

# Argentina and banks reach debt agreement

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ARGENTINA agreed last night to pay \$225m (166m) from its reserves to help meet payments of overdue interest ahead of to-day's key quarterly reporting deadline for U.S. banks, Sr Bernardo Grinspun, Economy Minister, announced in Buenos Aires.

The agreement was part of a package that will bring interest payments on the country's public sector debt current through to April 2. The 11 leading creditor banks which have been leading negotiations with Argentina are to advance a further \$125m to the government of President Raul Alfonsin.

The package will have the immediate effect of preventing U.S. banks from having to declare Argentine loans as non-performing in their second quarter results. This would have sharply dented their

It also underlines the determination of both bank creditors and Argentina to keep the door open for further debt negotiations despite the failure of President Alfonsin's Radical Party Government to agree an austerity programme with the International Monetary Fund.

An outline of last night's package to reduce interest payment arrears to less than 90 days has been on the table since early June but its fate hung in the balance following Argentina's open rift with the IMF on the terms of a plan to

reduce its balance of payments deficit and curb inflation, now running at 570 per cent.

As today's deadline for U.S. banks drew near, some of the 11 banks on the advisory committee, which is presided over by Citibank, held out against making any further advances to Argentina without an IMF agreement. Lloyds Bank of the UK, which sits on the committee, also had to clear its participation in the loan with Downing Street. This has become standard practice for British banks dealing with Argentina since the Falklands.

As late as yesterday afternoon there were still doubts over whether the banks' package could go ahead and, in New York Citibank declined immediate confirmation of Sr Grinspun's statement that agreement had been reached.

Senior bankers said, however, they had become more optimistic about an eventual settlement of Argentina's \$43.6bn debt problem after President Alfonsin's speech to the nation on Wednesday night in which he spoke of the need for tough economic measures. Some bankers regard this as a sign of rapprochement with the IMF.

Like the \$100m advance made by the advisory committee in March, the new loan from the banks will be secured against Argentine deposits at the Federal Reserve Bank of New

York. Its initial maturity of 45 days can be extended if Argentina reaches an agreement with the IMF.

Advisory committee bankers noted last night that the cash they will receive in interest from this package exceeds the amount they will have to re-lend in the form of their \$125m advance.

Argentina's willingness to make a new payment of interest to its bank creditors follows strong pressure from the U.S. Government, as well as other Latin American debtor countries, that it should come to terms with the IMF. However, meetings this week between Sr Grinspun and Mr Jacques de Larosiére, IMF managing director, produced little.

Mr de Larosiére told Mr William Rhodes, chairman of the advisory committee, by telephone on Thursday night that progress had been made in defining the issues at stake but it was too early to speculate on when a final agreement might be reached.

As part of yesterday's package all bank creditors are to be asked to defer until mid-September the repayment date of a \$750m loan instalment which fell due on June 15. The advisory committee banks are also to extend the maturity of the \$100m advance made in March to help Argentina meet interest payments.

Daily Mail  
30th June 1984

## Settled

BUENOS AIRES: An agreement on the payment to U.S. banks of £330 million owed in interest on Argentina's £31 billion foreign debt was announced here.

## Falklands fishing

From Mr Simon Lyster

Sir, In his letter (June 18) on the Falklands fishing issue Dr Godman missed the main point. It would be counter-productive to encourage any more fishermen in Falklands waters, whether Argentinian or otherwise, without first controlling the amount of fish they can catch.

Falklands fish stocks are (or were until recently) extremely rich. But because the British Government has failed to declare a 200-mile fishing zone around the islands, trawlers from any country (except Argentina) are free to take as much fish as they can catch without any restriction and without paying a penny in licence fees.

As a result, Polish, Russian, East German, Japanese, Spanish and Taiwanese vessels have been pouring into Falklands waters in the last 18 months and are fishing as hard as they can while the bonanza lasts.

In 1680 an anonymous writer

observed: "We arrest a man or woman who steals the goose from off the common, but we let the person loose who steals the common from under the goose." At enormous cost the Falklands goose is now safe from the Argentinians, but we are allowing the Poles, Russians, East Germans, Japanese, Spanish and Taiwanese to strip the common with impunity.

Unless the Government takes rapid action to impose controls, even if only as an interim measure until a broader agreement with Argentina can be worked out, talk of Argentine fishermen, British fishermen or any other fishermen is irrelevant because there simply will not be viable numbers of fish to catch.

