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ALR 050/598/1

RECEIVED IN REGISTRY

DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

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GRS 340  
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 FROM ROME 271500Z APR 82  
 TO PRIORITY FCO  
 TELNO 206 OF 27 APR 82

MISS LAMBERT'S TELELETTER TO HEAD OF CHANCERY  
 OF 22 APRIL (RECEIVED TODAY) :

EC IMPORT EMBARGO ON ARGENTINA

114 123 176

1. WE HAVE ALREADY FULLY REPORTED THE POINTS MADE BY THE ITALIAN AMBASSADOR ABOUT THE ITALIAN COMMUNITY IN ARGENTINA (EG OUR LATEST TELNO 202) AND ABOUT THE POSITION OF THE SOCIALIST PARTY (OUR TELS 167-8). SO MUCH CAN HAPPEN BETWEEN NOW AND 17 MAY THAT WE CAN ONLY SPECULATE ON ITALIAN ATTITUDES TO RENEWING THE EC IMPORT EMBARGO. FOR WHAT IT IS WORTH, A MFA CONTACT HAS JUST SAID THAT IT WOULD BE A DIFFICULT STEP, AND THAT THE PSI COULD MAKE FURTHER TROUBLE.

2. OUR OWN ESTIMATE IS THAT THE ITALIANS WILL BE MOST RELUCTANT TO RENEW SANCTIONS UNLESS COMPLETELY ISOLATED WITHIN THE EC, IN WHICH CONTEXT REPORTS OF IRISH ATTITUDES ARE DISCOURAGING. THE ITALIANS HAVE NEVER ENVISAGED SANCTIONS AGAINST ARGENTINA AS A LONG TERM POLICY. THEY ACCEPTED THE ARGUMENT THAT "A SHORT SHARP SHOCK" WAS NEEDED TO PUT PRESSURE ON THE ARGENTINES TO NEGOTIATE SERIOUSLY ON THE BASIS OF SCR 502. BUT THERE IS WIDESPREAD DISILLUSION IN ITALY, NOT CONFINED TO THE SOCIALIST PARTY, ABOUT THE EFFICACY OF SANCTIONS AS AN INSTRUMENT OF POLICY. MOREOVER, THE ITALIANS ARE NERVOUS NOT ONLY ABOUT LOSING THEIR CONSIDERABLE MARKET IN ARGENTINA BUT ALSO ABOUT THE EFFECT OF SANCTIONS ON THEIR WIDER INTERESTS IN LATIN AMERICA. MAJOR ENGAGEMENTS IN OR AROUND THE FALKLANDS WILL MAKE THEM STILL WOBBLIER. AND WITH THE ANDREATTA AFFAIR NOW TEMPORARILY BURRIED THE PSI ARE FREE IF THEY WISH TO EXPLOIT THE FALKLANDS ISSUE TO EMBARRASS THE DC.

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/ 3. ASSUMING

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3. ASSUMING THAT BY 17 MAY THERE IS NO SUCCESSFUL NEGOTIATING OUTCOME IN SIGHT AND THAT WE HAVE NOT REOCCUPIED THE FALKLAND ISLANDS, THE BEST HOPE OF PERSUADING THE ITALIANS TO RALLY TO A COMMUNITY CONSENSUS TO RENEW SANCTIONS WOULD BE TO ARGUE CONVINCINGLY THAT ANOTHER MONTH OF AN IMPORT EMBARGO WOULD INDEED HAVE A RAPID AND DISASTROUS EFFECT ON THE ARGENTINE ECONOMY. THE PAPERS WE HAVE SEEN ON THIS SUBJECT SUGGEST HOWEVER, THAT ARGENTINA'S FINANCIAL DIFFICULTIES ARE GREATER AND MORE IMMEDIATE THAN HER TRADE AND BALANCE OF PAYMENTS PROBLEMS: AND THE FORMER IS NOT THE SUBJECT OF CONCERTED AND BINDING COMMUNITY ACTION AS SUCH. EVIDENCE TO THE CONTRARY WOULD BE WELCOME, AND COULD BE USED HERE WITH SOME EFFECT.

ARCULUS

[THIS TELEGRAM WAS NOT ADVANCED]

FCO

S AM D

CABINET OFFICE

ADDITIONAL DISTRIBUTION  
FALKLAND ISLANDS

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