERSTAND IT WOULD HAVE NO REAL EFFECT IN DEFENCE TERMS). BUT IT WOULD BE A REAL BONUS IN FISHERY CONSERVATION; AT PRESENT OVER-FISHING OF THE SEGMENT (BETWEEN THE FIPZ AND THE FICZ) BY THE RUSSIANS AND OTHERS HAS CAUSED SERIOUS CONCERN TO THE FALKLAND ISLANDS GOVERNMENT AND OURSELVES. OPTION 2 (ACCESS FOR CIVILIAN SHIPPING) OFFERS THE IMMEDIATE AND IMPORTANT PRIZE OF AN AGREED EXTENSION OF THE TERRITORIAL SEA. THE POTENTIAL PRESENCE OF CIVILIAN (BUT NOT FISHING) CRAFT WITHIN THE FIPZ SHOULD BE BEARABLE AND GARCIA DEL SOLAR HAS MADE IT CLEAR THAT THE ARGENTINES REALISE THAT ANY INCIDENT WITHIN THE FIPZ WOULD BE CONTRARY TO THEIR OWN INTERESTS.

IN SHORT, EACH OF THESE ARGENTINE PROPOSALS HAS BENEFITS FOR US AND WE COULD ACCEPT THEM. INDEED THE MOD TAKE THE VIEW THAT BY ACCEPTING BOTH NOW WE SHOULD BE IN A BETTER POSITION IN A SUBSEQUENT ROUND OF TALKS TO RESIST ARGENTINE EFFORTS TO ERODE THE PROTECTION WHICH THE FIPZ PROVIDES. MY PREFERENCE IS TO KEEP A CARD IN HAND AGAINST THE LIKELIHOOD THAT THE ARGENTINES REVERT TO THE FIPZ AT THE NEXT ROUND OF TALKS. I SUGGEST THEREFORE THAT WE INSTRUCT CRISPIN TICKELL IN THE FIRST INSTANCE TO OFFER OPTION 2 ON ITS OWN; BUT GIVE HIM DISCRETION TO OFFER BOTH IF IT BECOMES CLEAR THAT FOR THE ARGENTINES THIS IS A STICKING POINT.

(B) FISHERIES. IT IS UNFORTUNATE THAT THE ARGENTINES WILL NOT ACCEPT OUR FORMULA, BUT CLEARLY THERE IS NO WAY IN WHICH TICKELL COULD HAVE GIVEN THEM THE UNDERTAKINGS THEY SOUGHT ABOUT POSSIBLE EXTENSION OF THE FIPZ OR THE ESTABLISHMENT OF A ZONE AROUND SOUTH GEORGIA. I BELIEVE IT WILL BE IN BOTH OUR INTERESTS TO REVERT TO FISHERIES AS THE GENERAL ATMOSPHERE IMPROVES. BUT FROM OUR POINT OF VIEW THERE IS NO GREAT LOSS IN SHELIVING THE ISSUE FOR THE TIME BEING.

(C) DIPLOMATIC RELATIONS... I RECOGNISE THAT THESE STILL LIE FURTHER DOWN THE ROAD. BUT IF WE LEAVE MADRID WITH THE SUBSTANTIAL PACKAGE NOW ON OFFER, WE SHALL HAVE MADE REAL PROGRESS AND I BELIEVE WE COULD OFFER COMMUNIQUE WORDING ON THESE LINES:

'BOTH SIDES AGREED THAT THE RESUMPTION OF FULL DIPLOMATIC RELATIONS SHOULD FEATURE ON THE AGENDA OF THE NEXT MEETING TO BE HELD EARLY IN THE NEW YEAR.'

4. THIS REPRESENTS A SLIGHT INCREASE OF COMMITMENT FROM US, BUT IT LEAVES US THE OPTION TO PULL BACK IF THE ATMOSPHERE NEXT YEAR TURNS SOUR.

5. IN RECOMMENDING TWO STEPS (PARAS 3(A) AND (C) ABOVE) WHICH WILL HELP MENEM, I HAVE IN MIND THAT HE, CAVALLO AND GARCIA DEL SOLAR ARE LIKELY TO FACE SEVERE CRITICISM FROM HIS OWN SUPPORTERS AND THE OPPOSITION IF THEY DELIVER NOTHING ON THE FIPZ. BOTH OF THE OPTIONS AT (A) ABOVE LEAVE THE FIPZ INTACT FOR ALL PRACTICAL PURPOSES AND EACH HAS ADVANTAGES FOR US AND MIGHT TAKE THE PROTECTION ZONE OFF THE ARGENTINE AGENDA FOR SOME TIME. THE TWO STEPS THEREFORE ENABLE US TO ACHIEVE ALL OUR KEY OBJECTIVES WHILE GIVING THE ARGENTINES A PACKAGE WHICH THEY PERCEIVE TO BE SALEABLE. WE HAVE RECOGNISED THAT MENEM'S PRESENT HONEYMOON WITH ARGENTINE OPINION WILL NOT LAST FOR EVER AND HIS ROOM FOR MANOEUVRE COULD PROGRESSIVELY DIMINISH. THE DEAL WHICH I RECOMMEND WE ACCEPT SHOULD KEEP THE ARGENTINES IN PLAY AND ENABLE US TO COMPLETE THE PROCESS OF NORMALISATION WITH IMMEDIATE POSITIVE GAINS FOR BRITISH INTERESTS.

6. IT WOULD BE VERY HELPFUL FOR CRISPIN TICKELL IF HE COULD RECEIVE A REPLY BY 190700Z.

MAJOR

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