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PREM 19/640

Relations with Argentina

Position of the Falkland Islands

Their Rehabilitation + Future

Shackleton Report + follow-up
PART 29.

ARGENTINA

Part 1: Sept 1979

Part 29: Sept 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
9.9.82							
10.9.82							
10.9.82							
30-9-82							
ENDS							

PREM 19/640

● PART 29 ends:-

New York tel : 1491 28/9

~~AJC to FCO 30/9/82~~

PART 30 begins:-

FCO to AJC 1/10/82

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
07 (FAF) (82) 18	2 Sep 82
07 (FAF) (82) 19	2 Sep 82
07 (FAF) (82) 5 th Mtg Item 1	6 Sep 82
CC (82) 4 th Item	9 Sep 82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed Wayland

Date 1 May 2012

PREM Records Team

GPS 400
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FM UKMIS NEW YORK 290030Z SEP 82
TO PRIORITY F C O
TELEGRAM NUMBER 1491 OF 28 SEPTEMBER 1982
INFO WASHINGTON.

FOLLOWING FROM PRIVATE SECRETARY

UNGA: BILATERAL WITH THE US SECRETARY OF STATE: FALKLAND ISLANDS.

1. SHULTZ SAID THAT HE HAD GONE OVER THE COURSE WITH THE ARGENTINE FOREIGN MINISTER: MRS KIRKPATRICK HAD TOLD HIM THAT THE UNITED STATES WOULD CONSIDER HIS DRAFT RESOLUTION AS CAREFULLY AS THE ARGENTINES CONSIDERED THEIR VOTE ON PUERTO RICO. SHULTZ WENT ON TO SAY THAT THE UNITED STATES WOULD NOT SUPPORT A RESOLUTION WHICH PRE-JUDGED EVEN INDIRECTLY THE OUTCOME OF NEGOTIATIONS, OR A RESOLUTION CALLING FOR A VERY QUICK SOLUTION. BUT IT WOULD BE HARD FOR THE US NOT TO SUPPORT A RESOLUTION WHICH SIMPLY CALLED UPON THE PARTIES TO TALK ABOUT THEIR DIFFERENCES WITHOUT PREJUDICE. ON THE ARMS EMBARGO, THE AMERICANS HAD AS WE KNEW HELD OFF UNTIL THE MEETING OF THE TEN HAD TAKEN PLACE BUT HAD NOW GONE AHEAD WITH THE ARMS IN THE PIPELINE.

2. THE SECRETARY OF STATE RESTATED OUR POSITION FIRMLY. THE ARGENTINES WERE TRYING TO SET UP A SMOKE SCREEN, AND NO ONE SHOULD HAVE ANY TRUCK WITH THEIR RESOLUTION UNTIL THEY HAD FIRMLY ACCEPTED AN END TO HOSTILITIES AND RESPONDED TO OUR EFFORTS TO RE-ESTABLISH NORMAL RELATIONS. SIR J THOMSON SAID THAT HE HAD BEEN STRUCK BY THE EXTENT OF SYMPATHY FOR OUR CASE AMONG THE NON-ALIGNED, AND ESPECIALLY THE AFRICANS: THERE WAS AN INCREASING DISPOSITION TO ACCEPT THAT THE POINT OF THE DISCUSSION WAS ABOUT THE FUTURE OF THE PEOPLE OF THE ISLANDS (AND THEREBY ARTICLE 73 OF THE CHARTER) RATHER THAN SOVEREIGNTY. SHULTZ COMMENTED THAT THE PRINCIPLES FOR WHICH WE HAD FOUGHT WERE RIGHT AND THE UNITED STATES CONTINUED TO SUPPORT THEM.

3. MRS KIRKPATRICK SAID THAT THE ARGENTINES HAD MODIFIED THE OPERATIVE PARAGRAPHS OF THEIR DRAFT RESOLUTION IN ORDER TO ATTRACT SUPPORT (INCLUDING THAT OF UNSPECIFIED EUROPEANS) BUT THE LANGUAGE OF THE PREAMBLE REMAINED PREJUDICIAL AND IN THE CASE OF ONE PARAGRAPH (REFERRING TO VESTIGES OF COLONIALISM AS A THREAT TO THE PEACE) INFLAMMATORY.

THOMSON

[NOT ADVANCED]

[COPIES SENT TO NO 10 DOWNING STREET]

FAULKLAND ISLANDS GENERAL
FCO
FID
CABINET OFFICE

ADDITIONAL DISTRIBUTION
FAULKLAND ISLANDS

CONFIDENTIAL

FO HO 033/25 SEP

R 25/2023

OO HONG KONG

GRS 500

CONFIDENTIAL

FM F C O 251044Z SEP 82

TO IMMEDIATE HONG KONG,

TELEGRAM NUMBER 777 OF 25 SEPTEMBER.

ms

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF RES CLERK FOR P.M.'S PARTY WAS RECEIVED FROM UKMIS NEW YORK TELEGRAM NUMBER 1463 OF 24 SEPTEMBER.

BEGINS:

INFO PRIORITY WASHINGTON, PORT STANLEY

MY TELNO 1437: FALKLANDS AT UNGA 37

1. IT IS ESTABLISHED PRACTICE HERE THAT WHEN AN AGENDA ITEM IS ALLOCATED DIRECT TO PLENARY, INTERESTED BODIES AND INDIVIDUALS (WHO ARE NOT ALLOWED TO ADDRESS PLENARY) ARE PERMITTED TO MAKE STATEMENTS IN THE APPROPRIATE COMMITTEE AT THE SAME TIME AS THE DEBATE IN PLENARY. WE LEARNT DURING THE COURSE OF 23 SEPTEMBER THAT THE ARGENTINES WERE NOT PREPARED TO ACCEPT THIS PRACTICE IN THE CASE OF THE NEW ITEM ON THE FALKLANDS AND THAT THEY WOULD ARGUE THAT IN THE ABSENCE OF A SPECIFIC DECISION BY THE GENERAL ASSEMBLY, THE COUNCILLORS COULD NOT BE HEARD. WE TRIED THROUGH THE SECRETARIAT TO GET THE PRESIDENT TO MAKE A RULING IN FAVOUR OF THE NORMAL PRACTICE BUT HOLLAI WAS NOT PREPARED TO DO SO. BY THIS MORNING (24 SEPTEMBER) IT WAS CLEAR THAT IF THE COUNCILLORS WERE TO BE ABLE TO SPEAK ON THE NEW FALKLANDS ITEM, WE WOULD HAVE TO OBTAIN A SPECIFIC DECISION FROM THE GENERAL ASSEMBLY.

2. THE ASSEMBLY CONSIDERED THE GENERAL COMMITTEE'S REPORT THIS MORNING. WHEN WE REACHED THE SECTION ON ALLOCATION OF THE ITEMS, I PROPOSED AN AMENDMENT TO THE EFFECT THAT THE NEW ITEM WOULD BE ALLOCATED TO PLENARY "ON THE UNDERSTANDING THAT BODIES AND INDIVIDUALS WITH AN INTEREST IN THE QUESTION WOULD BE HEARD IN THE FOURTH COMMITTEE IN CONJUNCTION WITH THE CONSIDERATION OF THE ITEM IN PLENARY MEETING". I EXPLAINED THAT THIS PROPOSAL WAS IN ACCORDANCE WITH PREVIOUS PRACTICE, EG OVER NAMIBIA, APARTHEID AND CYPRUS. VENEZUELA AND EIGHT OTHER LATINS OPPOSED MY PROPOSAL ON THE GROUNDS THAT IT WAS AN UNACCEPTABLE MODIFICATION OF THE DECISION TAKEN BY THE GENERAL COMMITTEE ON 22 SEPTEMBER. AUSTRALIA MADE A ROBUST AND COURAGEOUS STATEMENT IN MY SUPPORT. MY PROPOSAL WAS PUT TO THE VOTE AND ADOPTED BY 41 (WEOG LESS SPAIN AND MALTA, MODERATE NON-ALIGNED, ESPECIALLY AFRICANS) - 33 (LATIN AMERICANS, SOVIET BLOC, SOME RADICAL NON-ALIGNED, SPAIN) - 24. BY THE TIME THE VOTE WAS TAKEN WE WERE WELL INTO THE LUNCH HOUR AND THIS EXPLAINS THE LOW VOTING FIGURES.

3. THERE WERE RISKS IN SEEKING A FORMAL DECISION OF THE ASSEMBLY. THE ASSEMBLY NEVER LIKES CHANGING A DECISION OF THE GENERAL COMMITTEE: MY PROPOSAL GAVE THE LATINS OPPORTUNITIES FOR PROCEDURAL OBFUSCATION: AND A DEFEAT WOULD HAVE DETRACTED FROM OUR SUCCESS IN THE GENERAL COMMITTEE ON 22 SEPTEMBER. ON THE OTHER HAND, IT SEEMED TO ME ESSENTIAL THAT WE SHOULD FIGHT TO GET A HEARING FOR THE COUNCILLORS: AND IF WE HAD LOST, WE WOULD HAVE BEEN ABLE TO ARGUE THAT THIS WAS A FURTHER EXAMPLE OF LATIN ATTEMPTS TO PREJUDICE DISCUSSION AT THE UN AND MUZZLE THEIR OPPONENTS. IN THE EVENT, WE WERE ABLE TO WIN ANOTHER SMALL VICTORY. THE CUBAN CHAIRMAN MAY YET TRY TO FRUSTRATE US IN THE FOURTH COMMITTEE BUT WE NOW HAVE A FIRM DECISION OF THE GENERAL ASSEMBLY THAT THE COUNCILLORS SHOULD BE HEARD THERE.

4. I REGRET THAT IT HAS STILL NOT BEEN POSSIBLE FOR US TO OBTAIN A FIRM ESTIMATE OF WHEN THE FALKLANDS ITEM WILL BE TAKEN, BUT MID-NOVEMBER SEEMS THE LIKELIEST DATE.

THOMSON
ENDS

CONFIDENTIAL

FO HO 024/25 SEP

R 25/1755

OO HONG KONG

GRS 250

CONFIDENTIAL

FM F C O 241736Z SEP 82

TO IMMEDIATE PEKING

TELEGRAM NUMBER 454 OF 24 SEPTEMBER

FOLLOWING TELEGRAM NOW REPEATED TO YOU FOR PS/PM AT REQUEST
OF PLANNING STAFF WAS RECEIVED FROM PARIS

TELEGRAM NUMBER 919 OF 23 SEPTEMBER

INFO IMMEDIATE ATHENS BRUSSELS UKREP BRUSSELS COPENHAGEN THE HAGUE
LUXEMBOURG ROME DUBLIN BONN

INFO PRIORITY MADRID LISBON VIENNA OTTAWA CANBERRA BERNE OSLO
STOCKHOLM WASHINGTON MODUK

INFO SAVING PRETORIA TEL AVIV TOKYO UKMIS NEW YORK UKDEL NATO

YOUR TELNO 414 TO BONN: ARMS FOR ARGENTINA

1. THE FRENCH ARE CLEARLY COMMITTED TO EXERCISING RESTRAINT OVER
NEW CONTRACTS. WHEN I SAW MARTIN, DEPUTY SECRETARY GENERAL AT THE
QUAI, ON 10 AUGUST HE SAID THAT THE FRENCH WOULD BE CAREFUL ABOUT
HOW THEY CARRIED OUT EXISTING CONTRACTS AND THAT WHILE THEY WOULD
CONSIDER NEW CONTRACTS EACH ONE WOULD BE EXAMINED CAREFULLY. (MY
TELNO 806, NOT TO ALL).

2. CHEYSSON MADE THE SAME POINT EXPLICITLY IN HIS MESSAGE TO YOU
RECORDED IN YOUR TELNO 505 OF 6 SEPTEMBER TO PARIS. THE KEY
PARAGRAPH STATES THAT QUOTE THE RESUMPTION OF THE EXECUTION OF
THESE (EXISTING) CONTRACTS WILL NEVERTHELESS BE DONE IN A PRUDENT
AND PROGRESSIVE ~~MANNER~~ MANNER. YOUR EMBASSY HAS BEEN ASSURED OF ^{THIS}
CONFIRM IT AND CAN ADD THAT ANY NEW CONTRACTS WOULD BE SUBJECTED
CASE BY CASE TO A PARTICULARLY CAREFUL EXAMINATION. UNQUOTE

3. I WILL AGAIN REMIND THE FRENCH THAT WE ARE LOOKING TO THEM
TO OBSERVE RESTRAINT, BUT WE ARE UNLIKELY TO SECURE A MORE EXPLICIT
COMMITMENT THAN THEY HAVE ALREADY GIVEN.

FCO PLEASE PASS SAVING TO ALL

FRETWELL

PYM

NNNN

GRS 525

CONFIDENTIAL

IMMEDIATE

FM FCO 231800Z SEP 82

TO IMMEDIATE PEKING

TELEGRAM NUMBER 439 OF 23 SEPTEMBER,

FOLLOWING TELEGRAM NOW REPEATED TO YOU FOR PM'S PARTY AT REQUEST

OF PRIVATE OFFICE WAS SENT TO BONN TELNO 414 OF 23 SEPTEMBER

BEGINS

AND TO IMMEDIATE OTHER EC POSTS, PRIORITY MADRID, LISBON, VIENNA,

OTTAWA, CANBERRA, BERNE, OSLO, STOCKHOLM

INFO MODUK, PRETORIA, TEL AVIV, TOKYO, WASHINGTON

INFO SAVING UKREP BRUSSELS, UKMIS NEW YORK, UKDEL NATO

UKREP BRUSSELS TELNO 3436 (NOT TO ALL): ARMS FOR ARGENTINA

1. WE ARE NATURALLY DISAPPOINTED AT THE DECISION BY THE

GERMANS, DUTCH AND ITALIANS TO FOLLOW THE FRENCH AND RAISE THEIR

EMBARGOES ON ARMS SALES TO ARGENTINA, ANNOUNCED AT THE MINISTERIAL

POCO MEETING ON 20 SEPTEMBER.



MF

2. YOU, THE HAGUE AND ROME SHOULD MAKE CLEAR TO THE GOVERNMENTS TO WHICH YOU ARE ACCREDITED THAT:

A) WE ARE NATURALLY DISAPPOINTED AND HOPE THAT THEY WILL RECOGNISE HOW SERIOUSLY WE CONTINUE TO REGARD THIS SUBJECT:

B) WE HOPE THAT INDIVIDUAL ARMS CONTRACTS FOR ARGENTINA WILL BE SCRUTINISED CAREFULLY ON A CASE BY CASE BASIS BEFORE LICENCES ARE ISSUED CONSULTING US IF IN DOUBT AND THAT SALES OF SENSITIVE CATEGORIES OF ARMS WILL STILL BE PREVENTED. (YOU MAY NOW FALL X
ACK ON THE LIST IN PARA 8 OF FCO TELNO 205 TO ATHENS.) WE HOPE THAT LIFTING EMBARGOES WILL NOT BE FOLLOWED BY ANY RUSH OF NEW CONTRACTS, EVEN OF LESS SENSITIVE GOODS. IN SHORT WE HOPE THAT GOVERNMENTS CAN TREAT LIFTING THE EMBARGO LARGELY AS A FORMAL MEASURE AND KEEP IMMEDIATE PRACTICAL EFFECTS TO A MINIMUM.

C) WE HOPE THAT ANY PUBLIC ANNOUNCEMENT OF THE LIFTING OF THEIR EMBARGO WILL BE AS LOW KEY AS POSSIBLE AND MAKE CLEAR THAT IT SHOULD NOT IN ANY WAY BE SEEN AS A SIGNAL THAT FURTHER RECOURSE TO THE USE OF FORCE ON ARGENTINA'S PART WOULD BE ANY MORE ACCEPTED OR UNDERSTOOD THAN THEIR ORIGINAL INVASION ON 2 APRIL.

D) WE HOPE THAT GOVERNMENTS WILL KEEP IN CLOSE TOUCH WITH US, AND LET US KNOW OF ANY SIGNIFICANT PROPOSED OR ACTUAL ARMS CONTRACTS WITH ARGENTINA.

3. (FOR PARIS)

PLEASE MAKE CLEAR TO THE FRENCH AT A HIGH LEVEL THAT WE ARE STILL LOOKING TO THEM TO OBSERVE RESTRAINT OVER SENSITIVE CATEGORIES AND ATTACH POLITICAL IMPORTANCE TO CONTINUING TO RECEIVE AS MUCH CONFIDENTIAL INFORMATION AS THEY WILL GIVE US ON DELIVERIES OF AM39S WORLDWIDE AND ALL ARMS TO ARGENTINA. DOES CHEYSSON'S REMARK IN PARA 5 OF UKREP BRUSSELS TUR IMPLY THAT THE FRENCH WILL EXERCISE RESTRAINT OVER NEW CONTRACTS? IF SO WE WOULD LIKE OTHER POSTS TO BE ABLE TO MAKE USE OF THIS IN SPEAKING TO HOST GOVERNMENTS.

4. (FOR BONN)

PLEASE ASK THE GERMANS IN ADDITION HOW THEY WILL APPLY THEIR NEW GUIDELINES ON ARMS SALES (PERRY'S LETTER OF 26 AUGUST TO DS13) TO ARGENTINA: THE CLAUSE RULING OUT SALES TO QUOTE AREAS OF TENSION UNQUOTE WOULD SEEM TO COVER ARGENTINA. WE WOULD EXPECT THE GERMANS TO KEEP US CLOSELY INFORMED ABOUT THE FRIGATES: DO THEY EXPECT THE ARGENTINES TO BE ABLE TO PAY FOR THEM?

5. OTHER POSTS SHOULD MAKE CLEAR THAT WE HOPE THAT OTHERS WILL CONTINUE TO STAND FIRM. IN THE EVENT OF OTHERS LIFTING THEIR EMBARGOES, POSTS CONCERNED SHOULD STRAIGHTAWAY MAKE THE POINTS IN PARA 2 ABOVE.

6. ALL POSTS CAN DRAW ON THE ARGUMENTS IN FCO TELNO 205 TO ATHENS AS APPROPRIATE.

7. WE ARE READY TO SEND FULLER GUIDANCE ON SENSITIVE CATEGORIES (AND ARE PREPARING SPECIFIC LISTS FOR MAJOR INDIVIDUAL SUPPLIER COUNTRIES).

PYM

NNNN

GRS 359

CONFIDENTIAL

FM FCO 241736Z SEP 82

TO IMMEDIATE PEKING

TELEGRAM NUMBER 452 OF 24 SEPTEMBER

FOR PRIVATE SECRETARY TO PRIME MINISTER

IMMEDIATE



FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF PLANNING STAFF
WAS RECEIVED FROM WASHINGTON TELEGRAM NUMBER 3131 OF 23 SEPTEMBER.

INFO PRIORITY PARIS, BONN, MODUK, UKMIS NEW YORK, UKREP BRUSSELS.

MY TELEGRAM NO 3073 (NOT TO ALL) : AFTERMATH OF FALKLANDS

1. ENDERS TOLD MINISTER YESTERDAY EVENING THAT SHULTZ WOULD BE
MEETING THE ARGENTINE FOREIGN MINISTER IN NEW YORK ON 27 OR
28 SEPTEMBER. AS HE HAD SAID BEFORE, AGUIRRE LANARI WAS
MONOMANICAL ABOUT HIS UNGA RESOLUTION AND IT SEEMED UNLIKELY
THAT THE CONVERSATION WOULD RANGE MUCH BEYOND THAT. ENDERS
CONFIRMED THE IMPRESSION WE HAD HAD FROM THE FRENCH (PARIS
TELEGRAM NUMBER 907 TO THE FCO) THAT THE LATIN AMERICANS HAD
NOT BEEN ABLE TO AGREE ON A DILUTION OF THE EXISTING ARGENTINE
DRAFT. HE ALSO CONFIRMED THAT THE AMERICANS WERE NOT AT PRESENT
SUGGESTING ANY AMENDMENTS TO THE DRAFT, THOUGH HE CLEARLY DID
NOT EXCLUDE THAT AT A LATER STAGE THEY MIGHT WISH TO DO SO.

2. ON THE LIFTING OF FINANCIAL RESTRICTIONS, ENDERS SAID THAT THE U S EMBASSY IN BUENOS AIRES HAD REPORTED THAT THE ARGENTINES HAD NOT WITHDRAWN THE ARGENTINIAN REPRESENTATIVES (''INTERVENORS'') WHICH HAD BEEN INSTALLED IN BRITISH ENTERPRISES IN ARGENTINA DURING THE FALKLAND ISLANDS CRISIS. THEY HAD UNDERTAKEN TO DO SO AS PART OF THE LIFTING FINANCIAL RESTRICTIONS. BUT THE MINISTRY OF FINANCE IN BUENOS AIRES WAS NOW CLAIMING THAT IT DID NOT HAVE THE AUTHORITY TO REMOVE THEM. AS FAR AS THE U S WAS CONCERNED, THIS WAS VERY MUCH PART OF THE DEAL WHICH MCNAMAR HAD HELPED TO NEGOTIATE AND THE U S EMBASSY IN BUENOS AIRES WAS CONTINUING TO PRESS THE ARGENTINIANS TO LIVE UP TO THEIR OBLIGATIONS.

3. THOMAS TOLD ENDERS THAT WE WERE NOW CONSIDERING HOW BEST TO FOLLOW UP THE LIFTING OF FINANCIAL RESTRICTIONS BY MOVING ON TO REMOVAL OF COMMERCIAL RESTRICTIONS. HE SAID WE WERE DISCUSSING THIS WITH OUR COMMUNITY PARTNERS AND IT SEEMED POSSIBLE THAT WE MIGHT BE ABLE TO TACKLE THIS WITH THE ARGENTINIANS ON A COMMUNITY BASIS, PERHAPS THROUGH AN APPROACH BY THE PRESIDENCY OR THE COMMISSION. ENDERS WAS ENCOURAGED TO HEAR THIS.

ENDS

PYM

NNNN

OO PEKING (FOR P.S TO P.M.)
GRS 342
CONFIDENTIAL
FM F C O 241736Z SEP
TO IMMEDIATE PEKING
TELEGRAM NUMBER 449 OF 24 SEPTEMBER

Mo 26/9
h-a

FOLLOWING TELEGRAM NOW REPEATED TO YOU FOR PS/PM AT REQUEST
OF PLANNING STAFF WAS RECEIVED FROM BONN
TELEGRAM NUMBER 793 OF 23 SEPTEMBER
INFO PRIORITY MODUK BRUSSELS COPENHAGEN THE HAGUE ROME PARIS
WASHINGTON
INFO SAVING DUBLIN LUXEMBOURG ATHENS UKDEL NATO UKMIS NEW YORK

YOUR TELNO 414: ARMS FOR ARGENTINA

~~11'3956 CAUSE OF THE POLITICAL TURMOIL AND GENSCH~~

1. BECAUSE OF THE POLITICAL TURMOIL AND GENSCHER'S FORMAL LEAVE-TAKING OF THE AUSWAERTIGES AMT TODAY, I CANNOT GET AN APPOINTMENT TO SPEAK TO ANY MINISTER OR VERY SENIOR OFFICIALS TODAY. I THEREFORE SPOKE TO STATE MINISTER CORTERIER BY TELEPHONE: WE WILL FOLLOW THIS UP AT A LOWER LEVEL AND I HAVE SAID THAT I WILL REVERT TO THE QUESTION AT A SENIOR LEVEL NEXT WEEK.
2. CORTERIER CONFIRMED THAT CABINET DECISION REPORTED IN MY TELNO 791. HE WAS UNCERTAIN ABOUT THE NEXT STEP SO FAR AS INFORMING THE PARLIAMENTARY LEADERSHIP WAS CONCERNED. HE ADMITTED THAT THERE MIGHT BE A FEW MEMBERS OF THE BUNDESTAG ON THE LEFT WHO WOULD BE UNHAPPY ABOUT THE QUESTION OF ARGENTINA BEING AN AREA OF TENSION: T HAD EXPLAINED TO YOU IN BRUSSELS, THE AMOUNTS OF MONEY INVOLVED WERE SO LARGE THAT CLAIMS FOR COMPENSATION WOULD BE ABSOLUTELY CRIPPLING AND THE FEDERAL GOVERNMENT REALLY HAD NO ALTERNATIVE. HE PROMISED TO DISCUSS WITH HIS SENIOR OFFICIALS AN UNDERTAKING TO KEEP US CLOSELY INFORMED ABOUT THE FRIGATES AND OTHER EQUIPMENT (HE SAW NO DIFFICULTY ABOUT THIS). THE QUESTION OF THE ARGENTINE'S ABILITY TO PAY APPEARED TO BE A NEW THOUGHT TO HIM, WHICH HE WOULD ALSO PURSUE.
3. WE SHALL, OF COURSE, REPORT REACTIONS TO FURTHER REPRESENTATIONS. BECAUSE OF THE GERMANS' CONCERN TO FULFIL EXISTING CONTRACTS I THINK THERE IS NO HOPE WHATSOEVER OF GETTING THEM TO REVERSE THEIR DECISION ON THE GROUNDS OF QUOTE AREAS OF TENSION UNQUOTE. (IN FACT THIS CRITERION HAS BEEN REPLACED IN NEW ARMS SALES GUIDELINES: HENCEFORWARD GERMAN ARMS SALES MUST NOT QUOTE HEIGHTEN EXISTING TENSIONS UNQUOTE.) IT SHOULD BE EASIER TO GET AN UNDERSTANDING ABOUT GOING SLOW ON ANY NEW CONTRACTS.

PYM

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2
Sec. Press office

QUEEN ANNE'S GATE LONDON SW1H 9AT

Prime Minister:

This is
unfortunate!

22 SEP 1982

JF

23/9

BODIES OF SERVICEMEN KILLED ON ACTIVE SERVICE IN THE
FALKLANDS

The decision of the Court of Appeal, in the case of Helen Smith, that the coroner in England and Wales in whose area the body is lying must hold an inquest if it appears that the death was violent or unnatural, or a sudden death of unknown cause, even if it occurred abroad, has the unfortunate effect of making it necessary for inquests to be held into the deaths of all servicemen killed in the Falklands when bodies are brought back to this country for burial (or cremation).

It has been tentatively agreed by officials of our two Departments and of the Scottish Courts Administration that the best course would be to arrange for the bodies, due to arrive here in November, to be brought to one place, where the coroner, who would have been forewarned and provided with whatever documentary evidence he requires by your Department, would hold a single inquest covering all the bodies, including those which might be going on to Scotland for burial or cremation. The procedure would be for the inquest to be opened and evidence of identification given. (There may be some advantage in a prior inquest being held by the Falklands' coroner, so as to make identification by the English coroner a formality. This possibility is being explored with your officials. Careful arrangements for identification, acceptable to the coroner, will otherwise need to be made). The inquest would then be adjourned and the bodies released for disposal. Relatives of the deceased would have to be notified of the inquest so that they could attend if they wished, and it is understood that your Department expects to be able to pay any necessary fares.

The arrangements for bringing the bodies back to this country are, as you know, in the hands of your Department including the choice of port or airfield. It is very important that this should be within the jurisdiction of an experienced coroner, and we would like notice in good time of the possible options. When the decision is taken we will, in consultation with the Coroners' Society, brief the coroner.

/There

The Rt. Hon. John Nott, M.P.

There is one potential difficulty, I hope a remote one, which I feel I should mention. That is that some relative may seek to claim at the inquest that the death of the deceased in a particular case was due to ineptitude of some kind, for example on the part of a platoon commander. It is unlikely, I hope, that this would go so far as to call Government policy into question. There is no way in which this could be prevented by ourselves, but the coroner's handling of the inquest will be crucial.

I am sending a copy of this letter to the Prime Minister, Francis Pym, John Biffen and Michael Jopling.

Lon Hunt

LDX 036/21

FDW G 132/20

PP ROME

PP ATHENS

RR HELSINKI

RR TOKYO

RR MOSCOW

RR CARACAS

RR HAVANA

RR KINGSTON (FOR PORT AU PRINCE)

GRS 350

M. Sen

Prime Minister

AR 21/9

CONFIDENTIAL FRAME EXTERNAL

by Jurech

cc Mrs Party

FM UKREP BRUSSELS 201718Z SEP

TO IMMEDIATE FCO

TELEGRAM NUMBER 3436 OF 20 SEPTEMBER

INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN LUXEMBOURG ATHENS STRASBOURG LISBON MADRID UKMIS NEW YORK WASHINGTON UKDEL NATO ROUTINE HELSINKI STOCKHOLM TOKYO MOSCOW AND LATIN AMERICAN POSTS.

EUROPEAN POLITICAL COOPERATION: MINISTERIAL MEETING: BRUSSELS: 20 SEPTEMBER: FALKLANDS, ARMS EMBARGO AND UN RESOLUTION

SUMMARY

1. CONSENSUS THAT EMBARGO WAS NOT JOINT ACTION BY THE TEN BUT TEN COORDINATED NATIONAL ACTIONS. FRG, ITALY AND NETHERLANDS EXPRESSED INTENTION OF FOLLOWING FRENCH EXAMPLE AND ENDING THEIR EMBARGOES.

2. AGREED THAT MINISTERS WOULD FINALISE ATTITUDE ON UN GENERAL ASSEMBLY RESOLUTION ON FALKLANDS AT THEIR DINNER IN NEW YORK.

DETAIL

ARMS EMBARGO

3. VAN AGT (NETHERLANDS) SAID THAT THE TIME HAD COME TO END THE ARMS EMBARGO. THE ARGENTINIANS COULD NOT BE EXPECTED TO RENOUNCE ALL POSSIBILITIES OF PURSUING THEIR CLAIM IN THE SOUTH ATLANTIC BEFORE THIS HAPPENED. HE WAS SUPPORTED BY COLOMBO (ITALY) AND CORTERIER (FRG): THE LATTER SAID THAT CONTRACTS HAD TO BE HONOURED AND THAT RELATIONS WITH LATIN AMERICA GENERALLY WERE INVOLVED.

4. YOU POINTED OUT THAT THE ARGENTINIANS HAD STILL NOT ACCEPTED THE COMPLETE END OF HOSTILITIES. THEY APPEARED TO BE KEEPING OPEN THE OPTION OF FURTHER UNLAWFUL RECOURSE TO FORCE. IT WOULD BE A MATTER OF GREAT REGRET FOR THE UK IF PARTNERS LIFTED THE EMBARGO, AND WOULD GIVE THE WRONG SIGNAL TO THE ARGENTINIAN REGIME. YOU CONTESTED CORTERIER'S POINT ABOUT LATIN AMERICA.