Yours faithfully,

SIMON LYSTER, Hon Secretary,  
Falkland Islands Foundation,  
c/o World Wildlife Fund - UK,  
Panda House,  
11-13 Ockford Road,  
Godalming, Surrey.

The Observer 1/7/84

The Times 29/6/84

## Alfonsin forced to call for extra sacrifices

Buenos Aires (NYT)—President Raúl Alfonsín, in a turnaround from his insistence that Argentina has suffered enough, has called on his country's citizens for greater economic sacrifice. While he announced few specific measures, the imploring tone of his nationally televised speech appeared to pave the way for what his advisers say is movement inside the Government to compromise with the international community on austerity measures.

Argentina wants to reach an agreement with its creditors to help refinance its \$45,000m (£33,000m) foreign debt.

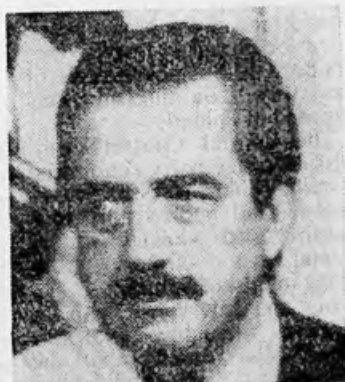
President Alfonsín said a new government economic and social policy would soon be detailed by Señor Bernardo Grinspun, the Economics Minister.

Señor Grinspun reported some progress in negotiations in the United States with the International Monetary Fund over the proposed austerity plans. An immediate deadline on Argentina's debt looms this weekend. Western Bankers here say a committee for the country's 320 creditor banks has refused to help Argentina pay off some \$450m in overdrafts interests that threat-

ens the country's creditor status if not paid by then. The banks are said to have demanded at first an implicit IMF agreement.

President Alfonsín did not imply that the Government was caving in to the IMF, but said rather the sacrifices were needed to restructure the country's chaotic economy, which had an inflation rate of 568 per cent over the past year.

"No one can deny the gravity of the crisis that we are going through," he said. "Closing your eyes and clenching your fists is not going to achieve anything."



President Alfonsín: compromise on austerity measures.

BUENOS AIRES

## Falkland 'progress'

THREE British Parliamentarians who finished a six-day visit to Argentina yesterday believe they have found sufficient common ground with Argentine officials to pave the way for the eventual resumption of negotiations over the future of the Falkland Islands.

They are not dismayed by a last minute demonstration against them by extreme right-wing nationalists.

"I said when I left the UK that we were coming to Argentina searching for clues, suggestions, hints, and ideas to take back with us. We feel we have got them."

Along with Conservative MP Cyril Townsend and Lord Kennet, the Social Democratic

Party's chief spokesman on foreign affairs in the Lords, Mr Foulkes held over 60 meetings with Argentine politicians of both the ruling and opposition parties, trade unionists, businessmen and bankers, in the first detailed dialogue between members of the British and Argentine political establishments since the Falklands war.

Jimmy Burns says considerable progress appears to have been made at a more private level with intermediaries acting on behalf of President Raúl Alfonsín and Foreign Minister Dante Caputo, both of whom seem to have viewed the British visit as an opportunity to bring about a thaw in relations.

## Falklanders press for fishing zone

By PATRICK WATTS  
in Port Stanley

**H**INTS that Britain does not intend to introduce a 200-mile exclusive fisheries zone around the Falklands have annoyed elected members of the islands' legislative council.

Councillors asked for the zone last year claiming that licenses offered to foreign fishing fleets, could make £20 million a year for the Falklands.

But Sir Rex Hunt, Civil Commissioner, has told the legislative council "not to depend upon a windfall from the licensing of trawlers in an exclusive fisheries zone."

Mr John Cheek, who represents West Stanley, said that the news was "disappointing to me, the rest of the councillors and to most people in the Falklands."

The British Government has often stated that there are difficulties in declaring such a zone and Mr Cheek said: "I'm still waiting for them to state what those difficulties are."

### 'Absolutely no interest'

There are currently around 50 foreign trawlers in the south west Atlantic. The Falkland's only fishing revenue comes from the Poles who transfer their catch in local waters and pay harbour dues, amounting to around £250,000 a year.

Councillor Tony Blake said that by asking for a fishing zone the council was "trying to protect a resource which is being decimated by people who have absolutely no interest in the area concerned."

