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TO IMMEDIATE FCO

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YOUR TELNO 122: FALKLANDS

1. THE PRESIDENT RECEIVED ME AT 10.00. I SPOKE ON THE LINES OF THE MESSAGE IN THE FIRST PARAGRAPH OF YOUR TUR OF WHICH I ALSO LEFT HIM AN ENGLISH TEXT.

2. THE PRESIDENT SAID HE HAD STUDIED WITH GREAT CARE THE DOCUMENTS AND TRANSLATIONS I HAD LEFT HIM YESTERDAY AND EMPHASISED HIS CONVICTION THAT A CEASEFIRE AND A MUTUAL WITHDRAWAL OF FORCES SHOULD BE NEGOTIATED WHICH COULD LEAVE THE SUBSTANCE AND DETAIL OF THE DISPUTE FOR SUBSEQUENT NEGOTIATION. IN PARTICULAR, HE SAID THAT THERE MUST BE SOME WAY OF ENSURING THAT THE ARGENTINES WITHDREW THEIR TROOPS FROM THE PORT STANLEY AREAS EVEN IF ONLY IN STAGES BEGINNING BY MOVING TO EG THE WEST FALAKLAND. HE THOUGHT THAT THIS COULD BE MATCHED BY AN EQUIVALENT OR QUOTE SYMMETRICAL UNQUOTE WITHDRAWAL OF THE BRITISH FORCES. HE SEEMED TO THINK IT WAS UNREASONABLE TO EXPECT BRITISH FORCES TO WITHDRAW TO QUOTE LIVERPOOL UNQUOTE WHILST THE ARGENTINES PRESUMABLY WENT BACK ONLY TO THE ARGENTINE MAINLAND. HE WAS DISPOSED TO USE HIS OWN INFLUENCE WITH ARGENTINA AND THAT OF OTHER LATIN AMERICAN PRESIDENTS WHOM HE THOUGHT WOULD SUPPORT INITIATIVES DESIGNED TO BREAK THIS ASPECT OF THE DEADLOCK.

3. PRESIDENT BELAUNDE THEN SPOKE AT LENGTH ABOUT HIS CONCERN ABOUT THE PROSPECTS BEFORE US. HE ASKED ME ABOUT THE REPORTS OF LANDINGS ON THE FALKLANDS WHICH I CONFIRMED. HE COMMENTED THAT OUR LANDINGS QUOTE RESTORED THE BALANCE UNQUOTE TO SOME EXTENT. BUT HE WAS DEEPLY WORRIED BY THE POSSIBILITIES OF INCIDENTS WHICH MIGHT GIVE RISE TO AN ESCALATION. IN THIS CONTEXT HE REFERRED TO THE DITCHING OF A HELICOPTER ON CHILEAN TERRITORY AND TO THE LARGE NUMBER OF SOVIET MERCHANT VESSELS CONCENTRATED IN THE AREA OF PUNTA ARENAS. HE WONDERED WHAT WOULD HAPPEN IF A SOVIET VESSEL APPROACHING THE TEZ WAS MISTAKEN FOR AN ARGENTINE SHIP. THE PRESIDENT ALSO SPOKE ABOUT THE DISASTROUS EFFECTS THAT THE CONFLICT WOULD HAVE ON THE UNITED STATES' RELATIONS WITH LATIN AMERICA AND ALSO THE SERIOUS CONSEQUENCES THAT WOULD RESULT FROM A COLLAPSE OF THE ARGENTINE ECONOMY. HE ALSO DWELT IN SOME DETAIL ON THE UNITED KINGDOM'S RELATIONS WITH LATIN AMERICA. FOR ALL THESE REASONS, AND BECAUSE OF HIS PROFOUND CONVICTION THAT A PEACEFUL SETTLEMENT (HE QUOTED THE PRESIDENT OF BRAZIL'S STATEMENT THAT THERE SHOULD BE NEITHER VICTORS NOR VANQUISHED) WAS ESSENTIAL, HE FELT UNABLE TO RESIGN HIMSELF TO MAKING NO FURTHER ATTEMPTS TO BRING ABOUT A SOLUTION.

