

ADVANCE COPIES

39

FALKLAND ISLANDS GENERAL

PS
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 PS/PUS
 MR DEREK THOMAS
 SIR J FREELAND
 SIR W HARDING
 MR GOODALL
 MR O'NEILL
 SIR C TICKELL
 MR D C THOMAS
 MR WESTON
 MR BARRINGTON
 HD/PUSD
 HD/SAMD
 HD/FID
 HD/NEWS DEPT
 HD/EED
 HD/ECD (E)
 HD/UND
 Hd/ERD

PS/NO 10 DOWNING ST
 PS/S OF S FOR DEFENCE
 MR RD NICHOLLS, AUSD STAFF, MOD
 Bank of England

PS/CHANCELLOR }
 MISS M E CUND } TREASURY
 MR LITTLER } }

SIR R ARMSTRONG }
 MR D S GOODALL } CABINET
 DIO } OFFICE

MR POWER, SAD, ODA

MR A FORTNAM IAT/D. TRANSPORT

RESIDENT CLERK

(2)

CONFIDENTIAL

(FM BERNE 300950Z)

FM BISBA

TO IMMEDIATE FCO

TELNO 498 OF 27 JULY 84

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ARGENTINA : ASSESSMENT

SUMMARY

1. ALMOST UNRELIEVED GLOOM CONTINUES. ALFONSIN, ALTHOUGH EVINCING SOME AWARENESS OF THE NEED TO GRASP THE NETTLES PROLIFERATING AROUND HIM, ALSO BETRAYS HIS CONTINUING FEAR OF THE MILITARY AND NATIONALISTS.

DETAIL

2. PRESIDENT ALFONSIN'S APPROACH TO THE COUNTRY'S PROBLEMS HAS VARIED LITTLE IN THE PAST FEW WEEKS FROM THAT OUTLINED IN MY TELNO 449 OF 6 JULY. HIS ACTIONS AND REACTIONS ARE DAILY MORE PREDICTABLE. WHEN FACED AT BERNE WITH THE REALITY OF THE BRITISH POSITION OVER FALKLANDS SOVEREIGNTY HE GOT COLD FEET AND TOOK A STEP BACKWARDS TO THE INTRANSIGENT POSITION DEMANDING A LINK BETWEEN NORMALISATION AND SOVEREIGNTY WHICH HE HAD HAD APPARENTLY DELUDED HIMSELF INTO BELIEVING HE MIGHT POSSIBLY OBTAIN. HE PROBABLY HAS NO ALTERNATIVE NOW BUT TO CAPITULATE TO THE MULTI-LATERALISTS IN THE ARGENTINE MFA AND TAKE THE DEBATE AGAIN IN THE UN. HIS OWN PRESENCE IN NEW YORK IN SUPPORT IS STILL UNCERTAIN IN THE LIGHT OF CONFLICTING FEARS HERE THAT IT MIGHT BE ESSENTIAL FOR SUCCESS BUT THAT IT MIGHT BE COUNTER-PRODUCTIVE IN HARDENING ATTITUDES UNLESS SUCCESS CAN BE GUARANTEED IN ADVANCE. IT IS THUS

FOR SUCCESS BUT THAT IT MIGHT BE COUNTER-PRODUCTIVE IN HARDENING ATTITUDES UNLESS SUCCESS CAN BE GUARANTEED IN ADVANCE. IT IS THUS IMPOSSIBLE TO SAY YET WHETHER OR NOT HE WILL ATTEND.

