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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 October 1988

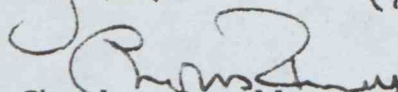
Dear Bob,

CONTACTS WITH ARGENTINA

Thank you for your letter of 24 October dealing with the Argentine reply to our "non-paper" on the fisheries exchange and with Caputo's proposal for a discreet meeting with the British representative in New York.

The Prime Minister is not at all surprised that the Argentinians have failed to give the assurances we sought to enable the proposed fisheries exchange to take place. She sees little point in pursuing this further.

The Prime Minister is very sceptical about their suggestion of a private meeting but agrees that it would needlessly antagonise the Americans to reject it out of hand. We shall need to go into a meeting with our eyes open as to how the Argentinians are likely to misrepresent it and be prepared to counter as appropriate. But provided we do this, provided it is a one-off meeting and not part of a series and provided that our representative sticks to the points proposed in paragraphs 5 and 6 of your letter, the Prime Minister agrees that the meeting may take place.

Yours sincerely,

Charles Powell

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

24 October 1988

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cell
Dear Charles

Contacts with Argentina

// The Foreign Secretary has received two messages from George Shultz about Argentina. I enclose copies.

The first covers the text of the Argentine reply to our latest "non-paper" on the fisheries exchange. The second message urges us to nominate someone to have a private meeting with the Argentine Foreign Minister, Dr Caputo, while he is in New York as President of the current UN General Assembly.

On the fishery exchange, the Argentines as expected have failed to give the Americans the two key assurances we have insisted on and their reply itself contains other unsatisfactory elements. Unless we can succeed in pinning them down, there seems little future for these exchanges and we shall need to give thought to our next move. The Foreign Secretary will be in touch again about this in due course; there is no urgency to give the US Government or the Argentines a definitive reply.

But we should make a decision fairly quickly about the meeting which Shultz is urging on us. Caputo has recently been seeking some sort of direct contact with us. On 3 October he conveyed an invitation to Sir Crispin Tickell to meet him privately in New York, without any specific agenda. The US Ambassador here has stressed to Mr Eggar that Shultz is looking to us to take matters forward and hopes we will respond positively. In the context of these exchanges it is US views that matter to us, rather than Argentine ones.

While Caputo is in New York as President of the General Assembly it would be quite possible for Sir Crispin Tickell to meet him briefly in his office in the UN building. The Foreign Secretary considers that a meeting with Caputo (on a realistic and strictly defined basis) could serve a purpose. It would provide an opportunity simply (and bluntly) to bring home to Caputo

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in person that we are not going to negotiate or discuss sovereignty, and that if the Argentine Government want to leave a less arid Anglo/Argentine legacy behind them after next year's Argentine elections they must play straight over the fishery talks. It would give us a chance to establish directly whether there is in fact any chance of being able to talk to Argentina about fisheries on an acceptable basis. But most of all, it would show the Americans that we mean what we say about wanting to have normal relations with Argentina (though not at any price).

We would make absolutely plain that, while we are still studying the latest Argentine non-paper, it looks disappointing. If progress is to be made they must give the US the basic assurances we have sought and agree in advance to a proper technical agenda, as we have proposed, without ambiguity or scope for unacceptable surprises; our initial view is thus that Caputo will have to reconsider the Argentine reply. A meeting would also provide an opportunity to reiterate that the ball is firmly in the Argentine court as far as moving to more normal relations is concerned (if Caputo is at all serious he could for example show it by lifting Argentine trade sanctions against the UK, something which is long overdue). He is unlikely to respond positively, but it would strengthen our hand with the US if we could say we had tried to get through to him.

The Foreign Secretary thinks that to turn down the proposal would play into the hands of those in the US Administration who seek to discredit our policy towards Argentina in order to try to bring to an end our control over major US arms sales, and who hope that the departure of Mr Reagan will give them an opening. It would also give the Argentines an important debating point, which they would make full use of in the run up to the annual Falklands debate in the General Assembly. This point has been reinforced by Caputo's recent public appearance on Channel 4 News, offering talks without preconditions. (There is nothing new in this offer, but it creates an impression of Argentine flexibility.)

