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MR RD NICHOLLS, AUSD STAFF, MOD

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MISS M E CUND } TREASURY
MR LITTLER } }

SIR R ARMSTRONG }
MR ~~A D G GOODALL~~ } CABINET
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DESKBY 240800Z
FM WASHINGTON 240045Z JUL 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 2238 OF 23 JULY



SPEECH OF ARGENTINE FOREIGN MINISTER TO WASHINGTON WORLD AFFAIRS COUNCIL

1. IN A QUESTION AND ANSWER SESSION FOLLOWING HIS ADDRESS ON THE INTERNATIONAL DEBT PROBLEM TO A MEETING OF THE WORLD AFFAIRS COUNCIL OF WASHINGTON DC (ATTENDED BY MINISTER (ECONOMIC)), CAPUTO WAS ASKED WHETHER THE ARGENTINE GOVERNMENT WOULD ACCEPT THE RESULT OF A PLEBISCITE OF THE FALKLAND ISLANDERS ON SOVEREIGNTY. HE REPLIED THAT THOUGH THIS WAS CERTAINLY A PROBLEM OF SOVEREIGNTY, A PLEBISCITE ORGANISED BY THE BRITISH TO CONSULT THE FULLY BRITISH POPULATION WAS NOT THE RIGHT WAY OF TACKLING THE MATTER, IT SHOULD BE TACKLED BY QUOTE DIALOGUE AND THEN NEGOTIATION UNQUOTE. CAPUTO ALSO TOLD A QUESTIONER THAT THOUGH THE FALKLANDS WAR HAD ADDED TO ARGENTINA'S INTERNATIONAL DEBT, THE WAR WAS NOT THE MAIN REASON FOR IT. THE DEBT WAS A CONSEQUENCE OF A FINANCIAL ADVENTURE OF THE PREVIOUS REGIME. IN ANSWER TO A QUESTION ABOUT HIS TALKS TODAY WITH SECRETARY SHULTZ, CAPUTO REPLIED THAT HE HAD EMPHASISED TO SHULTZ THAT THERE WOULD NOW BE QUOTE CREDIBILITY AND FORESEEABILITY UNQUOTE IN ARGENTINE FOREIGN POLICY, ELEMENTS WHICH HAD UP TO NOW HAD BEEN LACKING.
2. HIS ADDRESS ON THE DEBT PROBLEM FOLLOWED STANDARD LINES. HE SAID THAT, UNLIKE THE 1930S, THE LATEST RECESSION WAS BEARING ESPECIALLY HEAVILY ON THE LDCS. THE CAUSES OF THE INTERNATIONAL RECESSION AND THE ASSOCIATED DEBT CRISIS WERE BEYOND THEIR CONTROL. THE LDCS WERE FORCED TO TRY TO DEAL WITH A CRISIS, WHICH THEY HAD NOT CREATED, BY PAYING MORE FOR WHAT THEY WERE IMPORTING, WHILE RECEIVING LESS FOR THEIR EXPORTS. SINCE THE DEBT PROBLEM WAS PRIMARILY DUE TO POLITICAL CAUSES, PARTICULARLY INTEREST RATES, IN THE DEVELOPED COUNTRIES IT NEED TO BE SOLVED AT THE POLITICAL LEVEL BETWEEN

LESS FOR THEIR EXPORTS. SINCE THE DEBT PROBLEM WAS PRIMARILY DUE TO POLITICAL CAUSES, PARTICULARLY INTEREST RATES, IN THE DEVELOPED COUNTRIES, IT NEED TO BE SOLVED AT THE POLITICAL LEVEL BETWEEN GOVERNMENTS OF THE DEVELOPED AND DEVELOPING WORLD. THE DEVELOPED WORLD SHOULD CONSULT THE DEVELOPING WORLD ABOUT MATTERS SUCH AS INTEREST RATES AND COMMODITY PRICES WHICH FUNDAMENTALLY AFFECTED THEIR ECONOMIES. HISTORY SUGGESTED THAT DEVELOPED COUNTRIES ONLY REACTED WHEN VIOLENCE SWEEPED THROUGH THE DEVELOPING COUNTRIES. THE GOVERNMENTS OF THE DEVELOPED COUNTRIES SHOULD HELP THE DEVELOPING COUNTRIES FORESTALL SUCH EVILS THREATENING THEM. THIS SHOULD BE ACCOMPLISHED BY POLITICAL AGREEMENT AT THE GOVERNMENTAL LEVEL BETWEEN LDC AND DEVELOPING COUNTRIES.

3. IN ANSWER TO QUESTIONS ON THE DEBT CRISIS, CAPUTO EMPHASISED THAT HIS GOVERNMENT'S TWO MAIN ECONOMIC OBJECTIVES WERE THE SOLUTION TO ITS DEBT PROBLEMS AND CONTROL OF INFLATION. HE WELCOMED THE
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NEW TONE IN THE COMMUNIQUE OF THE LONDON SUMMIT, ESPECIALLY THE MENTION OF DIALOGUE BETWEEN DEVELOPED AND DEVELOPING COUNTRY GOVERNMENTS. THE CARTAGENA CONSENSUS HAD FOLLOWED THIS UP. HE ASSOCIATED ARGENTINA WITH BOLIVIA'S STRUGGLE TO RETAIN DEMOCRACY AT THE SAME TIME AS IT WAS GRAPPLING WITH ENORMOUS ECONOMIC PROBLEMS. IF DEMOCRACY HAD ANY MEANING, OTHER DEMOCRATIC COUNTRIES SHOULD SUPPORT BOLIVIA AND ARGENTINA. ON NEGOTIATIONS WITH THE IMF, HE SAID THAT HIS GOVERNMENT WAS WORKING QUOTE TO ADAPT THE IMF CRITERIA TO THE ARGENTINE CASE UNQUOTE. BUT HE REMINDED HIS AUDIENCE THAT ARGENTINA HAD EXPERIENCED A 15 PER CENT DECLINE IN REAL WAGES SINCE 1970 AND ASKED HOW THE NEW DEMOCRACY COULD, IN THOSE CIRCUMSTANCES, ASK FOR MORE BELT-TIGHTENING.

4. WE WILL REPOR SEPARATELY ON CAPUTO'S TALKS WITH SHULTZ.

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