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OF 181115Z OCTOBER 89

AND TO FLASH UKDEL KUALA LUMPUR

AND TO IMMEDIATE BUENOS AIRES, WASHINGTON, UKMIS NEW YORK, MODUK
AND TO IMMEDIATE PORT STANLEY, ACTOR

CHOGM FOR PS/NO 10, PRIVATE SECRETARY AND HEAD OF NEWS DEPARTMENT,
MODUK FOR HATFIELD SEC (O)(C)

FOLLOWING FROM SIR CRISPIN TICKELL

MY TELNO 976: ANGLO/ARGENTINE OFFICIAL TALKS

SUMMARY

1. SIGNIFICANT MOVEMENT IN THE ARGENTINE POSITION: AGREEMENT TO END ALL DISCRIMINATION AGAINST BRITAIN AND TO RESUME FULL ECONOMIC AND FINANCIAL RELATIONS (INCLUDING TRANSPORT LINKS). CONTINUING PROBLEMS OVER THE FIPZ, FISHERIES AND DIPLOMATIC RELATIONS, BUT IDEAS FOR COPING WITH THEM FOR THE PURPOSES OF THE PRESENT MEETING. HOPES FOR EARLY AGREEMENT ON A DRAFT COMMUNIQUE TONIGHT.

DETAIL

2. GARCIA DEL SOLAR RANG ME EARLY TO ASK FOR AN URGENT MEETING. HE WISHED TO COMMUNICATE THE RESULTS OF A MEETING LAST NIGHT BETWEEN HIS FOREIGN MINISTER AND PRESIDENT MENEM.

3. HIS MOST IMPORTANT NEWS WAS THAT PRESIDENT MENEM HAD DECIDED TO BREAK THE LINK BETWEEN THE AGREEMENTS RELATING TO THE FIPZ, AND AGREEMENT ON ECONOMIC AND FINANCIAL ISSUES. THUS THE ARGENTINE GOVERNMENT COULD NOW ACCEPT A PACKAGE ON ECONOMIC AND FINANCIAL ISSUES WHICH WOULD COMPRISE:

- ENDING OF DISCRIMINATORY MEASURES AGAINST BRITAIN.
- FULL NORMALIZATION OF TRADE AND FINANCIAL RELATIONS.
- AGREEMENT IN PRINCIPLE TO RE-ESTABLISHMENT OF AIR AND SEA LINKS. THIS WOULD INCLUDE LIFTING OBSTACLES TO LINKS BETWEEN THE ISLANDS AND THE CONTINENTAL MAINLAND.

IT FOLLOVED THAT THE OBSTACLE TO AN EC/ARGENTINA AGREEMENT WOULD BE REMOVED, AND THAT CONSULAR RELATIONS COULD BE RESTORED AS A RESULT OF OUR CURRENT MEETING. THE DETAILS COULD BE WORKED OUT AND ENSHRINED IN THE COMMUNIQUE TO ISSUE AT THE END OF OUR MEETING.

4. GARCIA DEL SOLAR THEN TURNED TO THE THREE ISSUES WHICH CONTINUED TO DISTURB HIS AUTHORITIES. HE HOPED THAT IN THE LIGHT OF WHAT HE HAD SAID ON ECONOMIC AND FINANCIAL ISSUES WE COULD GIVE HIM SOME HELP ON THE FIRST AND THIRDF OF THEM:

- ON THE FIPZ, GARCIA DEL SOLAR COMMENDED THE PROPOSALS HE HAD PUT TO ME LAST NIGHT (PARA 4 OF MY TUR). I SAID THAT I HAD REPORTED THEM TO LONDON, BUT THEY RAISED NEW AND DIFFICULT ISSUES, AND I COULD NOT GUARANTEE AN IMMEDIATE RESPONSE. HE REPLIED THAT IN THAT EVENT AND WITH SOME RELUCTANCE HIS GOVERNMENT WOULD PREFER FOR THE PURPOSES OF THE PRESENT MEETING TO AGREE ONLY TO THE ESTABLISHMENT OF A WORKING GROUP TO EXAMINE THE CONFIDENCE BUILDING MEASURES PUT FORWARD BY EACH SIDE. THAT AT LEAST COULD BE PRESENTED AS A STEP FORWARD. BUT HE HAD TO TELL ME THAT PRESIDENT MENEM HOPED VERY MUCH FOR EARLY PROGRESS ON THE TWO

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PROPOSALS HE HAD PUT TO ME; THE FIRST TO REDUCE THE FIPZ TO THE DIMENSIONS OF THE FICZ WAS THE MOST IMPORTANT, BUT THE SECOND WOULD ALSO BE OF MUCH VALUE. I REPLIED THAT IF WE COULD NOT AGREE ON THE TWO PROPOSALS THIS TIME, WE COULD PUT THEM ON THE AGENDA OF THE WORKING GROUP, OR HE AND I COULD MEET AGAIN TO DISCUSS THEM. HE SAID THEY WERE OF SUCH POLITICAL SIGNIFICANCE THAT HE WOULD PREFER ANOTHER MEETING WITH ME (WITHOUT DELEGATIONS) AS SOON AS WE WERE READY BEFORE GIVING THEM TO THE WORKING GROUP. IN THE MEANTIME, THE ARGENTINES HAD UNDER CONSIDERATION THE SUGGESTION I HAD MADE LAST NIGHT (PARA 5 OF MY TUR) AND HE HOPED TO COME BACK TO ME ON IT LATER IN THE DAY.