Britain was "dragging its feet" on the zone insisted Councillor Terry Peck who added: "We need a 200-mile limit today. Further delays by the British Government are far from satisfactory."

Daily Telegraph 29/6/84

## VARLEY POST

By Our Business  
Correspondent

Mr Eric Varley, 52, former Labour Cabinet Minister, is to take over as chairman and chief executive of the Coalite group, the fuel company which is also the biggest landowner in the Falkland Islands, in September. He is presently deputy chairman.

City Report—P23

## Kirkpatrick to quit UN post

New York (Reuter) - Mrs Jeane Kirkpatrick, the controversial chief United States delegate to the United Nations, has made it clear to President Reagan that she will resign and will not take another Cabinet post.

"I am committed to this session and then I have said I intend to go back to private life, and I intend to", she said.

Her exact departure date is unclear, but aides said that it could be late autumn or early winter. Before joining the Reagan Cabinet in February 1981 Mrs Kirkpatrick, aged 58, taught at Washington's Georgetown University.

She had been an outspoken critic of the previous US role at the UN and once characterized the US position there as "essentially impotent, without influence, heavily outvoted and isolated".

But she said that the more assertive posture adopted by the Reagan Administration had been positive. "We were determined to take the UN seriously and not to say what happened here doesn't count."

Mrs Kirkpatrick pointed to a growing consensus with the Security Council on adopted measures and resolutions as an achievement.

"As late as 1979 the total was about 30 per cent. As of 1983 it was at 70 per cent. What that means is that we, like other countries, are able to have our views taken into account."

## MPs called 'a bunch of cheeky gringos'

From Douglas Tweedale  
Buenos Aires

The first formal encounter between British and Argentine legislators since the Falklands War was termed a success by both sides after an early scare when one Argentine senator stormed out and called the visiting MPs "a bunch of cheeky gringos".

Both the British delegation and 12 Argentine senators and deputies chose to play down the outburst of Señor Luis Leon, a senator with the ruling Radical Party who is noted for his flamboyant nationalism, who said that the 2½-hour meeting "only showed that the pirates are as insolent as ever".

The Peronist Senator Julio Amodeo, who chairs the Senate's inter-parliamentary relations committee which invited MPs Mr Cyril Townsend, Mr George Foulkes and Lord Kennet to Argentina, said that the encounter was "a cordial and useful interchange of viewpoint" on how best to improve relations between Argentina and Britain.

Other senators confirmed that the meeting was friendly in tone and said they had emphasized that any solution to the Malvinas problem must include formal discussions about sovereignty.

Mr Foulkes said that the possibility of a style leaseback arrangement had been discussed as a way of dealing with sovereignty.

## Higher purchase

Buenos Aires (AFP) - The Soviet Union last year bought nine million tons of wheat from Argentina, double what it has contracted to purchase. In the first four months of this year the Russians bought four million tons.



**News Round-up**

## **MPs in cordial talks with Argentines**

By MARY SPECK  
in Buenos Aires

**T**HREE British legislators had talks lasting two-and-a-half hours with members of the Argentine Congress in what both sides described as a "cordial" meeting on relations between Argentina and Britain.

Two MPs, Mr Cyril Townsend (C) and Mr George Foulkes (Lab), and Lord Kennet of the Social Democratic party, are visiting Argentina under the auspices of the South Atlantic Council, a private organisation created last year to improve relations between the two countries.

Mr Foulkes said afterwards that the possibility of a "lease-back" agreement for the Falklands was one of the issues discussed in detail. Senator Antonio Berhongaray said the British visitors had assured the Senate Foreign Relations Committee that the islanders would not be able to veto any agreement between Argentina and Britain.

Only one Argentine sounded a dissident note. Senator Luis Leon left the meeting abruptly, calling the British legislators "insolent gringos" for suggesting that negotiations over the sovereignty of the islands should not begin until after 1990, when commercial and diplomatic relations had been re-established.

and released in the United States.

"I cannot leave as long as they sit behind bars, often fighting for access to fresh air and the chance for a stroll longer than several dozen minutes," the speech said.

Financial Times Thursday June 28 1984

## **UK MPs in 'positive' talks**

BY OUR BUENOS AIRES CORRESPONDENT

**T**HE PROSPECT of a thaw in Anglo - Argentine relations appeared to improve yesterday following a meeting here of three British MPs with Argentine Congressmen representing the ruling Radical Party and all the major opposition groupings.