3. ALFONSIN ALSO GOT COLD FEET OVER THE BEAGLE "CONCESSIONS" WHICH WILL BE REQUIRED OF HIM BY THE VATICAN IF THE PAPAL PROPOSAL FOR A SOLUTION IS TO BE ACCEPTED. NO SOONER HAD A FEW RETIRED NATIONALIST GENERALS WRITTEN TO THE PRESS CONDEMNING THE QUOTE SURRENDER OF SOVEREIGNTY UNQUOTE IMPLIED IN RECOGNISING CHILE'S RIGHT TO THE THREE ISLANDS NUEVA, LENNOX AND PICTON, THAT ALFONSIN TOOK REFUGE IN REFERRING THE QUESTION TO THE PEOPLE BY ORDERING A NATIONAL POLL. WISELY HE HAS LET IT BE KNOWN THE GOVERNMENT WILL NOT BE BOUND BY THE RESULT, BUT THIS FURTHER EXAMPLE OF POPULARISM IS, IN FACT, A SHREWD POLITICAL MOVE TO SWAMP THE ENTRENCHED BUT MINORITY GROUPS OF VOCIFEROUS NATIONALISTS BY POPULAR ACCLAIM. MOST ARGENTINES WANT PEACE, AND MANY ARE INFLUENCED BY THE CHURCH, AND ALFONSIN WILL PROBABLY OBTAIN A RESOUNDING "YES" WHICH WILL STRENGTHEN HIS POLITICAL POSITION. MEANWHILE THE ELECTIONEERING ATMOSPHERE WILL DIVERT ATTENTION FROM MORE SERIOUS BUT VIRTUALLY UNSOLUBLE PROBLEMS.

4. HUMAN RIGHTS AND MILITARY AFFAIRS HAVE BEEN LESS PROMINENT SINCE ALFONSIN DEALT RAPIDLY AND EFFECTIVELY WITH WEAKNESS AND INSUBORDINATION AMONGST THE ARMY COMMAND EARLY IN JULY BY FORCING THE ARMY CHIEF-OF-STAFF'S RESIGNATION AND DISMISSING THE COMMANDER OF THE THIRD CORPS IN CORDOBA. THE IMMEDIATE REPERCUSSIONS AND COMMENT HAVING DIED DOWN, ARMY DISCONTENT HAS AGAIN GONE UNDERGROUND FOR THE TIME BEING.

5. THE INTERNAL ECONOMIC SITUATION IS LITTLE CHANGED : INFLATION CONTINUES APACE, BUT THE CGT HAVE JUST WITHDRAWN THEIR IMMEDIATE STRIKE THREATS ON BEING PROMISED MORE SAY IN PAY POLICY FORMULATION AND SOME CONTROL OVER THE UNIONS' SOCIAL WELFARE FUNDS GREATER UNION INFLUENCE IN PAY POLICY DOES NOT AUGUR WELL FOR INFLATION. LABOUR MINISTER CASELLA TOLD EC HEADS OF MISSION OVER LUNCH THIS WEEK HE EXPECTS HALF OF THE UNION LEADERSHIP TO BE CHANGED BY THE COMING ELECTIONS AND BELIEVES THE NECESSARY BUT LONG EDUCATIVE PROCESS HAS BEGUN. THERE IS A TEMPORARY LULL ON THE UNION FRONT, THOUGH BANK AND METAL WORKERS' STRIKES CONTINUE. PRECEDENTS SUGGEST FURTHER UNION APPEASEMENT IS LIKELY.

6. THERE HAS BEEN LITTLE EVIDENT PROGRESS OVER THE FOREIGN DEBT OR TOWARDS AGREEMENT WITH THE IMF. VISITING FRENCH FOREIGN MINISTER CHEYSSON'S MESSAGE MAY HELP, BUT ALFONSIN AND HIS GOVERNMENT STILL APPEAR TO BELIEVE THE REINSTATEMENT OF DEMOCRACY ENTITLES ARGENTINA AUTOMATICALLY TO SPECIAL STATUS AND TREATMENT IN INTERNATIONAL FINANCIAL CIRCLES WHICH WILL ELIMINATE OR MINIMISE THE NEED FOR LOCAL SACRIFICE OR AUSTERITY. THE PROLONGED LEARNING PROCESS FOR DISPELLING THIS ILLUSION WILL NOT BE COMFORTABLE.

JOY

CROWSON

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SENT/RECD AT 301047Z KH//~~XXXXXXXX~~