5. CHEYSSON (FRANCE) SAID THAT THE FRENCH WOULD HONOUR THEIR EXISTING ARMS CONTRACTS WITH ARGENTINA.

6. THE PRESIDENCY SUMMED UP AS ABOVE.

GENERAL ASSEMBLY RESOLUTION

7. CHEYSSON SAID THAT IF THE ARGENTINIANS PUT UP A REASONABLE DRAFT WHICH DID NOT CONTAIN PROVOCATIVE ELEMENTS OR PREJUDGE THE SOVEREIGNTY ISSUE, THE FRENCH WOULD SUPPORT IT. HE WAS BACKED IN THIS BY COLOMBO.

8. YOU SAID THAT, GIVEN THE ARGENTINE ATTITUDE ANY AGREEMENT TO NEGOTIATE MUST INEVITABLE RAISE THE QUESTION OF SOVEREIGNTY. YOU EXPLAINED WHY THIS WAS IMPOSSIBLE BOTH FOR BRITAIN AND FOR THE FALKLAND ISLANDERS. IF PARTNERS REALLY COULD NOT SUPPORT US THERE WAS ALWAYS THE OPTION OF ABSTENTION.

9. IT WAS AGREED THAT EXCHANGES WOULD CONTINUE ON THIS SUBJECT AT OFFICIAL LEVEL AND MINISTERS WOULD TAKE A FINAL DECISION IN NEW YORK.

BUTLER

~~NNNNYES IT IS~~



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>640</i> (one piece/item number)	
Extract/Item details: <i>Letter from Fall to Butler dated 17 September 1982</i>	
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The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>640</i> (one piece/item number)	
Extract/Item details: <i>Letter from Sinclair to Steel dated 17 September 1982, with enclosure</i>	
CLOSED FOR YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	<i>1 May 2012 C. Wayland</i>
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Instructions for completion of Dummy Card

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Argentina
Kob

10 DOWNING STREET

From the Private Secretary

16 September 1982

FALKLAND ISLANDS: REHABILITATION

The Prime Minister was grateful for the latest progress report enclosed with your letter of 15 September and has noted its contents.

A. J. COLES

John Holmes Esq.,
Foreign and Commonwealth Office.

Kob



PA

10 DOWNING STREET

Nov 15/9

Prime Minister

The Argentines have run into a snag in lifting their financial restrictions. It appears that they cannot do it by Presidential decree as previously expected and have to pass a law (which they are suggesting that they can do within 24 hours).

The issue is whether we withdraw our Order (or make another Order cancelling it) or let it proceed.

We need to make an urgent decision and the Governor and Sir K. Cozens want to come and consult you.

Could you come out for a moment when they arrive - about 7.15? FERB.

~~We have been advised that~~ The Government of Argentina have announced the lifting of their financial restrictions with effect from midnight tonight. Accordingly, the UK's financial restrictions on Argentina are being removed simultaneously.

15.9.82.



Foreign and Commonwealth Office
London SW1A 2AH

15 September 1982

Prime Minister

mf

A.F.C. 15/9

Dear John,

Falkland Islands: Rehabilitation

I enclose a further progress report on the programme of rehabilitation, which updates the report sent to Tim Flesher on 31 August, and which has been compiled with contributions from the Ministry of Defence.

I am sending copies of this letter to the Private Offices of all members of OD(FAF) and to PS/Sir Robert Armstrong.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

FALKLANDS REHABILITATION: PROGRESS REPORT

Visit by Mr Onslow

1. Mr Onslow hopes to visit the Islands from 4 - 8 October and his programme will include a review of progress in rehabilitation work.

Shipping of Rehabilitation Supplies

2. Rehabilitation goods are arriving in the Falklands as follows:

12 August: on 'Sapele' timber, hardboard, cement, glass, corrugated iron.

20 September: on 'AES' and 'Merdeka' kerosene, solid fuel, calor gas.

2 October: on 'Elin S' aviation fuel, further kerosene, solid fuel, calor gas, timber and hardboard.

3. Sufficient vessels are leaving UK over the next few months for all foreseeable rehabilitation shipments. Several shipping companies are eager to put on further vessels as necessary.

Recruitment

4. ODA have been asked to recruit for 35 posts. Selections have been made for 33, and one more has been filled locally. 5 officers are now in post and a further 15 are expected to fly from the UK on 1 October.

Mobile Homes

5. 10 mobile homes are on order, 5 from Lynton Commercial Units of Manchester and 5 from Beverly Coachcraft of North Humberside. The first consignment of 5 will be shipped on 10 October.

Prefabricated Housing

6. After evaluation of 13 tenders, a turnkey contract for 27 units is now being placed with James Brewster Associates Limited. The company is based in Peterborough and uses Swedish units. These were clearly the best units available; the contract will have an 80% UK content. The houses will be handed over one by one between December and February. The European Community's 300,000 ecu offer of assistance will be applied to this contract. A further 27 houses should be ordered shortly.

Plant and Equipment

7. The Falklands Director of Public Works has requested a range of plant, tools and equipment, both as replacements and to cater for additional needs. Orders are being placed.

Furnishings

8. Hard and soft furnishings for 24 government houses are required. Tenders are being obtained from 3 companies, and will shortly be evaluated.

Visit by Engineering Adviser

9. An ODA engineer left for Port Stanley on 14 September. He will finalise details of the prefabricated housing contract, pursue plant and equipment requirements with the Director of Public Works, and consider with FIG the major requirements for rehabilitation of power and water supply, sewerage system and roads. Some part of these requirements may be amalgamated with new facilities to serve military needs, and a Whitehall group has been established to assist inter-departmental liaison on civil engineering projects, notably the new airport.

Finance

10. Firm commitments to date will absorb just under half the existing £10 million rehabilitation grant. The likely order of 27 more houses will take up a further £2 million. We await further information on the remaining major rehabilitation needs before we can assess the likely overall cost to HMG of this phase of work.

Placement of Aircraft for Falkland Islands Government Air Service (FIGAS)

11. One Beaver aircraft and two Islanders are being supplied. The purchase and shipment of the three aircraft is in hand. A wide range of delivery methods has been considered but delivery by sea seems likely to be inevitable.

Compensation

12. The team of MOD assessors in the Islands is making good progress with settling civilian claims. About £250,000 has been paid in compensation. It is hoped to settle the majority of claims by the end of the financial year though the more contentions may take longer.

Assistance from the Military

13. Stanley airport reopened on schedule on 30 August and the Royal Engineers are now working on the extension. A joint military/civilian housing committee has been established to coordinate planning. The Royal Engineers have begun marking minefields and hope to issue maps. The Darwin road is being cleared to a safe point beyond the minefields to allow free civilian access to unmined areas outside Stanley.

General

14. There are no major problems affecting the rehabilitation programme. The obstacles to the establishment of air and sea links through South America remain, but are not delaying rehabilitation work. The delivery of new aircraft for FIGAS is slower than hoped as it seems unlikely that it will be possible to stage them through South America.

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JD VS

SUBJECT

10 DOWNING STREET

cc. Master set.

From the Private Secretary

15 September 1982

Dear John.

Removal of financial restrictions on Argentina

I am writing to record the events over the last two days which have ended in the laying of a further statutory instrument lifting our financial restrictions on Argentina as from midnight last night.

On Monday evening at 2000 hours the Prime Minister had a short meeting with the Governor of the Bank of England about the events which had taken place in Buenos Aires on Monday. The Secretary of State for Energy (who happened to be here for another meeting), Mr. D.C. Peretz (HM Treasury) and Mr. Alan Walters were also present. The Governor explained that the Argentines were saying that if they lifted their financial restrictions as earlier envisaged by Presidential decree, they would be liable to challenge in the courts and they were therefore proposing to obtain legislative authority from their Parliament. They had told the Americans that this would take probably until Wednesday. The question for decision was whether we should hold up the lifting of our restrictions until the Argentinians were ready to move. After a brief discussion it was agreed that we should do so, and on Monday night a new statutory instrument was prepared and signed by the Prime Minister. It was also agreed that we should take a low-key approach in public, referring to technical problems at the Argentine end.

Later on Monday evening we received a statement by the Argentine Junta (appended at annex A to this letter) which, among other things, asserted that the British Government were making a spontaneous proposal to lift restrictions, and denied that there had been any prior agreement with the Argentine government. At about the same time the Bank of England received a secret telex from the Central Bank of Argentina, regretting the unforeseen and unavoidable delay in lifting the sanctions, and giving the clear undertaking that the restrictions would be lifted at 1000 a.m. Argentine time on Wednesday 16 September. (The text of this message is at annex B.)

During the course of Tuesday 14 September the Governor was informed by his counterpart in the Argentine Central Bank that an announcement would be made at 1900 hours Argentine time (2300 hours our time) that the restrictions were being removed from midnight. A Presidential decree would be published. There would be a Communiqué from the Argentine Ministry of Economy, and perhaps

/ also a

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CONFIDENTIAL

- 2 -

also a Communiqué from the Argentine Central Bank. The Presidential decree would both empower the Ministry of Economy to lift the financial restrictions, and also instruct them to do so. The Ministry of Economy's Communiqué would announce that it had ordered the Central Bank to put this into effect at the opening of business on Wednesday 15 September, by issuing instructions to the financial institutions concerned. On the basis of this information and of advance texts of the documents obtained by the Governor from his Argentine counterpart, the Prime Minister agreed that, provided it was confirmed that these announcements were in fact made in Buenos Aires, our own restrictions could be lifted in parallel.

On receipt of a message from the Argentine Central Bank substantially in the same form as that which had been promised, and with independent confirmation from news agencies that the announcements had been made in Buenos Aires, we made our own announcement shortly after midnight last night. The necessary new statutory instrument, which was signed by the Prime Minister last night, is, I understand, being laid this morning.

I am sending a copy of this letter and enclosures to Brian Fall (Foreign and Commonwealth Office) and Tim Allen (Governor of the Bank of England's Office).

Yours sincerely,

Michael Scholar

←

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL

STATEMENT BY ARGENTINE JUNTA A
ON MONDAY 13 SEPTEMBER

In view of cable received from abroad with respect to a proposal from Great Britain for the lifting of financial restrictions, it is expressly stated:-

- 1) The Bank of England has sent to the Central Bank of Argentina a telex proposing the lifting of financial restriction applied on account of the conflict with Malvinas Islands.
- 2) The Bank of England requests the Central Bank of Argentina reciprocity insofar as the lifting of measures which were imposed by the Argentine Government.
- 3) This spontaneous proposal of the Government of Great Britain is not repeat not the consequence of any prior agreement with our Government.
- 4) The result of the said proposal, the Central Bank of Argentina is studying several alternatives.
- 5) These circumstances would create mitigating conditions vis-a-vis the United Nations for the problem of Malvinas, especially in the European sector. On the other hand, they would produce a positive action for the internal reactivation in this country and furthermore would ^{not} block the conditions for the refinancing of the Argentine external debt.
- 6) The study of the solution on this proposal has nothing to do with the formal cessation of hostility and does not alter in absolute the maintenance of other measures.
- 7) The Argentine reply will be given considering the most convenient interest in this country.
- 8) Any other information or version of these facts has no validity. The Ministry of Economy is the only responsible source.

TELEX FROM BANK OF ARGENTINA TO

B

BANK OF ENGLAND RECEIVED ON MONDAY
13 SEPTEMBER

We reiterate our reply to your cable dated September 12.

However, due to technical and legal difficulties, we shall be able to implement the lifting of our restrictions only on Wednesday September 15 at 10 am Argentine time, coinciding with the time of opening of operations in our banking and financial markets. We regret this unforeseen and unavoidable delay. Utmost secrecy is indispensable and therefore required from you.

CONFIDENTIAL

Argentina



Foreign and Commonwealth Office

London SW1A 2AH

15 September, 1982

N. B. P. R.

M 15.
1

Dear John,

Call on the Prime Minister by Lord Shackleton

In your letter of 9 September you asked me to let you know the position on ECGD's cover in relation to the Falkland Islands.

ECGD cover for the Islands was withdrawn at the time of the Argentine invasion. As a result of recommendations made by ECGD to the Advisory Council and discussed at their meeting on 1 September, ECGD has restored cover for short term (up to 180 days credit) business for the Islands.

No decision has yet been taken on cover in respect of longer periods. Such business would in the main be financed from aid sources but if a specific project were put to ECGD they would consult interested Departments in the normal way.

I am copying to John Rhodes in the DoT.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary

CONFIDENTIAL

Argentina

Relations

pt 29



Your Ref

with compliments

D L C PERETZ

Treasury Chambers

Parliament Street

London SW1P 3AG

Tel: Direct Line 01-233

5415

Switchboard 01-233-3000

CONFIDENTIAL

FROM: DAVID PERETZ
DATE: 14 September 1982

NOTE FOR THE RECORD

cc Sir K Couzens
Mr Littler
Mr Carey
Mr Lavelle
Mr Perfect
Mr Donnelly
Mr Hosker - T. Sol
Mr Appleyard - FCO
Mr Titchenor - D/Trade
Mr Balfour } - Bank of England
Mr Dawkins }

REMOVAL OF FINANCIAL RESTRICTIONS ON THE ARGENTINA

The events of last night have been fairly fully reported in the newspapers, and no doubt there will be a record from No 10 of the Prime Minister's meeting yesterday evening at which, apart from the Prime Minister, the Governor and myself, the Secretary of State for Energy and Mr Walters were also present.

2. The Prime Minister had no doubts at all that we should hold up our lifting of restrictions until the Argentines were ready to move, and the Governor agreed. I had previously established with Mr Hosker that the only way that could be done was by laying a new Statutory Instrument which, with his help, we drafted on the spot. The Prime Minister also agreed that we should take a low key approach in public, giving the impression of mainly technical problems at the Argentine end.

3. Attached to this note are the following documents:-

- (a) The Statutory Instrument made last night, and signed by the Prime Minister and Mr Selwyn Gunner.
- (b) The press notice put out around 10.20 p.m. last night.

(c) The Q and A briefing prepared last night for press offices.

(d) A press statement put out by the Argentine authorities yesterday (as dictated on the telephone by McNamar to Mr Butler last night).

(e) A secret telex sent to the Bank yesterday at US request (according to McNamar) to try to reassure us about (d) (again, as dictated on the telephone by McNamar, though I assume this has now been received by the Bank).

Mr Butler read our press notice over the telephone to McNamar, and we made some minor changes as a result. It was subsequently approved by the Prime Minister.

4. The background to events yesterday in Buenos Aires is a little confused, but as reported by McNamar to the Governor (and by the Governor to the Prime Minister) it was as follows. Possibly as a result of a garbled Reuters report of our announcement a factor in Buenos Aires first had the impression that the arrangements covered trade sanctions; and then subsequently threatened to challenge the proposed Presidential decree lifting the Argentine financial sanctions, in the Courts. The Central Bank took legal advice; concluded they could not be sure of winning; and decided therefore that they needed to legislate through the Argentine Parliament rather than rely on a decree. This, they told the Americans, would take until Wednesday.

5. The Argentine official press notice looks on close reading as if it is meant to prepare the way for that. And the telex sent to the Bank (which we may not reveal) gives a clear undertaking.

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6. This morning, I have agreed with Mr Appleyard that FCO will send a further telegram to posts with our statement and background. Mr Appleyard is also considering seeking a separate report from BIS in Buenos Aires, via the Swiss, on how things stand at that end; and whether it would be helpful on Wednesday to use the same route to supplement the US link in confirming that the Argentines actually have acted (I said there is advantage in continuing US engagement).

7. Mr Hosker is drafting a revised Revocation Directions, for use tomorrow if necessary.

8. I understand the Bank are ^{this morning} circularising banks etc to cancel yesterday's notice of the end of our restrictions.

DLCP

D L C PERETZ

STATUTORY INSTRUMENTS

1982 No.
EXCHANGE CONTROL

The Control of Gold, Securities, Payments
and Credits (Argentine Republic) (No. 2)
Directions 1982

<u>Made</u>	13th September 1982
<u>Laid before Parliament</u>	14th September 1982
<u>Coming into Operation</u>	14th September 1982

Whereas the Treasury are satisfied that action to the detriment of the economic position of the United Kingdom is being taken by the Government of or persons resident in the Argentine Republic:

Now, therefore, the Treasury, in exercise of the powers conferred upon them by section 2 of the Emergency Laws (Re-enactments and Repeals) Act 1964(a) hereby give the following directions:-

1. These Directions may be cited as the Control of Gold, Securities, Payments and Credits (Argentine Republic) (No. 2) Directions 1982 and shall come into operation on 14th September 1982.
2. Except with permission granted by or on behalf of the Treasury, no order given by or on behalf of the Government of or any person resident in the Argentine Republic at the time of the coming into operation of these Directions or at any later time while these Directions are in force shall be carried out insofar as the order -

(a) 1964 c.60; section 2 was amended by the Finance Act 1968 (c.44) sections 55 and 61(10) and Schedule 20, Part V.

- (i) requires the person to whom the order is given to make any payment or to part with any gold or securities; or
- (ii) requires any change to be made in the persons to whose credit any sum is to stand or to whose order any gold or securities are to be held.

Margaret H. Thatcher

John Major

Two of the Lords Commissioners
of Her Majesty's Treasury.

13th September 1982

TORY NOTE

Note is not part of the Directions)

These Directions prohibit (except with Treasury permission) any recipient in the United Kingdom, the Channel Islands or the Isle of Man of an order from the Government of or any person resident in the Argentine Republic from carrying out that order in so far as the order:

(a) requires the recipient to make any payment or to part with any gold or securities; or

(b) requires any change to be made in the persons to whose credit any sum is to stand or to whose order any gold or securities are to be held.

The Control of Gold, Securities, Payments and Credits (Argentine Republic) Directions 1982 (SI 1982/512) were made on 3rd April 1982 and came into operation on that date. In anticipation of the simultaneous removal of similar financial restrictions imposed by the Argentine Republic, those Directions were to be revoked on 14th September 1982 and the Control of Gold, Securities, Payments and Credits (Argentine Republic) (Revocation) Directions 1982 (SI 1982/1296) were made on 13th September. As the Argentine restrictions will not be removed on 14th September, these Directions have accordingly been made in similar terms to the earlier Directions.

Removal of financial restrictions on the Argentine Republic

The Treasury announced this morning that the financial restrictions imposed on Argentine residents and the Argentine Government were to be discontinued from midnight London time, with a simultaneous reciprocal removal of Argentine financial restrictions on the United Kingdom.

There has been an unexpected delay in Buenos Aires caused by the legal procedures which the Argentine Government need to take. These procedures will not be completed in time to enable the Argentine restrictions to be lifted at midnight.

The Government is therefore taking the steps necessary to maintain the United Kingdom's restrictions for the time being until the Argentine Government have issued a revised timetable for the removal of their restrictions. The United Kingdom restrictions will be lifted, as intended, simultaneously with those imposed by the Argentine Government.

Removal of Financial Restrictions on the Argentine Republic

Treasury Press Notice No.2, 13th September 1982

Background Briefing for Press Offices

Q. What is the hitch at the Argentine end?

We understand that to avoid the risk of challenge in the courts the Argentine Government has had to adopt a different and slightly lengthier statutory procedure than that originally envisaged.

Q. How is the delay being given effect in the UK?

A new Statutory Instrument has been made under the Emergency Laws (Re-enactments and Repeals) Act 1964 to maintain the UK freeze for the time being.

Q. When will the UK freeze end?

As soon as the Argentine Government has completed the action necessary to remove its financial restrictions.

Q. When will that be?

It is expected to be in a matter of days, perhaps only a day or so.

Q. Has there been any direct contact with the Argentine Government?

We understand the Argentine Government is making a statement

GRS 400

UNCLASSIFIED

FROM PORT STANLEY 141215Z SEPT

TO IMMEDIATE FCO TEL NO 313 OF 14 SEPTEMBER

YOUR TEL NO 218: SHACKLETON REPORT

1. I MADE THE FOLLOWING ANNOUNCEMENT OVER FIBS AT 1400Z ON 13 SEPTEMBER, AFTER READING OUT THE STATEMENT FROM NO 10 TO ACCOMPANY PUBLICATION OF THE SHACKLETON REPORT.

2. AS YOU KNOW, THERE HAS ALREADY BEEN A GREAT MEASURE OF INTEREST HERE IN THE UPDATE OF THE SHACKLETON REPORT AND, NOW THAT IT HAS BEEN PUBLISHED, I HOPE THAT YOU WILL ALL READ IT CAREFULLY. AS THE STATEMENT FROM NO 10 DOWNING STREET SAID, THE REPORT REQUIRES VERY CAREFUL STUDY BOTH HERE AND IN BRITAIN BEFORE DECISIONS CAN BE MADE ON THE PROPOSALS. AS I HAVE SAID BEFORE, THE REPORT IS A BLUEPRINT FOR THE ECONOMIC FUTURE OF THESE ISLANDS AND WE MUST BE SURE THAT WE GET IT RIGHT. SO THAT NOBODY IS LEFT OUT OF THE CONSULTATION PROCESS, THE PRIME MINISTER HAS ORDERED THAT A FREE COPY OF THE REPORT SHOULD BE GIVEN TO EACH HEAD OF HOUSEHOLD THROUGHOUT THE FALKLAND ISLANDS. UNFORTUNATELY WE HAVE RECEIVED ONLY 400 COPIES IN THE INITIAL BATCH, BUT EXTRA COPIES ARE ON THEIR WAY AND THEY WILL BE DISTRIBUTED AS SOON AS THEY ARRIVE.

3. WITH THE HELP OF THE MILITARY, COPIES ARE AT THIS MOMENT BEING DISTRIBUTED TO EVERY SETTLEMENT IN CAMP, THOUGH YOU MAY HAVE TO SHARE COPIES UNTIL THE NEXT CONSIGNMENT IS RECEIVED. IN STANLEY, AS MANY COPIES AS POSSIBLE WILL BE PLACED AT THE POST OFFICE AND WE SHALL FOLLOW THE POLICY OF FIRST COME FIRST SERVED UNTIL STOCKS RUN OUT. COUNCILLORS WILL OF COURSE RECEIVE THEIR OWN COPIES, AS WILL SENIOR MEMBERS OF THE FALKLAND ISLANDS GOVERNMENT, THE FALKLAND ISLANDS COMPANY AND CABLE AND WIRELESS.

4. I HOPE THAT EXECUTIVE COUNCIL WILL HOLD INITIAL DISCUSSIONS ON THE REPORT AT THEIR MEETING ON 21 SEPTEMBER, AND THE CHIEF SECRETARY WILL PROPOSE AT THAT MEETING THAT A MEETING OF JOINT COUNCILS BE HELD TOWARDS THE MIDDLE OR END OF OCTOBER SO THAT THE PRELIMINARY VIEWS OF ISLANDERS CAN BE RELAYED TO THE FOREIGN AND COMMONWEALTH OFFICE BY THE END OF THAT MONTH. THE PROPOSED VISIT OF THE SECRETARY OF STATE, MR CRANLEY ONSLOW, TO THE FALKLAND ISLANDS FROM 3 TO 9 OCTOBER IS TIMELY IN THIS RESPECT AS HE WILL BE ABLE TO TAKE BACK WITH HIM SOME FIRST-HAND IMPRESSIONS OF YOUR REACTIONS TO THE REPORT.

5. TO THOSE OF YOU WHO READ LORD SHACKLETON'S ORIGINAL REPORT I SHOULD LIKE TO SAY THAT THE UPDATE IS VERY MUCH SMALLER AND WILL NOT TAKE ANYTHING LIKE SO LONG TO READ. THE MOST IMPORTANT SECTION IS THE ONE THAT CONTAINS THE RECOMMENDATIONS AND THEY ARE COMPRESSED INTO SEVEN PAGES.

6. I HOPE THAT ISLANDERS WILL SEIZE THIS OPPORTUNITY TO HAVE A POSITIVE SAY IN THE FUTURE OF THESE ISLANDS - YOUR FUTURE - BECAUSE HER MAJESTY'S GOVERNMENT HAVE MADE IT CLEAR THAT THEY ATTACH PARTICULAR IMPORTANCE TO YOUR VIEWS. I HOPE THAT WE CAN HAVE CONSTRUCTIVE DISCUSSION ON THE RECOMMENDATIONS AND THAT YOU WILL MAKE YOUR VIEWS KNOWN THROUGH YOUR COUNCILLORS AS QUICKLY AS POSSIBLE. I AM SURE THAT THE SHACKLETON REPORT POINTS US ALONG THE RIGHT ROAD. IT IS NOW UP TO US TO GET MOVING AS QUICKLY AS POSSIBLE ALONG IT.

HUNT

[COPIES SENT TO NO 10 DOWNING STREET]

FALKLAND ISLANDS GENERAL

FCO

FID

CABINET OFFICE

ADDITIONAL DISTRIBUTION

FALKLAND ISLANDS

COPIES TO

MR S DAVEY LORD SHACKLETON'S
SECRETARIAT, OLD ADMIRALTY
BUILDING
C DR MIDDLETON, CABINET OFFICE

PRESIDENTIAL DECREE

Article 1

The Ministry of Economy is empowered to leave without effect the financial restrictions covered by Decree No 683 in reciprocity to the measures that the British authorities shall adopt in equal sense.

Article 2

The Ministry of Economy shall adopt the measures conducive to give effectiveness to the provisions of Article 1.

RESOLUTION OF THE MINISTRY OF ECONOMY

The Central Bank of Argentina is hereby empowered to lift the financial restrictions imposed by Decree No 683 in reciprocity to the measures which effectively have been adopted by the Bank of England.

PROPOSED TEXT OF COMMUNIQUE TO BE ISSUED BY ARGENTINE MINISTRY
OF ECONOMY AT 1900 HOURS (BUENOS AIRES TIME)
ON TUESDAY 14 SEPTEMBER 1982

On 12 September the Central Bank received a communication from the Bank of England announcing its intention of lifting the measures of financial character taken in relation to our country and asking reciprocity. The Argentine Government has studied such proposals and considers that the reciprocal lifting of the financial restrictions is convenient for the interest of the country. [Furthermore the international financial community has reiteratedly expressed its preoccupation with the consequences arising from the reciprocal financial restrictions adopted by the British and Argentine authorities.

Therefore, taking into account the proposal of the Bank of England, the Ministry of Economy has decided to lift the said financial restrictions as from 2000 hours today and to instruct the Central Bank to put them into effect at the opening of the exchange operations of Wednesday 15 September through the issuance of the corresponding communication to the financial entities.

In accordance with what has been on several occasions pointed out this action is limited to the strictly financial and does not alter other measures which remain effective.

*and show that when national
dignity coincide with national interest
solutions can be found*

Removal of Financial Restrictions on the Argentine Republic

Treasury Press Notice No.2, 13th September 1982

Background Briefing for Press Offices

Q. What is the hitch at the Argentine end?

We understand that to avoid the risk of challenge in the courts the Argentine Government has had to adopt a different and slightly lengthier statutory procedure ^{than} ~~to~~ that originally envisaged.

Q. How is the delay being given effect in the UK?

A new Statutory Instrument has been made under the Emergency Laws (Re-enactments and Repeals) Act 1964 to maintain the UK freeze for the time being.

Q. When will the UK freeze end?

As soon as the Argentine Government has completed the action necessary to remove its financial restrictions.

Q. When will that be?

It is expected to be in a matter of days, perhaps only a day or so.

CONFIDENTIAL

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FM UKDEL NATO 140800Z SEP 82

TO PRIORITY FCO

TELEGRAM NUMBER 360 OF 14 SEPTEMBER
INFO UKMIS NEW YORK, WASHINGTON
INFO SAVING ROME, BONN, MADRID, OSLO.

WASHINGTON TELNO 3014: FALKLANDS - UN GENERAL ASSEMBLY.

1. AT YESTERDAY'S DISCUSSION AT THE POLITICAL COMMITTEE REINFORCED BY UN EXPERTS FROM CAPITALS ON PROSPECTS FOR THE UNGA, WE EXPLAINED THE REASONS THAT WOULD COMPEL US TO VOTE AGAINST ANY RESOLUTION AT THIS YEAR'S GENERAL ASSEMBLY THAT INCLUDED A CALL ON US TO NEGOTIATE WITH ARGENTINA. WE REMINDED ALLIED THAT MOST OF THEM HAD ABSTAINED ON AN ARGENTINE-DRAFTED GA RESOLUTION IN 1976, ADDING THAT AFTER THE EVENTS OF THIS YEAR WE WOULD FIND IT DIFFICULT TO UNDERSTAND FRIENDLY GOVERNMENTS WHO NOW SUPPORTED A RESOLUTION WHICH WAS COUCHED IN SIMILAR TERMS, WHICH WAS SILENT ON THE PRINCIPLE OF SELF-DETERMINATION OR WHICH FAILED TO CONDEMN ARGENTINA'S ILLEGAL USE OF FORCE.

2. ONLY FIVE OTHER DELEGATIONS SPOKE:

A. ITALY REFERRED TO COLOMBO'S VISIT TO SOUTH AMERICA AND REPORTED ON THE TWO VISITS TO ROME BY LISTRE, ARGENTINE POLITICAL DIRECTOR. ARGENTINE IDEAS ON THE LANGUAGE OF A DRAFT RESOLUTION SEEMED TO HAVE EVOLVED IN THE COURSE OF HIS EUROPEAN TOUR. IT NOW SEEMED THAT ARGENTINA WOULD BE WILLING TO ACCEPT A TEXT THAT DID NOT REFER TO THE NON-ALIGNED POSITION ON THEIR SOVEREIGNTY CLAIM. IT WAS, ON THE OTHER HAND, CLEAR THAT ARGENTINA WOULD WANT A REFERENCE TO THE RESUMPTION OF NEGOTIATION'S. THE ITALIAN AUTHORITIES APPRECIATED THE UK'S POSITION. THE UK'S EUROPEAN PARTNERS FACED SOMETHING OF A QUANDARY. ITALY WOULD BE INTERESTED IN EXPLORING THE IDEA OF ARRANGING FOR A PARAGRAPH VOTE TO BE TAKEN ON ANY DRAFT RESOLUTION THAT FINALLY EMERGED WITH A VIEW TO IT THEN BEING ADOPTED BY CONSENSUS.

