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TO IMMEDIATE FCO

TELEGRAM NUMBER 307 OF 07 APRIL

INFO IMMEDIATE DUBLIN PARIS ROME LUXEMBOURG COPENHAGEN THE HAGUE

UKREP BRUSSELS EMBASSY BRUSSELS ATHENS WASHINGTON TOKYO OTTAWA

CANBERRA WELLINGTON BERLIN (FOR HM AMBASSADOR)

INFO PRIORITY UKMIS NEW YORK GENEVA AND UKDEL OECD

YOUR TEL NO. 71 TO BRUSSELS: ECONOMIC MEASURES AGAINST ARGENTINA

1. WE DELIVERED THE PRIME MINISTER'S MESSAGE EARLY THIS MORNING TO VON DER GABLENTZ, CHANCELLOR'S OFFICE. IT WAS CONSIDERED AT A THREE HOUR CABINET MEETING THIS MORNING CHAIRED BY THE FEDERAL CHANCELLOR WHICH DEVOTED TWO THIRDS OF ITS TIME TO THE FALKLAND ISLANDS ISSUE. THE FEDERAL CABINET THIS AFTERNOON RELEASED A STATEMENT ON THE SUBJECT - TEXT IN MIFT - WHICH I UNDERSTAND THE CHANCELLOR HAS DESCRIBED BY TELEPHONE TO THE PRIME MINISTER.

2. TO JUDGE BY BRIEFING GIVEN US BY VON DER GABLENTZ AFTER THE CABINET, THE FEDERAL CHANCELLOR WAS AT PAINS TO STRESS THE SERIOUSNESS OF THE ISSUE AND THE NEED TO SHOW SOLIDARITY WITH US. HE HAD INTERRUPTED HIS HOLIDAY TO PRESIDE AND HE ADMONISHED MINISTERS TO REBUT ANY PRESS SUGGESTIONS THAT THE ISSUE WAS NOT FUNDAMENTALLY IMPORTANT. THE ARGENTINES HAD COMMITTED FLAGRANT AGGRESSION AGAINST A CLOSE ALLY OF THE FEDERAL REPUBLIC AND A FELLOW MEMBER OF THE COMMUNITY. THERE COULD BE NO PARALLEL BETWEEN OUR CALL FOR SANCTIONS AGAINST ARGENTINA AND THE AFGHAN OR POLISH ISSUES. THE FEDERAL CHANCELLOR PLACED PARTICULAR STRESS ON THE NEED FOR EUROPEAN SOLIDARITY.

3. THE CABINET HAD CONFIRMED YESTERDAY'S DECISION ON ARMS EXPORTS: (A) IN THE PRIME MINISTER'S MESSAGE. ON (C) IT HAD BEEN AGREED THAT THE FEDERAL REPUBLIC WOULD GIVE NO NEW EXPORT CREDIT GUARANTEES, THE FEDERAL CHANCELLOR LAYING GREATER STRESS ON THE PRUDENTIAL THAT THE POLITICAL REASONS FOR RESTRAINT. INSTRUCTIONS WOULD BE GIVEN ACCORDINGLY TO THE MINISTRY OF THE ECONOMY - HERMES COMMITTEE ON EXPORT CREDIT GUARANTEES. ON (B), THE FEDERAL GOVERNMENT WANTED TO MOVE IN COMMUNITY CONVOY. THEY RECOGNISED

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THAT AS THEIR STAKE IN TRADE WITH ARGENTINA WAS SO MUCH GREATER THAN OTHERS (HERMES TOTAL OBLIGATIONS DM 6.6 BILLION) THEY MIGHT END UP BEARING A DISPROPORTIONATE SHARE OF THE ECONOMIC BURDEN. THAT WOULD NOT DETER THEM FROM TAKING PART MOST CONSTRUCTIVELY IN COMMUNITY WORK ON THE SUBJECT.

4. THERE SEEMS TO HAVE BEEN RELATIVELY LITTLE DISCUSSION OF THE DIFFICULTIES AND COSTS INHERENT IN TAKING ACTION IN OUR SUPPORT, THOUGH THERE WAS CLEARLY SOME DISCUSSION OF THE CONTRACTUAL AND EMPLOYMENT POSITION ON THE WARSHIPS BUILDING IN NORTH GERMAN YARDS AND THE HOPE WAS EXPRESSED THAT THE SIGNALLING OF ECONOMIC SOLIDARITY ALONE WOULD BE ENOUGH TO PRODUCE THE DESIRED EFFECT.

5. THE FEDERAL CHANCELLOR APPARENTLY REFERRED IN CABINET TO SOVIET INTEREST IN EXPLOITING THE FALKLANDS SITUATION (MY TEL NO. 305), QUOTING EHMKE (PLEASE PROTECT) AS HAVING REPORTED THAT GROMYKO HAD SAID HE WAS DELIGHTED AT THE WAY THINGS WERE GOING.

6. THE REFERENCE IN THE STATEMENT TO ARTICLE 113 AS WELL AS 244 IS A SHADE UNFORTUNATE. VON DER GABLENTZ SAYS THAT WE SHOULD NOT TAKE ITS INCLUSION AS SIGNIFICANT. HE HIMSELF TRIED TO RIDE THE CABINET OFF THE 113 REFERENCE BUT WAS BRUSHED ASIDE.

7. VON STADEN, WHO REPRESENTED GENSCHER AND TELEPHONED US IMMEDIATELY AFTER THE CABINET MEETING, PROMISED FULL GERMAN SUPPORT ON SCHEDULING OF COREPER MEETINGS AND THE AVAILABILITY OF SENIOR GERMAN REPRESENTATIVES.

8. SO FAR SO GOOD. GERMAN OFFICIALS MAY MAKE AS MANY DIFFICULTIES AS ANYONE ELSE WHEN IT COMES TO THE SMALL PRINT. BUT THE FEDERAL CHANCELLOR SEEMS TO HAVE GIVEN A CLEAR LEAD. THE CABINET DECLARATION IS ENCOURAGING. AND VON DER GABLENTZ ASSURES US THAT GENSCHER, WHO EARLIER SEEMED TO BE RESERVING HIS POSITION (MY TEL NO. 302) WAS FULLY CONSULTED ON THE LANGUAGE OF THE DECLARATION AND IS FULLY COMMITTED TO IT.

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