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ACTION ARA-16

INFO OCT-00 ADS-00 AID-07 INR-10 EUR-12 SS-10 CIAE-00
EB-08 H-01 IO-15 NSCE-00 NSAE-00 SSO-00 HA-06
L-03 TRSE-00 PM-09 PA-01 INRE-00 SAL-01 ANAE-00
ACDA-12 ICAE-00 SP-02 SPRS-02 /115 W
-----211007 211621Z /51

O 211501Z MAY 82
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC IMMEDIATE 3842
INFO SOUTH ATLANTIC SITREP COLLECTIVE IMMEDIATE
AMEMBASSY PARIS
AMEMBASSY CARACAS
AMEMBASSY PANAMA
AMEMBASSY LIMA
USCINCSO QUARRY HTS PANAMA
USCINCLANT NORFOLK VA
DIA WASHDC JSI-4A/JSI-4B/DB-3B/DB-3E/DC-4A

RELEASE IN FULL

**REVIEW AUTHORITY: Theodore Sellin, Senior
Reviewer**

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CINCSO FOR INTAFF, CINCLANT FOR POLAD, ROME FOR VATICAN

E.O. 12065: N/A
TAGS: PBOR, UK, AR, FA
SUBJECT: SOUTH ATLANTIC CRISIS: SITREP AS OF 1200 LOCAL MAY 21

SUMMARY

1. FAILURE OF PEREZ DE CUELLAR'S MEDIATION IS ATTRIBUTED TO UK INTRANSIGENCE BY THE LOCAL PRESS AND FONMIN COSTA MENDEZ WHO GIVES GOA VERSION OF THE TWO SIDES' NEGOTIATING POSITIONS AND STATES THAT GOA IS STILL OPEN TO TALKS. HE ADDED THAT GOA IS STUDYING LATEST PERUVIAN INITIATIVE, BUT SOME COMMENTATORS SAY IT IS NOT LIKELY TO BE ACCEPTABLE TO GOA. OTHERS THINK LIMITED OFFICIAL USE

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IT IS OVERTAKEN BY HHG'S DECISION TO COMMENCE MILITARY ACTION TO RECAPTURE OF THE FALKLANDS. HEAVY PLAY ON US DECISION TO SEND KC-135 TANKER AIRCRAFT TO UK. QUALITIES DEFEND GENERAL POLICY OF PRIVATIZATION PROGRAM ALTHOUGH THEY AGREE THAT ITS SUSPENSION DURING THE CONFLICT WAS NECESSARY. GOA ALLOWS ARGENTINE ASYLEE IN MEXICAN EMBASSY TO DEPART IN EFFORT TO IMPROVE RELATIONS WITH MEXICO. END SUMMARY.

UN MEDIATION AND PERUVIAN INITIATIVE

2. ALL HOPE OF A NEGOTIATED SETTLEMENT PRIOR TO BROAD HOSTILITIES WAS DASHED HERE WITH THE NEWS OF THE SECRETARY GENERAL'S ANNOUNCEMENT THAT HIS EFFORT HAS CONCLUDED AND HMG'S DECISION TO COMMENCE IN EARNEST MILITARY RECOVERY OF THE ISLANDS. IN A HOUR LONG PRESS CONFERENCE LAST NIGHT, FONMIN COSTA MENDEZ CLAIMED THAT THE NEGOTIATIONS ARE NOT BROKEN OFF BECAUSE GOA IS STILL PREPARED TO TALK.

3. COSTA MENDEZ REVEALED THAT GOA IS "STUDYING" THE LATEST PERUVIAN PROPOSAL, WHICH "CLARIN" CLAIMS WAS WELL-RECEIVED BY THE MILITARY GOVERNMENT AFTER A PRELIMINARY REVIEW BECAUSE IT IS MORE FAVORABLE IN ITS GENERAL CONTEXT THAN THE EARLIER PERUVIAN INITIATIVE. ON THE OTHER HAND, "LA PRENSA" SAYS THE PERUVIAN INITIATIVE IS SIMILAR IN ITS ESSENTIAL ELEMENTS TO BELAUNDE'S EARLIER PROPOSALS AND HENCE NOT LIKELY TO BE ACCEPTABLE TO THE GOA. SEVERAL COMMENTATORS ALSO SUGGEST THAT THE UK DECISION TO MOVE FORWARD WITH THE MILITARY OPTION HAS OVERTAKEN BELAUNDE'S LATEST PEACE-KEEPING INITIATIVE. MOREOVER, "LA NACION" REPORTS THAT THE GOA IS WORKING FEVERISHLY TO ROUND LIMITED OFFICIAL USE

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UP NINE VOTES IN THE SECURITY COUNCIL FOR SHIFT OF TREATMENT OF THE MALVINAS DISPUTE TO THE GENERAL ASSEMBLY.

4. HMG'S REVELATIONS OF THE CONTENTS OF THE NEGOTIATING POSITIONS IS CRITICIZED BY LOCAL COMMENTATORS AS A BREACH OF CONFIDENCE AND OF THE OBLIGATIONS ASSUMED BY EACH PARTY IN THE MEDIATION. HOWEVER, COSTA MENDEZ IN HIS PRESS CONFERENCE REACTED TO THE BRITISH REVELATIONS BY EXPLAINING ARGENTINA'S POSITION ON THE VARIOUS ELEMENTS OF THE PROPOSAL. THE THRUST OF HIS PRESENTATION WAS THAT ALTHOUGH ARGENTINA HAD REJECTED THE USG AND PERUVIAN PROPOSALS, AND CONSIDERED SOME OF THE IDEAS IN THE SECRETARY GENERAL'S PROPOSAL YESTERDAY UNACCEPTABLE, ARGENTINA HAS DEMONSTRATED FLEXIBILITY WITHOUT RENOUNCING ITS RIGHTS, WHEREAS GREAT BRITAIN HAS NEVER DESISTED IN ITS INTENTION TO RESTORE A COLONIALIST SITUATION ON THE ISLANDS. HE REITERATED FREQUENTLY ARGENTINA'S OPENNESS TO CONTINUE THE NEGOTIATIONS AT ANY TIME. WHEN ASKED BY A JOURNALIST IF THE US MIGHT PLAY A ROLE IN ANY FUTURE TALKS, COSTA MENDEZ RESPONDED THAT IF THE UNITED STATES CEASED SUPPORTING THE UNITED KINGDOM AND JOINED ITS SISTERS OF THE AMERICAS IT COULD PLAY A VERY CONSTRUCTIVE PART IN FINDING A PEACEFUL SOLUTION.