Next May's Argentine elections are also relevant. It is probable that Alfonsin will be succeeded by Carlos Menem - a hard-line traditional Peronist with uncompromising views on the Falklands. Caputo professes to believe that something can be achieved before he

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leaves office. Again the US dimension is important: if we are seen in Washington to have slammed a window of opportunity, we shall be conceding a point to those who see our Falklands policy as an obstacle to US policy objectives towards Argentina.

Subject to the Prime Minister's view, the Foreign Secretary is therefore inclined to agree to such a meeting on the understanding, from the start, that it would be a one-off encounter, and that we would confine ourselves to making the points in paras 5 and 6 above. There can be no question of agreeing to a series of exchanges with Caputo.

Yours ever
R N Peirce

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

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EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

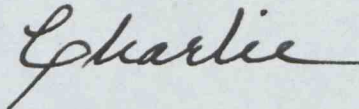
October 3, 1988

Dear Geoffrey:

I have been asked to deliver the attached message to
you from Secretary Shultz.

With warm regards,

Sincerely,



Charles H. Price, II
Ambassador

Attachment:
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The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,
Secretary of State for Foreign and
Commonwealth Affairs,
Foreign and Commonwealth Office,
London, SW1 2AL.

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Dear Geoffrey:

We recently received the formal response from the Argentines to your non-paper of July 25 and I wanted to pass it to you without delay together with a word about the assurances, which, as you asked, I personally raised with President Alfonsin.

In recognition of British concerns we have steadily and persistently made clear to the Argentines the need to avoid Bern-type surprises and we continue to emphasize our belief that both sides should use the potential opening of direct talks as a prudent vehicle for building confidence.

Based on my discussions with the Argentines, and the long-standing efforts of my officials, I believe that Argentina, like the United Kingdom, is dealing with Falklands issues in a careful and serious manner as befits a politically sensitive issue. Indeed, this seriousness and the need for prudence must account, in our view, for the cautious pace of the exchanges on both sides.

In your letter to me of July 25, you raised the issue of assurances from President Alfonsin that (a) Argentina would "not use the meeting to introduce discussion of sovereignty over the Falklands," and (b) that for the purpose of entering into direct talks with you "they accept that the FICZ (Falkland Islands Interim Conservation and Management Zone) exists as a fact of life."

Following my return from South America in mid-August, I asked our Bureau of Inter-American Affairs to provide an interim briefing to your Embassy in Washington. At that time we informed your Embassy that while in Buenos Aires I and my delegation, in meetings with senior Argentine officials, had recommended that the Argentines try to begin talks on the basis of the British non-paper of July 25. Your Embassy was also told that the Argentines wanted more time to study the British proposal carefully.

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,
Secretary of State for Foreign and
Commonwealth Affairs,
Foreign and Commonwealth Office,
London, SW1 2AL.

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On September 19 Foreign Minister Caputo provided us with a non-paper which he asked be passed to HMG and which is enclosed with this letter. Based on our reading of that paper, the Argentines appear ready to enter into direct talks with HMG, and would be prepared, as suggested in your non-paper, to limit the agenda to issues "directly related to the southwest Atlantic fishery, i.e., the conservation of fish stocks and the avoidance of incidents at sea."

At a meeting in New York on September 19, State Department officers probed the Argentines further on the question of assurances. Foreign Minister Caputo explicitly reiterated the commitments which President Alfonsin had made to me in Buenos Aires, i.e., that the Argentine Government would not seek to change any aspect of the current (Falklands) situation through violence; and that the GOA would have no surprises for the UK. They have also stressed that on the issue of "discussing sovereignty" the positions of both sides are protected by the agreed "umbrella" language. And with a view "to ensuring accuracy" they asked that we pass to you the enclosed Spanish and English language texts of the "sovereignty umbrella."

