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FM MADRID
TO DESKBY 180800Z FCO
TELNO 973
OF 180130Z OCTOBER 89
AND TO DESKBY 180230Z CHOGM.
INFO IMMEDIATE BUENOS AIRES, WASHINGTON, UKMIS NEW YORK, MODUK
INFO IMMEDIATE PORT STANLEY, ACTOR

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

FROM SIR CRISPIN TICKELL
SEE MIPT

ANGLO ARGENTINE OFFICIAL TALKS: 17 OCTOBER

TRADE, FINANCE, AIR AND SEA LINKS

TRADE AND FINANCE

1. I STRESSED THAT REMOVAL OF ALL REMAINING ARGENTINE
DISCRIMINATORY MEASURES WAS ESSENTIAL FOR THE DEVELOPMENT OF OUR
RELATIONS, AND HOPED WE COULD ANNOUNCE THIS IN THE COMMUNIQUE. WE
WOULD THEN BE ABLE TO MAKE CLEAR TO THE EUROPEAN COMMUNITY THAT OUR
OBJECTIONS TO AN EC/ARGENTINA COOPERATION AGREEMENT WOULD BE
REMOVED. WE ALSO EXPECTED THE ARGENTINES TO AGREE TO EARLY
SIGNATURE OF A SECOND BILATERAL DEBT RE-SCHEDULING AGREEMENT, AND TO
END THEIR EFFECTIVE DISCRIMINATION AGAINST US BY MAKING PAYMENTS DUE
UNDER BOTH FIRST AND SECOND AGREEMENTS.

2. IF THE ARGENTINES LIFTED THEIR MEASURES WE WOULD BE ABLE TO RESPOND POSITIVELY, NOT JUST ON THE EC POINT BUT ALSO SPONSORING THE TRADE MISSION TO ARGENTINA BEFORE THE END OF THE YEAR AND RESTORING SHORT-TERM CREDIT (ON IRREVOCABLE LETTER OF CREDIT TERMS).

3. GARCIA DEL SOLAR SAID THAT THE ARGENTINE PRIORITIES WERE FOR US TO LIFT OUR EC VETO, TO GIVE UP PRESSURE AND THIRD COUNTRIES TO REFRAIN FROM SELLING ARGENTINA MILITARY EQUIPMENT, AND TO RELEASE THE BLOCKED AEROLINEAS FLIGHT SIMULATOR. WE ARGUED THAT ACTION ON THEIR MEASURES HAD TO BE SEEN IN THE CONTEXT OF THE TALKS AS A WHOLE; OUR VERY TOUGH POSITION ON THE FIPZ INEVITABLY AFFECTED ARGENTINE ABILITY TO MOVE ON OTHER ISSUES. I LEFT HIM IN NO DOUBT THAT IF HE INSISTED ON SUCH LINKAGES WE WOULD HAVE TO PUT FORWARD COUNTER-LINAGES. IT WAS WRONG FOR THE ARGENTINES TO ASSUME WE ALONE HAD SOME SPECIAL INTEREST OVER DISCRIMINATION ON TRADE AND FINANCE. THE FACT WAS THAT NORMALISATION OF RELATIONS, THE OBJECTIVE OF BOTH SIDES, WAS NOT SUSTAINABLE AS LONG AS IT PERSISTED. WE COULD NOT AGREE TO DISCUSS ARMS SALES IN THIS CONTEXT; WE WOULD CONTINUE TO LOOK AT THAT SOLELY IN TERMS OF THE ISLANDS' SECURITY.

AIR AND SEA LINKS

4. I SAID THAT OUR OBJECTIVE WAS TO RESTORE AIR LINKS ON THE BASIS OF THE 1965 AIR SERVICES AGREEMENT AS AMENDED IN 1971. THE TWO AIRLINES WOULD THEN BE FREE TO NEGOTIATE DIRECTLY. ON SHIPPING, WE WANTED THE ARGENTINES TO END THEIR BAN ON BRITISH SHIPS VISITING THEIR PORTS. IT WAS A SIMPLE MATTER OF JUSTICE.

5. GARCIA DEL SOLAR SAID THAT FOR AEROLINEAS ARGENTINAS FLYING TO BRITAIN WAS NOT A HIGH PRIORITY. THEY HAD DISMANTLED THEIR HEATHROW OPERATIONS. STARTING UP AGAIN WOULD BE COSTLY. RELEASE OF THE SIMULATOR WOULD HOWEVER HAVE A POSITIVE EFFECT. AS FOR SHIPPING, THAT COULD BE SOLVED IN THE BROADER CONTEXT OR NORMALIZATION.

6. I CONCLUDED BY SAYING THAT ON AIR AND SEA LINKS BOTH SIDES HAD A COMMON INTEREST. FURTHERMORE CONTINUED RESTRICTIONS IMPOSED BY ARGENTINA WOULD UNQUESTIONABLY HINDER THE NORMALISATION PROCESS. THE TWO GOVERNMENTS SHOULD GIVE THE GREEN LIGHT.

7. SEE MIFT

GORDON LENNOX