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RECEIVED BY NO. 10		
31 MAR 1982		
DESK OFFICER		ELUIS RY.
INDEX	PA	Action Taken

FM BUENOS AIRES 30/2050Z MAR 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 126 OF 30 MARCH 1982
INFO IMMEDIATE WASHINGTON, PORT STANLEY (PERSONAL FOR GOVERNOR)
AND TEL AVIV (SEC OF STATE'S PARTY)

1. YOUR TELNO 77 (SOUTH GEORGIA) ARRIVED AS I WAS ABOUT TO REPORT WHAT MY US COLLEAGUE HAS JUST TOLD ME OF HIS INTERVIEW WITH COSTA MENDEZ THIS MORNING, CARRYING OUT THE INSTRUCTIONS FROM MR STOESEL FORESHADOWED IN WASHINGTON TELNO 1524. SINCE HIS OWN REPORT IS ONLY NOW ON ITS WAY TO WASHINGTON, HE HAS ASKED THAT HIS CONFIDENCE TO ME SHOULD BE RESPECTED FOR SOME HOURS.

2. IT APPEARS THAT COSTA MENDEZ'S REACTION WAS WHOLLY NEGATIVE. HE INDICATED THAT US GOOD OFFICES, WHILE WELCOME ON THE UNDERLYING DISPUTE, WERE NOT REQUIRED ON THE CURRENT INCIDENT, THE COMPROMISE PROCEDURE SUGGESTED BY MR STOESEL WAS NOT ACCEPTABLE TO ARGENTINA, BUT THERE WOULD BE NO CONFRONTATION PROVIDED THE BRITISH DID NOTHING TO DISTURB THE ARGENTINE WORKMEN. THE SOLUTION OF THE PROBLEM OF THE INCIDENT COULD BE FOUND IN STARTING WITHOUT DELAY ON NEGOTIATION OF THE MAIN DISPUTE.

3. THIS UNCOMPROMISING STAND WAS TAKEN A FEW HOURS BEFORE MAJOR DEMONSTRATIONS PLANNED BY LABOUR UNIONS AGAINST THE GOVERNMENT'S ECONOMIC AUSTERITY MEASURES FOR LATER THIS AFTERNOON, IT BEING GENERALLY BELIEVED HERE THAT THE GOVERNMENT HAD BEEN HOPING THAT THE RECENT JINGOIST FERVOUR WOULD DECIDE THE UNIONS TO PUT THE DEMONSTRATIONS OFF OR AT LEAST STEAL THE HEADLINES. IT ALSO SEEMS TO SHOW COSTA MENDEZ MOUTHING A FORMULA GIVEN HIM EARLIER TO USE WITHOUT DISCRETION. IT IS AN INDICATION OF MOOD THAT COSTA MENDEZ, ROS AND PENA WERE TO ATTEND THIS MONTH'S EC LUNCH IN MY HOUSE TODAY. AFTER SAYING YESTERDAY, WHEN I OFFERED TO SHIFT THE LUNCH ELSEWHERE, THAT THEY WOULD READILY COME TO ME, I GOT A CANCELLATION FOR ALL THREE AT SHORT NOTICE THIS MORNING.

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4. MY US COLLEAGUE WAS INCLINED TO SPECULATE THAT, IF HE WERE INSTRUCTED TO GO OVER COSTA MENDEZ'S HEAD (PRESUMABLY TO THE PRESIDENT) AND AFTER TODAY'S DEMONSTRATIONS ARE OVER HE MIGHT GET A LESS BRUSQUE RESPONSE THAN HE DID TODAY. AT PRESENT THE ARGENTINE GOVERNMENT HAVE THEIR TAILS UP AND BELIEVE THEY HAVE FOUND A WAY OF BULLYING US INTO CONCEDED SOVEREIGNTY. BUT THEY ARE NOT NOTABLE FOR STAYING POWER AND MAY LOOK CONSIDERABLY MORE BEDRAGGLED TOMMORROW.

5. IN THESE CIRCUMSTANCES I QUESTION, WITH RESPECT, WHETHER IT IS PRUDENT TO DELIVER SO SOON A MESSAGE AS CONCILIATORY AS THAT CONTAINED IN YOUR TUR. SO FAR I HAVE BEEN CARRYING OUT, I THINK LOYALLY AND WITH DILUTION, SOME PRETTY TOUGHLY WORDED INSTRUCTIONS AND, WHILE MAINTAINING CIVILISED RELATIONS, HAVE AVOIDED CONCEDED GROUND. TO INDICATE NOW, WHILE US GOOD OFFICES ARE STILL IN PLAY, THAT I SHOULD BE SUPERCEDED AS THE ARGENTINES' INTERLOCUTOR BY AN OFFICIAL JUNIOR TO MYSELF COMING WITH QUOTE CONSTRUCTIVE PROPOSALS TO DEFUSE THE INCIDENT UNQUOTE WILL, I FEAR, ONLY CONVINCE THE ARGENTINES THAT I HAVE BEEN DISOWNED AND THAT THEY HAVE US ON THE RUN NOT ONLY ON THIS INCIDENT BUT OVER CONCEDED SOVEREIGNTY. THEY WILL CERTAINLY LEAK THIS INTERPRETATION STRAIGHT AWAY.

6. IF, AS I HOPE, THIS IS NOT IN FACT THE CASE, I SUBMIT THAT WE WOULD DO BETTER TO LEAVE THE ARGENTINES TO STEW FOR A DAY OR TWO AND CONSIDER, IN THE LIGHT OF MR STOESSEL'S REACTION TO WHAT HE HEARS FROM MY US COLLEAGUE, NOW BEST OUR INTERESTS CAN BE SECURED.

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