- ON FISHERIES, HE SAID THAT HE COULD NOT UNFORTUNATELY ACCEPT THE FORMULA I HAD PUT TO HIM LAST NIGHT (PARA 8 OF MY TUR) BECAUSE I HAD BEEN UNABLE TO GIVE HIM ANY UNDERTAKINGS ABOUT OUR FUTURE INTENTIONS (PARA 3 OF MY TELNO 974). IN THESE CIRCUMSTANCES, AND AS FISHERIES WAS OF SUCH DELICACY FOR BOTH GOVERNMENTS, HE SUGGESTED THAT WE SHOULD SIMPLY SAY IN OUR COMMUNIQUE THAT THE MATTER HAD BEEN DISCUSSED AND THAT WE WOULD REVERT TO IT AT FUTURE MEETINGS. I SAID THAT THAT SEEMED TO BE THE BEST SOLUTION.

- ON DIPLOMATIC RELATIONS, HE SAID THAT PRESIDENT MENEM WAS DISAPPOINTED THAT WE COULD NOT MAKE FASTER PROGRESS TOWARDS DIPLOMATIC RELATIONS. I REPLIED THAT WITH THE ESTABLISHMENT OF CONSULAR RELATIONS AND THE RESUMPTION OF FULL ECONOMIC AND FINANCIAL RELATIONS BETWEEN BRITAIN AND ARGENTINA, THE RESUMPTION OF FULL DIPLOMATIC RELATIONS CAME INTO A DIFFERENT PERSPECTIVE. IT WAS KNOWN TO BE ON THE AGENDA OF OUR PRESENT MEETING, AND COULD FIGURE ON THE AGENDA OF OUR NEXT ONE, WHICH COULD BE EARLY IN THE NEW YEAR. GARCIA DEL SOLAR SAID THAT ANYTHING WE COULD DO TO MAKE THE PROSPECT OF FULL DIPLOMATIC RELATIONS MORE REAL WOULD BE OF GREAT POLITICAL VALUE TO HIS PRESIDENT.

5. GARCIA DEL SOLAR SAID THAT A DELICATE POINT HAD BEEN THE RELATIONSHIP BETWEEN THE ISLANDS AND THE CONTINENTAL MAINLAND. HE HAD CAREFULLY REPORTED THE LINE I HAD TAKEN IN MY TELNO 975, AND PRESIDENT MENEM HAD UNDERSTOOD THAT IT WOULD BE WRONG TO FORCE THE PACE IN SEEKING TO ESTABLISH DIRECT LINKS BETWEEN THE FALKLAND ISLANDS AND ARGENTINA. AT THE SAME TIME HE HAD ACCEPTED OUR POINT ON THE VALUE OF LINKS BETWEEN THE ISLANDS AND THE CONTINENTAL MAINLAND, GENERALLY, AND HAD AGREED THAT NO OBSTACLES, DIRECT OR INDIRECT, SHOULD HENCEFORTH BE MAINTAINED. FOR EXAMPLE THE INDIANA WOULD BE FREE TO VISIT ARGENTINE AS WELL AS OTHER LATIN AMERICAN PORTS IF SO DESIRED.

COMMENT

6. THE ARGENTINE DECISIONS WHICH GARCIA DEL SOLAR CONVEYED TO ME HAVE CLEARLY TRANSFORMED OUR CURRENT MEETING... OUR OWN MOST IMPORTANT POINTS HAVE BEEN SECURED. IN SHORT, THE SOVEREIGNTY FORMULA, RESTORATION OF ECONOMIC AND FINANCIAL RELATIONS (WITH AIR AND SEA LINKS), AND THE CESSATION OF HOSTILITIES/REPARATIONS FORMULA. ON THE FIPZ WE REMAIN BLOCKED, BUT MENEM HOPES THAT WE SHALL BE ABLE TO RESPOND POSITIVELY TO HIS PROPOSALS, IF NOT IMMEDIATELY (WHICH WOULD HELP HIM MOST), AT LEAST FAIRLY SOON. THERE IS, OF COURSE, A DIVIDEND FOR US IN THE SECOND ARGENTINE PROPOSAL WHICH WOULD GIVE US THE OCCASION FOR EARLY EXTENSION OF OUR TERRITORIAL WATERS FROM 3 TO 12 MILES AROUND THE FALKLANDS, SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS. ON FISHERIES THERE IS NO DISADVANTAGE TO US IN SHUNTING THE PROBLEM INTO A SIDING FOR THE TIME BEING, AND GARCIA DEL SOLAR ACCEPTED THIS AS INEVITABLE. ON PROSPECTS FOR DIPLOMATIC RELATIONS, I HOPE WE CAN BE HELPFUL. WITH RESTORATION OF FULL ECONOMIC AND FINANCIAL LINKS, WE TOO SHOULD FIND FULL DIPLOMATIC RELATIONS USEFUL SOONER RATHER THAN LATER.

7. WE NOW HAVE TO FIND LANGUAGE FOR THE COMMUNIQUE WHICH WILL NAIL DOWN THE AGREEMENT WHICH SEEMS TO BE WITHIN OUR REACH. THE DEVIL ALWAYS LIES IN THE DETAIL, BUT I HOPE WE SHALL NOT HAVE EXCESSIVE DIFFICULTIES. WE SHALL BE MEETING THIS AFTERNOON TO PUT TOGETHER BRITISH AND ARGENTINE DRAFTS, AND WILL AIM TO SUBMIT AN AGREED TEXT TO CAPITALS TONIGHT.

GORDON LENNOX

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