BRITISH ACTIONS

5. MOST DAILIES ATTRIBUTE BREAKDOWN IN TALKS TO UK INTRACTABILITY AND DELAYING TACTICS DESIGNED TO ALLOW THE ARRIVAL OF THE FLEET. THE UK, IT IS ALLEGED, WANTS TO SECURE AT ALL COSTS A PERMANENT INFLUENCE OVER THE ISLANDS. ONE COMMENTATOR SEIZED ON AN ALLEGED STATEMENT BY AN UNIDENTIFIED BRITISH OFFICIAL THAT THE "ISLANDS ARE SELF-SUFFICIENT, THEY DO NOT NEED ARGENTINE ASSISTANCE" TO SPECULATE THAT THE UK WILL GRANT THE FALKLANDS LIMITED OFFICIAL USE

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INDEPENDENCE. THUS, THE DEFENCE OS THE ISLANDS WOULD BE PAINTED AS A KELPER STRUGGLE FOR LIBERTY AGAINST ARGENTINE AGGRESSION, ACCORDING TO THIS THESIS. PUPULAR COMMENTATOR MARIANO GRONDONA CLAIMED THAT THE US STILL WANTS A US MILITARY POSITION ON THE ISLANDS.

US MILITARY SUPPORT FOR UK

6. HEAVY PLAY ON PENTAGON ANNOUNCEMENT THAT KC-135 AIRCRAFT WILL BE DISPATCHED TO UK FOR NATO DEFENSES TO ALLOW GREAT BRITAIN TO DEPLOY ITS VICTOR TANKERS TO THE SOUTH ATLANTIC FOR IN-FLIGHT REFUELING OPERATIONS. NAVY-LINE "CONVICCION" BANNERS "REGAN WILL SUPPLY FUEL TO AIRCRAFT THAT COME TO ATTACK LATIN AMERICA."

ECONOMIC IMPACT OF THE WAR

7. ECONOMY MINISTER ALEMANN APPEARED ON HIGHLY POPULAR TV INTERVIEW PROGRAM "NEW TIMES" AND FORECAST UNSPECIFIED NEW TAXES FOR THE WAR EFFORT. ALEMANN WAS HIS USUAL CONFIDENT SELF AND BRUSHED ASIDE RUMORS THAT HE MAY RESIGN OR BE REPLACED; IT APPEARS CLEAR THAT HE INTENDS TO STAY FOR THE DURATION OF THE CONFLICT. HE PREDICTED A FURTHER DECLINE IN INTEREST RATES.

8. MEANWHILE, THE PRINCIPAL QUALITIES FOCUS ON THE GOVERNMENT'S ECONOMIC MEASURES IN THEIR EDITORIALS. OPEN-MARKET-SCHOOL "LA NACION" ACCEPTS THE NEED FOR TEMPORARY SUSPENSION OF CERTAIN INITIAL GALTIERI AIMS: FISCAL AUSTERITY, SUSPENSION OF THE PRIVATIZATION AND DEREGULATION PROGRAMS, MONETARY DISCIPLINE, ETC. HOWEVER, "LA NACION" INSISITS, THE GOA SHOULD NOT DELAY IN RESTORING THESE POLICIES AS SOON AS THE CONFLICT LIMITED OFFICIAL USE

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IS RESOLVED. "CLARIN" HERALDS THE DECISION TO SUSPEND THE PRIVATIZATION PROGRAM, CURRENTLY POINTING OUT THAT

IN THE CURRENT CLIMATE THERE ARE UNLIKELY TO BE ANY TAKERS FOR GOVERNMENT ENTERPRISES THAT ARE OFFERED FOR SALE. HOWEVER, CLARIN ALSO URGES THAT THE PROGRAM BE SELECTIVELY RE-INSTATED LATER, WITH THE GOVERNMENT KEEPING PROFIT-MAKING FIRMS AND LETTING THOSE WITH CONSISTENT RED INK GO.

IMPROVING RELATIONS WITH MEXICO

9. AS PART OF ITS EFFORT TO SECURE SOLID LATIN AMERICAN SUPPORT, THE GOA TOOK AN IMPORTANT STEP TO REDUCE FRICTION WITH MEXICO BY ALLOWING THE DEPARTURE OF JUAN ABAL MEDINA LAST NIGHT. ABAL MEDINA, A NOTED PERONIST LEFTIST WITH TIES TO THE MONTONEROS, HAS BEEN AN ASYLEE IN THE MEXICAN EMBASSY SINCE THE 1976 COUP. THE GOA UNTIL NOW RESISTED STRENUOUS MEXICAN EFFORTS TO SECURE HIM SAFE PASSAGE OUT OF THE COUNTRY. ABAL MEDINA DEPARTED LAST NIGHT IN THE COMPANY OF THE MEXICAN AMBASSADOR TO ARGENTINA.
SHLAUDEMAN

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