



PM/85/2

PRIME MINISTER

*Prime Minister*  
*This seems a sensible approach.*  
*Agree:*

*More rejection for renewal of dialogue?*  
*i) to reject Argentine proposals*  
*ii) to pursue lifting of commercial*  
*Paris Club bilaterals? re-state our offer on next-of-kin visits?*  
*Yes*  
*is under auspices of*  
*supervisors*  
*Int. Red Cross. not*  
*Falklands/Argentina: Next Steps*  
*CDP*  
*4/11*

1. You asked me to consult you closely in the preparation of our reply to the Argentine proposals communicated to us through the Swiss on 4 December. I have also been looking at other aspects of our policy. The two central themes remain to stand by our commitments to the Islanders, and to be ready to explore practical means of restoring more normal bilateral relations with Argentina. The purpose of this minute is to put forward proposals on how we should handle the various issues in a coherent and coordinated way.

The Argentine Message

2. The Argentine Foreign Minister's proposal (set out in the enclosed telegram) is unacceptable. It reaffirms the linkage which brought the Berne talks to deadlock by stipulating that, before any discussion of normalisation could start, we would have to accept the Argentines' three-phase package as a whole, including discussion of "the political status of the Islands and their inhabitants". That is simply a euphemism for discussion of sovereignty. Moreover, one of the lessons of Berne was that the more elaborate the framework, the greater the scope for Argentine ambiguity and back-tracking.

3. Nevertheless, I am sure that it is right to maintain our policy of seeking more normal relations with Argentina. I propose that our approach should be to identify single subjects, including individual components of the Berne package, in which we could seek to make progress when conditions are ripe. We should continue to make it absolutely clear to the Argentines at every stage that we cannot agree to any arrangement in which

/discussion



discussion of sovereignty forms any part.

4. Our efforts to establish more normal relations with Argentina at the Berne talks contributed significantly to the satisfactory vote in the UN General Assembly, and has eased pressure on us from our friends to discuss sovereignty. The Report of the Foreign Affairs Committee has acknowledged the wisdom of our policy of seeking progress through practical arrangements for improving bilateral relations, with sovereignty left aside. Many people at home and overseas will expect us to show that we remain ready to approach our relations with Argentina sensibly and constructively. You will have seen Kohl's message about this. Meeting these expectations will help to keep our European partners and others on board at the United Nations in future. At home there is pressure from British companies (eg importers of Argentine wool and maize, and those who complain about restrictions on the imports of books) for the lifting of our ban on Argentine goods.

5. I therefore propose that we should tell the Argentines in unequivocal terms that we cannot enter into any exchanges on the basis they have put forward: we remain committed to normalising relations through confidence-building measures, but there must be no linkage between this and discussion of sovereignty. This must be understood equally clearly by the Protecting Powers: I see them as acting strictly as our agents, as a channel of communication, and not seeking to convoke new talks, still less to mediate between us and Argentina.

#### Economic and Commercial Restrictions

6. Like you, I agree with Paul Channon's suggestion that, in the context of the Paris Club proceedings on the rescheduling of the Argentine debt, it should be put to the Argentines - without recourse to formal bilateral negotiations - that the two sides should lift the commercial and financial restrictions now in place.

/Timing



Timing and Tactics in the Paris Club

7. Officials in the FCO, DTI and Treasury agree that it would be wiser not to try to engage the Argentines on commercial restrictions at the multilateral session of the Paris Club on 15-16 January. I am sure this is right. To do so could assume an undesirably high profile, and could politicise and complicate the debt re-scheduling exercise. In their current mood, the Argentines could well protest that we were introducing extraneous conditions and reject our ideas out of hand. We would then end up gaining nothing from the Argentines (and irritating our partners) rather than encouraging them to consider seriously the mutual benefits of the pragmatic approach we are advocating.

8. The subsequent bilateral Paris Club negotiations would have the advantage of informality and more flexible timing. They are likely to start in March; ECGD aim to complete them by June. As Paul Channon has suggested, we could justifiably present proposals for the reciprocal lifting of commercial restrictions as being in the long-term interests of the Argentine economy. It would not be appropriate for our negotiating position to be such that it could be construed as an attempt to trade off debt rescheduling for restoration of commercial relations, since we should already have committed ourselves at the multilateral meeting to going along with the rescheduling. But it would be reasonable for our representatives to build on the logical connection between the two.

9. We shall need to choose the occasion with a view to ensuring as far as we can that the Argentine Representative is of the right calibre and appropriately briefed. To achieve this without triggering their sovereignty linkage will not be easy. I therefore favour delaying our reply to their message of 4 December until after the multilateral Paris Club meeting. If this goes satisfactorily, our message rejecting Caputo's

/latest



latest proposal could add that we had welcomed the opportunity to play a constructive part in the Paris Club on a practical matter of the sort which in our view should form the substance of efforts to improve relations. We would go on to say that we intended to approach the Paris Club bilaterals in an equally positive spirit; and - perhaps - specify that we would wish to see progress in other economic areas.

Possible Next-of-Kin Visit

10. There has been a revival of interest among churchmen in Argentina, and here, in the idea of an Argentine next-of-kin visit to the Falklands. I believe that there would be advantage in an early restatement of our position that, while the return to Argentina of their dead buried in the Falklands would be the best course, we remain ready to accept a suitably-prepared party of next-of-kin. This could be included in our draft reply to the Argentine message on the assumption that this is delivered promptly after the Paris Club meeting. One of the Falkland Islands Councillors confirmed in New York in October that the Falkland Islands Government remains ready to see a next-of-kin visit. This would be a positive humanitarian gesture. If, as seems possible, our own offer were supported by parallel action through the Catholic Church, it could be more difficult for the Argentines to muddy the waters by introducing extraneous sovereignty issues.

*Under the auspices of the Lat. Am. Cross? Otherwise we could refer to diff. with his depts. more or less needs to be supervised them*

Fisheries

11. I shall be sending you a separate minute about this.
12. Provided that you are content, and that I do not hear to the contrary from colleagues on OD and Sir Robert Armstrong, to whom I am copying this minute, I propose to proceed accordingly.

GEOFFREY HOWE

Foreign & Commonwealth Office

4 January 1985