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4. AT THE APPROPRIATE MOMENT I RAISED THE MINISTER OF WAR'S REITERATED PUBLIC PRONOUNCEMENTS ABOUT PERU'S READINESS TO SUPPLY ARGENTINA WITH TROOPS, AIRCRAFT ETC. I SAID THAT WE WOULD TAKE A SERIOUS VIEW OF ANY PERUVIAN ACTION TO PROVIDE MILITARY SUPPORT FOR ARGENTINA WHICH WOULD ONLY LEAD TO THE PROSPECT OF INCREASED HOSTILITIES WHICH WOULD MAKE A PEACEFUL SETTLEMENT HARDER TO ACHIEVE. THE PRESIDENT SAID THAT PERU WAS A DEMOCRATIC COUNTRY IN WHICH PEOPLE INCLUDING MINISTERS WERE FREE TO EXPRESS THEIR OPINIONS IN ANY WAY THEY WISHED. THE SERVICE MINISTERS WERE NOT MEMBERS OF HIS PARTY, BUT SO FAR AS HE WAS AWARE EVERY TIME THE MINISTER OF WAR HAD MADE A STATEMENT ABOUT THE SITUATION HE HAD REFERRED TO THE FINAL DECISION BEING THE PRESIDENTS' AS COMMANDER IN CHIEF OF THE ARMED FORCES. PRESIDENT BELAUNDE SAID THAT HE THOUGHT THE ISSUE WOULD NOT ARISE WHILE HOSTILITIES WERE CONFINED TO THE FALKLANDS WHICH HAD BEEN UNDER QUOTE BRITISH JURISDICTION UNQUOTE FOR 150 YEARS. BUT THERE WAS NO QUESTION IN HIS MIND THAT ARGENTINA WOULD BE ABLE TO INVOKE SUCESSFULLY ARTICLE 3 OF THE RIO TREATY IF AN ATTACK ON THE CONTINENTAL MAINLAND TOOK PLACE. HENCE HIS DEEP CONCERN OVER SUCH INCIDENTS AS THE HELICOPTER CRASH ON CHILEAN TERRITORY.. THE PRESIDENT THEN SPOKE ON THE USUAL LINES ABOUT THE LINKS BETWEEN THE ARGENTINE AND PERUVIAN ARMED SERVICES AND THE NATURAL RESPONSE WHICH THE PRESENT SITUATION EVOKED ON THE PART OF THE PERUVIAN MILITARY. THE PRESIDENT SAID HE HAD NO DOUBT THAT I WAS FULLY AWARE OF THE PRESSURES TO WHICH HE WAS EXPOSED AND MADE NO ATTEMPT TO MINIMISE HIS PREOCCUPATION OVER THIS ASPECT OF THE SITUATION.

5. PTHE PRESIDENT THEN ASKED ME WHAT I THOUGHT WOULD HAPPEN IF THE ARGENTINES ACCEPTED HIS LATEST PROPOSALS. I SAID I WAS CONFIDENT THE ARGENTINES WOULD DO SO EVEN IF ONLY TO CONTINUE TO PLAY FOR TIME. THE PRESIDENT THEN READ AGAIN YOUR MESSAGE AND UNDERLINED THE THIRD SENTENCE WHICH HE IMPLIED HE COULD USE TO KEEP HIS INITIATIVE (WHICH HAS NOW BEEN COMMUNICATED TO THE SECRETARY GENERAL OF THE UNITED NATIONS) ALIVE IN THE EVENT OF AN ARGENTINE ACCEPTANCE. HE ADDED THAT HE WOULD BE DISCUSSING THE LATEST DEVELOPMENTS IN HIS WEEKLY COUNCIL OF MINISTERS IMMEDIATELY AFTER I LEFT AND INVITED ME TO GET IN TOUCH WITH HIM AGAIN IN THE EVENT OF ANY DEVELOPMENT IN WHICH WE THOUGHT HE COULD BE OF HELP.

CONFIDENTIAL

6. OUR CONVERSATION LASTED ONE HOUR. THE PRESIDENT RETURNED SEVERAL TIME TO THE QUESTION OF A PHASED WITHDRAWAL AND SEEMS CLEARLY DISPOSED TO PURSUE THIS ASPECT OF THE SITUATION.

WALLACE

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