B. THE SPANIARD CONFIRMED THAT THE ARGENTINES SEEMED READY TO ELIMINATE FROM THE DRAFT RESOLUTION THE REFERENCES TO NON-ALIGNED DOCTRINE WHICH MIGHT CAUSE DIFFICULTIES FOR THE EUROPEANS. HIS AUTHORITIES HAD CONDEMNED ARGENTINA'S USE OF FORCE BUT WOULD FAVOUR A RESOLUTION CALLING FOR NEGOTIATION AND WOULD, AS IN THE PAST, VOTE FOR IT. SPAIN SAW MERIT IN THE IDEA OF A PARAGRAPH VOTE.

C. THE GERMANS SAID THAT LISTRE HAD VISITED BONN. THERE TOO HE HAD GIVEN THE IMPRESSION OF BEING WILLING TO ADJUST THE LANGUAGE OF THE DRAFT RESOLUTION TO MAKE IT POSSIBLE FOR EUROPEANS TO SUPPORT IT, THOUGH HE HAD SUGGESTED THAT THE NON-ALIGNED GROUP

CONFIDENTIAL

/MIGHT

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MIGHT NEED TO BE CONSULTED FIRST IF THE FAMILIAR REFERENCES TO NAM SUPPORT FOR ARGENTINA'S CASE WERE TO BE DROPPED. LISTRE HAD CLAIMED THAT ARGENTINA APPRECIATED THE UK'S INABILITY TO NEGOTIATE AT ONCE. HE HAD, HOWEVER, TRIED TO ARGUE THAT AN ARGENTINE GOVERNMENT COMMITTED TO A PROGRESS OF DEMOCRATISATION, NEEDED SOME REFERENCE TO NEGOTIATIONS SOON, NOT LEAST SO THAT ANTI-SOVIET FORCES IN ARGENTINA COULD DEMONSTRATE THAT THE MATTER WAS NOT ONE OF ARGENTINE/WESTERN CONFRONTATION. THE FRG HAD NATURALLY TOLD THE ARGENTINES THAT THEY FELT OBLIGED TO CONDEMN THE USE OF FORCE, PARTICULARLY WHEN DIRECTED AGAINST A CLOSE ALLY. IT WOULD, HOWEVER, BE DIFFICULT WHEN THE MATTER CAME BEFORE THE ASSEMBLY FOR GERMANY TO REJECT ENTIRELY ANY IDEA OF NEGOTIATION, ALTHOUGH THERE SHOULD BE NO ATTEMPT TO PREJUDGE THE OUTCOME OF ANY NEGOTIATIONS ON SOVEREIGNTY. GERMANY'S FINAL POSITION WOULD DEPEND ON THE DETAILED TEXT THAT EMERGED. HAD THE UK CONSIDERED FLOATING A TEXT OF THEIR OWN? WE REPLIED THAT WE DID NOT DISMISS THIS IDEA. THE SORT OF LANGUAGE HOWEVER, WHICH WE WOULD WISH TO INCLUDE IN A TEXT (NON-USE OF FORCE, SELF-DETERMINATION FOR THE ISLANDERS, NO NEGOTIATIONS) WOULD NOT NECESSARILY BE SUCH AS TO ATTRACT THE SUPPORT OF THE LATIN AMERICANS.

D. THE AMERICANS (WHO IN THE LIGHT OF EXCHANGES IN WASHINGTON REPORTED IN TUR HAD MADE CONTACT WITH US BEFORE THE MEETING TO EXPLAIN THE LINE THEY WOULD ADOPT) SAID THAT THEIR POSITION ON ANY TEXT THAT MIGHT EMERGE WAS ENTIRELY RESERVED. THE US WAS NOT PLAYING AN ACTIVE ROLE IN TRYING TO DEVELOP LANGUAGE OR ENGAGING IN SPECULATION ON WHAT SORT OF LANGUAGE WOULD RUN. AT THIS STAGE ALL THAT COULD BE SAID ABOUT THE US POSITION WAS THAT THEY COULD NOT SUPPORT A RESOLUTION WHICH PREJUDGED SOVEREIGNTY OR WHICH SET DEADLINES ON NEGOTIATIONS. MEANWHILE THE US WOULD NOT OPPOSE INSCRIPTION ON THE UNGA AGENDA.

E. THE NORWEGIANS REFERRED TO THE STATEMENT THAT THEIR REPRESENTATIVE HAD MADE IN LAST MONTH'S MEETING OF THE COMMITTEE OF 24 IN NEW YORK. NORWAY HAD TAKEN NO FINAL DECISION ON VOTING AT UNGA, BUT HER GENERAL ATTITUDE WOULD BE GUIDED BY THE NEED TO RESPECT THE PRINCIPLE OF SELF-DETERMINATION.

FCO PASS SAVING ADDRESSES

(REPEATED AS REQUESTED)

GRAHAM

[COPIES SENT TO NO 10 DOWNING STREET]

FAKLAND ISLANDS GENERAL

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FAKLAND ISLANDS

**THIS TELEGRAM
WAS NOT
ADVANCED**

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SECRET

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6*



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DIT*

*Bank of England
CO*

10 DOWNING STREET

From the Principal Private Secretary

13 September 1982

ARGENTINA: ECONOMIC
RESTRICTIONS

The Prime Minister has seen your letter of 10 September to Michael Scholar and is content with the proposals it contained.

I am copying this letter to the recipients of yours.

E. E. R. BUTLER

J. O. Kerr, Esq.,
H.M. Treasury.

A

SECRET

MR. DAVEY

Falkland Islands: ECDD Cover

Thank you for your minute of 10 September,
the contents of which the Prime Minister has
noted.

JOHN COLES

8

13 September 1982

13.9.82
Press Notice
Attached

STATUTORY INSTRUMENTS

1982 No.
EXCHANGE CONTROL

The Control of Gold, Securities, Payments
and Credits (Argentine Republic) (No. 2)
Directions 1982

<u>Made</u>	13th September 1982
<u>Laid before Parliament</u>	14th September 1982
<u>Coming into Operation</u>	14th September 1982

Whereas the Treasury are satisfied that action to the detriment of the economic position of the United Kingdom is being taken by the Government of or persons resident in the Argentine Republic;

Now, therefore, the Treasury, in exercise of the powers conferred upon them by section 2 of the Emergency Laws (Re-enactments and Repeals) Act 1964(a) hereby give the following directions:-

1. These Directions may be cited as the Control of Gold, Securities, Payments and Credits (Argentine Republic) (No. 2) Directions 1982 and shall come into operation on 14th September 1982.
2. Except with permission granted by or on behalf of the Treasury, no order given by or on behalf of the Government of or any person resident in the Argentine Republic at the time of the coming into operation of these Directions or at any later time while these Directions are in force shall be carried out insofar as the order -

(a) 1964 c.60; section 2 was amended by the Finance Act 1968 (c.44) sections 55 and 61(10) and Schedule 20, Part V.

- (i) requires the person to whom the order is given to make any payment or to part with any gold or securities; or
- (ii) requires any change to be made in the persons to whose credit any sum is to stand or to whose order any gold or securities are to be held.

Margaret H. Thatcher

John Major

Two of the Lords Commissioners
of Her Majesty's Treasury.

13th September 1982

Removal of Financial Restrictions on the Argentine Republic

Treasury Press Notice No.2, 13th September 1982

Background Briefing for Press Offices

Q. What is the hitch at the Argentine end?

We understand that to avoid the risk of challenge in the courts the Argentine Government has had to adopt a different and slightly lengthier statutory procedure than that originally envisaged.

Q. How is the delay being given effect in the UK?

A new Statutory Instrument has been made under the Emergency Laws (Re-enactments and Repeals) Act 1964 to maintain the UK freeze for the time being.

Q. When will the UK freeze end?

As soon as the Argentine Government has completed the action necessary to remove its financial restrictions.

Q. When will that be?

It is expected to be in a matter of days, perhaps only a day or so.

Q. Has there been any direct contact with the Argentine Government?

We understand the Argentine Government is making a statement.

EXPLANATORY NOTE

(This Note is not part of the Directions)

These Directions prohibit (except with Treasury permission) any recipient in the United Kingdom, the Channel Islands or the Isle of Man of an order from the Government of or any person resident in the Argentine Republic from carrying out that order in so far as the order:

(a) requires the recipient to make any payment or to part with any gold or securities; or

(b) requires any change to be made in the persons to whose credit any sum is to stand or to whose order any gold or securities are to be held.

The Control of Gold, Securities, Payments and Credits (Argentine Republic) Directions 1982 (SI 1982/512) were made on 3rd April 1982 and came into operation on that date. In anticipation of the simultaneous removal of similar financial restrictions imposed by the Argentine Republic, those Directions were to be revoked on 14th September 1982 and the Control of Gold, Securities, Payments and Credits (Argentine Republic) (Revocation) Directions 1982 (SI 1982/1296) were made on 13th September. As the Argentine restrictions will not be removed, on 14th September these Directions have accordingly been made in similar terms to the earlier Directions.

DRAFT PRESS NOTICE TO BE ISSUED BY THE TREASURY (LIZA MCKINNEY -
0273 594485)

Removal of financial restrictions on the Argentine Republic

The Treasury announced this morning that the financial restrictions imposed on Argentine residents and the Argentine Government were to be discontinued from midnight London time, with a simultaneous reciprocal removal of Argentine financial restrictions on the United Kingdom.

There has been an unexpected delay in Buenos Aires caused by the legal procedures which the Argentine Government need to take. These procedures will not be completed in time to enable the Argentine restrictions to be lifted at midnight.

The Government is therefore taking the steps necessary to maintain the United Kingdom's restrictions for the time being until the Argentine Government have issued a revised timetable for the removal of their restrictions. The United Kingdom restrictions will be lifted, as intended, simultaneously with those imposed by the Argentine Government.

Removal of Financial Restrictions on the Argentine Republic

Treasury Press Notice No.2, 13th September 1982

Background Briefing for Press Offices

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We understand that to avoid the risk of challenge in the courts the Argentine Government has had to adopt a different and slightly lengthier statutory procedure ^{than} ~~to~~ that originally envisaged.

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As soon as the Argentine Government has completed the action necessary to remove its financial restrictions.

Q. When will that be?

It is expected to be in a matter of days, perhaps only a day or so.

Q Has there been any direct contact with the Argentine government.

We understand the Argentine Government is making a statement.

TELEX FROM BANK OF ARGENTINA To
BANK OF ENGLAND

We reiterate our reply to your cable dated September 12. However, due to technical and legal difficulties, we shall be able to implement the lifting of our restrictions only on Wednesday September 15 at 10 am Argentine time, coinciding with the time of opening of operations in our banking and financial markets. We regret this unforeseen and unavoidable delay. Utmost secrecy is indispensable and therefore required from you. In view of cable r

STATEMENT BY ARGENTINE JUNTA

In view of cable received from abroad with respect to a proposal from Great Britain for the lifting of financial restrictions, it is expressly stated:-

- 1) The Bank of England has sent to the Central Bank of Argentina a telex proposing the lifting of financial restriction applied on account of the conflict with Malvinas Islands.
- 2) The Bank of England requests the Central Bank of Argentina reciprocity insofar as the lifting of measures which were imposed by the Argentine Government.
- 3) This spontaneous proposal of the Government of Great Britain is not repeat not the consequence of any prior agreement with our Government.
- 4) The result of the said proposal, the Central Bank of Argentina is studying several alternatives.
- 5) These circumstances would create mitigating conditions vis-a-vis the United Nations for the problem of Malvinas, especially in the European sector. On the other hand, they would produce a positive action for the internal reactivation in this country and furthermore would ^{AMB}lock the conditions for the refinancing of the Argentine external debt.
- 6) The study of the solution on this proposal has nothing to do with the formal cessation of hostility and does not alter in absolute the maintenance of other measures.
- 7) The Argentine reply will be given considering the most convenient interest in this country.
- 8) Any other information or version of these facts has no validity. The Ministry of Economy is the only responsible source.

ADVANCE COPIES: FALKLAND ISLANDS GENERAL ~~41~~ 41

PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
SIR J BULLARD
SIR I SINCLAIR
MR GIFFARD
MR WRIGHT
MR ADAMS
LORD N G LENNOX
MR EVANS
MR URE
MR GILLMORE

HD/PUSD (2)
HD/S AM D
HD/FID (2)
HD/DEFENCE DEPT
HD/NEWS DEPT
HD/ERD
HD/ECD(E)
HD/UND
HD/PLANNING STAFF
RESIDENT CLERK

HD/NA2

PS/NO 10 DOWNING ST (2)
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
MR A D S GOODALL) CABINET OFFICE
DIO)

ROOM 8 FOR MODUK C IN C. FLEET

Mr. COLIN ROTH, LACPD, ODA
Mrs M BATTISON, LACPD, ODA.

MS

CONFIDENTIAL

FM WASHINGTON 132300Z
TO IMMEDIATE FCO
TELEGRAM NUMBER 3027 OF 13 SEPTEMBER 1982
INFO UKMIS NEW YORK, MODUK.

IMMEDIATE

ADVANCE COPY

FALKLANDS

1. WHEN I CALLED ON HIM THIS MORNING, ENDERS SAID THAT HE HAD JUST RECEIVED A GLOOMY ASSESSMENT OF THE ARGENTINE SCENE FROM THE US AMBASSADOR AT BUENOS AIRES. THIS SHOWED THAT THE ARGENTINIANS HAD NOT STARTED TO RECOVER FROM THE AFTER-EFFECTS OF THEIR DEFEAT. ALTHOUGH THE ARGENTINE NAVY CLAIMED THAT THE WAR HAD BEEN A SUCCESS IN THAT IT HAD ATTRACTED WORLD ATTENTION TO THE FALKLANDS DISPUTE, THE NATION AS A WHOLE KNEW THAT ITS ARMED FORCES HAD BEEN HUMILIATED: HOWEVER NO ONE HAD YET CHARTED A WAY OF PREVENTING THE FALKLANDS ISSUE FROM BECOMING A CONTINUING IRRITANT. ENDERS WONDERED WHAT CIRCUMSTANCES MIGHT ALLOW THE ARGENTINIANS TO RECOGNIZE THAT THE ISSUE MUST BE PURSUED BY PEACEFUL MEANS.

2. I REPLIED THAT IRONICALLY, ONE CONSEQUENCE OF DEFEAT WAS THAT THE JUNTA WAS THINKING OF RETURNING POWER TO CIVILIANS. IN THESE CIRCUMSTANCES THE EMERGENCE OF A CIVILIAN AND PRESUMABLY DEMOCRATIC GOVERNMENT IN BUENOS AIRES MIGHT HELP. THE ARGENTINIANS WOULD INEVITABLY MAINTAIN THEIR CLAIM TO THE ISLANDS, BUT IT WOULD BE

~~CIRCUMSTANCES THE EMERGENCE OF A CIVILIAN AND PRESUMABLY DEMOCRATIC GOVERNMENT IN BUENOS AIRES MIGHT HELP. THE ARGENTINIANS WOULD INEVITABLY MAINTAIN THEIR CLAIM TO THE ISLANDS, BUT IT WOULD BE HARDER FOR AN AVOWED DEMOCRACY THAN A MILITARY DICTATORSHIP TO IGNORE THE ISLANDERS' RIGHT TO SELF DETERMINATION. ENDERS QUESTIONED THIS: IT WAS POSSIBLE THAT SUCH A GOVERNMENT, WHICH WOULD TAKE OFFICE SIMPLY AS A RESULT OF THE DECAY IN THE ARMED FORCES' CAPACITY TO GOVERN, WOULD PROVE MORE IRRIDENTIST THAN ITS PREDECESSOR~~

IT SEEMED UNLIKELY THAT THE FALKLANDS ISSUE WOULD BE SHUNTED TO ONE SIDE BY A GOVERNMENT WHICH WOULD INEVITABLY INCLUDE A SUBSTANTIAL PERONIST INGREDIENT. I SAID THAT THAT MIGHT BE SO, BUT THE RESTORATION OF DEMOCRACY WOULD MEAN THE EMERGENCE OF INTERNAL DEBATE AND A GRADUAL CONSULTATION ON DOMESTIC BREAD AND BUTTER ISSUES. THE FALKLANDS WOULD BE STILL THERE BUT MIGHT POSSIBLY BE ON THE PERIPHERY RATHER THAN ACTUAL CENTRE OF ARGENTINIAN PRE-OCCUPATION. ENDERS WAS NOT CONVINCED.

3. I SAID THAT WE WERE DOING WHAT WE COULD TO NORMALISE OUR RELATIONS: I REFERRED HIM TO THE ANNOUNCEMENT TODAY OF OUR INTENTION TO LIFT FINANCIAL SANCTIONS AND OUR HOPE THAT ARGENTINA WOULD KEEP ITS SIDE OF THE BARGAIN. HOWEVER, ALTHOUGH WE WERE ANXIOUS TO GET BACK TO A WORKING RELATIONSHIP WITH THE ARGENTINIANS, WE COULD NOT ENTER INTO NEGOTIATIONS WITH THEM ABOUT THE FUTURE OF THE ISLANDS. FIRST, THIS WAS POLITICALLY UNACCEPTABLE TO BOTH GOVERNMENTS AND PUBLIC OPINION AT HOME. I HAVE HAD THE GOOD FORTUNE TO EXPERIENCE THE FALKLAND CAMPAIGN AT HOME AS A PRIVATE CITIZEN AND I KNOW THAT MY FELLOW CITIZENS WOULD NOT STAND FOR IT. AND AS ENDERS WOULD KNOW FROM HIS OWN EXPERIENCE, THE GOVERNMENT IN BUENOS AIRES WAS ALMOST IMPOSSIBLE TO DEAL WITH: WHATEVER THEY APPEARED TO AGREE TO NEVER STUCK. ENDERS AGREED. FURTHERMORE, THE ONLY THING ON THAT THEY WERE INTERESTED IN NEGOTIATING WAS THE TRANSFER OF SOVEREIGNTY OVER THE FALKLANDS TO THEMSELVES. THE IDEA OF THE ISLANDERS AGREEING TO THAT AFTER THERE EXPERIENCE WAS IMPOSSIBLE. GIVEN THE ARGENTINE REJECTION OF PEACEFUL MEANS OF RESOLVING THIS ISSUE, AND THEIR CONTINUED REFUSAL TO ABJURE THE USE OF FORCE TO QUOTE RECOVER UNQUOTE THE ISLANDS, THERE SEEMED LITTLE TO DISCUSS. AFTER ALL THE BLOOD AND TREASURE WHICH HAD BEEN EXPENDED, NEITHER THE BRITISH PEOPLE NOR THEIR GOVERNMENT COULD REASONABLY BE EXPECTED TO RESUME NEGOTIATIONS NOW. IN THIS REGARD, WE WERE FIRMLY OPPOSED TO ANY UN GENERAL ASSEMBLY RESOLUTION WHICH MIGHT CALL FOR SUCH NEGOTIATIONS.

4. ENDERS REPLIED THAT BRITAIN'S FRIENDS, INCLUDING THE UNITED STATES, QUOTE DID NOT EXPECT THE UK TO NEGOTIATE

4. ENDERS REPLIED THAT BRITAIN'S FRIENDS, INCLUDING THE UNITED STATES, QUOTE DID NOT EXPECT THE UK TO NEGOTIATE. THE ONLY QUESTION FOR THE UNITED STATES WAS THAT OF QUOTE POLITICAL POSITIONING UNQUOTE EXCLAM HE APPRECIATED THAT WE WERE DOING WHAT WE COULD TO PUT OUR RELATIONS WITH ARGENTINA ON TO AN EVAN KEEL AND THAT THIS WOULD PROVE A LONG AND FRUSTRATING HAUL.

5. I SAID THAT GIVEN WHAT ENDERS HAD TOLD ME ABOUT THE ASSESSMENT OF THE US EMBASSY IN BUENOS AIRES ABOUT ARGENTINA'S INABILITY TO COME TO TERMS WITH ITS DEFEAT (PARA 1 ABOVE), IT WAS ALL THE MORE IMPORTANT THAT THE US GOVERNMENT SHOULD NOT (NOT) RELEASE THOSE ARMS WHICH HAD BEEN CAUGHT IN THE PIPELINE SINCE THE IMPOSITION OF THE REINFORCED UN ARMS EMBARGO IN APRIL. I ENQUIRED IN PARTICULAR ABOUT THE AIRCRAFT ENGINES FOR SKYHAWKS (PARA 4 OF MY TELNO 3016 AND PARA 2 OF MY TELNO 1486) WERE TO BE RELEASED.

6. ENDERS SAID THAT THE ADMINISTRATION WERE PROPOSING TO ALLOW THE ITEMS CAUGHT IN THE PIPELINE TO BE RELEASED AND HAD SOUGHT OUR VIEWS BEFORE TAKING A FINAL DECISION (MY TELNO 3016). THEY HAD TO BALANCE THE NEED NOT TO INCREASE THE ARGENTINIANS' MILITARY CAPABILITY TO SUCH AN EXTENT THAT IT ENCOURAGED THEM TO LAUNCH A NEW ATTACK ON US AGAINST THE NEED TO PREVENT ARGENTINA FROM TURNING TO THE RUSSIANS FOR WEAPONS THEY WERE UNABLE TO OBTAIN FROM THE WEST. HE APPRECIATED THAT THE MORE THE ARGENTINES RE-ARMED, THE GREATER THE RESOURCES WE WOULD HAVE TO DIVERT FROM NATO AND ELSEWHERE (INCLUDING BELIZE) TO DEFEND THE ISLANDS. BUT HE DID NOT THINK THAT ARGENTINA'S FINANCIAL POSITION WOULD ALLOW ITS ARMED FORCES TO EMBARK ON A RE-EQUIPMENT PROGRAMME SUFFICIENTLY SUBSTANTIAL TO POSE A MAJOR NEW THREAT TO THE ISLANDS. IN ANY CASE, THE COST OF DEFENDING THEM WOULD BE FAR GREATER IF THE SOVIET UNION EVER BECAME A MILITARY SUPPLIER TO THE ARGENTINIANS.

7. I ASKED ENDERS HOW SERIOUSLY HE TOOK THE POSSIBILITY OF A TURN TO THE RUSSIANS. HE REPLIED THAT ALTHOUGH SOME MILITARY OFFICERS WERE PREPARED TO MOVE IN THAT DIRECTION DURING THE HEAT OF BATTLE, SUCH SENTIMENTS HAD DISSIPATED NOW. HOWEVER, A PERONIST-LED CIVILIAN GOVERNMENT MIGHT BE TEMPTED TO LOOK MORE SERIOUSLY AT THE RUSSIAN OPTION. THERE WAS A STRONG ANTI-AMERICAN FEELING AMONG MANY PERONISTS, WHICH THE RUSSIANS HAD CULTIVATED THROUGH THEIR LONG-STANDING LINKS WITH THE PARTY AND ITS ASSOCIATED TRADE UNIONS. ENDERS SAID THAT THE AMERICANS HAD REGRETABLY LITTLE INFLUENCE OVER THE SITUATION: US/ARGENTINE RELATIONS HAD BEEN BAD FOR MANY YEARS, AND IT WOULD BE A LONG HAUL TO REPAIR THEM.

...PERONISTS, WHICH THE RUSSIANS HAD CULTIVATED THROUGH THEIR LONG-STANDING LINKS WITH THE PARTY AND ITS ASSOCIATED TRADE UNIONS. ENDERS SAID THAT THE AMERICANS HAD REGRETABLY LITTLE INFLUENCE OVER THE SITUATION: US/ARGENTINE RELATIONS HAD BEEN BAD FOR MANY YEARS, AND IT WOULD BE A LONG HAUL TO REPAIR THEM. HE WAS MILDLY ENCOURAGED BY THE MODERATION OF THE NEW NAVAL MEMBER OF THE JUNTA, (UNTIL RECENTLY NAVAL ATTACHE IN WASHINGTON) ALTHOUGH THIS WAS OFFSET BY THE NATIONALISTIC LINE OF THE NEW AIR FORCE MEMBER. THERE WERE ALSO WORRYING DEVELOPMENTS WITHIN THE ARMY, WHERE YOUNGER AND MORE RADICAL OFFICERS WERE SEEKING THE MASS RESIGNATION OF THE MORE CONSERVATIVE SENIOR OFFICERS WHO HAD BEEN IDENTIFIED WITH ARGENTINA'S DEFEAT.

8. ENDERS ASKED ABOUT THE REACTIONS OF THE ISLANDERS. I SAID THAT THEY HAD BEEN THROUGH A DREADFUL EXPERIENCE AND THAT IT WOULD TAKE A LONG TIME TO RECOVER, NOT LEAST BECAUSE OF THE INDISCRIMINATE SOWING OF MINES BY THE DEPARTING ARGENTINE FORCES. I ADDED THAT LORD SHACKLETON'S REPORT HAD JUST BEEN PUBLISHED AND THAT WHILST HMG HAD NOT YET TAKEN A VIEW ON IT THIS COULD PROVIDE THE BASIS FOR REINVIGORATING THE FALKLANDS ECONOMY. ENDERS EXPRESSED KEEN INTEREST AND I UNDERTOOK TO GET A COPY OF THE REPORT TO HIM AS SOON AS POSSIBLE.

COMMENT

9. THIS WAS, I GATHER, A CLASSIC ENDERS PERFORMANCE. HIS REMARKS, PARTICULARLY ABOUT BRITAIN'S FRIENDS NOT SERIOUSLY EXPECTING US TO NEGOTIATE, CONFIRM THAT THE AMERICANS NOW UNDERSTAND AND ACCEPT THE POLITICAL REALITIES IN BRITAIN. BUT, THE CRISIS OVER, A HIGH PRIORITY IS ATTACHED TO REPAIRING RELATIONS WITH LATIN AMERICA: AND TO GETTING BACK ON TERMS WITH ARGENTINA. IT IS NOT ONLY ENDERS WHO IS CONCERNED ABOUT THE OPPORTUNITIES FOR INCREASED SOVIET INFLUENCE WHICH COULD ARISE IF THEY FAILED TO DO SO. WE UNDERSTAND THAT THE DUAL PURPOSE SKYHAWK ENGINES WHICH WERE NOT SUBJECT TO ARMS LICENCING PROCEDURES AND WERE HELD UP DURING THE CONFLICT PURELY BY ADMINISTRATIVE DELAY HAVE IN FACT BEEN RELEASED. IT IS PRETTY CLEAR A DECISION WILL BE TAKEN VERY SOON THAT THE SPARE PARTS IN THE PIPELINE WILL BE PROGRESSIVELY RELEASED, THOUGH ANY LARGE SCALE RESUMPTION OF ARMS SUPPLIES WOULD REQUIRE CERTIFICATION TO CONGRESS OF AN IMPROVEMENT IN THE ARGENTINE RECORD ON HUMAN RIGHTS AND WOULD CERTAINLY ENCOUNTER A FAIR AMOUNT OF RESISTANCE ON THE HILL. WE WILL CONTINUE TO DO ALL WE CAN TO SLOW DOWN THIS PROCESS (YOUR TELEGRAM NO 1678) AND IN ADDITION TO TRANSMITTING YOUR RESPONSE THROUGH EAGLEBURGER I WILL LEAVE SHULTZ IN NO DOUBT OF THE STRENGTH OF OUR FEELING ON THIS MATTER WHEN I SEE HIM ON 17 SEPTEMBER. I THINK THIS WOULD BE PREFERABLE TO SENDING A FURTHER MESSAGE AT THIS STAGE.

MATTER WHEN I SEE HIM ON 17 SEPTEMBER. I THINK THIS WOULD BE PREFERABLE TO SENDING A FURTHER MESSAGE AT THIS STAGE.

10. AT THE GENERAL ASSEMBLY, MUCH WILL DEPEND ON THE PRECISE TERMS OF THE EVENTUAL RESOLUTION, OF WHICH WE NOW HAVE THE LATEST VERSION IN YOUR TELNO 711 TO UKMIS NEW YORK, AND WHICH I SHALL ALSO RAISE IN MY MEETING WITH THE SECRETARY. SHULTZ, WHOM I MET SOCIALLY OVER THE WEEKEND, HAS NOW MOVED MY CALL TO THE LATE AFTERNOON SO THAT THERE WILL BE MORE TIME FOR A RELAXED TALK. IF YOU HAVE ANY PARTICULAR THOUGHTS THIS WILL PROVIDE A GOOD OPPORTUNITY TO GET THEM TO HIM.

WRIGHT

NNNN

ADVANCE COPIES: FALKLAND ISLANDS GENERAL

45

PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
SIR J BULLARD
SIR I SINCLAIR
MR GIFFARD
MR WRIGHT
MR ADAMS
LORD N G LENNOX
MR EVANS
MR URE
MR GILLMORE

ADVANCE COPY

IMMEDIATE

PS/NO 10 DOWNING ST (2)
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
MR A D S GOODALL) CABINET OFFICE
DIO)

HD/PUSD (2)
HD/S AM D
HD/FID (2)
HD/DEFENCE DEPT
HD/NEWS DEPT
HD/ERD
HD/ECD(E)
HD/UND
HD/PLANNING STAFF

ROOM 8 FOR MODUK C IN C. FLEET

Mr. COLIN ROTH, LACPD, ODA
Mrs M PATTISON, LACPD, ODA.

RESIDENT CLERK: SEEN

DESKBY 121500Z SEPT

GPS 250

CONFIDENTIAL

FROM PORT STANLEY 121404Z SEPT

TO IMMEDIATE FCO TELNO 309 OF 12 SEPTEMBER

YOUR TELNO 218 : SHACKLETON REPORT

1. I CONFIRM THAT 400 COPIES OF THE SHACKLETON REPORT WERE RECEIVED SAFELY AT 2130Z ON 11 SEPTEMBER. THEY WILL BE DISTRIBUTED TO THE COUNCILLORS AND PEOPLE OF THESE ISLANDS AT 1400Z MONDAY 13 SEPTEMBER.

2. THE MILITARY WILL HELP TO DISTRIBUTE THEM IN CAMP BY HELICOPTER AND EVERY SETTLEMENT WILL RECEIVE AT LEAST ONE COPY IN THE FIRST DISTRIBUTION. WHEN FURTHER SUPPLIES ARE RECEIVED, ONE COPY WILL BE GIVEN TO EACH HEAD OF HOUSEHOLD.

He knows there are to be free.

3. POLICE WILL HELP TO DISTRIBUTE COPIES IN STANLEY.

4. WE LACK THE FACILITIES TO ENCLOSE COPIES OF THE NO. 10 STATEMENT WITH EACH COPY OF THE REPORT, BUT I SHALL READ IT OVER THE LOCAL RADIO AT 1400Z ON 13 SEPTEMBER AND IT WILL BE REPEATED FOR THE NEXT FEW EVENINGS. IT WILL ALSO BE PUBLISHED IN THE PENGUIN NEWS, OUR LOCAL NEWSLETTER WHICH NOW COMES OUT WEEKLY.