The Radical Senator, Sr Adolfo Gass, head of the Argentine Parliamentary Commission for Foreign Affairs, described the two-and-a-half hour meeting as "clearly positive" and said that he looked forward to a reciprocal visit to London in the near future.

Mr Cyril Townsend (Conservative—Bexley Heath)—while saying that expectations for his trip to Argentina should "not be raised too high"—stressed

the importance of the fact that the meeting had taken place at all only two years after the end of the Falklands war.

Mr Townsend is accompanied by the Labour MP, Mr George Foulkes, and Lord Kennet, the chief spokesman on foreign affairs for the Social Democrats in the House of Lords.

Most Radicals at Monday night's meeting distanced themselves yesterday from the hard line attitude of Sr Luis Leon, a senator who walked out after calling the British MPs "insolent gringos" for suggesting that sovereignty could only be discussed in depth in the 1990s following the establishment of diplomatic and trade relations.



Alfonsín : ' Going badly.'

## MPs woo Alfonsín

AN all-party pressure group, which aims to turn British public opinion against Mrs Thatcher's inflexible line on the Falklands is visiting Argentina this week.

Tory MP Cyril Townsend, Labour's George Foulkes, and Lord Kennet, the SDP's chief spokesman on foreign affairs in the House of Lords, hope to find sufficient 'goodwill' in Buenos Aires to push on with negotiations on the islands' future.

The three MPs belong to the South Atlantic Council, set up last December to pursue ways of bringing about an Anglo-Argentine reconciliation.

Two weeks ago President Alfonsín, on a visit to Spain, said progress on the Falklands issue was going 'badly, very badly because there is extraordinary arrogance on the part of the British Government.'



Argentine visit: Mr Cyril Townsend, Conservative MP for Bexleyheath, left, and Mr George Foulkes, Labour MP for Carrick, Cumnock and Doon Valley, arriving in Buenos Aires on the first visit by British MPs to Argentina since the Falklands war.

Evening Standard  
27th June 1984

## Kirkpatrick to resign

NEW YORK: Jeane Kirkpatrick, the controversial chief U.S. delegate to the United Nations, says she has made it clear to President Reagan she will resign and will not take another Cabinet post. "I am committed to this session and then I have said I intend to go back to private life, and I intend to," she said.

## MPs arrive for goodwill talks in Buenos Aires

From Douglas Tweedale, Buenos Aires

The British MPs Mr Cyril Townsend and Mr George Foulkes arrived in Argentina yesterday on a much heralded "goodwill mission" to explore ways of resolving the Falkland Islands conflict with Argentine politicians, businessmen and labour leaders.

Mr Townsend (Conservative: Bexleyheath) and Mr Foulkes (Labour: Carrick, Cumnock and Doon Valley) with Lord Kennet for the Alliance, who arrives today, to be received by the Argentine Senate this afternoon. They will also talk to diplomats and leaders of the Anglo-Argentine community here.

The visit has received wide coverage in the Argentine Press and has led to speculation that it could result in warmer relations between London and Buenos Aires.

Most newspapers have em-

phasized that the visit is being made under the auspices of the South Atlantic Council, described here as a "political lobby" opposed to Mrs Thatcher's policies on the Falklands.

The leading Argentine daily *Clarín* published a full-page interview with Mr Townsend and Mr Foulkes yesterday, in which they were quoted as favouring diplomatic negotiations.

On their arrival Mr Townsend said: "We have come to seek a long-term and peaceful solution in the South Atlantic. We believe there are more things joining our two democracies than separating them".

He also said their visit would seek to normalize discussions between Britain and Argentina and that sovereignty would be a key topic in their talks with Argentine politicians.

Financial Times  
26 6 84

## British MPs in Argentina visit

A FRESH ATTEMPT to bring about a thaw in Anglo-Argentine relations following the Falklands War was underway yesterday following the arrival of two British Members of Parliament, Jimmy Burns writes from Buenos Aires.

The visit by Mr Cyril Townsend (Conservative) and Mr George Foulkes (Labour) is the first visit to be made officially to this country by any member of the British political establishment since April 1982.