When asked whether they could more explicitly accept, for the purpose of such talks, the "reality" of the FICZ, Foreign Minister Caputo underscored President Alfonsin's above-cited promises -- particularly the undertaking to refrain from "surprises." Caputo urged that this be considered sufficient when combined with the fact that the Government of Argentina has not sent its navy into the FICZ or licensed fishing in that area.

Geoffrey, I think they received and understood your message, as well as ours about the need to avoid surprises. I hope this Argentine response meets your concerns and will enable you to enter into direct talks. In any event, as we have recently told the Argentines, my government remains available to facilitate the passing of messages between London and Buenos Aires in the hope that this will be a positive contribution.

Warm Regards,

/s/

George

Enclosure:

Argentine non-paper of September 19, 1988.

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Working Translation of
Argentine Non-Paper of
September 19, 1988

1. The Argentine Government is gratified that the British Government concurs, as indicated in its non-paper of July 25, 1988, in the holding, at a place and date to be agreed upon, of a direct dialogue between the two parties with a view to reaching understandings to prevent military incidents and the depredation of fisheries resources, under the authority of the sovereignty formula accepted by both parties. The Spanish and English text of said formula is enclosed with a view to ensuring necessary accuracy.

2. Within the framework of this formula, while the British Government indicates that it will approach the dialogue on the basis of its declaration of October 29, 1986, the Argentine Government, which on the same date clearly expressed its position regarding the British declaration, will approach the dialogue on the basis of Argentine jurisdiction, reaffirmed since 1966 in Law No. 17.094. The Argentine Government considers that the problems to be confronted in the dialogue result from the fact that the aforementioned British declaration on the Malvinas waters and Argentine jurisdiction over those same waters completely overlap.

3. The object of this exercise is to reach, while the dispute lasts, such understandings as may prevent, indeed, any negative consequences therefrom, such as incidents and depredation, without thereby implying any coordination or mutual acceptance of jurisdictions.

4. With respect to the agenda for the dialogue, the Argentine Government considers that the exposition of the subjects referred to in paragraph 1 above and the aspects of each to be covered must be agreed upon by the respective delegations, once the initial statements have been heard and a general exchange of views has taken place.

5. On this understanding, the Argentine Government is prepared to agree upon with the British Government the place and date of the first meeting of both delegations.

September 19 1988

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Text of Umbrella Language

- (1) Nothing in the conduct or content of the present meeting may be interpreted as:
- A) A change in the position of the United Kingdom with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands and the surrounding maritime areas.
 - B) A change in the position of the Argentine Republic with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands and the surrounding maritime areas.
 - C) Recognition of or support for the position of the United Kingdom or the Argentine Republic with regard to sovereignty or territorial and maritime jurisdiction over the Falkland Islands and surrounding maritime areas.
- (2) No act or activity carried out as a consequence and in implementation of anything agreed to in the present meeting may constitute a basis for affirming, supporting, or denying the position of the United Kingdom or the Argentine Republic regarding the sovereignty or territorial and maritime jurisdiction over the Falkland Islands and the surrounding maritime areas.

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October 5, 1988

Dear Geoffrey:

Today I met in New York with Dante Caputo, the Argentine Foreign Minister now serving as General Assembly President. Caputo expressed a strong desire to take advantage of his presence in New York over the next few weeks to meet with a representative of yours and noted that being here gives him physical opportunities (cover, he called it) he does not have in Buenos Aires. He said he would accept any conditions of confidentiality you propose. He would agree to meet with or without witnesses and gave his word there would be no surprises. He noted also that Argentina will have elections next year which the Peronists may win. Alfonsin, he said, wants to get talks going and make some progress on the Falklands so that there is something on track which a successor government will feel constrained to pursue. I continue to hope that the Argentine response I forwarded in my recent message will enable you to engage in direct talks, and I urge you to consider very seriously taking up Caputo on his offer. This seems to me an opportunity for a very private, low-key discussion that could be useful for building confidence and preparing the way for more formal talks later.

Warm regards,

Sincerely yours,

/s/

George

SECRET