5. I SHALL ENCOURAGE COUNCILLORS TO DISCUSS THE REPORT WITH THEIR CONSTITUENTS AND CALL A MEETING OF JOINT COUNCILS AROUND THE MIDDLE OF OCTOBER TO LET YOU HAVE THEIR INITIAL REACTIONS BY THE END OF THAT MONTH. WE SHALL ALSO ARRANGE DISCUSSION PANELS ON THE LOCAL RADIO AND I SHALL TRAVEL AS WIDELY AS POSSIBLE IN CAMP TO HEAR THE PEOPLE'S VIEWS FIRST-HAND.

6. PUBLIC MEETINGS IN STANLEY ARE DIFFICULT TO ARRANGE AS THE MILITARY OCCUPY MOST OF OUR PUBLIC BUILDINGS. BUT TOWN COUNCILLORS

COUNCILS AROUND THE MIDDLE OF OCTOBER TO LET YOU HAVE THEIR INITIAL REACTIONS BY THE END OF THAT MONTH. WE SHALL ALSO ARRANGE DISCUSSION PANELS ON THE LOCAL RADIO AND I SHALL TRAVEL AS WIDELY AS POSSIBLE IN CAMP TO HEAR THE PEOPLE'S VIEWS FIRST-HAND.

6. PUBLIC MEETINGS IN STANLEY ARE DIFFICULT TO ARRANGE AS THE MILITARY OCCUPY MOST OF OUR PUBLIC BUILDINGS, BUT TOWN COUNCILLORS WILL DO WHAT THEY CAN TO ARRANGE MEETINGS. MR ONSLOW'S VISIT IS ALSO TIMELY FOR GAUGING INITIAL REACTIONS TO THE REPORT.

7. I SHALL SEND YOU A COPY OF MY ANNOUNCEMENT ONCE IT IS MADE.

HUNT

NNNN

SENT AT UZ 121431Z WG
REC D AT 121431Z RR

GPS 1000

CONFIDENTIAL

CONFIDENTIAL

FROM WASHINGTON 111945Z SEP 82.

TO IMMEDIATE F C O

TELEGRAM NUMBER 3014 OF 11 SEPTEMBER

INFO PRIORITY UKMIS NEW YORK.

YOUR TELEGRAM NO 1670: FALKLANDS: GENERAL ASSEMBLY.

1. AT EAGLEBURGER'S REQUEST, MINISTER WENT OVER THIS GROUND AGAIN WITH HIM THIS MORNING. HE REHEARSED THE ARGUMENTS IN YOUR MESSAGE TO SHULTZ OF 3 SEPTEMBER (FCO TELEGRAM NUMBER 1615), AND THE REASONS WHY IT WAS IMPOSSIBLE FOR HMG TO CONTEMPLATE NEGOTIATIONS WITH THE ARGENTINES IN PRESENT CIRCUMSTANCES. HE REMINDED EAGLEBURGER THAT THROUGHOUT THE PROCESS OF DISCUSSION WITH THE ARGENTINIANS, THEIR POSITION HAD BEEN THAT THE END PRODUCT WOULD BE A TRANSFER OF SOVEREIGNTY. AGAINST THIS BACKGROUND AND OF ALL THE RECENT EVENTS AND TRAUMAS, IT WAS HMG'S STRONGLY HELD VIEW THAT IT WOULD BE IRRESPONSIBLE FOR US TO ALLOW ANYONE TO THINK THAT NEGOTIATIONS BETWEEN THE UK AND ARGENTINA OFFERED A REALISTIC WAY AHEAD FOR THE FORESEEABLE FUTURE.

2. EAGLEBURGER SAID THAT OUR POSITION AND THE REASONS FOR IT WERE FULLY UNDERSTOOD, BUT EQUALLY HE WANTED THERE TO BE NO MISUNDERSTANDING ABOUT WHERE THE US STOOD.

FIRST, US REPRESENTATIVES WERE NOT BEATING THE BUSHES TRYING TO GET AN ACCEPTABLE RESOLUTION TOGETHER. THEY HAD TALKED TO THE ARGENTINIANS IN MUCH THE SAME WAY AS THEY HAD TALKED TO US. BUT SECOND IF A RESOLUTION EMERGED AT THE UNGA WHICH DID NOT PREJUDGE THE SOVEREIGNTY POINT OR SEEK TO LOCK THE UK INTO A TIME FRAME ON NEGOTIATIONS, THE U.S. WOULD NOT OPPOSE IT. ALL THIS WAS SOME WAY DOWN THE ROAD. IT WAS POSSIBLE THAT THE ARGENTINIANS WOULD COME FORWARD WITH A STRONGLY WORDED RESOLUTION WHICH NEITHER OF US COULD ACCEPT. BUT IT MIGHT TURN OUT THAT THEY WOULD PLAY THEIR HAND MORE SENSIBLY AND THAT THE RESULT MIGHT BE A DRAFT RESOLUTION WHICH THE US COULD NOT VOTE AGAINST OR ABSTAIN ON. EAGLEBURGER THOUGHT IT IMPORTANT THAT THIS SHOULD BE CLEARLY UNDERSTOOD BETWEEN US.

3. MINISTER REPLIED THAT WE UNDERSTOOD THE PRESSURE WHICH THE AMERICANS FELT THEY WERE UNDER ON THIS ISSUE. HE WENT ON TO DRAW ON THE USEFUL MATERIAL CONTAINED IN YOUR TELEGRAM UNDER REFERENCE. HE SAID THAT WE WONDERED WHETHER THE AMERICANS WERE NOT OVER-ESTIMATING THE SIGNIFICANCE OF THE UN DEBATE FOR THEIR RELATIONSHIPS WITH LATIN AMERICA. OUR UNDERSTANDING WAS THAT THE MEXICAN INITIATIVE HAD BEEN A PERSONAL ONE BY CASTANADA WHICH DID NOT EVEN HAVE THE WHOLEHEARTED SUPPORT OF THE MEXICAN GOVERNMENT AND WE KNEW THAT SEVERAL OTHER LATIN AMERICAN FOREIGN MINISTERS HAD ONLY SIGNED UP RELUCTANTLY. MANY PEOPLE, DURING THE FALKLANDS CRISIS ITSELF, HAD OVER-ESTIMATED THE DEGREE OF FALLOUT IN TERMS OF RELATIONS WITH LATIN AMERICAN COUNTRIES GENERALLY. DID EAGLEBURGER NOT THINK THAT THERE WAS A DANGER OF REPEATING THIS MISTAKE?

CONFIDENTIAL

4.

4. THOMAS THEN EXPLAINED THE LOBBYING EXERCISE WE WERE UNDERTAKING (YOUR TELNO. 129 TO ABIDJAN) TO TRY TO OBTAIN UNDERSTANDING FROM A WIDE RANGE OF FRIENDLY GOVERNMENTS FOR OUR POSITION. THIS WAS IN ADDITION TO MESSAGES TO ALLIED GOVERNMENTS ON THE LINES OF YOUR MESSAGE TO SHULTZ. IN THE COURSE OF OUR LOBBYING EXERCISE, WE WOULD BE DEVELOPING THE SAME ARGUMENTS AND EXPLAINING THE REASONS WHY WE WOULD OPPOSE A RESOLUTION CALLING ON US TO NEGOTIATE WITH ARGENTINA. WE WOULD ALSO BE POINTING OUT THE NEED FOR REAFFIRMATION OF FUNDAMENTAL PRINCIPLES SUCH AS THE NONE USE OF FORCE AND SELF-DETERMINATION. THOMAS SAID THAT IT WOULD GRAVELY HANDICAP OUR LOBBYING EFFORTS IF THE US WERE, IN THE MEANTIME, TELLING OTHER GOVERNMENTS THAT THEY WOULD BE PREPARED TO VOTE FOR A RESOLUTION CALLING FOR NEGOTIATIONS. HE DREW ATTENTION IN PARTICULAR TO THE MEETING OF UN EXPERTS AT NATO ON 13 SEPTEMBER AND SAID THAT WE HOPED THE US REPRESENTATIVE AT THAT MEETING WOULD SAY NOTHING TO SUGGEST THAT THE US MIGHT BE WILLING TO VOTE FOR A RESOLUTION CALLING ON US TO NEGOTIATE. EAGLEBURGER UNDERTOOK TO PURSUE THIS POINT. HE WAS AWARE THAT WE HAD COMPLAINED ABOUT A GENERAL TELEGRAM OF INSTRUCTIONS WHICH HAD GONE OUT TO US MISSIONS ON THE UN GENERAL ASSEMBLY, THE LAST PARAGRAPH OF WHICH HAD SET OUT THE CURRENT US VIEWS ON A RESOLUTION ON THE FALKLANDS. HE HAD BEEN DISPLEASED WITH THAT GUIDANCE TELEGRAM AND WOULD TRY TO ENSURE THAT THE OFFENDING PASSAGE WAS NOT USED. HE INTENDED TO TALK TO SHULTZ ABOUT THIS.

5. FINALLY THOMAS MADE THE POINTS ABOUT MICRONESIA AND PUERTO RICO SUGGESTED IN PARA 3 OF YOUR TELEGRAM UNDER REFERENCE. WE WOULD BE SUPPORTING THE U.S. ON BOTH ISSUES, EVEN THOUGH WE HAD DOUBTS ABOUT THE U.S. POSITION ON MICRONESIA. WE WOULD TAKE IT HARD IF THEY SEPARATED FROM US ON A MATTER OF SIMILARLY VITAL IMPORTANCE TO THE U.K. EAGLEBURGER'S RESPONSE WAS CHARACTERISTICALLY COLORFUL, BUT HE TOOK THE POINT.

6. EAGLEBURGER HAS SINCE TELEPHONED MINISTER TO SAY THAT SHULTZ HAS AGREED THAT U.S. MISSIONS SHOULD BE INSTRUCTED TO AVOID ADVERTISING THE U.S. POSITION ON A FALKLANDS RESOLUTION. IF ASKED, THEY WOULD HAVE TO EXPLAIN WHAT THEY WOULD DO: BUT THEY WOULD NOT VOLUNTEER IT. AS FAR AS IT GOES, THIS IS HELPFUL, IT WILL NOT BE EASY TO TAKE THE AMERICANS MUCH FURTHER IN THE DIRECTION OF OPPOSING NEGOTIATIONS ON ANY TERMS. IN THIS CASE IT IS NOT SIMPLY THE LATINO LOBBY AT WORK. IT IS THE AMERICAN INSTINCT THAT IF THERE IS A DISPUTE, THE BEST WAY TO RESOLVE IT IS BY NEGOTIATION: AND THAT IF THERE ARE ASPECTS OF IT THAT ARE NOT NEGOTIABLE FOR ONE SIDE OR THE OTHER, THIS IS BEST TAKEN CARE OF IN THE TERMS OF REFERENCE.

WRIGHT

FALKLAND ISLANDS GENERAL

FCO

FID

CABINET OFFICE

ADDITIONAL DISTRIBUTION
FALKLAND ISLANDS

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CONFIDENTIAL



If you differed from from the Chancellor's preference for option (b), I would need to tell the Treasury very quickly.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

FERS

10.9.

Agreed. 1

Michael Scholar Esq.
No. 10 Downing Street
London SW1

10 September 1982

Dear Michael,

Should make
to call through
the law
not

ARGENTINA: ECONOMIC RESTRICTIONS

Below

In his minute of 8 September the Chancellor undertook to keep the Prime Minister in touch with plans for implementing the agreement reached with the Argentine Finance Minister.

Timing

2. It has now been agreed between the Bank of England and the Argentine Central Bank that the operative time for simultaneous withdrawal of financial restrictions should be midnight London time on Monday, 13 September (8 pm on Monday in Buenos Aires). Both markets will be closed at that time. We have arranged with the Americans that they will intervene with the Argentines if we fail to get the right signal from them by midnight on Sunday; and have told them that the operation will have to be delayed if we do not get that signal at the latest by 9 am on Monday.

Action in London

3. There are two options. We could:-

(a) Leave the Control of Gold, Securities, Payments and Credits (Argentine Republic) Directions 1982 on the statute book, but issue a general Treasury permission for transactions to be made. This could be communicated by a Bank of England notice to banks etc.

(b) Make a new Order revoking the existing one. This simply requires the signatures of two Lords Commissioners, and has to be laid before Parliament.

4. The case for (a) is strict reciprocity: the Argentine military intend to leave their law in place, while making it inoperative in the financial field. The case for (b) is that it would be better for the standing of the City of London not to have the restriction remaining on the statute book, even if inoperative; and it is just possible that leaving it on the statute book might cause some Argentines who would otherwise have left their money in London to be more inclined to move it elsewhere. It would also be odd to nullify a statutory instrument by the administrative vehicle of a Bank of England



notice.

5. The Chancellor accordingly favours option (b). Once the Bank have received a confirmatory telex from the Central Bank of Argentina on 12 September, we propose to make an Order to revoke the Control of Gold, Securities Payments and Credits (Argentine Republic) Directions 1982. In practice the powers to reimpose restrictions at very short notice, should the need arise, will remain. And for the present the Secretary of Trade's formal amendment to the Open General Licence restricting trade with Argentina would also remain.

6. In fact, whether we revoke our statutory instrument or not, the reality is that we are releasing a potential flow (the Argentine short-term deposits in London), whereas Argentine performance under the Toronto understanding consists partly of removing controls on a stock of British assets in Argentina which will remain within their reach, and partly of restoring equal treatment to British lenders to Argentina, which will require action over a period, including a rescheduling. The real levers on the Argentines are their need for a rescheduling and an IMF agreement, and their engagement to the US as a result of US involvement in the Toronto deal. The real gain to us arises from the favourable effects on British banks and on the international banking system, in which we have a very strong interest; the revocation Order would be timed to take effect from midnight on Monday, and would be laid before Parliament on Monday morning. The Bank would arrange for copies to reach the principal banks and other financial institutions either on Monday afternoon or at the latest before the start of business on Tuesday.

Publicity

7. At the same time, that is on Monday morning, we propose to issue a Treasury statement. We think it essential to make clear the Government's case for dropping these controls and to do so in our own terms. A draft Statement, agreed between Departments at official level, is attached.

8. We have considered whether we should publish the Toronto Memorandum. The Argentine delegation there were however very anxious that it should not be published, and we think that to do so might increase the risk that the Argentine military would disown it. For the same reasons the Americans would certainly prefer us not to do so. It also contains a reference to rescheduling which could cause trouble because the Argentines have not yet formally proposed what they prefer to call a "restructuring". The Treasury, the FCO, the Department of Trade and the Bank agree that paraphrase is a better course than publication, at any rate at this stage.

SECRET



9. Copies of this letter, and the Statement, go to Brian Fall (FCO), John Rhodes (DoT), Tim Allen (Bank of England) and Richard Hatfield (Cabinet Office).

J. O. Kerr,
J. O. Kerr.

J O KERR

CONQUEROR

DRAFT TREASURY STATEMENT

REMOVAL OF FINANCIAL RESTRICTIONS ON THE ARGENTINE REPUBLIC

The financial restrictions imposed on Argentine residents and the Argentine Government on 3 April 1982 are to be discontinued from midnight London time on Monday 13 September. At the same time, that is 20.00 hours on Monday 13 September Buenos Aires time, the Argentine authorities will discontinue discriminatory financial restrictions against the UK including financial restrictions on UK businesses operating in Argentina.

2. The Government has repeatedly made clear its desire to remove, on a reciprocal basis, all the discriminatory economic and commercial restrictions between the UK and the Argentine imposed following the Argentine invasion of the Falkland Islands in April.

3. The Government would also like to see stability restored to the Argentine economic and financial system, welcomes Argentina's current approach to the IMF and wishes to facilitate an appropriate early agreement between the Fund and the Argentine authorities.

4. Against this background, and the general uncertainties in the international financial system, the Government has therefore decided on a reciprocal removal of financial

restrictions, on the basis of understandings reached with the Argentine authorities during the course of the Toronto IMF/IBRD meetings and subsequently. These provide for removal of Argentine/^{financial}restrictions on financial services as well as other businesses.

5. At this stage the Argentine authorities for their part would go no further than a reciprocal lifting of discriminatory financial restrictions. The UK authorities will look for early progress on the reciprocal removal of discriminatory trade and other commercial restrictions, with a view to restoration of normal commercial and economic relations.

6. Other ~~main~~ points are as follows:-

- Official observers or supervisors operating in UK businesses in Argentina as a result of the discriminatory restrictions on those businesses will be withdrawn.
- There will be no discrimination against UK banks. This means that in relation to overdue payments of interest and principal UK banks will be restored to the position which they would have enjoyed if, since April 1982, they had been treated no less favourably than other non-Argentine banks.

7. The Treasury has today laid [will today lay] a Statutory Instrument before Parliament to revoke the Control of Gold, Securities, Payments and Credits (Argentine Republic) Directions 1982, of 3 April. This revocation will come into effect from midnight, 13 September 1982.

FROM THE CHAIRMAN

Argentina



Coalite Group PLC

CEN/JH

10th September, 1982.

PERSONAL

Ry/a c/f MS.

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister,
No. 10 Downing Street,
London S.W.1.

Dear Prime Minister

*AR 14/9
ka.*

Thank you for your reply of 31st August.

I understand that the updated Shackleton Report is to be released on Monday. I shall be in Spain for the week and therefore hopefully able to read it at leisure and in philosophical mood.

As you suggested, I have been in touch with Cranley Onslow and we have arranged to meet on September 27th.

*Yours Sincerely
Fred Nicolson*



CLARENCE HOUSE
S.W.1

10th September, 1982

Prime Minister

(2)

A & C. $\frac{13}{7}$

Dear Mr Coles.

Thank you very much for your letter of 8th September with enclosures which I have laid before Queen Elizabeth The Queen Mother.

The Queen Mother asks if you would thank the Prime Minister for making available to Her Majesty the Sir Nicholas Henderson documents, which she has read with great interest.

ms

Yours sincerely,
Margaret Thatcher.

A. J. Coles, Esq.,

A.S.C. 9/9.

Ref: 0411

MR COLES
No 10 DOWNING STREETFALKLAND ISLANDS: ECGD COVER

At their meeting yesterday evening, the Prime Minister asked Lord Shackleton about the state of ECGD cover. I have spoken to ECGD who tell me that their Advisory Council has authorised blanket cover for export contracts to the Falkland Islands payable in the short term (that is, up to six months). The Advisory Council has not yet formed a policy on contracts payable over a longer term, say, up to two years. At present they assume that cover would be provided through British aid.

At present ECGD cover for investment is academic but this may well change. They would of course need to assess the risks and seek advice in Whitehall. Whilst ECGD would wish to take each case on its merits they concede it is unlikely they would refuse.

ECGD recognise that this is something of a problem area but have indicated in discussion with a member of Lord Shackleton's team that they would respond very positively to any requests for cover which clearly had Governmental backing.



S J DAVEY

SHACKLETON SECRETARIAT

10 September 1982

10 September 1932

Argentina: Economic Restrictions

The Prime Minister has noted the contents of the minute of 8 September from the Chancellor of the Exchequer.

JOHN COLES

John Hoff, Esq.,
H.M. Treasury.

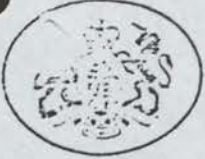


US POLICY IN THE FALKLANDS CRISIS WITH SOME VALEDICTORY COMMENTS
ON US/UK RELATIONS

S U M M A R Y

1. Purpose of the despatch is to give a personal account of the involvement of the USA in the Falklands crisis; and to make some valedictory comments on the USA/UK relationship in the light of the outcome. (Paragraphs 1-3).
2. Far from exercising pressure at the end of March on the Argentinians over their illegal landings on South Georgia, as HMG asked them to do, the State Department counselled both governments to exercise restraint. Lord Carrington and I protested at this neutral stance. At this stage, ie. until the end of the month, neither the US intelligence community nor the JIC believed that the Argentine landings portended any serious challenge, let alone an invasion of the Falklands. (Paragraphs 4-8).
3. When intelligence had reached London of a clear intention to invade the Falklands, the Prime Minister sent the President a message on 31 March. This asked him to intervene urgently with President Galtieri. I saw Mr Haig on the evening of 31 March and gave him a summary of our intelligence. Despite scepticism from his own staff, Mr Haig immediately saw the danger and promised to act forthwith to try to forestall an Argentine invasion. (Paragraphs 9-11).
4. When President Reagan eventually spoke to President Galtieri

/on



on the evening of 1 April, the latter rejected his appeal and his offer to send Vice-President Bush to Buenos Aires to assist in a solution. On the morning of 2 April, when the invasion had occurred, the State Department issued a strong condemnatory statement. (Paragraphs 12-13).

5. The despatch then summarises the role and attitude of the USA up to invasion. It also discusses the question whether the previous pro-Argentine policy of the Reagan Administration had emboldened the Argentines to invade, and whether the US Government could have averted the invasion had they known Argentine intentions sooner. (Paragraphs 14-15).

6. An analysis is given of why the US Government became so intensely involved in negotiation: USA interests would be threatened by military conflict between Argentina and the UK. The Latin-lobby in the USA was influential, supported principally by Mrs Jeane Kirkpatrick and Mr Thomas Enders. But Mr Larry Eagleburger had no doubt about the need for the US Government to back HMG. (Paragraphs 16-22).

7. Reasons for the neutral stance adopted by the US Government until the end of April. (Paragraphs 23-25).

8. Assurances from Mr Haig that the US Government was not at heart impartial and that there would be no repeat of Suez. (Paragraphs 26-27).

9. An account of the gap between Buenos Aires and London that Mr Haig was trying to bridge in his shuttle, and of the weak points he saw in the two sides. Mr Haig came to judge the Argentines

/as



as irrational and intransigent. The US Government comes out in support of Britain on 30 April. (Paragraphs 28-33)

10. USA efforts to reach a peaceful solution become more intense with the approach of battle. You visit Washington for a second time. Various plans are exchanged. Other countries - Peru, Brazil - and the UN Secretary General, become involved. The President telephones the Prime Minister twice. HMG advances its own proposals. The Argentinians continue to prevaricate. Mr Haig becomes increasingly worried after British troops have relanded. He fears the consequences of Argentine military humiliation on Latin-American opinion already whipped up at a meeting of the Rio Treaty. (Paragraphs 34-53)

11. The ceaseless negotiations failed to produce a peaceful settlement, but they brought advantages for Britain. The US decision to come down on the British side and give support was never something that could be taken for granted; it flowed from and was sustained by the way we handled the negotiations in contrast to the Argentinians. Mr Haig took us at all times into his confidence. He was in touch with me daily. His was the decisive influence in the US Government despite the pressure of the pro-Latinos. He was variable and erratic but handled decisive events in a way that was favourable to British interests. Had he succeeded this would have made a great difference to him personally. Certain conclusions can be drawn about the negotiating phase. (Paragraphs 54-61)

/12.



12. Despite the high degree of USA interest in the Falklands, there was ignorance and wavering in public opinion. It was essential for the Embassy to launch a major public relations campaign, directed at press, TV and Congress, the details of which are described in the despatch. As the prospect of a bloody battle increased, uncertainties in public opinion tended to grow. Our campaign therefore had to be sustained throughout the 74 days. It aroused no resentment or complaint of interfering. (Paragraphs 62-71)

13. The despatch gives details of the practical support given by the US Government: facilities on Ascension Island, new military equipment and missiles, communications channels, intelligence, economic backing - without which the repossession of the Islands would have taken longer and been more costly. (Paragraphs 72-73)

14. The nature of the US/UK relationship is described and what it meant in the Falklands crisis. (Paragraph 74-75)

15. The outcome of the crisis has been favourable to British interests in the USA, countering long-held doubts about our national will. It also gave emphasis to certain current features of American government. (Paragraphs 76-81)

16. The fillip to our relations will be subject to various tensions and to the changing pattern as between the two sides of the Atlantic. Pointers are given to the changing transatlantic balance - economic and military. (Paragraphs 82-84)

17. In conclusion, the despatch underlines the particular nature of the US/UK relationship and suggests that there is no incompatibility between this and membership of the EC. (Paragraph 85)



BRITISH EMBASSY,

WASHINGTON, D.C. 20008

TELEPHONE: (202) 462-1340

FROM THE AMBASSADOR

27 July 1982

The Rt Hon Francis Pym MC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
London SW1

Sir,

US POLICY IN THE FALKLANDS CRISIS WITH SOME VALEDICTORY
COMMENTS ON US/UK RELATIONS

1. The policy of the USA Government in the Falklands crisis was fluctuating, but their involvement was intense and of cardinal importance to British interests.
2. I should like in this despatch, which will be my valedictory one from this post, to try to describe the ups and downs through which we travelled between the Argentine invasion and surrender. It will not be my purpose to cover all aspects of the operation, but only those involving the USA which was, however, central throughout the crisis; and my account will be personal in nature; it will be as I saw it. Sir Anthony Parsons has already sent a despatch covering the Falklands crisis at the UN.
3. The relationship between the USA and the UK, so difficult to define, yet so evident and important to both countries, did, I think, considerably affect the outcome; and, no less interesting, the outcome will, for some time

/at



at any rate, exercise an influence on the relationship. I will conclude with some comments upon this.

PRELIMINARIES TO INVASION

4. On Sunday 28 March, when the Americans were preoccupied with El Salvador, Lord Carrington sent me a telegram saying that it was now clear that the Argentinians had no intention of removing from South Georgia the group of Argentinians whose illegal landing there had been reported on 19 March. He asked me to deliver urgently a message to Mr Haig. The message gave an account of the events since the illegal Argentine landing on South Georgia and our attempts to resolve the problem peacefully. Lord Carrington asked Mr Haig to consider taking the matter up with the Argentinians. If the latter maintained that they would not remove the men themselves and that they would resist any attempt by the British to do so, the use of a third country's ship might be a compromise they could accept. Lord Carrington concluded by saying "If we do not find a solution soon, I fear the gravest consequences".

5. The following day Mr Stoessel, the Deputy Secretary of State in the State Department, asked me to see him. He said that he would also be sending for the Argentine Ambassador and would be speaking to him on similar lines. His purpose was to counsel both the British and Argentine governments to exercise restraint. Mr Stoessel said that the US would not take sides.

/6.




6. My immediate response was to protest. The Americans could surely not be neutral in a case of illegal occupation of sovereign British territory. They would not accept the illegal occupation of their own territory; they should not condone such a thing happening in the American continent.

7. As soon as he received my account of this conversation, Lord Carrington spoke on the same lines to Mr Ed Streater of the US Embassy; and I followed it by calling on Judge Clark at the White House on the morning of 30 March. I left him in no doubt what we thought about a neutral stance by America when the Argentinians appeared to be occupying our territory. After all, we had helped the Americans in many ways that were not always to our advantage.

8. It should be noted, as a matter of historical fact, that when, on 19 March, it was first reported that the Argentinians had landed on South Georgia, and indeed for some twelve days after that, the US intelligence community did not believe, any more than did the JIC in London, that this portended any serious challenge by the Argentinians, let alone an invasion of the Falkland Islands.

9. It therefore came as a shock here when it was realised that an Argentine assault on the Falkland Islands was imminent. When intelligence had reached London clearly indicating an Argentine intention to invade the Falkland Islands themselves, the Prime Minister sent a message to President Reagan on Wednesday 31 March leaving him in no doubt about the seriousness of the situation. She said

/that




that "we could not acquiesce in any Argentine occupation". She asked the President to speak urgently to the Argentine President asking him for an immediate assurance that he would not authorise any landing, let alone any hostilities. At 1845 (local time) the same day, I saw Mr Haig on instructions and referred to the Prime Minister's message to the President. I went on to give him an account in some detail of the military threat to the Falkland Islands, outlining some of the intelligence upon which our fears about Argentine intentions were based. I also mentioned the negative response we had had from the Argentine Foreign Minister to the strong efforts we had made to discuss a diplomatic solution to the South Georgia issue. I gave Mr Haig a piece of paper setting out the evidence we had that pointed categorically to an Argentine intention to invade on the morning of 2 April.

10. Mr Haig's reaction to the information I had given him was electric. He said that he had not been vouchsafed by his own staff intelligence of the kind I had given him. On the basis of my information, it was obvious that the most urgent action was necessary. Later in London he told the Prime Minister that the summary of intelligence I had handed him that day was much better than anything that the US authorities had compiled. The latter had had the various pieces of intelligence but had not put them together to make the whole picture.

11. It is interesting to recall that the Assistant Secretary

/for



for Latin American Affairs in the State Department, Mr Thomas Enders, who was also present at this meeting, did his best to minimise the reality of the threat to which I had drawn attention. He said that the US Government had had an assurance from the Argentine Foreign Minister that the Argentinians were not contemplating confrontation with us; indeed they had had this assurance confirmed. I pointed out that the movements of the Argentine fleet refuted what he was saying. Mr Enders spoke of the help the Argentinians had given the Americans in El Salvador. But Mr Haig immediately saw the danger. There was no question about the need to support the British in the effort to stop the use of Argentine force. He would take the matter up urgently with the Argentinians. He undertook to do everything to ensure that President Reagan sent off a message to the Argentine President forthwith.

12. The next day, 1 April, the US Ambassador in Buenos Aires transmitted a message from President Reagan to President Galtieri, but the latter would not say what the Argentinians were going to do. He muttered some mumbo-jumbo, to use the State Department's phrase, about the need for the British to talk about relinquishing sovereignty. It was therefore decided that the President should telephone President Galtieri. Unfortunately he had to undergo a medical check-up during the day and it was not until the evening that he was able to ring President Galtieri. At first the latter refused to take the call. The Americans

/persisted



persisted and President Reagan eventually spoke to him. His words and tone were forceful, urging the Argentinians not to take action against the Falklands. He left President Galtieri in no doubt of the consequences of such action upon Argentine/US relations. He said that the British would treat it as a casus belli. The Americans were ready to provide good offices to help in any way. He was prepared to send Vice President Bush immediately to Buenos Aires to assist in a solution. But the Argentine President rejected everything. He said that there was no point in sending the Vice President when this was a matter of colonialism.

