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FM OTTAWA 071845Z APR 82

TO FLASH FCO

TELEGRAM NUMBER 188 OF 07 APRIL

INFO ROUTINE WASHINGTON, BONN, PARIS, CANBERRA, WELLINGTON
INFO SAVING OTHER EC POSTS, UKREP BRUSSELS, UKMIS NEW YORK,
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MY TELNO 187 AND YOUR TELNOS 71 AND 77: FALKLAND ISLANDS:
ECONOMIC MEASURES AGAINST ARGENTINA

1. I SAW MR TRUDEAU TODAY. HE GAVE ME A LIFT BACK TO HIS HOUSE
AFTER HIS CAUCUS MEETING DURING WHICH HE READ CAREFULLY THE PRIME
MINISTER'S MESSAGE AND WE THEN DISCUSSED IT AT HIS HOUSE FOR A FEW
MINUTES.

2. HE SAID THAT THE PRIME MINISTER'S REQUEST WOULD BE STUDIED AT
ONCE AND THAT THE CANADIAN GOVERNMENT WOULD TRY TO GIVE US A REPLY
QUOTE WITHIN HOURS UNQUOTE. HE WOULD ENSURE THAT THE DEPARTMENT
OF EXTERNAL AFFAIRS KEPT IN TOUCH WITH ME BUT HE COULD NOT SAY
STRAIGHT OFF WHAT CANADA MIGHT DO IN THE ECONOMIC FIELD.

3. HE SAID THAT AT THE MINISTERIAL MEETING ON MONDAY HE AND HIS
COLLEAGUES HAD CONSIDERED WHAT FORMS OF LEVERAGE THEY MIGHT BE ABLE
TO EXERCISE ON THE ARGENTINE. ON THE MAIN ISSUE HE SEEMED TO BE
ENTIRELY WITH US AND CLEAR THAT UNPROVOKED AGGRESSION OF THIS SORT
COULD NOT BE TOLERATED. HE AGREED THAT IF IT WERE TO BE CONDONED
IT COULD LEAD TO ADVENTURES ELSEWHERE. HE QUOTED GIBRALTAR AND
HONG KONG. BUT HE WAS INCLINED TO BE SCEPTICAL ABOUT WHETHER
ECONOMIC SANCTIONS WOULD DO VERY MUCH TO HELP ACHIEVE OUR OBJECTIVE.
I STRESSED THAT IF WE WERE TO AVOID HAVING TO USE FORCE, WHICH OF
COURSE WE HOPED NOT TO HAVE TO DO, THE ONLY PROSPECT OF SECURING
AN ARGENTINE WITHDRAWAL WAS TO MOBILISE OVERWHELMING PRESSURE FROM
MAJOR COUNTRIES. I SAID WE WERE GRATEFUL FOR THE STEPS THE
CANADIAN GOVERNMENT HAD SO FAR ANNOUNCED AND HEARTENED BY THE
UNANIMOUS VOTE OF THE CANADIAN HOUSE OF COMMONS CONDEMNING THE
ARGENTINE INVASION BUT THAT FURTHER STEPS WERE NEEDED URGENTLY
TO PUT PRESSURE ON THE ARGENTINE. HOWEVER SLIM THE CHANCES MIGHT
BE OF GETTING THEM TO PULL OUT, IT WAS IN ALL OUR INTERESTS THAT
WE SHOULD DO OUR UTMOST TO BRING THIS ABOUT.

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4. MR TRUDEAU THOUGHT THAT THE DENIAL OF EXPORT CREDIT MIGHT NOT BE TOO DIFFICULT BUT THAT PROBABLY ARGENTINA OWED CANADA MUCH MORE THAN CANADA OWED ARGENTINA AND THAT A TRADE BAN MIGHT SIMPLY LEAD TO ARGENTINA REPUDIATING DEBTS TO CANADA AND EXPROPRIATING ASSETS SO THAT THEY MIGHT BE TEMPORARILY BETTER OFF.

5. MR TRUDEAU LEAVES TONIGHT FOR JAMAICA AND EXPECTS TO BE AWAY ABOUT 4 DAYS.

6. FCO PSE PASS TO ALL.

MORAN

(REPEATED AS REQUESTED)

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