



Foreign and Commonwealth Office

London SW1A 2AH

19 July 1985

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Dear Charles,

Argentina: Trade Embargo

You letter of 5 July conveyed the Prime Minister's agreement to the recommendation in the Foreign Secretary's minute of 4 July that we should lift our ban on imports from Argentina. The point about sovereignty, to which you drew attention, was included in our Parliamentary statement on 8 July and emphasised by Sir Rex Hunt to the Falkland Islands Councillors, and in all our other briefing.

As the Foreign Secretary indicated to Cabinet on 11 July, the initiative has had a satisfactory impact at home and abroad. In the British media, the general view has been that we have made a significant gesture which merited an appropriate response. Internationally, our move has been generally welcomed along the same lines by our Partners and Allies. Cheysson has told Sir Michael Butler that now that we had lifted all restrictions on trade with Argentina, it was not acceptable legally to the Community that a third country should discriminate against a member state. Normalisation of EC/Argentine relations required Argentina to lift their restrictions.

The Argentine Government were taken by surprise. A communique issued by the Foreign Ministry on 10 July (unofficial translation enclosed) described our action as a "positive step", but maintained the insistence that there could be no discussion of any bilateral issues unless we agreed to discuss sovereignty. On this basis it invited us to enter into negotiations within 60 days and added that, if we agreed to do this, the Argentine Government would be prepared to declare a formal cessation of hostilities (they had hitherto indicated that this would have to come much later in any negotiating process). The fact that the Argentine "offer" is conditional on our committing ourselves to talks on sovereignty - which they know we will accept - demonstrates that they are more interested in playing to the gallery than in making real progress. The Foreign Secretary has made plain publicly that we find the Argentine response unsatisfactory.

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Our objective now is to retain the tactical advantage in our approach to the General Assembly debate, contrasting our readiness to take tangible steps to improve bilateral relations with the Argentines' inflexibility. But we shall also encourage our friends to press the Argentines to reciprocate the action we have taken in the commercial and financial fields: their statement of 10 July does not specifically exclude this, and they may come under domestic pressure to restore normal trade.

It would be wrong to say anything now which would put in jeopardy the bilateral Paris Club talks. But if these are successfully concluded, we can point up the hypocrisy of the Argentine assertion that there can be no negotiations of any kind between Britain and Argentina unless they include sovereignty: their readiness to negotiate with us under Paris Club auspices shows that they can be pragmatic when it suits them.

Sir Geoffrey Howe referred also in his minute of 27 June to fisheries. The multilateral initiative which we encouraged the FAO to pursue has not yet made further headway. The Argentines' preliminary reaction to the FAOs proposal for a technical study on fishing in the South West Atlantic was positive, but a formal response is still awaited. We are encouraging the FAO to press for this. When the Foreign Secretary spoke to the Brazilian Foreign Minister last week, he expressed the hope that Argentina would agreed to the FAOs proposal: and we have made the same point recently in discussion with the Uruguayan, Spanish and Italian Governments. But the Argentines may prefer to procrastinate; and unless we can show progress we will need to move on to consider, before the House returns in the autumn, alternative policies. We are carrying out detailed planning work, with other Departments, against that contingency.

I am copying this letter to Private Secretaries to Norman Tebbit, Michael Jopling, Michael Havers, Nigel Lawson and Sir Robert Armstrong.

Yours ever,  
*Peter Ricketts*  
 (P F Ricketts)

Charles Powell Esq  
 No 10 Downing Street



INFORMAL TRANSLATION OF TEXT OF ARGENTINE FOREIGN MINISTRY  
COMMUNIQUE OF 10 JULY 1985

The issue that separates Argentina from Britain is that of sovereignty over the Falkland Islands [Malvinas], South Georgia and the South Sandwich Islands.

This is the basic problem, since if it did not exist neither would the difficulties in commercial, economic and diplomatic relations.

This does not mean that the transfer of sovereignty is necessary in order to resume the process of restoring commercial and diplomatic relations. It simply means that this restoration can only be based on solid foundations when the issue that separates the two nations ceases to be ignored by one of them.

The UN Secretary General, in his Report to the 39th General Assembly, supports this view when he says: "Such measure could conceivably, in my view, facilitate addressing the issue that lies at the core of their current estrangement, in order to achieve a lasting solution of the problem".

The British Government is right in saying that we must move forward step by step to rebuild mutual trust and resolve all our problems. This is a realistic and appropriate position. What is not realistic is the attempt to progress step by step on secondary aspects, putting to one side consideration of the primary difference.

In this context the Argentine Government has taken note of the British decision to end the ban imposed in 1982 on imports originating in Argentina. According to the official statement this step reflects the UK's desire to improve its relations with Argentina.

This is a positive act which must be appreciated as such, welcomed positively, and which must be attributed to the prestige achieved by Argentine democracy in the international community.

As the British communiqué states, it is in the interests of both sides that trade should flourish between our two nations. But there is no doubt that profitable business requires stable political conditions and mutual confidence. On the one hand, the stability of our relations demands that the central theme separating us should not be ignored; and on the other, mutual confidence requires the elimination of any kind of threat to the security of the Argentine Republic, such as that stemming from the excessive and disproportionate militarisation of the Islands, and the maintenance of the so-called Protection Zone.

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Consequently, if this represents a move towards genuine flexibility in British policy it should be quickly followed up by realistic responses covering all the subjects which must be considered. Otherwise we would find that we are only talking about solving the so-called practical matters which interest British policy, ignoring everything else.

We insist that discussion of sovereignty is a concrete issue par excellence, because everything else depends on it; and without it, clearly, those so-called practical matters would become mere illusions.

It is for this reason that the policy of Argentina, supported by numerous decisions of the United Nations and other multilateral bodies, maintains that the problem of sovereignty must necessarily be included in any type of negotiation which might be entered into with the United Kingdom.

This is not only a legitimate claim but also a realistic appraisal of the situation; it certainly does not imply a specific place on the agenda of the negotiations nor a pre-determined time-table for the solution of all issues.

The Argentine Government hopes that the British initiative to lift the ban on imports represents a serious expression of a negotiating spirit and it is in order to put this to the test that the Argentine Government proposes some important steps to the British Government.

Consequently, it invites the British Government to begin negotiations during the next 60 days, for which Argentina is prepared to begin the necessary preparations at once, either through the good offices with which the UN Secretary General has been charged by the General Assembly, or, if this is preferable, through the friendly powers which represent our respective interests.

The Argentine Government has not considered it necessary to declare a formal cessation of hostilities, which de facto has been recognised in various UN resolutions.

However, if this situation were the remaining obstacle in the view of the British Government to the start of negotiations, the Argentine Government would be prepared to make this declaration as soon as the British Government agreed to begin the global negotiations repeatedly recommended by the international community.

The Argentine Government, wishing to consolidate peace through diplomatic means, trust that it will receive an early and favourable reply to this proposal.

Falkland Islands Department  
11 July 1985