13. It was about 2200 hours when Mr Haig reported all this to me. Vice President Bush happened to be dining with me that evening, and he had expected to have to leave the table early to fly off to Buenos Aires; but I was now able to tell him that President Galtieri would not receive him. Mr Haig also told me that the President and he were ready to do anything that we might want them to do in these very dangerous circumstances, but it looked to the Americans as though the Argentinians were bent on an invasion and nothing would stop them. After telephoning the Prime Minister and telling her of President Galtieri's negative response, I spoke to Mr Haig again expressing gratitude for US support and urging the US to come out with a strong condemnation of the Argentine action if, as looked inevitable, they were going to go through with their

/invasion



invasion the following morning. In fact the White House came out with a weasely statement early on the morning of 2 April, upon which the State Department, apologising that the White House spokesman had been inadequately prepared, made clear the US stance. This was to deplore the use of force to resolve the dispute and to call on Argentina immediately to cease hostilities and to withdraw its military forces from the Falkland Islands.

14. So far then - that is to say up to the time of the invasion - the role of the USA in the Falklands issue can be summarised as follows:

- (i) the US Government had been unaware of the imminence of an Argentine invasion of the Falklands until we produced clear evidence about it on the evening of Wednesday 31 March.
- (ii) As soon as Mr Haig was made aware of this he moved quickly to try to avert an Argentine invasion. He sent instructions to the US Ambassador in Buenos Aires. President Reagan made strenuous efforts to warn President Galtieri of the consequences of invasion and to dissuade him from doing so.
- (iii) Despite these efforts the US Government were extremely careful at the outset of the crisis, when it flared up over South Georgia, to adopt a neutral stance on the merits of the issue as between the British and the Argentinians. They were afraid of the impact of the crisis on relations

/between




between the US Government and the countries of Latin America and of the possible increase in Soviet influence.

15. Two questions arise:

- (a) Did the US Government by their pro-Argentine policy in the preceding months encourage the Argentinians to conclude that they could get away with aggression against the Falkland Islands without incurring American hostility? Mrs Jeane Kirkpatrick and Mr Thomas Enders had private talks with the Argentinians, and the latter visited Buenos Aires at this time. It is relevant that Mr William Casey, the head of the CIA, who was closely concerned in Cabinet discussion on this subject has implied to us privately that he thinks the Argentinians may well have been led up the wrong path: that they may have believed that their support for the USA in covert operations in Central America was more important to the USA than in fact it was and could be expected to earn them American acquiescence in a forward policy elsewhere. The Argentine military representative in Washington, General Miguel Gil, is known by the US Government to have advised Buenos Aires that Argentine backing for US anti-communist causes throughout Latin America would secure US acquiescence in Argentina's objectives. The fact that the US Chief of Naval Staff arrived for a long

/planned



planned visit to Buenos Aires on 2 April illustrates the efforts the US Administration were making to get alongside the Argentine military. Mr Haig, I might interject, came to be convinced of Mr Costa Mendez's evil and influential role throughout: his personal involvement in the decision to invade and his misreading of both the US and UK reactions to invasion.


What can be said even in the absence of hard Argentine evidence, is that Buenos Aires might well have thought that the US Government was in such need of Argentine support in their crusade against communism in Central America that they might condone Argentine action that previous US Administrations would have denounced.

- (b) Could the US Government, if they had been aware sooner of the Argentine intention to invade the Falklands, have exerted sufficient influence to deter them from doing so? Again, it is impossible now to give a categorical answer, but by the time the Americans did start to try in earnest to avert an invasion, it was very late for the Argentinians to take a decision to turn back, even if President Galtieri had wanted to do so.

NEGOTIATIONS

The First Rounds

16. I attach at Annex A a chronology of the main events in /the



the crisis, seen from Washington; and at Annex B a detailed account of the negotiations and American initiatives which continued in one form or another until the Argentine surrender on 14 June.

17. Security Council Resolution 502, passed on 3 April by ten votes to one, though ignored by the Argentinians, was the starting-point for the negotiations. This Resolution demanded a ceasefire and the withdrawal of Argentine forces; it also called upon Argentina and the UK to seek a diplomatic solution to their differences.

18. The US Government voted for this Resolution but they were very careful to do nothing throughout the month of April that might be taken as reflecting on their impartiality and hence as impairing their role as a negotiator seeking a peaceful settlement between two sides. It was to bring about some agreement between Buenos Aires and London that could avert further military conflict that Mr Haig's efforts were almost exclusively devoted throughout the month and indeed through much of the next. He believed that if the British had to resort to military force to retake the Islands, this would involve considerable risks and heavy loss of life. At the outset, the US Government were afraid that we might get into military difficulties which could embroil the USA further than they wanted. It is worth recalling this because some seven weeks later, when we established a force successfully on the Falklands, the Americans came to worry, not that we would get into a military impasse, but

/that



that we would succeed so overwhelmingly as to humiliate the Argentinians. The Americans were always worried about a possible increase of Soviet or Peronist influence in Argentina and about the enhancement of Soviet influence throughout Latin America. They were concerned too that any overt tilt towards the UK would jeopardise US interests in Latin America and, to be sure, once they did plump for us they became as much the target for Latin obloquy as we did.

19. I am sure that much has been heard in London of the influence here of the Latino-lobby. We were very much aware of them and were ready to send up chaff to deflect their missiles, which we generally succeeded in doing except when Mr Haig was out of the country and they seized the opportunity to mobilize the White House. Mr Haig frequently assured me that, notwithstanding occasional equivocal statements, the President himself was a staunch supporter; some of those around him, however, were cautious and urged him to remember above all the importance of good hemispheric relations.

20. The power of the Latino-lobby was minimal in Congress, confined to pro-Irish fanatics and Hispanics in the House, Jesse Helms in the Senate, and mavericks like Senator Stevens who never miss a chance to get at the European members of NATO. The main pillars of the lobby were Mrs Jeane Kirkpatrick, US Ambassador to the UN and with Cabinet rank, and Mr Thomas Enders in the State Department. Comparing Mrs

/Kirkpatrick




Kirkpatrick with Mr Enders, it is difficult to improve on the apophthegm going the rounds of the State Department that whereas the latter is more fascist than fool, Mrs Kirkpatrick is more fool than fascist. She said publicly on TV on 11 April that she did not see a need for the USA to make a choice between Britain and Argentina. Nor did she think Argentina could fairly be accused of aggression because they were simply asserting a long-stated claim. She is not, so I am assured, anti-British, but she has made the intellectual discovery that authoritarian regimes are different from totalitarian regimes, and had made Argentina the prime exhibit in the first category. Seen from Washington, she appears to be one of America's most reliable own-goal scorers: tactless, wrong-headed, ineffective and a dubious tribute to the academic profession to which she misses no opportunity of expressing her allegiance.

21. Mr Enders is a mountain of a man, with an unflinching track record: he was notorious for his performance in Cambodia and has been an unswerving promoter of better relations between Washington and the right-wing dictatorships of Latin America. From the beginning of the Falklands crisis he pleaded loudly for Washington not to burn its bridges with the Latins. He invariably tended to give the Argentinians the benefit of the doubt and was able to exert some influence on Mr Haig and, more especially, on the White House.

22. While mentioning personalities, I should add that

/Mr Larry



Mr Larry Eagleburger, the Under Secretary in the State Department, was consistently resolute. He was always alive to the bearing of this issue on the health of the Alliance. On many occasions when, before the decision of 30 April to back us, US support had to be hugger-mugger, he did his best to help us. It was difficult to believe that he and Mr Enders could be operating under the same roof; and indeed the roof did at times look like flying off. We have reason to be thankful to Mr Eagleburger for his ebullient, out-spoken support.

23. The neutral US posture shown at this stage and maintained until the end of April was, I know, difficult for many people to understand on the other side of the Atlantic where it was thought that the US Government could not justifiably fail to stick by an ally, particularly when it was the victim of blatant aggression; and, to be sure, this was the instinct of much of the American public, judged by the press and the considerable volume of mail we started receiving in the Embassy. But the US Government felt it could not be quite so easily committed. For one thing, they were aware of the deep-seated psychosis in the American people about the danger of becoming involved in another Vietnam. To begin with, too, there seemed to be a touch of Gilbert and Sullivan about the idea of a military clash 8,000 miles away in the South Atlantic on behalf of a population of less than 2,000 sheep farmers inhabiting what the US President described as "that little ice-cold

/bunch



bunch of land down there".

24. There were other causes that made the Reagan Administration cautious about coming down too quickly or too emphatically on the British side. They feared the invocation of the Rio Treaty and a fermentation of "hemispheric solidarity" that could result in economic sanctions against Britain and hostility towards the USA. Since coming to office they had been making great efforts to improve relations with all regimes in Latin America, however authoritarian, provided they were anti-Communist. As a corollary, attempts had been made to mobilise such regimes in the fight against the spread of Communism in Central America, a prime task of the new Administration for which Argentina, in Washington's eyes, was the first in the line. By some process of historical and political adjustment, antiCommunism had come to be tacked on to anti-colonialism as the rationale for the most enduring of all expressions of US foreign policy, the Monroe Doctrine. I might interpolate here that Britain's occupation of the Falkland Islands in 1832 came a decade after the promulgation of the Monroe Doctrine and was considered then, as it has been ever since, as an exception to it.

25. I argued with Mr Haig and others at the beginning that none of this need inhibit them from making it bluntly plain to the Argentinians that for the US their act of outright aggression was entirely unacceptable and had to be reversed before progress could be made. I tried to

/convince



convince Mr Haig that his position would be strengthened rather than weakened by adopting such a posture, rather than retreating into impartiality. But the folk-lore about Latin American psychology was too strong for this argument to prevail.

26. Nonetheless, Mr Haig assured us that the US was not at heart impartial, that HMG had always supported the Reagan Administration in foreign policy, and that the US could not privately be evenhanded in anything involving their closest ally. But publicly their spokesmen said that the United States intended to steer a course "down the middle" and not to give any help either way. "It's a very difficult situation for the United States", President Reagan pleaded in answer to a press question on 6 April, "because we're friends with both of the countries engaged in this dispute...".

27. Mr Haig reassured me several times during the following weeks that there would be no repeat of Suez. Given the possible parallels, I do not think his assurances were otiose. The Falklands crisis touched on certain American nerves that had proved sensitive at Suez: the desire to prevent the use of force and promote a diplomatic solution; a recessive feeling about colonialism; concern that the British were expecting the USA eventually to pick up the cheque; worry about the Russians; a desire to remain neutral if at all possible; and the fear that what Britain was doing would rally other countries in the area against Western interests. But Mr Haig did not suffer from Dulles'

/"goodness"



"goodness" and, for reasons that will emerge in the following account, American inhibitions were overcome and there were no Suez-reflexes.

28. In the course of his shuttle between London, Buenos Aires and Washington, Mr Haig was trying to bridge a gap that may be described, at the risk of over-simplification, as follows. The Argentinians were not prepared to accept any settlement that did not provide either for negotiations on sovereignty, to be concluded in their favour within a specific time limit, or for an interim regime for the Islands, after the withdrawal of forces by both sides, that would promote the acquisition of sovereignty by administrative means, including population and economic transfers. The British Government insisted that sovereignty was theirs, that the traditional administration of the Islands must be restored and that there must be no infringement of the right of the islanders to decide their own future. Mr Haig believed that the weak point in the Argentine position, apart from their wrong-doing in invading the Islands, was their emphasis upon the transfer of sovereignty, regardless of the wishes of the population, something that was not in keeping with accepted principles or practice of de-colonisation or self-determination. The weakness of the British position, so he believed, lay in the prospect for them of having to contemplate a future for the Islands conducted in conflict with neighbouring Argentina, probably involving a considerable defence commitment in the South Atlantic for an indefinite

/time.



time. What therefore Mr Haig tried to do was to bring about some softening in the Argentine view on the transfer of sovereignty and some mitigation of the British contention that there could be no discussion about the future of the Islands or interim administration that advanced the prospect for Argentine sovereignty whatever the wishes of the islanders.

29. The bridge that Mr Haig tried to build between the British and Argentinians varied in construction with the changing military scene; but there were certain more or less constant features: the withdrawal of forces; the creation of some international interim administration after withdrawal; and commitment by both sides to discuss the future status of the Islands.

30. Throughout lengthy talks involving two visits by Mr Haig to London and Buenos Aires and one each by you and Mr Costa Mendez to Washington, HMG maintained unwaveringly that the Argentinians had to withdraw; that any interim administration must protect the rights of the Islanders; and that there could be no deadline for negotiations and no prejudgement of their outcome. But the Americans regarded HMG's attitude to the various American ideas as reasonable, particularly compared to the Argentine response. This was, according to the US view, intransigent and unacceptable. Mr Haig left President Galtieri in no doubt that if this intransigence persisted the US Government would come down on the British side.

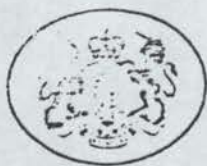
/31.



31. As we put it to Mr Haig, if they could not succeed in extorting concessions on sovereignty the other motives of the Argentinians in this phase were evidently to spin out the negotiations so as to prolong the de facto occupation of the Islands, to try to postpone a British landing and to hope that, with the passage of time, Latin American and world opinion would veer increasingly to their side. But it would be wrong to give the impression that it was ever quite clear what they were up to. Mr Haig described to me the utter irrationality and chaotic nature of the Argentine leadership. There seemed to be about 50 people involved in the decisions, including various corps commanders. Later, by the end of May when we were back in the Islands in force, it came to look as though the junta, and the various corps commanders who exercised great influence behind them, would find it easier, given domestic instability and the rabble they had roused, to accept military defeat - for which scapegoats would be found - than to agree to a diplomatic compromise.

32. The Argentine reply to the US proposals worked out after these prolonged negotiations and put to them, as to the UK, on 27 April, amounted to a rejection; whereupon, Mr Haig made a statement on 30 April. Haig had been made aware of our own reservations but, greatly to our advantage, he turned a blind eye to these, focussing on the categorical objections of the Argentinians. He said that, while the US had reasons to hope that the UK would consider settlement

/on the



on the lines of the US proposals, Argentina had been unable to accept them.

33. He announced various economic measures against Argentina and, most important, he declared that the US would "respond positively to requests for materiel support for British forces".

From the US decision of 30 April to the Argentine surrender on 14 June

34. The US decision of 30 April to support Britain was a turning-point in our fortunes. But it did not put an end to negotiations or to America's part in them. On the contrary, the US Government's desire to bring off a peaceful settlement grew with the prospect of battle. Others too, the Peruvians, the Secretary General of the UN, and the Brazilians entered the diplomatic fray.

35. When you visited Washington a second time on 1-2 May, following a rough debate in the House of Commons, and coinciding with the first Vulcan attack on Port Stanley airfield, Mr Haig outlined a seven-point plan that had originated, he said, in a Peruvian initiative. This included: the setting up of a supervisory contact group comprising two Latin American countries, the FRG and the USA; and the laying down of a time limit - 30 April 1983 - by which a definitive agreement for the future of the Islands would have to be reached.

36. While the Prime Minister, you and other Ministers were considering this plan in London, Mr Haig was expressing

/great



great concern to me about

- (a) the latest Peruvian attitude after the sinking of the Belgrano on 3 May,
- (b) the deterioration in US and Western opinion that he feared would be likely to occur if Britain took further military action, and
- (c) the need for London to show an initiative in favour of peace by proposing a ceasefire to be followed by implementation of the seven-point plan.


He followed this up by asking me to transmit to London the text of his seven-point plan and the draft of a ceasefire statement to be made by HMG. It was the moment, he urged, for a magnanimous diplomatic move to be made by HMG when they had demonstrated their military dominance.

37. Mr Haig was extremely worked-up about the consequences of a prolongation of the fighting. He feared that we might look increasingly to the USA for support and that if opinion came to believe that we had missed the opportunity of peace, it would be difficult for the USA to stay in the supportive position that they had now adopted.

38. London replied to the US seven-point plan with certain amendments which I discussed with Mr Haig. He said that they would be rejected out of hand by Argentina. After a three-hour session Mr Haig produced a new set of points asking me to transmit them to London.

39. HMG accepted these latest proposals, though they presented considerable difficulties. The text was transmitted

/by the



by the US Government to the Peruvians for onward transmission to Argentina, who turned them down. The Argentine aim at this stage was to move to the UN. HMG let the Secretary General know that they could go along with his ideas for a framework, which, to be sure, were similar to those of the US/Peruvian plan.

40. Mr Haig's mood now changed. He told me on 7 May that he was full of admiration for the diplomatic stance HMG was now taking. He hoped "faint hearts" were not gaining ground in the UK. Two days later, however, he was arguing that Britain, while having to maintain maximum military pressure on the Falkland Islands, should avoid attacks on the mainland - a warning that we were to be given frequently in the days ahead.

41. He left the next day for a European tour. No sooner was he out of the country than Mrs Kirkpatrick got into the act. She managed to convince President Reagan that the Argentinians were ready to be forthcoming and persuaded him to telephone the Prime Minister, which he did on 13 May. In deciding to telephone Mrs Thatcher, President Reagan had also been influenced by a conversation he had just had with President Figueiredo of Brazil, who had expressed a readiness to do whatever he could to bring about a peaceful settlement. Discussing this telephone talk with Judge Clark afterwards, he told me how concerned President Reagan was about the worsening Falkland Islands situation. The US had already impaired its relations with the Latin American countries.

/There



There would be serious problems in the Alliance if hostilities became intensified and if there were feelings in the UK that the US was not being supportive enough.

42. I will not relate here, because Sir Anthony Parsons has done so in his despatch, the Secretary General's efforts during these weeks to promote a settlement and the US attitude towards them. Mr Haig was always somewhat suspicious of Mr Perez de Cuellar and was afraid that his activities would cut across what he was doing; it looked at times as though he was a little afraid of Mr Perez de Cuellar succeeding where he had failed, and this translated itself into private entreaties that we should not be more flexible with the Secretary General than we had been with him. But when his seven-point plan collapsed through Argentine intransigence he was resigned to the stream of negotiations continuing in New York.

43. Following a weekend of consultations at Chequers attended by Sir Anthony Parsons and myself, a British plan was submitted to the Secretary General of the UN on 17 May and published on the 20th. The main features of this British proposal were:

1. the mutual and balanced withdrawal of forces,
2. the appointment of a UN Administrator to administer the Islands, in consultation with the elected representatives of the Islanders,
3. negotiations between Britain and Argentina on the future of the Islands.

/44.



44. The Argentine response to this proposal was to seek changes designed to pre-judge the outcome of the negotiations, so that they would lead inexorably to Argentine sovereignty and control, to set aside the elected representatives of the islanders, and to enable the Argentine authorities to flood the Islands with Argentinians. They were not prepared to accept language or arrangements which would ensure that the outcome of negotiations would not be pre-judged and that the wishes of the islanders would be respected. They were still prevaricating in order to consolidate their position on the Islands. Although the Argentine response to the British proposals was negative, Mr Haig and Judge Clark were still convinced that this was not the end of the negotiating road. Mr Haig expressed to me on 21 May, after our forces had landed on the Falklands, and on several occasions in the next day or two how anxious he was about the military outcome, his hope that the British would seize the first moment of military success to show a readiness to negotiate, his fears, otherwise, about the long-term bitterness in Latin America, and the opportunity that he saw for the Soviets to increase their influence there.

45. On Saturday evening, 22 May, he came to see me privately at the Embassy to underline the concern of the US Administration at likely developments: at the continued will to fight and the spirit of revanchism that would prevail in Buenos Aires whatever the government in power, unless this could be headed off by British readiness to negotiate now rather than

/to pursue



to pursue the conflict to a bitter conclusion. Haig reinforced these fears by a dire prediction of what Congress was about to do in calling for a ceasefire. The New York Times, incidentally, had that morning published defeatist stories based on official briefing.

46. On 24 May Mr Haig suggested to me a possible plan involving a ceasefire and withdrawal, a US/Brazilian interim administration (President Figueiredo had made a considerable impact on Washington thinking) and discussions about the future without prior commitment. All this reflected Mr Haig's anxiety about the impending meeting of the Rio Treaty which, he foresaw, would isolate the USA from its hemispheric neighbours. I told Mr Haig immediately, without reference to London, that these ideas would be unacceptable there in current circumstances. Later the same day Mr Haig, in another change of mood, telephoned to say that the President supported Britain solidly.

47. In order to try to keep the idea of a negotiation going, Mr Haig sent you a further message saying that the USA would be prepared to provide a battalion to ensure no violation of any interim agreement on the Falklands. He asked HMG to consider a scheme submitted by Brazil in New York for withdrawal and an interim administration, with the addition, so Mr Haig suggested, of a US/Brazilian peace-keeping force. He followed this up with a plea to London that when we had reached the highest point of military pressure we should offer a magnanimous proposal to bring

/military



military activity to an end. But by this time British forces had been engaged in hazardous operations and the bridgehead had been established at San Carlos. The heavy Argentine air attacks marking their national day on 25 May heightened the tension in Washington almost as acutely as in London. You replied to Mr Haig that people in Britain would no longer accept the idea of mutual withdrawal or an interim administration. A few days later I rubbed this home on instructions from the Prime Minister and you, saying that we were determined to repossess the Falklands, reinstate British administration and only thereafter consider future developments, though we acknowledged the desirability eventually to have some kind of international security arrangement involving the Americans.

48. Mr Haig was worried by the way the British political attitude seemed to be hardening pari passu with the progress in British military operations. He was greatly concerned about the impact of this on Latin America; and it is relevant to record that the Rio Treaty signatories had just been meeting in Washington and, as Mr Haig had foreseen, had delivered a venomous attack on the US calling upon them to cease supporting Britain. Mr Haig had made a stout speech to the meeting blaming Argentina and contesting the invocation of the Rio Treaty for the defence of aggression by one of its own members.

49. It was in this context that Mr Haig thereupon floated the idea of creating an international umbrella organisation

/to consider



to consider the ultimate status of the Islands. Shortly afterwards he formulated this in a new plan of 29 May in which the umbrella idea became crystallised in another contact group comprising the UK, the USA, Brazil and Argentina. It was an essential feature of this fresh USA initiative that it should be launched before the final defeat of the Argentine forces.

50. This mood of anxiety in Washington was reflected in the decision taken by the President to telephone the Prime Minister again. This call took place on 31 May. Mr Reagan's purpose seemed to be not only to register concern about Latin American opinion but to float the idea of yet another US peace initiative. The Prime Minister was emphatic in response. She followed it by telephoning me to ask me to see Judge Clark at the White House and ensure that the President and he understood the British attitude. Thereupon, on 1 June I called on Judge Clark and made clear, at the Prime Minister's request, that Britain, having negotiated in good faith for weeks, during which time the Argentinians showed no sign of being ready to talk business, were not prepared now, when we were back in the Islands after considerable sacrifice, simply to pull out and make way for a contact group including countries from Latin America.

51. I recall how at one moment in this machine-gun exchange of ideas Mr Haig sought to recruit Winston Churchill for the cause of flexibility. He spoke of Churchill's call for magnanimity, to which I rejoined that Churchill had

/not



not talked of magnanimity until after victory had been achieved. But nothing assuaged the American concern at this stage - that is to say at the end of May and the beginning of June - about the dire consequences that would flow from overwhelming military defeat inflicted on the Argentinians. This sentiment was reflected in a hand-wringing editorial in the Washington Post, an unfailing barometer of defeatist pressure. I conveyed to London as best I could the evidence of a growing gap between the resolute attitude in London and the mood in Washington favouring a soft line by us towards Argentina.

52. The prospect of a bloody battle for Port Stanley heightened tension at the UN where the Latinos managed to get a resolution introduced into the Security Council calling for an immediate ceasefire and withdrawal - an event that will be remembered only for the light it cast on the appalling relations between Mrs Kirkpatrick and Mr Haig.

53. The President and Mr Haig left Washington on 2 June for a European tour. With Summit and bilateral meetings there, and the Israel invasion of the Lebanon hitting the headlines, the diplomatic spotlight was momentarily off the Falklands where British forces were advancing for an assault on Port Stanley. Contrary to US fears of a major battle, this was avoided and the Argentine forces on the Islands surrendered on 14 June. That was the end of the ding-dong negotiating battle in Washington.

/The Significance ..



The Significance of the Negotiations seen in Retrospect and Mr Haig's part in them

54. Undeniably, the ceaseless diplomatic efforts that the US had been making since early April had not achieved their main purpose, which was to bring about a settlement that avoided bloodshed and humiliation for either side. But from the British angle, these prolonged negotiations brought advantages. During the considerable time that elapsed between the despatch of the task force from the UK and its readiness to repossess the Islands, there was a need for something to fill the diplomatic vacuum. Anything would have been better than further interventions by the UN. There were positive advantages in Mr Haig's to-ings and fro-ings and frequent proposals. Without them, Argentine intransigence would not have been exposed, and without this exposure the US decision to give Britain support would probably not have come when it did or been so categorical. Mr Haig's insistence on even-handedness in public between London and Buenos Aires so long as he thought he could bring off a negotiated settlement was exasperating to the UK; it seemed at times too to conflict with the practical support the USA were providing us. Thus his statement on 14 April that "since the onset of the crisis, the United States had not acceded to requests that would go beyond the scope of customary patterns of cooperation based on bilateral agreements" did not reflect the realities of the help the US were affording. Equally tiresome to London was Mr Haig's

/view



view that US interests would best be served by keeping President Galtieri in power and saving his face. He tended to believe that just because war would not benefit either side, it should be possible to negotiate peace. As Mr Kissinger has pointed out, he was reflecting here a long-held American tradition: that all international disputes must inherently be susceptible to peaceful settlement by reasonable men and women.

55. There was no doubt too, and I said so several times to Mr Haig, that he exaggerated the degree of Latin American solidarity on this issue and the extent of long-term resentment that would be caused to the USA by support for Britain.

56. Both Mr Haig and Mr Weinberger made personal efforts to ensure that we received practical support of a highly important kind. This is described later in the despatch. Mr Haig saw the crisis as something nearly as crucial to the US as to the UK and as having a close bearing on the future of the Atlantic Alliance. He took us at all times into his confidence, even when this involved thinking aloud and revealing how changeable were his moods and ideas. Elsewhere I have described how suspicious Mr Haig is by nature: a ready victim for any Iago. But I am sure that he came to trust us completely: and I believe that we benefited from this, though strong nerves were needed at times to cope with it. Just to give you some idea of the extent to which Mr Haig consulted us from the beginning to

/the end



the end of this crisis, I should record that I had innumerable meetings with him, often alone, and practically no day went by without him telephoning me, frequently several times.

57. The obvious question arises how far US policy might have been different if Mr Haig had not been Secretary of State, or to put it another way, whether he was on balance helpful or harmful to British interests.

58. As I have already indicated, there were obvious advantages in having the US Government busy in negotiation during the long interval between Argentinian aggression and our return to the Islands; but it does not follow from this that Mr Haig's methods were the most effective way of filling the negotiating vacuum or were the most favourable from our point of view. Although he dominated the US negotiating scene he never succeeded in eliminating everyone from the wings where indeed there were plenty of people eager to get on to the stage and play a different role. The influence of these pro-Latinos may well have encouraged the Argentinians in their intransigence which was obviously damaging to us. Given the American system of government it would not have been possible on this issue, or indeed on any other, to have had one clear-cut and decisive fount of policy.

59. From our point of view, Mr Haig, as many people in London know, and as will be apparent from the above narrative, was variable in mood and erratic in judgement. The President did not give a strong lead and allowed the frictions in the decision-making process to continue. I am sure, though, that

/Mr Haig's



Mr Haig's was the decisive influence throughout: he wanted us to win and would have been horrified if the Argentinians had got away with it. He did, it is true, persuade us to accept ideas we did not like, but he never tried to get us to go against our judgement of our fundamental interests. He handled many turning points in a way that was beneficial to us and the value of this can only be realised if it is kept firmly in mind that US support was not something that could ever have been taken for granted.

60. Now that Mr Haig has resigned, I have found myself wondering what the bearing was of the whole affair on him personally. Of course, if he had succeeded it would have been regarded as a personal triumph a la Kissinger; his prestige would have been boosted and he might have begun to look indispensable, something that would have discomfited his many enemies in high places. Success, too, might have assuaged the tension within him and compensated for the great physical stress he had undergone. The failure of the negotiation was undoubtedly a set-back to him, both to his standing as Secretary of State and to his inner peace of mind. On the day he left the State Department he confided to his senior staff that one of his greatest regrets on leaving office was that he had been unable to bring about a peaceful settlement of the Falklands crisis.

61. My overall conclusions about the negotiating phase of the Falklands crisis are as follows:

(a) had the Argentinians accepted any of the many

/proposals



- proposals offered them, they would have secured something and would have been much better off than they were by choosing the alternative outcome of military confrontation leading to surrender;
- (b) The prolonged negotiations caused HMG difficulties but they were on balance beneficial, because
 - (c) The US decision to come down on the British side and support us was not something that was inevitable or could have been taken for granted. It might not have happened without US exasperation with Argentine intransigence.
 - (d) The US decision to support us and the way they did so owed a lot to Mr Haig, though it is doubtful whether the outcome did him much good personally;
 - (e) Media, Congressional and public opinion exercised an important influence, as I will now describe.

THE MEDIA, CONGRESS AND THE PUBLIC

62. For an issue not directly involving US territory or nationals, the Falklands crisis attracted unprecedented US media interest. From the Argentine invasion to the surrender at Port Stanley it was front page news, and the lead story for TV, every day. The level of interest, the novelty of the issue, and the impossibility of securing on-the-spot coverage combined to produce an exceptional demand for information on HMG's policies and on daily, even hourly developments.

63. Although from the start there was sympathy for our cause in the media, Congress and the public, this was not

/universal



universal and there was much wavering. As I have already indicated, there was a tendency early on to regard the whole thing as some sort of opera bouffe. Then emerged the widespread feeling that a small population so far away could surely not be worth the risk of war, particularly one between two of the USA's allies. Lord Carrington's resignation, which a considerable number of people confessed to me they could not understand, encouraged speculation here about divisions on policy within the British Government. Doubts began to be expressed by military experts, on television and in the press, about our capability to mount a successful military operation in the South Atlantic.

64. It seemed essential to launch a public relations effort throughout the USA to get at the US press, radio and television. Clearly in a matter of this kind affecting American interests, the US Government would be influenced in their decisions by public opinion.