The two MPs will be joined today by Lord Kennet, the Social Democrat Party's chief spokesman on foreign affairs in the House of Lords,

Daily Telegraph 25 6 84

## SHIP ALERT FOR FALKLANDS STOWAWAYS

By Our Port Stanley  
Correspondent

Security is being tightened on board the passenger ship M S England, as she prepares to sail from the Falklands to Cape Town. There is a fear of British construction workers stowing away, hoping to escape the isolated conditions which now prevail at Mount Pleasant where a consortium is building a £215 million airport.

The Falklands are in the depth of winter. Temperatures are around freezing on most days, and there is a sea of mud at the airport site. The 1,000 workmen have frequently complained about the conditions under which they are asked to work.

Recently several stowaways were found on board the vessel and had to be carried on the 4,000-mile trip to Cape Town, where they were put on a plane for Britain.

## MPs visit Argentina

From Jeremy Morgan  
in Buenos Aires

Two British MPs arrive in Argentina today on the first visit by politicians from London since the Falklands war two years ago.

The visit by Mr Cyril Townsend (C.) and Mr George Foulkes (Lab) follows an invitation from members of the Argentine Senate. The MPs will be joined by Lord Kennet of the Social Democrat/Liberal Alliance on Tuesday.

The organisers, the South Atlantic Council, founded last year to help improve relations between Britain and Argentina after the war, hope the visit will show the British public its representatives can come to Argentina and talk with reasonable people," a spokesman said.

The attempt to circumvent Mrs Thatcher's hard line on the issue means the visit is going ahead without her blessing, at least in public. The recent sharp exchange of verbal blows between London and Buenos Aires have also cast doubt on hopes of a meeting with President Raul Alfonsin.

President Alfonsin's complaints about British "intransigence" suggest increasing frustration and disappointment at his inability to show any concrete improvement in relations since he took office last December.

Times 25 6 84

## MPs seek peace deal in Argentina

From Douglas Tweedale  
Buenos Aires

A group of British legislators are due to arrive in Argentina today for a five-day visit aimed at exploring possible solutions to the Falkland Islands conflict.

Mr Cyril Townsend, Conservative MP for Bexleyheath, Mr George Foulkes, Labour MP for Carrick, Cumnock and

Doon Valley, and Lord Kennet for the Alliance are expected to seek an interview with President Alfonsin or Señor Caputo, the Foreign Minister, during their stay, though Argentine officials connected with the visit said this was "unlikely".

Congressional sources here explained that the visit was "completely private in nature" despite the fact that the

parliamentarians are to be received by the Argentine Senate tomorrow.

The visit is being sponsored by the South Atlantic Council, a British group critical of Mrs Thatcher's policies towards the Falklands.

The three legislators are also due to meet local businessmen and politicians and members of the diplomatic community

## MPs' trip to Argentina to be 'open'

From Douglas Tweedale  
Buenos Aires

The aim of three parliamentarians who are to visit Argentina next week is primarily to influence British opinion and will not constitute "an effort at secret diplomacy", a spokesman for the politicians said in Buenos Aires.

The main object of the trip is to show the British public and Parliament that "British representatives can come to Argentina and talk with reasonable people on the basis of good will," the spokesman for the South Atlantic Council, which is organizing the visit, told Argentine reporters yesterday.

He said that Mr Cyril Townsend, Conservative MP for Bexleyheath, Mr George Foulkes, Labour MP for Ayrshire South and Lord Kennet, for the Alliance would seek an interview with President Alfonsín "or some other government official", but that they would not take specific proposals.

"It doesn't really matter if they talk about football. What we are trying to do is establish a base of goodwill as the first step towards the re-establishment of relations between the two countries."

Mr Townsend and Mr Foulkes, both founding members of the South Atlantic Council, arrive in Buenos Aires on Monday

## MPs FOR ARGENTINA

By Our Political Staff

Mr Cyril Townsend, Conservative MP for Bexleyheath, and Mr George Foulkes, Labour MP for Sarrick, Cumnock and Doon Valley, are to become the first MPs to visit Argentina since the Falklands campaign when they got to Buenos Aires next week with Lord Kennet, SDP Foreign Affairs Spokesman in the Lords.

## FALKLANDS STRIKE

By Our Port Stanley  
Correspondent

Catering staff at the site for the new Falkland Island airport at Port Stanley are threatening to strike over a pay claim. The 80 men and 40 women held a token strike last weekend.

