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MINISTRY OF DEFENCE  
WHITEHALL LONDON SW1A 2HB  
Telephone 071-21 82111/2/3

SECRETARY OF STATE

MO 6/20/4G

10 July 1992

Dear Stephen,

DEVELOPMENT OF ANGLO/ARGENTINE MILITARY RELATIONSHIP

I have seen Simon Gass' letter <sup>with JW?</sup> to you of 29th June concerning the management of Anglo/Argentine relations in the run up to a visit by President Menem. This refers inter alia to developments in the military relationship, possibly for announcement in September.

Whilst we agree that there is scope for enhancing Anglo/Argentine military relations, we could not accept any changes that compromised the security of the Falklands. We will therefore need to retain some restrictions for the foreseeable future, both on certain forms of contact and on arms sales. That said, military relations form part of more general Anglo/Argentine relations, which have improved significantly since the restoration of diplomatic relations in 1990. We have therefore been considering what changes might now be appropriate. This is an incremental process, and at this stage we are only considering limited measures, but we believe there may now be scope for some further military contacts (starting with low-level staff talks in the autumn), and, possibly, for some relaxation of the current total embargo on military equipment sales where such sales do not reduce the Islands' security. We are also examining the scope for changes to the IRICS regime. However, concerns have been heightened recently, particularly by the potential sale of 27 US A-4s to Argentina, and all changes considered will have to be assessed in this light.

I am copying this letter to Simon Gass (FCO) and Peter Smith (DTI).

Yours sincerely

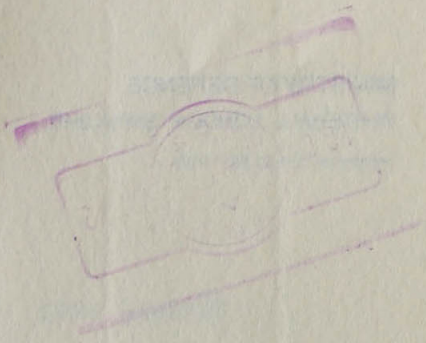
(MISS J R BINSTAD)  
Private Secretary

J S Wall LVO CMG  
10 Downing Street

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