65. We therefore set in hand a major campaign, conducted throughout the country by the Embassy, BIS New York and the Consulates General. Its specific aims were:

- (a) to persuade the Americans that this was an issue of principle bearing upon them directly; aggression had occurred and if the Argentinians were able to get away with it this could encourage instability in the whole American hemisphere, riddled, as it was, with territorial claims;
- (b) to answer the question why we were prepared to

/go to



go to such lengths for less than 2,000 people at the other end of the world, by pointing out how strongly the Americans had felt about 52 hostages in Iran, and that what was at stake was whether, in the American hemisphere, differences were going to be settled by force, or whether the principle of self-determination, which the USA had pioneered, was going to prevail;

- (c) to rebut the idea that it was a colonial issue, and to remind the Americans that since the end of World War Two we had given a quarter of the world's population independence, but had not transferred a single person against their will to a third power, least of all to a military dictatorship;
- (d) to remind them of the implications for the Alliance;
- (e) to give a warning of the advantages the Soviets could derive from an Argentine victory to which they might well claim they had contributed;
- (f) to make it clear that the UK had the will and ability to restore British administration of the Islands, by force if necessary.

66. We concentrated a lot of effort on television. I gave more than 60 interviews, appearing frequently on programmes seen all over the USA, such as the morning news networks, the McNeill-Lehrer show, ABC's Nightline and the Sunday morning news magazines. As regards radio, BIS New York

/placed



placed 120 items with the major radio networks, covering 7,000 stations.

67. Sympathy and public support could at no stage be assumed. As the prospect of a bloody battle became more likely, the uncertainties in public opinion tended to increase. The subject therefore required constant attention and our campaign continued throughout the 74 days.

68. We levelled a particular campaign at Capitol Hill. In the immediate aftermath of the invasion, I wrote to all members of the House Foreign Affairs and Senate Foreign Relations Committees, as well as the House and Senate leadership (some sixty Members of Congress in all) setting out our case. At the same time, I called on the 24 leading members of the House and Senate to brief them on our position and secure their support. The initial calls were made just before the Easter recess and were followed by other calls immediately after the recess finished. In addition, I and Embassy staff were in daily touch either with Members of Congress, particularly Committee Chairmen, or their staffs. We encouraged those members of the House and Senate who were keen to put down Resolutions in our support to do so and gave informal advice on the drafting.

69. The Administration was initially reluctant to see Congress express a strong view on the Falklands for fear that this would cut across their own efforts to negotiate a peaceful settlement to the dispute. In fact, the growing strength of feeling in Congress undoubtedly influenced the

/Administration



Administration in its decision to come down on our side. The Senate adopted a Resolution supporting Britain on 29 April (the day before the Administration announced its decision to support us actively). The House of Representatives adopted a similar Resolution a few days later.

70. We continued to explain our case daily to Members of Congress to correct misapprehensions and to ensure that Members of Congress understood at each stage the steps we were obliged to take. When the British Government published its proposals for a peaceful settlement on 20 May, I wrote again to all the key Members of Congress sending them the text of our proposals and explaining the reasons why a negotiated settlement had proved impossible. One of the notable features of Congressional support was the extent to which those who are often critical of us over Northern Ireland eg. Senators Kennedy and Moynihan and Speaker O'Neill publicly backed us on the Falklands.

71. British readers may wonder whether such blatant canvassing of Congress might not have been counter-productive as it would have been mutatis mutandis with the House of Commons. But it is one of the facts of American public life that make it so different from ours, that no resentment is aroused there if foreigners try to sell their diplomatic wares, exert pressure, and indeed interfere in their deliberations. On the contrary any inhibition to do so would be regarded as a sign of lack of conviction.

/US SUPPORT



US SUPPORT

72. I think it is worth describing what in practice the offer of US support meant to us. Apart from the obvious political implications, it had far-reaching practical benefits, as follows:


(a) Facilities on Ascension Island

The use of the US Air Force Base on Ascension Island was of course of crucial importance to our whole operation. The Americans could not have denied us the use of this base without infringing the terms of the agreement under which it had been set up. But nothing in the agreement bound them to be as cooperative as they were over the use of the base. They supplied additional accommodation and water purification plants and made available at short notice and as a result of diversion from their own supplies 12.5 million gallons of aviation fuel without which the build-up, surveillance, air-drop and bombing missions supported by tanker aircraft into the South Atlantic could not have taken place.

(b) Military Equipment

The Americans supplied a wealth of important equipment: for instance, the latest version of the Sidewinder air-to-air missile, vital for the Harriers; Harpoon and Shrike missiles; 4,700 tons of airfield matting for the rapid reconstruction of Port Stanley airport; helicopter engines, submarine detection


/devices,



devices, and many other important items of equipment. The Stinger missile, used for the first time in combat, was particularly effective. These supplies were paid for. Many major items of equipment were supplied from the US inventory, often at 24 hours' notice; flexibility was shown over the financial arrangements, and US readiness to meet requests as quickly and helpfully as possible was remarkable. Prior to 30 April some of the officials and military personnel with whom we had dealings showed signs of nervousness. But after that date all reservations disappeared, and those concerned worked night and day processing our requests. Some decisions were taken at the highest level to supply us with equipment out of existing stocks at the expense of US operational requirements. I was in frequent touch with Mr Weinberger, and on the few occasions Pentagon officials queried our requests, he over-ruled them. These equipment supplies were supplemented by technical advice on such matters as fitting missiles to aircraft in service in the South Atlantic, electronic counter-measures, dealing with unexploded bombs in frigates and scattered mines left by the Argentinians.

(c) Communications

Communications between the task force and the UK
/were



were greatly facilitated by the provision of additional channels on US communications satellites. Inevitably some of the channels made available to us in this way were lost to the Americans. Our submarines and other forces could not have operated in the way they did without the use of US satellite communications, enabling us to bottle up the Argentine fleet and maintain the essential secure command and control links for the task force.

(d) Intelligence

American help in this area was significantly in excess of "customary cooperation in accordance with long-standing agreements" which was how the Americans described publicly the nature of these links. The Americans made real sacrifices on our behalf; and what they provided made an important contribution to the conduct of operations. Their readiness to help stemmed in part from an automatic instinct but also was the product of the intelligence relationship which had been nurtured since the Second World War. If the Argentines hoped that their support for US covert activities in Central America would influence US policy in their favour in this intelligence area, they were totally disappointed.

(e) Economic

Up to 30 April, the Americans held back from the economic sanctions imposed by our European and old

/Commonwealth



Commonwealth allies. Thereafter they imposed limited sanctions (suspension of credits etc) which had a limited economic effect, but served as a demonstration of overall support.

(f) Denial of Military Equipment to Argentina

Initially, the Americans sought to restrict the supply of military equipment to Argentina by stepping up the implementation of the restrictions which had been imposed, on human rights grounds, in 1978. We were able to demonstrate that there were important loopholes in the existing embargo. The Administration closed these as quickly and effectively as it could. After 30 April all military exports to Argentina were suspended and certification of Argentine eligibility for military sales was withheld. In addition, the Americans made representations in support of our own approaches to third governments involved in the supply of military equipment to Argentina.

73. Some measure of the significance of US support for Britain over the Falklands is provided by:

- (i) the resentment it caused the Argentinians;
- (ii) an assessment of what would have happened without it; and
- (iii) the precedent of Suez.

I am speaking here, of course, of political as well as materiel support. It would be going too far to say that

/had



had the US remained on the side-lines and not given us the help they did, we could not have repossessed the Islands. But such a US stance would have heartened the Argentinians and exacerbated our problems. We would have taken longer to accomplish the task and suffered greater losses; there would have been considerable damage to US/UK relations and to the Alliance generally.

THE IMPORTANCE OF THE ISSUE FOR US/UK RELATIONS

74. The Falklands crisis was the most important single test of US/UK relations certainly since Suez and possibly since the end of World War Two; and, unlike Suez, the relationship was of great benefit to us in the crisis and has been enhanced by it.

The Way the Closeness of Relations Helped

75. The way in which the relationship helped us over the Falklands illustrates some of its main features:

- (a) (1) The US has special relationships with many countries (eg. FRG, Israel, France); what distinguishes the British connection now, though it has not always been so, and perhaps only for the past 40 years, is collaboration on defence, including nuclear weapons technology, equipment, intelligence, communications, and inter-service exchanges. Some idea of the scale of this intermingling is shown by the fact that at present we have 295 officers and NCOs on liaison, exchanges or projects with the US forces and industry in

/the US.




the US. It is a two-way relationship, particularly in weapon-research and development.

(ii) In the 40-year timescale I am speaking of, the degree of nuclear weapons cooperation has been a sensitive barometer of the relationship: and at the present time, with the Trident project agreed to and the US Government attaching great importance to Britain as a continuing nuclear partner, the barometer is reading high. The Americans are well aware that the future of the Trident programme will turn on the next election in Britain; but few of them find it conceivable that we should choose to abandon nuclear weapons at a time when others - including Argentina - seem so clearly bent on acquiring them.

(iii) This defence connection brought us direct and immediate advantage as soon as the Falklands crisis broke. In the previous section of this despatch I have given some account of the specific support given. We would not have got it in the way we did without that established relationship. The same, of course, applies to the intelligence relationship.

- (b) (i) The other main attribute of the relationship has been the common cultural, demographic and democratic foundation. This subject, a staple of all transatlantic gatherings, has been talked to

/death;



death; but it only needs an issue to arise affecting the interests and sentiments of the two countries, as it did over the Falklands, for it to show its vitality.

(ii) Unlike the Israelis or the Irish or the Greeks, or many other nationalities, there is no organised British lobby in the United States. We have nothing, for instance, to match The Friends of Ireland, a bi-partisan group of Senators and Representatives on the Hill. But whenever I have grumbled about this to my diplomatic colleagues, they have found it laughable, asserting that the whole country is our lobby except for a few dissidents; somewhat on a par with Mrs Kirkpatrick's complaint that the State Department are "Brits in American clothing".

(iii) There have been major changes since the War in the ethnic composition of the American population which have had an important impact on national attitudes. The recent influx of Hispanic people has rivalled the great European migrations of the nineteenth century. The Hispanic population of America has almost doubled in a decade (illegal immigrants alone totalling some 10 million) and could overtake blacks as the largest minority group by the end of the century. The East coast Establishment no longer runs the country. Texans

/and



and Californians, who are very conscious of the USA as a Pacific power and of Mexico and Central America to the South, wield great influence. But the basic identity of the country remains an Anglo-Saxon one, with the English language and Anglo-Saxon traditions continuing to provide the pattern to which recent arrivals seek to conform, and our relations with those responsible for the conduct of public affairs have remained just as close as in the past. In fact, oddly enough, it is the Wasps of the Eastern seaboard, such as Franklin D Roosevelt and John Foster Dulles rather than the Kissingers or Brzezinskis, who have tended to scoff at the emotional baggage of the special relationship, seeing in it an impediment to the hard calculation of America's interest.

(iv) This does not mean that an anti-British seam does not run through American life, made up of many elements. But when the crunch comes, as it did over the Falklands, there is bedrock to fall back upon. An example came my way when I was talking at the height of the crisis to a member of the Senate Foreign Relations Committee. In response to my view that the issue was about aggression, and whether it should be tolerated in the Western hemisphere, the Senator demurred. Do you think, he asked rhetorically, that if the Falkland Islands had

/belonged



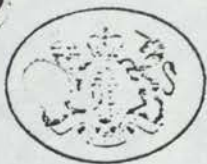
belonged to Brazil rather than to you, and Argentina had invaded them, the US would have reacted in the way they have done? It is because you are British, with all that that means in this country, that we have supported you.

The Effect of the Falklands Outcome on the Relationship

76. If you look at the other side of the coin and see what the Falklands outcome has done to the relationship between the two countries, the conclusion may look slightly different from opposite sides of the Atlantic. Seen from Britain, there may be doubts about the US role, at least in the early stages. Their initial impartiality was regarded by many in Britain as weak, and by some as disloyal to an ally. Their obsessive concern with Latin American relationships and their apparent readiness to put these ahead of, or at least on a par with, their European relationships, seemed incomprehensible to many at home. The twists and turns of US policy through the crisis left more than a shadow on the reputation of the Reagan Administration and brought more sharply home than anything else had done that in terms of coherence in foreign policy there was little to choose between it and its predecessor. These impressions were particularly strong among those who could not know about the substantial materiel help the Americans had been giving us behind the scenes from the outset.

77. The crisis also gave emphasis to the diffuse US decision-making process: the post-Vietnam-Watergate weakening of

/the



the executive; and the struggle for influence between the different branches of the executive. I doubt whether there is going to be any early remedy for this; there is certainly no easy prescription for foreign governments in dealing with it. But let us not depress ourselves into thinking that we are facing a new problem. I have come across a report from the US Embassy in London of 7 January 1950, that according to the US Archives was read with great interest by President Truman, containing the following as one of the main causes for the strain in US/UK relations: "The British have never really understood how policy is arrived at in US, and are often disconcerted by the confusion which appears to surround American foreign policy making. They are therefore often unduly worried ...".

78. Judged from this side of the Atlantic, the outcome was favourable to our interests. For a long time Britain has been identified with decline in the American press and in the mind's eye of many people here - a deterioration not just in industrial output but in national will, in the essential dash and doggedness that were regarded by Americans as a hallmark of the British character. Well, the Falklands have corrected that. They have shown that we are prepared to stand up for our rights and for certain beliefs, even at the risk of human life; and that we have the will and professionalism needed for success. In the early days of the operation so many wiseacres here were expressing, in private and public, advice as grave as it was expert,

/about



about the hazards of undertaking a reoccupation of the Islands. The results demonstrated how they had underestimated contemporary Britain. This will have left a mark.

79. I should interject here that if we are to derive due benefit from the successful outcome, we must as soon as possible and in the fullest manner let the US authorities have an account of the lessons of the whole military operation - to include everything from command and control, tactics, communications and logistics to weapons performance. This will be to our interest, not simply for the increased sales of military equipment that may follow, but in terms of the overall defence connection.

80. On our role as a defence partner, which, as I have suggested, is the rock upon which the relationship is founded, the Falklands outcome has made a particular impact. The Americans do not take naturally to the role of world policeman and were distressed when we ceased to be alongside them in this task. As Henry Kissinger said in his recent lecture in Chatham House:

"It is beyond the psychological resources of the United States - not only the physical - to be the sole or even the principal centre of initiative and responsibility in the non-Communist world. (This is one reason why I always favored the independent British and French nuclear deterrents.)"

81. I do not want to suggest that through our Falklands
/operation




operation the Americans hope that we are showing a readiness to play a world role once again but in their eyes there is a good deal that can be done "out of area" that does not necessarily imply a full global responsibility. They believe that by our successful operation 8,000 miles away from the home base we have shown a capability that is both relevant to their own tasks with the Rapid Deployment Force and to the partnership between us for the defence of Western security.

The Future

82. The Falklands have given a fillip to our relations. How long it lasts will depend on what happens in many areas, and in particular on how the current trans-Atlantic tensions are handled on both sides. Differences of view and of interest on major economic issues, eg. steel, economic relations with the Soviet bloc and protectionism, could affect the gains from the Falklands. We have also to bear in mind the unequal balance and the changing pattern, economic and political, as between us and the USA.

83. The Americans are little aware of these changes. Few realise that in the past 25 years there has been a complete reversal in the relative economic strength of the USA and the Ten. In 1955 the ten countries that now make up the Community had a gross domestic product that was only about half that of the USA; by 1980 it was already larger. Moreover - a significant pointer to the future development of their respective economic strength - the Ten already invest more than the United States, and they are increasing their

/investment



investment at a faster rate. Above all, the USA is now much more dependent on foreign trade than even a decade ago. Today about one job in eight in the USA depends on exports: exports of agricultural products and raw materials have increased six times in the last ten years. In the same period American assets abroad have increased five times. Even those Americans that understand these trends have not yet fully thought through the implications that they will have for the future of the Transatlantic relationship.

84. Within this broad picture, our own national wealth, though it has grown, is now less than that of France and of the Federal German Republic. This weakness, though it is only comparative, has a bearing on the USA's attitude to us as an ally. But we still have far larger direct investments in the USA than any of our trading partners; and we now provide the Americans with nearly 10% of their crude oil imports. In addition we spend as much on defence as any other of America's allies (except perhaps the Germans) and decidedly more in relation to our national wealth. These are positive assets to balance the others.

CONCLUSION

85. From my two tours in Washington, spread over 35 years, and from the intense experience of the Falklands crisis, I am convinced that there is something particular about our relationship that transcends matters of immediate economic and military concern. This does not mean that we do not have conflicts of interests or disputes. But it is not

/like



like dealing with any other foreign power. We can and do discuss problems without fear of offence and in a spirit that seeks compromise rather than confrontation. There is nothing to match it in our relations with any other major country. Membership of the EC has not weakened our bilateral political relationship with the USA, whatever the initial fears, but it does mean that we are members of a club that has even more economic weight than the USA. I am in no doubt about the compulsion of our membership of the European Community; but now, after three years in Washington, I do not consider, any more than I did before, that it is incompatible with our close bilateral relations with the USA.

86. I am sending copies of this despatch (without enclosures) to the Home Secretary, the Secretary of State for Defence, the Chief of the Defence Staff, the Secretary of the Cabinet, and Her Majesty's Representatives at all EC posts, UKMis New York and UKDel NATO.

I have the honour to be,
Sir,
Your obedient Servant

Nicholas Henderson

Nicholas Henderson

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GRS 876
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FM FCO 091530Z SEPT 82
TO IMMEDIATE ABIDJAN
TELEGRAM NUMBER 129 OF 9 SEPTEMBER
AND TO CERTAIN OTHER MISSIONS
FALKLANDS ISLANDS AT UN GENERAL ASSEMBLY

1. WE ANTICIPATE A DIFFICULT DEBATE ON THE FALKLANDS AT THIS YEAR'S GA AND WE SHALL BE LOOKING TO FRIENDLY GOVERNMENTS TO SHOW THEIR UNDERSTANDING FOR OUR POSITION AND THEIR SUPPORT FOR IMPORTANT PRINCIPLES OF INTERNATIONAL BEHAVIOUR. DISCUSSIONS HAVE TAKEN PLACE AND WILL CONTINUE IN THE TEN AND WITH THE AMERICANS AND MESSAGES HAVE GONE TO FOREIGN MINISTERS OF THESE COUNTRIES. THIS TELEGRAM PROVIDES BACKGROUND FOR POSTS IN OTHER FRIENDLY COUNTRIES AND A LINE TO TAKE WITH THE GOVERNMENTS CONCERNED. POSTS SHOULD TAKE EARLY OPPORTUNITIES TO PUT OVER OUR VIEWS TO COUNTERACT THE ARGENTINE CAMPAIGN REFERRED TO BELOW. MULTIPLY ACCREDITED POSTS SHOULD TAKE ACTION IN THEIR OTHER COUNTRIES ACCORDING TO OPPORTUNITY. WASHINGTON, MADRID, EC POSTS AND POSTS IN LATIN AMERICA SHOULD REGARD THIS TELEGRAM AS BEING FOR INFORMATION ONLY. IT IS LIKELY THAT HIGH LEVEL MESSAGES WILL BE SENT LATER, FIRSTLY TO FRIENDLY GOVERNMENTS IN THE NON-ALIGNED MOVEMENT (NAM) BEFORE A MEETING OF THE COORDINATING BUREAU OF THE NAM WHICH WE EXPECT TO TAKE PLACE IN NEW YORK TOWARDS THE END OF SEPTEMBER AND WHERE THERE WILL BE A DANGER OF A FURTHER PRO-ARGENTINE TEXT BEING ADOPTED ON THE FALKLANDS, AND, LATER, TO A WIDER SELECTION OF GOVERNMENTS IN TIME FOR THE FALKLANDS DEBATE AND THE VOTE.

2. AT MEXICAN INITIATIVE ALL THE SPANISH-SPEAKING LATIN AMERICAN FOREIGN MINISTERS AND BRAZIL HAVE PROPOSED THE INCLUSION OF A NEW ITEM ON THE FALKLANDS IN THE AGENDA OF THE GENERAL ASSEMBLY. ARGENTINA IS CIRCULATING A DRAFT RESOLUTION WHICH RECALLS NAM PRONOUNCEMENTS WHICH SUPPORT ARGENTINE

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SOVEREIGNTY

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SOVEREIGNTY AND DENY THE ISLANDERS' RIGHT TO SELF-DETERMINATION AND CALLS ON BRITAIN AND ARGENTINA TO BEGIN NEGOTIATIONS TO FIND AN EARLY PEACEFUL SOLUTION TAKING ACCOUNT OF PREVIOUS GA RESOLUTIONS (WHICH WE DID NOT SUPPORT) AND NAM PRONOUNCEMENTS. IT CALLS ALSO FOR A RENEWAL OF THE SECRETARY-GENERAL'S GOOD OFFICES MISSION AND REQUESTS HIM TO REPORT BACK TO THE GA AT ITS 1983 SESSION. (THE DRAFT RESOLUTION INEVITABLY FAILS TO MENTION THE PRINCIPLES OF NON-USE OF FORCE AND SELF-DETERMINATION.)

3. ARGENTINA HAS SENT OFFICIAL MISSIONS TO VARIOUS PARTS OF THE WORLD TO CANVASS SUPPORT FOR THIS APPROACH. PRESENT INDICATIONS ARE THAT A NUMBER OF COUNTRIES ARE INITIALLY INCLINED TO SUPPORT A RESOLUTION CALLING FOR NEGOTIATIONS. SOME COUNTRIES ARE ALSO CONSIDERING WAYS IN WHICH THE TEXT COULD BE MADE LESS OBJECTIONABLE TO US. WE DO NOT WELCOME THIS. WE SHALL VOTE AGAINST ANY DRAFT THAT CALLS ON US TO NEGOTIATE AND HAVE A MUCH BETTER CHANCE OF DISCOURAGING OTHERS FROM SUPPORTING IT IF THE OTHER OBJECTIONABLE FEATURES REMAIN.

4. IN ADDITION TO THE DEBATE PROPOSED BY MEXICO, WHICH MAY TAKE PLACE EITHER IN PLENARY OR THE FOURTH COMMITTEE, THERE WILL BE FURTHER DISCUSSION IN THE FOURTH COMMITTEE WHICH WILL HAVE BEFORE IT A REPORT BY THE COMMITTEE OF 24. THIS COMMITTEE DISCUSSED THE FALKLANDS ON 19/20 AUGUST AND ADOPTED A PURELY PROCEDURAL DECISION KEEPING THE QUESTION UNDER REVIEW.

LINE TO TAKE

5. WE WILL NOT OPPOSE DISCUSSION OF THE FALKLANDS ITEM AT THE GA AS PROPOSED BY THE LATIN AMERICANS. WE HAVE NOTHING TO HIDE AND SHALL HAVE A GREAT DEAL TO SAY.

6. THE UK WILL HOWEVER FIRMLY OPPOSE ANY RESOLUTION CALLING ON US TO NEGOTIATE WITH ARGENTINA. PARLIAMENTARY AND PUBLIC OPINION WOULD NOT TOLERATE IT. NEGOTIATIONS WERE IN TRAIN WHEN ARGENTINA INVADED. THEREAFTER SHE DEFIED A MANDATORY SECURITY COUNCIL DEMAND (RESOLUTION 502) TO WITHDRAW, AND HAS STILL REFUSED FORMALLY TO DECLARE THAT HOSTILITIES ARE AT AN END. THE ECONOMIC AND HUMAN COSTS TO BRITAIN OF

/REOCCUPATION

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REOCCUPATION HAVE BEEN HIGH. THE PHYSICAL AND PSYCHOLOGICAL EFFECTS, SUCH AS INDISCRIMINATELY SCATTERED ARGENTINE MINES, WILL LONG REMAIN WITH THE ISLANDERS. IN THE CIRCUMSTANCES, AND GIVEN THE FACT THAT ARGENTINA HAS ALWAYS USED NEGOTIATIONS TO PURSUE THE SOLE PURPOSE OF TRANSFER OF SOVEREIGNTY, NO-ONE SHOULD THINK THAT NEGOTIATIONS BETWEEN BRITAIN AND ARGENTINA OFFER A REALISTIC WAY AHEAD FOR THE FORESEEABLE FUTURE. WE TRUST THIS POSITION WILL BE WIDELY UNDERSTOOD BY COUNTRIES WHICH HAVE BEEN SYMPATHETIC SINCE THE INVASION.

7. THE MEXICAN/ARGENTINE DRAFT RESOLUTION IS DEFECTIVE IN OTHER RESPECTS TOO. THE REFERENCES TO PREVIOUS GA RESOLUTIONS (GUIDANCE TELNO 93) AND NAM PRONOUNCEMENTS ARE UNWELCOME. BUT EVEN IF THEY WERE REMOVED AND THE SUGGESTION OF A TIMETABLE FOR NEGOTIATIONS ABANDONED WE WOULD STILL VOTE AGAINST ANY RESOLUTION WHICH CALLED ON US TO NEGOTIATE WITH THE ARGENTINES AND FAILED TO ACCORD THE RIGHT OF SELF-DETERMINATION TO THE FALKLAND ISLANDERS.

8. WE RELY ON OUR FRIENDS NOT TO SUPPORT SUCH A RESOLUTION. IT WOULD ALSO BE HELPFUL IF FRIENDLY GOVERNMENTS COULD CONFIRM THEIR POSITION ON FUNDAMENTAL UN CHARTER PRINCIPLES SUCH AS THE NON-USE OF FORCE AND SELF-DETERMINATION IN THEIR OWN NATIONAL INTERVENTIONS DURING THE FALKLANDS DEBATE.

9. IN 1976 THE LAST OCCASION WHEN THE GA DEBATED A RESOLUTION ON THE FALKLANDS, 32 COUNTRIES ABSTAINED (WE VOTED AGAINST), INCLUDING THE REST OF THE NINE, THE NORDICS, AUSTRIA AND PORTUGAL, 15 COMMONWEALTH, JAPAN, ZAIRE AND THE UNITED STATES. AFTER THE EVENTS OF THIS YEAR WE COULD NOT UNDERSTAND HOW THESE OR OTHER FRIENDLY GOVERNMENTS COULD SUPPORT AN ARGENTINE RESOLUTION.

PYM

FALKLAND ISLANDS GENERAL

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Mr. COLIN ROTH, LAEPD, ODA
~~MR. BROWN~~, LAEPD, ODA.
MRS. M. PATTERSON,

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FROM WASHINGTON 092329Z SEP 82.
TO IMMEDIATE F C O
TELEGRAM NUMBER 2996 OF 9 SEPTEMBER
INFO IMMEDIATE UKMIS NEW YORK.

Read in full.

YOUR TELNO 1660

MS

FALKLANDS: GENERAL ASSEMBLY.

1. WE SPOKE URGENTLY TO SHAW SMITH (STATE DEPARTMENT DIRECTOR FOR SOUTHERN CONE AFFAIRS), EXPRESSING OUR CONCERN ABOUT THE SECTION ON THE FALKLANDS CONTAINED IN THE BRIEFING PAPER SENT TO US MISSIONS ABROAD. WE EXPLAINED THE DIFFICULTIES WHICH WOULD ARISE IF THE AMERICANS WERE TO EXPRESS WILLINGNESS TO SUPPORT A UN RESOLUTION CALLING UPON HMG TO NEGOTIATE WHILE WE SIMULTANEOUSLY INSISTED THAT WE WOULD OPPOSE ANY SUCH RESOLUTION. WE UNDERSTOOD US CONCERN ABOUT THEIR RELATIONS WITH LATIN AMERICA BUT THEIR GUIDANCE PAPER WAS LIKELY TO HAVE THE EFFECT OF ENCOURAGING THE LATINS TO PRESS AHEAD WITH THEIR UN INITIATIVE ON TERMS UNACCEPTABLE TO US.

2. SHAW SMITH CLAIMED THAT THE GUIDANCE MATERIAL WAS PRIMARILY TO BE USED ONLY ON AN 'IF ASKED' BASIS. HE INSISTED, HOWEVER, THAT WHEN ASKED, THE AMERICANS HAD TO EXPLAIN TO THEIR INTERLOCUTORS WHAT THEIR POSITION WAS. WE URGED THAT US MISSIONS SHOULD BE INSTRUCTED NOT TO USE THE SECTION ON THE FALKLANDS.

3. WE HAVE SPOKEN ALSO TO BLACKWILL (DEPUTY ASSISTANT SECRETARY FOR EUROPE). HE HAS TOLD US (PLEASE PROTECT) THAT THERE IS A CONTINUING ARGUMENT BETWEEN EAGLEBURGER AND ENDERS ON THIS SUBJECT. THE EUROPEAN BUREAU OF THE STATE DEPARTMENT DO NOT THEMSELVES BELIEVE THAT IT WOULD BE REASONABLE FOR THE AMERICANS TO OPPOSE A RESOLUTION SIMPLY CALLING FOR THE RESUMPTION OF NEGOTIATIONS WITH NO TIME LIMIT FOR THEIR COMPLETION (AND NOT PRE-JUDGING THE QUESTION OF SOVEREIGNTY). ENDERS, HOWEVER, WISHES TO GO FURTHER THAN THIS AND TRY TO CONCOCT WITH THE LATINIS A RESOLUTION WHICH THE AMERICANS COULD SUPPORT. THE EUROPEAN BUREAU DO NOT SEEM TO BE HAVING MUCH SUCCESS IN RESTRAINING HIM. THOMAS WILL RAISE THIS WITH EAGLEBURGER WHEN HE SEES HIM ON 11 SEPTEMBER.

4. THE ARGENTINIANS, MEANWHILE, HAVE HANDED OVER AN AIDE MEMOIRE HERE SEEKING US SUPPORT FOR A DRAFT RESOLUTION WHICH WOULD:-

A) URGE THE GOVERNMENT OF ARGENTINA AND THE UNITED KINGDOM TO START NEGOTIATIONS AIMED TOWARDS REACHING A PEACEFUL SOLUTION AT THE EARLIEST DATE TO THE DISPUTE CONCERNING SOVEREIGNTY, KEEPING IN MIND THE RELEVANT UN GENERAL ASSEMBLY RESOLUTIONS.

B) REQUEST THAT THE SECRETARY GENERAL, ON THE BASIS OF THE RESOLUTION TO BE ADOPTED, INITIATE A RENEWED MISSION OF GOOD OFFICES TO ASSIST THE PARTIES.

5. THE AMERICANS WOULD NOT BE LIKELY TO GO ALONG WITH SUCH A RESOLUTION AS IT STOOD, GIVEN THE REFERENCES TO UNGA RESOLUTIONS. THE LATINO LOBBY HERE WILL NO DOUBT BE TRYING TO GET THESE REFERENCES DELETED.