## Argentine visit

THREE British parliamentarians will visit Argentina next week, but it was not clear yesterday if they would see President Raul Alfonsín and other top members of the Government, *Jeremy Morgan reports from Buenos Aires.* Mr Cyril Townsend (Con) and Mr George Foulkes (Lab), and Lord Kennet (Alliance) hope to demonstrate that an improvement is possible in relations between Britain and Argentina two years after the Falklands war.



## Argentine way

It is perhaps unfortunate for the international banking community that Garcia Vazquez, Argentina's central bank governor, is not the only man calling the shots in his country's clash with the International Monetary Fund.

Vazquez—whose visit to Basle this week seemed, at least partly, designed to foster more understanding of the Argentine case—is a cautious and patient negotiator who finds it easy to hold a dialogue with foreign bankers and finance officials.

Once Argentina's economic counsellor in Washington, 67-year-old Vazquez has spent most of his life in banking management and financial consultancy. But his career has been equally marked by his devotion to the cause of the centre-left Radical Party. (He was deputy governor of the central bank in 1963-65 and a leading opposition economist during the military regime.)

Friends say that a visit to Mitterrand's France just before the Radicals came to power last December instilled in Vazquez the firm conviction that it was possible, if difficult, to mingle social justice with management vigour.

Though soft-spoken and flexible, he is not according to his aides, simply a "yes man," like his predecessor Julio Gonzalez Del Solar, who was arrested last October and charged with usurping "national interests" by signing a rescheduling agreement for the state airline.

Vazquez's health—only a recent heart bypass operation helped him return to a 14-hour daily work schedule—has prevented him taking a more prominent role in his Government's economic management.

He is largely overshadowed by the economic minister, Bernardo Grinspun, a very dif-

ferent sort of character, who is now in Cartagena for the meeting of Latin American debtors before flying to New York for more talks with the bankers.

Cartoonists like to portray 57-year-old Grinspun as an overweight boxer, clumsily stumbling over the obstacles before him. In the seven months he has been in office, the former private bank manager has earned the dubious distinction of being the Government's least popular minister.

This has less to do with his policies, though they have not exactly been a roaring success, than with his temperamental and brusque treatment of people around him.

Diplomats and bankers are among those irritated by his tendency to fly off the handle. "Grinspun's problem," complained one local diplomat, "is that he talks too much without really telling us what he's thinking."

## Sovereignty of Falklands 'non-negotiable'

By Robert Graham

IF BRITAIN were to raise the issue of sovereignty of the Falkland Islands at the present moment it would merely give "misleading" signals to Argentina. This was stated by Baroness Young, Minister of State at the Foreign Office, giving evidence yesterday to the Commons Foreign Affairs Committee.

Lady Young insisted that Britain was not prepared to negotiate sovereignty. But she refused to be drawn into any statement on whether this position was irrevocable. She said that Britain was not insisting on a formal declaration by Argentina ending hostilities as a precondition for resuming normal diplomatic and commercial relations.

# Latin Americans seek debt strategy

BY HUGH O'SHAUGHNESSY IN CARTAGENA, COLOMBIA

REPRESENTATIVES of 11 Latin American countries began what are expected to be difficult and protracted discussions yesterday to work out a common strategy for the region in its growing debt crisis.

The gathering in Cartagena is overshadowed by the difficulties between Argentina and the International Monetary Fund, following President Raul Alfonsin's refusal to accept the IMF's terms for an adjustment programme.

After preparatory meetings involving ministry officials yesterday and today, the foreign and finance ministers of Argentina, Bolivia, Brazil, Colombia, Chile, the Dominican Republic, Ecuador, Mexico, Peru, Uruguay and Venezuela will meet tomorrow for two days of talks. On hand will be a strong delegation from Cuba with observer status.

The ministers will seek to for-

U.S. BANK regulators have tightened rules governing when loans to heavily indebted Third World countries must be put on a "non-performing" basis. The move is an attempt to eliminate signi-

ficant differences in the way some U.S. banks have been treating these loans. Several banks will now be forced to put some of their loans on a non-performing basis earlier, reducing their earnings. Third World loans, Page 4

mulate a response to what the majority regard as an inadequate reply to their financial problems offered by Western industrialised countries at the London economic summit earlier this month. The meeting on Colombia's Caribbean coast was proposed last month by the presidents of Argentina, Brazil, Colombia and Mexico. Since then attendance has grown as the region's governments feel political survival increasingly at risk from dealing with austerity measures urged by the IMF and

creditors in the industrialised world.

