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10 DOWNING STREET
LONDON SW1A 2AA

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From the Private Secretary

6 May 1988

FALKLAND ISLANDS: US ARMS SALES TO ARGENTINA

Thank you for your letter of 5 May about the further indications of the Americans' desire to sell arms to Argentina. The Prime Minister agrees with the line taken in the Foreign Secretary's reply to Secretary Shultz's recent message. She is more sceptical, however, about the further proposal in your letter for upgrading access to the FCO for the Argentine Interests Section in London. She doubts that it will cut any ice with the Americans and might even risk provoking them as an obviously inadequate response to their concerns. It might almost be less difficult for them if we were simply to rest on the current position. But I think she would wish to leave this to the Foreign Secretary's judgment.

I am copying this letter to Brian Hawtin (Ministry of Defence) and John Weston (Cabinet Office).

C. D. Powell

R. N. Culshaw, Esq., MVO,
Foreign and Commonwealth Office.

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Prime Minister



I am doubtful whether this modest step will cut any ice with the Americans in which case there is little point in taking it. But you may prefer not to stand in way, while expressing scepticism about the point of it.

Foreign and Commonwealth Office

London SW1A 2AH

5 May 1988

Falkland Islands: US Arms Sales to Argentina

The Prime Minister will recall that at the NATO Summit in Brussels in March President Reagan raised US policy on arms sales to Argentina. This rests on the "consultation" assurance he gave late in 1983. Mr Shultz has followed up the President's request for "a little leeway" with a message (attached).

It ostensibly covers points arising from Exercise Fire Focus but also:

- asks us to improve relations with Argentina so that the Argentines will feel able to declare a cessation of hostilities;
- hints strongly that the US want to supply major weapons to Argentina "to strengthen democracy" and that the consolidation of democracy will somehow help resolve the Falklands "problem".

The Foreign Secretary has replied (copy attached) in unequivocal terms to correct any misconceptions:

- any weakening in the US commitment on major arms sales would cause us the gravest concern;
- the US should not harbour illusions on the significance of an Argentine declaration of a cessation of hostilities.

Those in the US Administration responsible for US/Latin American relations will go on pressing for a change in arms sales policy. The Foreign Secretary is sure we should stand our ground. We should be able to hold Mr Shultz and President Reagan to their commitment to consultation (the Americans have been scrupulous up to now and only authorised supplies to which we had no objection. But there is a greater risk of a reversal of US policy after the election, even if Mr Bush wins. Antony Acland agrees. The Foreign Secretary has therefore considered what steps we should take to stiffen US resolve. He believes that:

Agree?
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5/5.
Yes

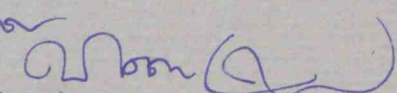


- US resentment at our policy and the difficulties it creates for their relations with Argentina could develop into a major transatlantic issue;
- we cannot contemplate fundamental changes of policy, but it remains in our interests, short of that, to take full account of US sensitivities and to demonstrate the reasonableness of our position.

He has examined the scope for strengthening the hand of our friends in the Administration and putting the Argentines on the back foot.

The room for manoeuvre is strictly limited. But he has identified one option which he thinks we should deploy in our talks with the Americans. He has in mind to offer (through the Swiss) access for the Argentine Interests Section in London to the FCO up to Head of Department level, conditional on reciprocity in Buenos Aires. This carries no penalties for us. The Argentines are, in fact, unlikely to accept, in which case their intransigence will be exposed once again. We will have signalled clearly to the US (along with the fisheries exchanges) further readiness to promote more normal relations. We would, of course, make clear that any contacts at this level would be confined to routine, practical matters and not a back-door channel for negotiations.

The Foreign Secretary believes this would strengthen our hand modestly, but effectively. He would welcome confirmation that the Prime Minister agrees. I am copying this letter to Brian Hawtin and to John Weston.

John

 (R N Culshaw)
Private Secretary

C D Powell Esq
 PS/No 10 Downing Street