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GRS 293
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FM FCO 091715Z SEPT 82
TO FLASH WASHINGTON
TELEGRAM NUMBER 1660 OF 9 SEPTEMBER
INFO IMMEDIATE UKMIS NEW YORK
MY TELNO 1615: FALKLANDS: GENERAL ASSEMBLY

MT

Read in full.

Disturbing.

Mr. 19.

1. US EMBASSY HAVE SHOWN US A COPY OF A PAPER ON A RANGE OF ISSUES WHICH WILL BE BEFORE THE COMING SESSION OF THE GENERAL ASSEMBLY WHICH THE STATE DEPARTMENT HAVE SENT TO ALL AMERICAN EMBASSIES FOR THEM TO USE IN REVIEWING THE PROSPECTS WITH THEIR HOST GOVERNMENTS. IN THE SECTION OF THIS PAPER ON SUBJECTS WHICH POSTS ARE GIVEN DISCRETION TO RAISE OR NOT THERE IS A PASSAGE ON THE FALKLANDS WHICH STATES THAT QUOTE THE UNITED STATES IS PREPARED TO VOTE FOR A MODERATE RESOLUTION WHICH (1) DOES NOT, REPEAT NOT, PREJUDGE THE SOVEREIGNTY ISSUE, AND (2) DOES NOT, REPEAT NOT, IMPOSE AN UNREALISTIC DEADLINE FOR NEGOTIATIONS UNQUOTE. THIS CLEARLY IMPLIES THAT THE UNITED STATES IS WILLING TO VOTE FOR A RESOLUTION CALLING UPON US TO NEGOTIATE PROVIDED IT MEETS THESE TWO CRITERIA. AS YOU KNOW, WE INTEND TO VOTE AGAINST ANY RESOLUTION CALLING ON US TO NEGOTIATE. WE ARE IN THE PROCESS OF INSTRUCTING POSTS TO EXPLAIN OUR POLICY AND ARE CONCERNED TO FIND THAT AMERICAN EMBASSIES ARE SIMULTANEOUSLY EXPLAINING A VERY DIFFERENT AMERICAN POSITION. HOST GOVERNMENTS WILL CLEARLY BE LESS DISPOSED TO ACCEPT THE REASONABLENESS OF OUR POSITION IF THEY ARE GIVEN THE IMPRESSION THAT WE HAVE NOT BEEN ABLE TO PERSUADE OUR AMERICAN ALLIES OF IT.
2. WE HAVE EXPRESSED OUR CONCERN TO THE AMERICAN EMBASSY WHO HAVE PASSED IT ON TO THE STATE DEPARTMENT, WHERE ENDERS WAS ABOUT TO HOLD A MEETING CONCERNING THESE MATTERS. GRATEFUL IF YOU WOULD REITERATE OUR CONCERN AT A HIGH LEVEL AND ASK THE STATE DEPARTMENT TO INSTRUCT ITS POSTS

CONFIDENTIAL

CONFIDENTIAL

22284 - 1

TO TAKE NO ACTION ON THIS SECTION OF THEIR INSTRUCTIONS UNTIL
THEY AND WE HAVE RESOLVED OUR DIFFERENCES.

PYM

[COPIES SENT TO NO 10 DOWNING ST]

FALKLAND ISLANDS GENERAL
FCO
FALKLANDS UNIT
CABINET OFFICE

ADDITIONAL DISTN
FALKLAND ISLANDS

RESTRICTED

HL

Argentina

B.H.
9 September 1982

When Lord Shackleton called on the Prime Minister this evening he said that he understood that the Falkland Islanders would have to purchase their own copies of his recent Report. The Prime Minister feels that we should make available a sufficient number of free copies for every head of family in the Islands to have one. I should be most grateful if this could be taken up urgently and the Civil Commissioner given guidance accordingly.

JOHN COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

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ALF HK

subject



Shackleton

10 DOWNING STREET

From the Private Secretary

9 September 1982

Dear John,

①

Call on the Prime Minister by Lord Shackleton

Lord Shackleton called on the Prime Minister this evening. The Prime Minister said that she had wished to see him before the publication of his Report. She was most grateful for the document, for its comprehensiveness and the speed of its delivery. Its realism was a point in its favour. Lord Shackleton said that his team had taken the view that if they were to err at all, they should do so on the side of realism. It might be that some areas of the Falklands' economy, for example tourism, would do better than the Report suggested.

Lord Shackleton said that he doubted whether the companies involved would welcome the recommendation that their land be compulsorily purchased. But something was necessary to prevent the drain of resources from the Islands. He had been careful not to talk in his Report of nationalisation; the aim was to put the land in the hands of private owners. The Prime Minister commented that she had indeed wondered whether the method proposed was the best one. It might be better to provide potential purchasers with the money to buy land from the present owners at an agreed price. Lord Shackleton admitted that the details of his scheme had not been fully worked out and the particular solution he had proposed was not necessarily the right one. He could not be sure that the number of Islanders who wished to purchase land would be sufficient but he judged that a certain number would wish to do so.

There was a brief exchange about a Falkland Islands Office. The Prime Minister said that we had taken the view that this question was connected with that of a Falkland Islands Development Agency. She doubted whether a Falkland Islands Office could be established independently of the Foreign and Commonwealth Office. Lord Shackleton appeared to accept this point but argued that the office should be physically distinct from the Foreign and Commonwealth Office.

The Prime Minister gave Lord Shackleton an advance copy of the statement which the Government would make to the press when his Report was published. He was glad to know, in addition, that the Civil and Military Commissioners had warmly welcomed his Report and hoped that this could emerge in the guidance we would be giving to the press. The Prime Minister undertook that this would be done.

SW

RESTRICTED

/ Lord Shackleton

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-2-

Lord Shackleton said that, while further action on his recommendations was of course a matter for the Government, he wished to make it plain that if he could be of any further help, he would of course be available. For example, he imagined that the Civil Commissioner would need to assess the reactions of the Islanders to his recommendations. If he could be of assistance in discussing the Report with the Islanders, he would be glad to offer his services.

In a brief exchange about the 150th anniversary celebrations in Port Stanley in February, the Prime Minister suggested that it would be very appropriate for Lord Shackleton to be among those attending.

Finally, Lord Shackleton said that his understanding was that ECGD guarantees were not operating in relation to the Falkland Islands at present (though he understood that they would become available at a later date). I should be grateful to know the position on this point.

I am copying this letter to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours are

John Holmes.

John Holmes, Esq.,
Foreign and Commonwealth Office.

RESTRICTED



A.S.C. 9/4.

MS

PRIME MINISTER

ARGENTINA: ECONOMIC RESTRICTIONS

When we spoke on the telephone last night I explained the position we had reached in the negotiations with the Argentine delegation through our US intermediary. We discussed the final terms of the understanding and you agreed that we should settle on these terms.

2. I now attach copies of the Memorandum exchanged with the Argentine representatives and the covering letters which McNamar of the US Treasury sent to both sides. The latest indication is that the Argentine Central Bank may be ready to exchange telexes on 12 September with the Bank of England to agree a time for implementation on 13 September. However these and other matters relating to implementation are now being worked out: we shall keep you in touch with what is proposed.

3. I should record that in relation to paragraph 6 of the Memorandum we obtained an assurance from McNamar that Secretary Regan would respond favourably to a letter from me asking the US authorities to use their good offices on the question of trade restrictions as early as reasonably possible. I attach a copy of the letter I have now sent to Regan: it was agreed in draft with the Department of Trade.

4. Some of the language of the Memorandum is rather curious: this reflects the difficulties of drafting such a text without direct contact. But the meaning is clear. The last two sentences of paragraph 4 are of course a nonsense, but one which seems harmless, and was our way of getting rid of an Argentine requirement, which would have been objectionable and discriminatory, for special returns from British businesses. The key point is that the final



memorandum requires the withdrawal of the Argentine supervisors now in UK businesses there.

5. Copies of this minute and its enclosures go to the Foreign and Commonwealth Secretary, the Secretary of State for Trade, the Governor of the Bank of England, and Sir Robert Armstrong.

GEOFFREY HOWE

8 September 1982



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

September 7, 1982

Dear Sir Geoffrey:

After our discussions, it is my understanding that if the U.K. acts as in the attached memorandum, the Argentine authorities will do likewise.

Sincerely,

R. T. McNamar
R. T. McNamar

The Right Honorable
Sir Geoffrey Howe, QCMP
Chancellor of the
Exchequer
United Kingdom

Attachment

TOP SECRET



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

September 7, 1982

Dear Minister Wehbe:

After our discussions, it is my understanding that if Argentina acts as in the attached memorandum, the U.K. authorities will do likewise.

Sincerely,

R. T. McNamar

The Honorable
Jorge Wehbe
Minister of Finance
and Economy
Argentina

Attachment

TOP SECRET

MEMORANDUM ON THE RECIPROCAL REMOVAL OF RESTRICTIONS

- o 1. The United Kingdom and Argentina will proceed to a reciprocal ending of financial restrictions as a contribution to problems affecting the international financial community.
- o 2. The United Kingdom Government would prefer a reciprocal and simultaneous removal of all economic restrictions between the two countries, except those on the sale of arms. The Argentine financial authorities wish to limit this stage in the removal of restrictions to specifically financial matters.
- o 3. The United Kingdom authorities will discontinue the financial restrictions affecting the operations of Argentine institutions, nationals and residents imposed on 2 April 1982 and subsequently. The Argentine authorities will discontinue the corresponding financial restrictions adopted by Argentina on 3 April 1982 and subsequently.
- o 4. Specifically, the Argentine authorities will remove discriminatory financial restrictions against the United Kingdom, including financial restrictions on UK businesses in Argentina. This will, for example, apply to financial services as to other businesses. Any official observers or supervisors operating in UK businesses in Argentina as a result of the discriminatory restrictions on those

businesses will be withdrawn and in the future the supervision of U.K. businesses in Argentina will be made through the external audit of the published reports of U.K. businesses. The same principle will apply to Argentine businesses in the United Kingdom.

5. The Argentine financial authorities are able to give an assurance that there will be no discrimination against U.K. banks, whether on a restructuring of debt or elsewhere. The application of this principle will mean that in relation to overdue payments of interest and principal the U.K. banks will be restored to the position which they would have enjoyed if, since 1 April 1982, they had been treated no less favourably than other non-Argentine banks.

6. The United Kingdom Government notes the statement of the Argentine authorities that the good offices of the United States authorities are welcome so as to consider, at a proper moment, reciprocal lifting of trade restrictions.

7. The United Kingdom Government will notify the Argentine authorities of the time and date on which they will discontinue their financial restrictions in accordance with this memorandum. The Argentine authorities will then arrange to discontinue their financial restrictions in accordance with this memorandum at the same time.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Hon Donald Regan
Secretary
US Treasury
Washington DC 20220

8 September 1982

Dear Don

ARGENTINA

In the course of Tim McNamar's discussions in Toronto with the Argentine delegation about the reciprocal ending of sanctions between the United Kingdom and Argentina, the Argentine representatives said that "the good offices of the United States authorities are welcome, to consider, at a proper moment, reciprocal lifting of trade restrictions". We included in the Memorandum, which was the final basis of agreement, a paragraph noting this statement.

2. As you know, we would be glad to remove all remaining restrictions (other than the trade in arms) between Argentina and ourselves. The Argentines were however not ready to go beyond the ending of financial sanctions. In accordance with an understanding we reached with Tim McNamar, I am writing to ask if you would be ready to take up the Argentine suggestion that they might welcome your good offices at a reasonably early date, and seek a reciprocal removal of trade restrictions (except on arms) as speedily as may be. It seems to us, as I think it did to Tim McNamar, that the general context of the preparations for the GATT Ministerial meeting would be an appropriate one, just as the IMF context was helpful on financial restrictions. We would however very much hope that the November GATT meeting itself would be the latest point for the removal of the trade restrictions and that this could rather be linked to an appropriate preparatory stage in late September or October. I am sure you would agree that it is desirable to keep up the momentum of a return to normality for the Argentines whether in the area of debt rescheduling and an IMF application, or in getting rid of trade restrictions between Argentina and the UK.

3. We are still very much concerned about the Argentine restrictions on UK air services, which are in breach of the ICAO agreement on overflying. It has not so far been possible to make any progress on this but we intend to return to that too at a later stage.



4. May I take this opportunity to express my very warm thanks to you for making Tim McNamar available for this exercise in Toronto, and to him for his tireless efforts there.

With very good will

Yours

Geoffrey Howe
—

GEOFFREY HOWE

CAN YOU ASK IF OTTAWA CAN CLOSE PSE ? K

GOT ABOUT ANOTHER 3 FOR YOU ALL FROM OTT

(Secretary)

Hd ERD

Hd SAND

Hd FID

PS/15

PS/M Riffkind

PS/M Onslow

PS/PVS

M Hammy

M Thomas

M Griffard

M Vre

RC ~~A)~~ NODS.

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OO F C O DESKBY 080800Z

GRS 340

CONFIDENTIAL

DESKBY 080800Z

FM OTTAWA 070240Z SEP 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 435 OF 07 SEPTEMBER

INFO ROUTINE UKDEL IMF/IBRD WASHINGTON

ms

FOLLOWING FROM UK DELEGATION TO IMF/IBRD ANNUAL MEETINGS,
TORONTO.

IMF: ARGENTINA

1. THE MANAGING DIRECTOR HELD A SHORT INFORMAL MEETING WITH EXECUTIVE DIRECTORS ON SEPTEMBER 7 TO PUT THEM IN THE PICTURE ON ARGENTINA. THE ARGENTINE DELEGATION HAD CALLED ON HIM THAT MORNING AND INDICATED THAT - SUBJECT TO FINAL POLITICAL APPROVAL IN BUENOS AIRES - THEY WISHED A FUND MISSION TO BE SENT TO NEGOTIATE AN ECONOMIC PROGRAMME. THE ARGENTINE DELEGATION HAD ALSO SHOWN HIM THE TEXT OF A PRESS NOTICE WHICH THEY WISHED TO ISSUE SHORTLY (TEXT IN MIFT). HE FELT THAT THE TERMS OF THIS NOTICE WERE SATISFACTORY AND ADEQUATELY PROTECTED HIS POSITION. HE THOUGHT HOWEVER THAT DIRECTORS SHOULD HAVE AN OPPORTUNITY TO SEE IT.

2. IAREZZA (ARGENTINA) EXPLAINED THAT THEY HAD SOUGHT THE MANAGING DIRECTOR'S CONCURRENCE TO THE PRESS NOTICE BECAUSE THEY WANTED TO SHOW IT TO CERTAIN COMMERCIAL BANKS. THEY BELIEVED THAT THIS WOULD HELP TO ENABLE THEM TO RE-ENTER THE MEDIUM-TERM MARKET AND IMPROVE THE PROFILE OF THEIR DEBT, AND ALSO TO GET THEM

MARKET AND IMPROVE THE PROFILE OF THEIR DEBT, AND ALSO TO GET THEM THROUGH THE COMING PERIOD.

3. THOSE DIRECTORS WHO COMMENTED OBSERVED THAT THE REFERENCE IN THE PRESS NOTICE TO THE MD'S POSITION WAS RIGHTLY QUALIFIED AND NO OBJECTION COULD BE RAISED TO IT. THEY WONDERED HOWEVER WHETHER IT WOULD BE MORE EFFECTIVE IF IT WERE ISSUED AFTER FINAL POLITICAL APPROVAL HAD BEEN OBTAINED, SO THAT THE LAST SEVEN WORDS COULD BE OMITTED. ROBICHEK (STAFF) EXPLAINED THAT THIS WAS BEING DONE TO ENABLE THE NOTICE TO BE USED IN DISCUSSION WITH BANKS IN TORONTO BEFORE THE DELEGATION RETURNED TO BUENOS AIRES.

4. AFTER THE MEETING THE MANAGING DIRECTOR TOLD ANSON PRIVATELY THAT HE HAD MADE IT CLEAR TO THE ARGENTINE MINISTER THAT ONE OF THE CONDITIONS MUST BE THAT ARGENTINA SHOULD REMOVE DISCRIMINATORY RESTRICTIONS AFFECTING THE UK. THE MINISTER HAD SAID THAT HE CLEARLY UNDERSTOOD THIS.

MORAN

NNNN

UK Argentina @ Lake's

PRIME MINISTER

*pm sea
PA*

The Chancellor can be contacted in Toronto until 1145 p.m. If you do not ring him he may try to ring from the airport about 0010 a.m.

It is becoming known in Toronto that a deal on these lines is close to completion and the Chancellor is, therefore, considering saying "snap to it" before leaving Toronto.

FERB

7 September 1982

MEMORANDUM ON RECIPROCAL REMOVAL OF RESTRICTIONS

1. The United Kingdom and Argentina will proceed to a reciprocal ending of financial restrictions as a contribution to problems affecting the international financial community.
2. The United Kingdom would prefer a reciprocal and simultaneous removal of all economic restrictions between the two countries except those on the sale of arms. The Argentine financial authorities wish to limit this stage in the removal of restrictions to specifically financial matters.
3. The United Kingdom authorities will discontinue the financial restrictions affecting the operations of Argentine institutions, nationals and residents imposed on 2 April 1982 and subsequently. The Argentine authorities will discontinue the corresponding financial restrictings adopted by Argentina on 3 April 1982 and subsequently.
4. Subsequently, the Argentine authorities will remove the discriminatory financial restrictions against the United Kingdom, including financial restrictions on UK businesses in Argentina. This will, for example, apply to financial services as to other businesses. Any official observers or supervisors operating in UK businesses in Argentina as a result of the discriminatory restrictions of those businesses will be physically withdrawn, and will act using the conventional procedures of periodic external auditing. The same principle will apply to Argentine businesses in the UK.
5. The Argentine financial authorities are able to give an assurance that there will be no discrimination against UK banks, whether on a restructuring of debt or elsewhere. The application of this principle will mean that in relation to overdue payments of interest and principle the UK banks will be restored to the position which they would have enjoyed since 1 April if they had been treated no less favourably than non-Argentine banks.

6. The UK notes the statement of Argentina that the good offices of the US authorities are welcome so as to consider, at an appropriate moment, reciprocal lifting of trade restrictions.

7. The UK will notify Argentina of the time and date on which they will discontinue their financial restrictions in accordance with this memorandum. Argentina will then arrange to discontinue their financial restrictions in accordance with this memorandum at the same time.

Ref: B06591

*Letter sent.**AR 9/a.**h-a.*PRIME MINISTER

c Sir Robert Armstrong
Call by Lord Shackleton

I understand that Lord Shackleton is calling on you at his request at 6 pm today, to discuss the line he might take at his press conference on 13th September to launch the "Falkland Islands Economic Study 1982". Lord Shackleton will no doubt be looking for a general endorsement of his report and perhaps of some of its main recommendations. He may also be anxious to establish that the Government is not disappointed that the report is too cautious in assessing the possibilities for economic development in the Falklands.

2. In the light of the discussion in OD(FAF) on 6th September, you will not wish to be drawn into endorsing any of the report's detailed recommendations. But you could congratulate Lord Shackleton warmly on the quality of the report and also on the realism it displays. You could show him the text of the Government statement which will be made about it on 13th September; and you could tell him that the initial reaction of the Civil and Military Commissioners was also very welcoming.
3. At the same time you will wish to make it clear that the recommendations as they stand would involve substantial Government expenditure; and when the expense of guaranteeing the security of the Islands is added (without which no economic development would be feasible) the costs become very large indeed. The Government cannot sign a blank cheque for all this: difficult choices will have to be made. Ministers have not yet addressed the recommendations in detail: they hope publication of the report will stimulate a public debate both in the United Kingdom and - even more important - in the Falkland Islands; and that this will help to establish priorities.
4. You could also remove any fear Lord Shackleton may feel that his report might be effectively shelved: the Civil Commissioner is being instructed to initiate consultations with the Islanders immediately and to make an interim report on their reactions by the end of October. Detailed study of the recommendations by officials in London will proceed in parallel; and Ministers will examine the recommendations in detail in the light of the officials' study and the Civil Commissioner's reports with a view to taking



at least some initial decisions on implementation (in addition to the rehabilitation work which is already in hand) before the end of the year.

5. If Lord Shackleton asks whether a decision has yet been taken to establish a Falkland Islands Government Office (FIGO) in London, you could say that this is linked to the proposal to establish a Falkland Islands Development Agency. It would be premature to take a decision on one without the other, For the moment, the tasks which a FIGO could carry out are being handled satisfactorily by the FCO and ODA.

A D S Goodall

9th September 1982

A D S GOODALL

SUBJECT

CONFIDENTIAL



PLB
Chaste

10 DOWNING STREET

From the Private Secretary

7 September 1982

Argentina : Economic Restrictions

The Chancellor of the Exchequer rang the Prime Minister from Toronto at 1230 our time today to discuss the current state of negotiations with the Argentine delegation, as described in Ottawa telegram No. 433 of 6 September.

The Chancellor explained that the Argentine delegation would be holding discussions with the IMF later today. There was a general feeling that, given the seriousness of the situation in Mexico, it would be helpful if steps could be taken during the Toronto meeting to alleviate the Argentine situation.

As far as the Argentine/UK economic restrictions were concerned, the main problem was air traffic questions since those Argentines currently in Toronto had no authority to negotiate about these matters, and could not obtain it from Buenos Aires.

The Prime Minister commented that it was clear that we could not at present obtain our requirements with regard to British Caledonian operations. If we declined to reach agreement on lifting the other restrictions, would our own interests suffer? The Chancellor stated that British banks wanted agreement to be reached. There was a certain amount of speculation which he did not necessarily believe, that in the absence of an agreement the Argentines might discriminate against British banks in any general rescheduling arrangements.

Turning to the contents of Ottawa telegram No. 433, the Prime Minister observed that the wording relating to trade matters in paragraph 3 was not very helpful. In particular, it was unsatisfactory to have both the phrase "at a proper moment" and the word "eventual". But her main concern was the reference in paragraph 5 to the "step by step" removal of financial restrictions. She was not prepared to contemplate an arrangement whereby the UK undertook to lift restrictions on one day and Argentina undertook to follow suit the next day. The two actions should be simultaneous. The Chancellor thought it might be necessary to agree to the lifting taking place at different hours on the same day. The Prime Minister emphasised that, whatever the published terms, the lifting of the

/ restrictions

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- 2 -

restrictions must in practice be simultaneous, i.e. not a penny should move from the accounts we had frozen until Argentina had lifted its own restrictions. The Chancellor said that officials would attempt to reach agreement in the light of the Prime Minister's observations. He would let her know if any problem developed.

I am sending copies of this letter to John Holmes (Foreign and Commonwealth Office), and John Rhodes (Department of Trade).

A. J. COLES

Peter Jenkins, Esq.,
H.M. Treasury.

S

CONFIDENTIAL



10 DOWNING STREET

Prime Minister

The first 3 telegrams are
about Argentina. The Chancellor
would like to telephone you at
12.30 today to discuss them.

Agree?

Yes

2. The 4th telegram is about
the progress of the Toronto meeting.

A. J. C. $\frac{7}{9}$.

OTWON 10/7

00 FCO

GRS 530

SECRET

FM OTTAWA 070400Z SEP 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 433 OF 6 SEPTEMBER

- 1 Mr Scholast
- No 10 Downing Street
- 2 Mr Hammar
- 3 Mr Franklin (ODA)
- 4 Mr Little (TSY)
- 5 Mr Balfour (B. of England)

(X4)

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ADVANCE COPY

f.a.
AR 7/9

FOLLOWING FOR PRIME MINISTER FROM CHANCELLOR OF THE EXCHEQUER

ARGENTINE : ECONOMIC RESTRICTIONS

1. THERE HAVE BEEN FURTHER DEVELOPMENTS SUBSEQUENT TO MY REPORT ON THE WEEKEND EXCHANGE OF NOTES WITH THE ARGENTINE DELEGATION VIA MCNAMAR OF THE US TREASURY.

2. ON 6 SEPTEMBER THE ARGENTINES SOUGHT CLARIFICATION OF CERTAIN POINTS IN OUR NOTE; WE HAVE SINCE HAD A FURTHER REACTION FROM THEM. THEY ARE READY TO AGREE TO:-

(1) AN ASSURANCE OF NO DISCRIMINATION AGAINST BRITISH BANKS, WHETHER ON A RESTRUCTURING OF DEBT OR ELSEWHERE:

(11) REMOVAL OF DISCRIMINATORY FINANCIAL RESTRICTIONS AGAINST THE UK, INCLUDING FINANCIAL RESTRICTIONS ON UK BUSINESSES IN THE ARGENTINE. THEY AGREE THIS WOULD APPLY TO FINANCIAL (LAST WORD UNDERLINED) SERVICES E.G. INSURANCE, THOUGH THEY PREFER NO TO MENTION INSURANCE SPECIFICALLY.

3. ON TRADE MATTERS GENERALLY THEY SAY THAT THE REMOVAL OF RESTRICTIONS AT THIS STAGE WOULD BE LIMITED TO SPECIFICALLY FINANCIAL MATTERS. THEY ADD THE FOLLOWING HOWEVER: "NEVERTHELESS, THE POSSIBLE GOOD OFFICES OF THE AMERICAN AUTHORITIES ARE WELCOME TO CONSIDER, AT A PROPER MOMENT, AN EVENTUAL LIFTING OF RECIPROCAL TRADE RESTRICTIONS."

4. ON AIR TRAFFIC MATTERS THEY SAY THEY CAN MAKE NO OFFER, FOR THESE "FALL OUTSIDE THE COMPETENCE OF THE ARGENTINE FINANCIAL AUTHORITIES."

5. THEIR GENERAL APPROACH IS THAT WITHIN THE FINANCIAL RESTRICTIONS IMPOSED BY THE UK ON 2 APRIL AND BY ARGENTINA ON 3 APRIL, THE REMOVAL OF RESTRICTIONS ON THE ARGENTINE SIDE WOULD FOLLOW

''STEP BY STEP'' THE REMOVAL OF CORRESPONDING RESTRICTIONS ON THE UK SIDE. (IN PRACTICE THERE WOULD BE ONE STEP ONLY, AND WE COULD PROBABLY ENSURE THAT THEIR ACTION FOLLOWED OURS ON THE SAME DATE, GIVEN THE TIME DIFFERENCE BETWEEN LONDON AND BUENOS AIRES.)

6. WE ARE ATTEMPTING TO CLARIFY A POINT ABOUT ''OBSERVERS'' WHO ARE, OR CAN BE, PLACED IN BRITISH BANKS AND BUSINESSES IN THE ARGENTINE AS PART OF THEIR RESTRICTIONS. WE HAVE EXERCISED A SIMILAR RIGHT TO PLACE A BANK OF ENGLAND ''OBSERVER'' IN THE BANCO DE LA NACION IN LONDON. WE ARE TOLD THAT THEY HAVE DIFFICULTY ABOUT CHANGING THEIR LAW TO REMOVE THEIR LEGAL RIGHT TO DO THIS, BUT THAT ''THE FUNCTIONS OF THE OBSERVERS WILL BE PERFORMED USING THE CONVENTIONAL PROCEDURES OF EXTERNAL AUDITING''. THE PRACTICAL IMPORTANCE OF THIS IS OBSCURE AND PERHAPS LIMITED.

7. THE AMERICANS MAIN CONCERN IS, I THINK, THAT THE LOG-JAM OVER ARGENTINE RESTRICTIONS SHOULD BE BROKEN QUICKLY IN VIEW OF THE DIFFICULTIES OVER MEXICO MENTIONED IN MY EARLIER GENERAL REPORT. REGAN AND VOLCKER WOULD LIKE US TO END THE RESTRICTIONS, AS WOULD THE US FINANCIAL COMMUNITY GENERALLY. SOLOMON, NOW HEAD OF THE NEW YORK FEDERAL RESERVE AND WRISTON OF CITIBANK, PRESSED ME HARD TODAY, RECOGNISING THAT THERE WERE RISKS FOR US IN STRIKING A DEAL, BUT ARGUING FOR AN ACT OF LEADERSHIP BY THE UK.

8. THE ARGENTINE DELEGATION WILL SEE LAROSIERE ON 7 SEPTEMBER ABOUT IMF ASSISTANCE.

9. I SHALL BE REFLECTING OVERNIGHT ON THE OPTIONS OPEN TO US.

10. PLEASE ADVANCE TO SCHOLAR (NO.10), EVANS (FCO), FRANKLIN (ODA), LITTLER (HMT) AND BALFOUR (BANK).

MORAN

NNNN

(x6)

ADVANCE COPY
IMMEDIATE

~~Mr~~ Scholar, N°10DS (2)
Mr Harman (in lieu of Mr Evans)
Mr Franklin, DOT
Mr Litter, HM Treasury
Mr Balfour, Bank of England
RC

WONFO 003/07

00 FCO

GRS140

SECRET

FM OTTAWA 062100Z

TO IMMEDIATE FCO

TELEGRAM NUMBER 430 OF 06 SEPTEMBER 1982

M I P T

ARGENTINE

*all financial restrictions
and disbursements*

FOLLOWING IS TEXT OF ARGENTINE PAPER

WITH THE PURPOSE OF SOLVING THE PROBLEMS AFFECTING THE INTERNATIONAL FINANCIAL COMMUNITY, ORIGINATED BY THE FINANCIAL RESTRICTIONS RECIPROCALLY ADOPTED BY BOTH COUNTRIES, IF THE APPROPRIATE UNITED KINGDOM AUTHORITIES ARE PREPARED TO PUT AN END AND TERMINATE THE FINANCIAL RESTRICTIONS TAKEN AS OF APRIL 2 1982 COVERING OPERATIONYYW

OF ARGENT I

NE INSTITUTIONS AND NATIONALS OR RESIDENTS, THE CORRESPONDING ARGENTINE AUTHORITIES ARE PREPARED, AS SOON AS THEY RECEIVE NOTICE OF THOSE DECISIONS, TO PUT AND END AND TERMINATE THE CORRELATIVE FINANCIAL MEASURES ADOPTED IN RETALIATION AS OF APRIL 3 1982.