In spite of a common wish for easier payment terms on the region's \$350bn (£254.5bn) foreign debt, divisions are evident among delegates. Mexican officials are on record as opposing the formation of any "debtors club"—an idea formulated last autumn at a similar meeting in Caracas. The Brazilian delegation is also voicing caution.

The Mexicans, who are expected to play a key role, are however, anxious, to assist the Argentines in coming to an

understanding with the IMF.

The Argentines have yet to state what they expect from the meeting. The most radical position is being adopted by Bolivia whose government is facing serious labour and social problems following adoption in April of an IMF austerity programme.

The Bolivian government has called for "the solidarity of all the countries of the region as it is clear the problem is a common one." The Bolivians are seeking a ceiling on export earnings which would be paid to cover debt service.

As host country Colombia for its part is keen to help achieve a common position. It is specifically pushing for the establishment of a \$30bn facility within the IMF which would lend special assistance to debtor countries at times, like the present, of higher interest rates.

Portugal fails to wrest concessions, Page 3

The Financial Times 20/6/84

## Spain gives Argentine loan terms

BY DAVID WHITE IN MADRID

LOAN FACILITIES to Argentina which the Spanish Government agreed last week will carry normal export credit terms and do not break any agreement among lender countries concerning unresolved debt negotiations, Sr Luis Velasco, Spanish Trade Secretary, said yesterday.

Spain agreed during a visit by President Raul Alfonsin of Argentina to provide guarantees for loans of \$107m (£76.4m) through the Spanish export credit guarantee authority, Cescce.

President Alfonsin had sought a new credit line of \$300m, but this was refused by Madrid. Instead, it was proposed to reopen the unused part—\$107m—of an earlier \$300m credit

agreed in 1979 between Spain's Banco Exterior and Argentina's Banco Nacional de Desarrollo, to cover imports of Spanish goods and services.

At the moment it is not clear whether the credit itself will be reactivated or whether the guarantees will be applied to fresh credits for the same amount. Interest and repayment conditions are to be in line with the Organisation for Economic Cooperation and Development consensus on export credits.

Spain has sent a list of projects to Argentina worth a total of about \$100m including electrification and fertiliser plants.

However, Sr Velasco recognised that the credit agreement

carried more political than economic significance in the context of Argentina's showdown with the International Monetary Fund.

He said that Sr Alfonsin had not demanded a bilateral re-scheduling, but had asked for and obtained a pledge of support from Spain in the Paris Club, which deals with Government-to-Government and officially guaranteed debt.

Since Spain's market in Latin America is largely made up of engineering goods, exports to the region are strongly linked to medium and long term export finance. Until recently, some 35-40 per cent of Spanish export finance went to Latin America.

# Argentina's challenge

The Financial Times

The *ad hoc* approach to Third World debt, inaugurated two years ago as a short-term response to an economic emergency in Mexico, but subsequently elevated to the status of a permanent solution to a fundamental flaw in the world's financial structure, will need substantial modification if it is to survive.

Whatever happens at the Latin American debtors' meeting which begins tomorrow in Colombia, President Raul Alfonsin's open defiance of the International Monetary Fund has served notice on the financial world that the three essential tenets on which the whole *ad hoc* philosophy is built are threatened.

Argentina's action has already made it impossible to maintain that the commercial banks can be protected from reporting substantial losses on their Latin American lending. In the weeks ahead, Argentina is likely to undermine the idea that the major debtors have no real alternative but to co-operate with the IMF and the banks. In the slightly longer term, the third and most crucial illusion may be exposed: creditor country governments, led by the U.S., must brace themselves to accept that the debt crisis is unlikely to be resolved without a further infusion of public money from the major industrialised countries or the multilateral economic institutions.

## Concessions

There are tactical and strategic reasons why the post-1982 approach to debt rescheduling is mortally endangered by Argentina's behaviour. Tactically, President Alfonsin has driven a wedge between the banks and the IMF, effectively paralysing both. He has made it all but impossible for the banks to lend Argentina new money, even though it might have been in their short-term interest to do so. For although new money would enable Argentina to pay off its arrears and thus protect the banks' reported profits, it would simultaneously make it much more difficult to induce borrowers to comply with IMF adjustment programmes. But President Alfonsin has also made it harder for the IMF to offer him any concessions: to do so would be to put all other borrowers on notice that they can blackmail their way out of IMF-imposed austerity by threatening the banks with default.