MORAN

NNNN

(x6)

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ADVANCE COPY

FCO

GRS 220

SECRET

FM OTTAWA 062050Z SEP 82

TO IMMEDIATE FCO

TELEGRAM NO 429 OF 06 SEPTEMBER 1982

M I P T

ARGENTINE

A Scholar, N° 10 DS(2)
Mr Hamman (in lieu of Mr Evans)
Mr Franklin, DOT
Mr Hittler, HM Treasury
Mr Balfour, Bank of England
RC

FOLLOWING IS TEXT OF UK PAPER:

AN UNDERSTANDING ON THE RECIPROCAL REMOVAL OF ECONOMIC RESTRICTIONS

ON THE ARGENTINE SIDE THERE MIGHT BE:-

1. AN ASSURANCE OF NO DISCRIMINATION AGAINST BRITISH BANKS, WHETHER ON A RESTRUCTURING OF DEBT OR ELSEWHERE: ✓

2. REMOVAL OF DISCRIMINATORY FINANCIAL RESTRICTIONS AGAINST THE UK INCLUDING RESTRICTIONS ON UK BUSINESSES IN ARGENTINA: ✓

3. REMOVAL OF DISCRIMINATORY RESTRICTIONS ON SERVICES EG INSURANCE AND AIR TRAFFIC: ✓ if possible

4. AN UNDERSTANDING (NOT ANNOUNCED NOW) ABOUT THE REMOVAL OF TRADE RESTRICTIONS ON BOTH SIDES. IT MIGHT BE AGREED THAT THEY WOULD BE REMOVED AT AN AGREED POINT IN THE PREPARATIONS FOR THE GATT MINISTERIAL MEETING. ✓ Yes

ON THE BRITISH SIDE THERE MIGHT BE :-

(A) IMMEDIATE REMOVAL OF ALL RESTRICTIONS OTHER THAN THOSE ON TRADE: ✓

(B) REMOVAL OF RESTRICTIONS ON TRADE OTHER THAN THE TRADE IN ARMS AT THE AGREED POINT UNDER 4. ABOVE. ✓

MORAN

NNNN

(26)

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SECRET

FM OTTAWA 062020Z SEP 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 428 OF 06 SEPTEMBER

Mr. Scholar, N°10 DS. (2)
Mr. Hannay (in lieu of Mr. Evans)
Mr. Franklin, DOT
Mr. Hittler, HM Treasury
Mr. Balfour, Bank of England
RC

FOLLOWING FOR PRIME MINISTER FROM CHANCELLOR OF EXCHEQUER

MIPT ARGENTINE: ECONOMIC RESTRICTIONS

1. FOLLOWING A MEETING WITH THE ARGENTINE FINANCE MINISTER US TREASURY MINISTER MCNAMAR, WHO IS DON REGAN'S IMMEDIATE DEPUTY HAS APPROACHED US ABOUT RECIPROCAL REMOVAL OF RESTRICTIONS BY THE THE UK AND ARGENTINA. MCNAMAR SUGGESTED THAT THE TWO SIDES MIGHT EXCHANGE PROPOSALS. I HAD ALREADY MADE IT CLEAR TO REGAN THAT WE FAVOURED A COMPLETE RECIPROCAL REMOVAL OF RESTRICTIONS ON BOTH SIDES.

2. MY TWO I F TS CONTAIN TEXTS OF NOTES WHICH WE AND THE ARGENTINES GAVE TO MCNAMAR. THEIRS WAS OF COURSE WRITTEN BEFORE RECEIPT OF OURS.

3. AS YOU WILL SEE OUR NOTE PROPOSED THAT THE UNDERSTANDING SHOULD COVER THE FULL RANGE OF SERVICES. IN VIEW OF NEWSPAPER REPORTS THAT A SEPARATE RESCHEDULING DEAL WITH US BANKS MIGHT BE IN THE MINDS OF SOME IN ARGENTINA, WE ALSO SOUGHT A 'NO DISCRIMINATION' ASSURANCE FOR BRITISH BANKS. ON TRADE OUR PROPOSAL TOOK UP A SUGGESTION BY MCNAMAR. (YOU WILL RECALL THAT WE DID NOT ASK FOR THE RENEWAL OF TRADE RESTRICTIONS GENERALLY IN THE LAST ROUND OF EXCHANGES. WE AWAIT AN ARGENTINE REACTION (VIA THE US).

4. MEANWHILE THE ARGENTINES HAVE TOLD THE AMERICANS THAT THEY INTEND TO APPROACH THE IMF FOR A STANDBY AND TO SEEK A RESCHEDULING. THEY BEGAN DISCUSSIONS WITH THE IMF YESTERDAY AFTERNOON. THEY ARE NOW SAID TO HAVE 2 BILLION DOLLARS OF ARREARS ON INTEREST AND REPAYMENT OBLIGATIONS.

5. THE US AUTHORITIES ARE CLEARLY ANXIOUS FOR US TO REMOVE OUR FINANCIAL RESTRICTIONS AND WOULD INDEED LIKE TO TAKE CREDIT FOR HAVING ARRANGED AN AGREEMENT. LEUTWILER IS ALSO VERY ANXIOUS THAT WE SHOULD REMOVE RESTRICTIONS. THE GENERAL CONCERN ABOUT THE BANKING SYSTEM ADDS TO THE PRESSURE ON US AND OF COURSE WE SHARE THIS CONCERN.

6. THE ARGENTINES HERE APPARENTLY SAY THEY ARE ABLE TO TALK ONLY ABOUT FINANCIAL RESTRICTIONS - THEY SPECIFICALLY CLAIM THAT THEY CANNOT SPEAK FOR THE AIR FORCE - BUT WE HAVE URGED MCNAMAR TO PRESS THEM ON THE SERVICES AND TRADE ISSUES. UNLESS WE GET A MOVE FROM THEM I SHALL MAKE NO FURTHER MOVE TODAY: BUT I THINK IT POSSIBLE THAT IF THE PRESSURES BUILD UP I MAY NEED TO USE TOMORROW THE DISCRETION YOU GAVE ME TO MAKE AN AGREEMENT ON THE FINANCIAL ASPECTS ONLY. AS YOU KNOW I AM CONCERNED THAT WE SHOULD NOT FIND OURSELVES IN A POSITION WHERE THE ARGENTINES DEFAULT AND WE ARE BLAMED BY THE INTERNATIONAL COMMUNITY FOR DRIVING THEM TO THIS OR AT LEAST GIVING THEM A PLAUSIBLE EXCUSE. I SHALL REPORT FURTHER.

7. SEE MY TWO I F TS

8. PLEASE ADVANCE TO SCHOLAR (NO 10) FRANKLIN (DOT) EVANS (FCO) LITTLER (HMT) AND BALFOUR (BANK).

MORAN

NNNN

*\$ 800 m frozen -
and their
debt is
\$35 billion. We
could hardly cause
a default.*

CONFIDENTIAL



FILE SW

10 DOWNING STREET

From the Private Secretary

6 September, 1982

Falklands: Commercial Shipping

Thank you for your letter of 1 September. The Prime Minister is content that your Secretary of State should authorise the issue of a Notice to Mariners announcing that restrictions on commercial shipping, other than Argentine vessels, entering the Falkland Islands territorial sea have been lifted; and giving instructions to those wishing to enter port to contact The Queen's Harbour Master at Port Stanley.

I am copying this letter to John Holmes (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

Miss J. E. Ridley,
Ministry of Defence

CONFIDENTIAL

A handwritten signature, possibly 'J. E. Ridley', written in dark ink.

4

SECRET



Foreign and Commonwealth Office

London SW1A 2AH

*AM '29
h.a.*

3 September 1982

Dear John,

Argentina

- with PM in box

Thank you for your letter of 2 September.

You will now have seen the letter from Michael Scholar *attached* to John Kerr which sets out the agreement reached between the Prime Minister and the Chancellor on the subject of sanctions against Argentina. The Chancellor has been given a negotiating brief on these issues for his discussions in Toronto at the current IMF meeting.

In the light of this, we propose to instruct our Embassy in Washington to give the Americans a full briefing of our position and inform them of the discussions taking place in Toronto over the course of the next few days. We would not propose to ask the Americans at this stage to enter into negotiations on our behalf with the Argentines. If, however, nothing is resolved in Toronto we would then be in a position to use the American channel for future discussions.

I am sending copies of this letter to John Coles (No 10), Peter Jenkins (Treasury) and to the Private Secretary to the Governor of the Bank of England.

*Yours ever
J E Holmes*

(J E Holmes)
Private Secretary

John Rhodes Esq
Private Secretary to the
Secretary of State for Trade
Department of Trade
1 Victoria Street
LONDON SW1H 0ET

Ref: B06583

PRIME MINISTER

c Sir Robert Armstrong

Falkland Islands Economic Study 1982
OD(FAF)(82) 17, 18 and 19

BACKGROUND

1. At the last meeting of the Sub-Committee on 28th July officials were instructed to prepare an analysis and commentary on Lord Shackleton's report. This is now before the Sub-Committee as OD(FAF)(82) 18 and refers to the unclassified version of the report circulated to Ministers at the end of August (OD(FAF)(82) 17). The third paper (OD(FAF)(82) 19), prepared by the Foreign and Commonwealth Office, examines the proposal in Lord Shackleton's letter to you of 26th July that a Falkland Islands Government Office should be set up in London. As there is a direct link with the proposal in the report for a Falkland Islands Development Agency, with London representation, it has been thought best to take these papers under one agenda item.

2. The report itself will be ready for publication as a Command Paper on 7th September but, to allow copies to be sent to Port Stanley (where sales will be subsidised), it would seem sensible to opt for a publication date of 13th September. No 10 Press Office already have arrangements in hand for Lord Shackleton to hold a press conference very shortly after they have issued the proposed Government statement (Annex J to OD(FAF)(82) 18) and the report has been formally laid before Parliament. They will announce these arrangements once Ministers have agreed the date for publication. Following precedent for the 1976 report you may wish advance copies to go to the Opposition and to be available to Her Majesty's representatives in the countries most immediately concerned (Chile, Brazil, Uruguay and Argentina). Should an early parliamentary debate be required, it is likely that time could be found for it at the end of the week beginning 25th October, provided the House were to sit a full week before being Prorogued. But before the report is debated in Parliament, it would clearly be desirable for the Government to have some indication of the

Flag A
Open to go to Parliament 13th Sept.



Islanders' reactions. This would suggest waiting until the new Session before having a debate. It is relevant that Mr Cranley Onslow plans to visit the Islands in October and that the Civil Commissioner will be returning to London for consultations at the end of September. His initial comments on Lord Shackleton's report (which he has agreed with the Military Commissioner) are welcoming and generally consistent with the views expressed in the officials' commentary.

3. With your agreement, the Minister of Agriculture, Fisheries and Food, the Secretary of State for Scotland and the Secretary of State for Energy have been invited to attend: to their regret they are all unable to be present. But the Secretary of State for Scotland may be represented. Mr Cranley Onslow and the Chief of the Defence Staff have also been invited. The Chancellor of the Exchequer is in Toronto and will be represented by the Chief Secretary.

HANDLING

4. There is no need at this stage for detailed discussion of individual proposals in the report and no major decisions on expenditure are needed. The objectives of the discussion are

- a. to determine how the report should be presented (at home, in the Falkland Islands and abroad) so as to set the tone for a constructive public debate on its recommendations, in the light of which decisions on implementation can be taken; and
- b. to establish what further work needs to be commissioned.

5. You may wish to open the discussion of the report yourself drawing on the above paragraphs. You could then lead the Sub-Committee through the official commentary (OD(FAF)(82) 18) concentrating discussion under the following headings.

- a. Development Objectives. It is clear from the report that normal economic criteria cannot be strictly applied. Given that the Government are committed to supporting the Islanders for the foreseeable future the objectives at paragraph 11 appear sensible.



Is the Sub-Committee content? If so, is it agreed that the projects selected for development, and the pace at which this is done, should be broadly as officials suggest? The report does not address itself to the security of the Islands, but proceeds on the assumption that this will be guaranteed. Without this assumption, longer term projects involving more than immediate rehabilitation work would be difficult.

Security . ||

b. Expenditure Paragraph 5 brings out the further costs which will be involved in development as well as those which are already in train. To these can be added the considerably more substantial costs of security (discussion of this can fall to the next item on the agenda) and of providing external communications if, as seems likely, regular services to the South American mainland do not prove possible in the near term. Nor have the costs of a South Georgia airstrip yet been identified. There would be advantage in officials in due course bringing together into one report all identified future expenditure associated with the Islands, actual and potential. They might also be asked to make recommendations on funding. On rehabilitation costs you might ask the Foreign and Commonwealth Secretary if he is content with the current allocation and to invite him to continue to keep members of the Sub-Committee informed of progress.

c. The Garrison You may wish merely to note paragraph 14 of the paper and to leave discussion of this aspect to the next agenda item. It is not proposed that the Government statement welcoming publication of the report should deal with garrison force levels.

d. External Communications. These are the key to development and will have a significant impact on the quality of life on the Islands. Paragraph 21 sets out what is likely to be an unsatisfactory state of affairs in the short and medium term. Can the Defence Secretary offer a guaranteed quota of space on services to and from the Islands? If not (as is probable in view of the heavy demands on military resources), can the Foreign and Commonwealth Secretary offer any prospect of being able to negotiate



services to the mainland? You may consider that an urgent and comprehensive study of all the possibilities is required, and that the estimated levels of Government subsidy should be identified.

e. Falkland Islands Government Office (FIGO) and Development Agency (FIDA). You might invite the Foreign and Commonwealth Secretary to introduce OD(FAF)(82) 19. The Civil Commissioner favours the establishment of a FIDA, with its representation in London being part of a FIGO. The report by Foreign and Commonwealth Office officials points in the direction of the early establishment of a FIGO in London, with provision for it to assume the additional functions of a FIDA in due course. If Ministers can agree on this now, an appropriate reference to this decision might be included in the proposed Government statement welcoming the report.

f. Proposed Statement (Annex J) Is the Sub-Committee content with the tone and content of the draft?

CONCLUSION

6. Subject to the points made in discussion, you might guide the Sub-Committee to the following conclusions.

i. To agree that the report should be published on 13th September in London and Port Stanley, being laid before Parliament on that day, with advance copies being sent to the Leaders of the Labour, Liberal and Social Democratic Parties and to Her Majesty's representatives in Chile, Brazil, Uruguay and Argentina.

ii. To invite the Foreign and Commonwealth Secretary to arrange, in consultation with the Civil Commissioner, for the early establishment of a FIGO in London and to formulate detailed proposals for the setting up of a FIDA.

iii. To agree that the statement at Annex J, as amended in discussion (and, in particular, to take account of a decision on the establishment of a FIGO), should be released by 10 Downing Street at the same time as the report is published, and in advance of Lord Shackleton's press conference.



iv. To invite the Foreign and Commonwealth Secretary to arrange for the Civil Commissioner to consult the Falkland Islanders about the proposals in the Shackleton Report and to make an interim report on their reactions by the end of October.

v. To instruct officials

a. to examine in greater detail ways in which regular and reliable external communications to the Islands can be established, with an assessment of the likely costs, and to make recommendations;

b. to make more detailed recommendations in due course about the implementation of the proposals in the Shackleton Report.

3rd September 1982

A D S Goodall

A D S GOODALL

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PP UKMIS NEW YORK
PP WASHINGTON
GRS 346
CONFIDENTIAL

FM FCO 031130Z SEPT 82
TO PRIORITY UKMIS NEW YORK
TELEGRAM NUMBER 700 OF 3 SEPTEMBER
INFO PRIORITY WASHINGTON

YOUR TELEGRAM NO 1318: FALKLAND ISLANDS: GENERAL ASSEMBLY

1. I AGREE THAT OUR TWIN OBJECTIVES AT THE COMING GENERAL ASSEMBLY ARE TO RESIST ALL CALLS ON US TO ENTER INTO NEGOTIATIONS WITH ARGENTINA AND TO MUSTER MAXIMUM UNDERSTANDING FOR THIS POSITION. WE MUST MAKE A MAJOR EFFORT.
2. WE MUST CERTAINLY TAKE ALL POSSIBLE STEPS TO PUT OVER OUR POSITION ON NEGOTIATIONS AND TO PERSUADE AS MANY MEMBER STATES AS POSSIBLE TO REFRAIN FROM SUPPORTING THE ARGENTINE/MEXICAN DRAFT RESOLUTION. I DO NOT PROPOSE TO ASK OUR FRIENDS TO SEEK CHANGES IN THE PRESENT DRAFT. INDEED, WE SHOULD DO WHAT WE CAN TO DISCOURAGE THEM FROM ENTERING INTO DISCUSSIONS OF THE TEXT WITH ITS SPONSORS. EVEN WITH THE CHANGES ENVISAGED BY ENDERS, THAT IS TO SAY WITH THE REFERENCES TO GENERAL ASSEMBLY RESOLUTIONS AND NON-ALIGNED DOCTRINE AND ANY SUGGESTION OF A TIMETABLE REMOVED, THE QUOTE NON-PREJUDICIAL UNQUOTE CALL ON US TO NEGOTIATE WOULD STILL BE UNACCEPTABLE. SUCH A REVISION COULD INDEED LEAD TO OUR VIRTUAL ISOLATION. PASSAGE OF A RESOLUTION ON THE PRESENT LINES WOULD DO LITTLE DAMAGE TO OUR POSITION IF WE HAD SECURED A LARGE NUMBER OF ABSTENTIONS. I HOPE WE CAN ENSURE THAT THE NUMBER OF VOTES IN FAVOUR IS LESS THAN HALF AND PREFERABLY MUCH LESS THAN HALF THE TOTAL MEMBERSHIP.
3. I AM STILL CONSIDERING GENSCHER'S SUGGESTION (MY TELNO 396 TO BONN) THAT WE SHOULD PREPARE A COUNTERDRAFT. THERE ARE OBVIOUS DIFFICULTIES. ANY SUCH DRAFT WOULD BE UNLIKELY TO SATISFY OUR PARTNERS (OR OTHER FRIENDS) AS IT STOOD AND WE WOULD RISK BEING DRAGGED INTO A NEGOTIATION ON TEXTS THAT WE DO NOT WANT. BUT I DO NOT WANT TO SEEM TO DISREGARD GERMAN VIEWS LIGHTLY. I SHOULD BE GLAD TO HAVE YOUR VIEWS.
4. I AM SENDING MR SHULTZ A MESSAGE. WE SHALL ALSO TAKE ACTION IN OLD COMMONWEALTH CAPITALS AND WITH THE TEN AND NATO ALLIES. WE SHALL ALSO CERTAINLY BE LOBBYING THE NON-ALIGNED VIGOROUSLY. I HAVE NO INHIBITIONS ABOUT DRAWING FREELY ON OUR CREDIT FOR THIS PURPOSE.

PYM

FALKLAND ISLANDS GENERAL

FCO
UND
FALKLANDS UNIT

CABINET OFFICE

ADDITIONAL DISTRIBUTION
FALKLAND ISLANDS

[COPIES SENT TO NO 10 DOWNING STREET]

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GRS 600
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FM FCO 031530Z SEPTEMBER 1982
TO PRIORITY WASHINGTON
TELEGRAM NUMBER 1615 OF 3 SEPTEMBER 1982
INFO PRIORITY UKMIS NEW YORK

YOUR TELNOS 2875 AND 2889: FALKLANDS: GENERAL ASSEMBLY

1. ON BALANCE I SHOULD LIKE TO TAKE UP SIR J THOMSON'S SUGGESTION THAT I SHOULD SEND A MESSAGE TO SHULTZ. YOU WILL SEE FROM A TELEGRAM I AM SENDING TO UKMIS NEW YORK THAT I WISH TO DISCOURAGE THE AMERICANS FROM SEEKING TO 'IMPROVE' THE ARGENTINE/MEXICAN DRAFT IN THE WAY THEY ENVISAGE. GIVEN ENDERS' PREOCCUPATION WITH LATIN AMERICA AND MRS KIRKPATRICK'S FORTHCOMING TOUR OF THE REGION, I ALSO SEE ADVANTAGE IN LETTING SHULTZ HAVE A CLEAR STATEMENT OF OUR POSITION DIRECT FROM ME AT THIS STAGE.
2. UNLESS YOU HAVE FURTHER COMMENTS PLEASE DELIVER THE FOLLOWING MESSAGE.

BEGINS:

I HAVE READ WITH INTEREST THE EXCHANGES BETWEEN TOM ENDERS AND CRANLEY ONSLOW ABOUT THE FALKLAND ISLANDS. I HAVE BEEN THINKING ABOUT THE HANDLING OF THE DEBATE AT THE UNITED NATIONS WHICH WILL RESULT FROM THE MEXICAN INITIATIVE AND I THOUGHT YOU MIGHT LIKE TO HAVE THIS PERSONAL ACCOUNT OF OUR THINKING ON THE MATTER WHICH IS, I KNOW, ALSO OF GREAT INTEREST TO YOU.

AS YOU KNOW, WE ARE MORE THAN WILLING TO LIVE AT PEACE WITH ARGENTINA AND TO NORMALISE OUR ECONOMIC AND COMMERCIAL LINKS AS SOON AS THIS IS POSSIBLE. BUT I DO NOT SUPPOSE THAT YOU WILL BE SURPRISED TO HEAR THAT WE SHALL OPPOSE ANY CALL ON US TO ENTER INTO NEGOTIATIONS ABOUT THE FUTURE OF THE FALKLAND ISLANDS WITH ARGENTINA. AS YOU KNOW, WE HAD EMBARKED UPON A NEW ATTEMPT TO REACH A NEGOTIATED SETTLEMENT WHEN ARGENTINA CHOSE TO BREAK OFF

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THE NEGOTIATIONS AND ATTACK US. THE PHYSICAL AND PSYCHOLOGICAL EFFECTS OF THAT ATTACK WILL BE WITH THE ISLANDERS FOR A LONG TIME TO COME, AS WILL THE CONSTANT RISKS FROM THE MINES SO INDISCRIMINATELY SCATTERED BY THE OCCUPYING ARGENTINE FORCES. THE PERSONAL AND ECONOMIC COST TO THIS COUNTRY HAS ALSO BEEN GREAT AND NEITHER PARLIAMENTARY NOR PUBLIC OPINION WOULD UNDERSTAND IF WE WERE TO CONTEMPLATE RESUMING NEGOTIATIONS IN THE CIRCUMSTANCES THAT NOW EXIST.

AFTER A REASONABLE PERIOD OF RECONSTRUCTION WE SHALL WANT TO TAKE SOUNDINGS OF ISLANDER OPINION ABOUT THE FUTURE. I WOULD BE SURPRISED IF, AFTER WHAT HAS HAPPENED, THEY OPTED FOR ANY CLOSER ASSOCIATION WITH ARGENTINA. BRITAIN WILL CERTAINLY NOT BE PREPARED TO PUSH THEM IN THIS DIRECTION. GIVEN OUR RESPONSIBILITIES TOWARDS THE PEOPLE OF THE TERRITORY UNDER THE UN CHARTER, AND AGAINST THE BACKGROUND OF ARGENTINE INSISTENCE THAT NEGOTIATIONS MUST LEAD TO A TRANSFER OF SOVEREIGNTY DESPITE THE ISLANDERS' CLEAR OPPOSITION, IT WOULD BE IRRESPONSIBLE FOR US TO ALLOW OTHERS TO THINK THAT NEGOTIATIONS BETWEEN THE UK AND ARGENTINA OFFER A REALISTIC WAY AHEAD FOR THE FORESEEABLE FUTURE. I BELIEVE THAT OUR POSITION WILL BE WIDELY UNDERSTOOD IN THE MANY COUNTRIES WHICH HAVE SHOWN SYMPATHY AND UNDERSTANDING FOR US IN THE EVENTS OF RECENT MONTHS.

THE DRAFT RESOLUTION WHICH ARGENTINA AND MEXICO HAVE BEEN WORKING ON IS WHOLLY UNACCEPTABLE. THE REFERENCES TO PREVIOUS GENERAL ASSEMBLY RESOLUTIONS AND TO NON-ALIGNED PRONOUNCEMENTS DO NOT HELP, BUT EVEN IF THEY WERE TAKEN OUT AND ANY SUGGESTION OF A TIMETABLE FOR THE COMPLETION OF NEGOTIATIONS REMOVED, WE WOULD STILL VOTE AGAINST ANYTHING WHICH CALLS ON US TO NEGOTIATE WITH ARGENTINA AND WHICH FAILS TO ACCORD TO THE FALKLAND ISLANDERS THE FUNDAMENTAL RIGHT TO DETERMINE THEIR OWN FUTURE. I SHOULD LIKE TO FEEL SURE THAT THE UNITED STATES WILL NOT CONSIDER GIVING ITS SUPPORT TO ANY SUCH TEXT.

I LOOK FORWARD TO THE TALKS WHICH WE SHALL BE HAVING ON THIS AND OTHER SUBJECTS THIS MONTH.

ENDS

PYM

FALKLAND ISLANDS GENERAL

FCO

UND

FALKLANDS UNIT

CABINET OFFICE

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FALKLAND ISLANDS

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No. 10 DOWNING STREET



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

FALKLANDS REHABILITATION

PT
27
OD(FAF) decided on 6 July that money for Falklands rehabilitation this year should "be found where possible from the existing Aid Programme, but the bulk of it to come if necessary from the Contingency Reserve". In your minute of 15 July you warned of possible difficulties but agreed to make whatever contribution you could from "slippage" on the Aid Programme.

2. FCO and Treasury officials have I understand now reviewed the position, and have identified an unused margin of at least £5-10 million at present. This could be made available for Falklands rehabilitation without requiring any cuts in the existing allocations of aid funds which are feasible. I suggest that at least the first £3 million of rehabilitation costs this year should be so funded, with a ceiling of £7 million on the amount to come from the Contingency Reserve.

3. In your minute of 15 July you also proposed that a special account be established for the handling of rehabilitation costs. I understand that our officials have now agreed that this can be done by the creation of a new and separate subhead within the Aid Vote.

4. I am copying this minute to other members of OD(FAF), and to Sir Robert Armstrong.

C. in Rutter

PP (G.H.)

2 September 1982

Seen and approved by the Chancellor and signed in his absence.

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SECRET

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COPY NUMBER 2 OF 13

From the Secretary of State

Prime Minister (2)

Sent before you

SECRET

Francis Richards Esq
Private Secretary to the
Secretary of State for
Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AH

PA Mus 6/9 meeting with the
Chancellor.
Unreadable!
MS 2/9
2 September 1982

Dear Francis,

ARGENTINA

1 Lord Cockfield understands that there has been no further response from the Argentine side on the proposition that our agreement to the unfreezing of assets should be accompanied by agreement on the resumption of air services. We have provided the FCO with clarification of the minimum we need on air services, but I understand that the relevant instructions to Washington are being held in abeyance. It seems to my Secretary of State that we should now give the Americans a fuller briefing on our position and urge them to seek some package deal from the Argentines. So far as air services are concerned this can draw on the material we have already supplied. But it might also be worth exploring a package which combined the unfreezing of assets with the lifting of trade embargoes and only some more general assurance about m.f.n treatment for air services. We are ready to consider this, and it might be an easier package for the Argentines to accept. Such an approach need not cut across any discussions which the Chancellor may be having in Toronto.

2 My Secretary of State recognises that in the last resort if the Argentines will not budge, the question of unfreezing the assets will have to be considered on its own merits. Clearly there are advantages to the City of London but the matter needs to be considered wider than that. Unless it can be demonstrated - and so far it has not been - that there would be a clear advantage to the United Kingdom economy in unfreezing the assets without movement elsewhere, he would think the right tactic would be to continue to press on the other trade matters.

3 I am sending copies of this letter to John Cotes (Number 10), Peter Jenkins (Treasury) and to the Private Secretary to the Governor of the Bank of England.

John Rhodes
Private Secretary

SECRET

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EM



10 DOWNING STREET

From the Private Secretary

1 September, 1982

SANCTIONS AGAINST ARGENTINA

The Prime Minister had a word this morning with the Chancellor about the continuation of sanctions against Argentina.

The Prime Minister said that she was concerned that we should not make a concession without counter-concessions from the Argentinians, particularly as regards British Caledonian flights to Buenos Aires and over-flying rights for their services elsewhere in Latin America. The Chancellor acknowledged the force of this point, and said that British Caledonian were losing £1 million a year as a result of flight diversions around Argentina and £5-6 million in lost revenue as a result of the loss of their route into Buenos Aires. This was a powerful consideration, in view of British Caledonian's difficult trading situation at present. But against this had to be balanced the effect on the Argentine re-scheduling operation, and therefore on international banking confidence generally, of our continuing freeze on Argentine assets in London. He did not wish the UK to be blamed as the only obstacle to an Argentine re-scheduling settlement.

The Prime Minister said that in his forthcoming discussions in Toronto the Chancellor would clearly do all he could to obtain the agreements from the Argentinians which we were seeking on British Caledonian and the other commercial matters. She was, however, ready to give him discretion to end the freeze on Argentine assets in London without obtaining these other agreements, if he judged it necessary to make this move in the context of the discussions about the Argentine re-scheduling settlement.

I am sending copies of this letter to Brian Fall (FCO), John Rhodes (Department of Trade), Tim Allen (Governor of the Bank of England's Office), and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury ,

CONFIDENTIAL

D88

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 5/21

1st September 1982

Prime Minister

Dear John,

Content?

Yes

At top

*oh
1/9*

*No Hansard
cutting*

In a written reply to Mr Tam Dalyell MP on 22nd July, the Prime Minister announced the lifting of the Total Exclusion Zone and the 12 nautical mile restriction on Argentine naval forces. The announcement also included a statement that Port Stanley Harbour and the 3 nautical mile territorial sea around the Falklands would remain closed to commercial shipping until further notice for reasons of safety. The Task Force has now cleared the minefields in the area and marked hazards to navigation such as ships sunk in San Carlos Water. There is no military necessity to keep the territorial sea closed to commercial shipping and both the Foreign and Commonwealth Office and the Civil Commissioner, Falkland Islands believe that the removal of the restrictions would represent a highly desirable move towards normality.

My Secretary of State therefore proposes to authorise the issue of a Notice to Mariners announcing that restrictions on commercial shipping (other than Argentine vessels) entering the Falkland Islands territorial sea have been lifted now that minefields in the area have been cleared; and giving instructions to those wishing to enter port to contact the Queen's Harbour Master at Port Stanley. Mr Nott would be grateful to know that the Prime Minister is content.

I am copying this to John Holmes (FCO) and Richard Hatfield (Cabinet Office).

Yours ever,

Jane Ridley
(J E RIDLEY) (MISS)

A J Coles Esq

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PART 28 **ends:-**

PART 29 **begins:-**