Strategically, Argentina has illustrated a danger which we have repeatedly emphasised—

that some debtor nations are likely to become more, not less, intransigent in their relations with the IMF and the banks once their political structures are consolidated and their economies begin to recover from the worst of the 1982-83 crisis. For as politicians with new mandates take over the reins of power, they are likely to question not only the validity of the debts incurred by their predecessors, but also and, more importantly, the acceptability of continuing austerity and annual rescheduling crises. New governments will want to offer their nations long-range economic plans, incorporating a return to reasonably rapid economic growth. And while President Alfonsin's strategy of hyperinflation is hardly likely to succeed, it clearly holds more popular appeal than the alternative of IMF adjustment combined with the bankers' "short leash."

## Programme

The instinctive response from public officials in the Western governments and the IMF to political and tactical pressures of this kind is to distance themselves from the whole debt issue and to let the debtors and bankers sweat it out.

But deceptive calm in the international financial markets could erupt into crisis at any time if there was even a hint that Mexico or Brazil might follow Argentina's example and demand a lending programme centred around a rapid return to high levels of economic growth. If such a demand were to be made, two conclusions would follow. First, the debtors would demand relief from the current burden of their interest payments considerably greater than the commercial banks could afford to grant them without imperilling their own solvency. This would mean, second, that governments would have to provide financial support for their own banks on an aggregate scale far greater than anything seen since the 1930s.

It would be better to avert such a crisis than merely to wait for it. The time may now have arrived for governments to consider a major enlargement of IMF and World Bank lending facilities, combined with a new approach to conditionality. It must be made clear to countries like Argentina that conditionality is designed to help their economies prosper, and not merely to minimise the demands they make on international financial markets.

McMillan-Scott Associates Public Affairs

# Argentina to revive talks

From Bailey Morris, Washington

Argentina has agreed to send a "technical mission" to Washington this week to revive stalled negotiations with the International Monetary Fund in an attempt to defuse growing international criticism of its hardline stance on debt repayments.

Disclosure of the mission by aides to Senor Bernardo Grinspun, Argentina's economic minister, coincided with an announcement in Washington that US regulators will require commercial banks to adopt tougher accounting procedures on overdue Argentine loans.

The move by bank regulators, following a decision by the US Treasury not to extend the

deadline on \$300 million (£218m) loan for Argentina, was regarded as an important signal from Washington to Latin American nations holding a "debtors" summit in Colombia this week.

The US wants to head off militant proposals by other debtor nations by demonstrating that Argentina will not be let off lightly if it persists in defying IMR demands for economic austerity measures, Treasury sources said.

The new accounting procedures endorsed by regulators over the weekend would require a number of large banks with loans outstanding to Argentina to report sharply lower profits

for the third quarter and beyond.

Wall street analysts responded favourably to the new ruling, saying it would help banks restore integrity to accounting procedures and calm public fears over the health of the banking system.

Meanwhile, officials at the Argentine Embassy in Washington sought to reassure the banking community yesterday by issuing a statement noting that talks are continuing with commercial bank creditors, to find ways to pay enough interest by June 30 to keep Argentine loans off the problems list.

A prayer for deliverance  
Page 21

## US banks trim to aid debt package

From Nick Gilbert, New York

The leading American banks are preparing to inject a dose of realism into the method used for accounting for Argentine debt.

As a result, their half-yearly results will be hit by the long-awaited cuts in earnings, been avoided, with a combination of cosmetic arithmetic and generous interpretation of accounting rules by the American banking authorities.

One of the the biggest lenders, Manufacturers Hanover, has announced "more conservative" treatment on its \$1,321m (£964m) of Argentinian loans. As a result, its second quarter earnings will be reduced by \$25m or 26 per cent, even if Argentina pays its interest arrears by June 30, the crucial end-of-quarter date.

If Argentina does not pay, the reduction will rise to \$35m. Other leading banks are likely to follow suit, though their exposure to Argentinian debt is less, thus reducing the impact on earnings.

The move comes after a letter to the banks from the

Federal Reserve Board and the Comptroller of the Currency, setting out a stricter interpretation of the 90-day rule on interest arrears.

It comes just before Argentina and other Latin American nations meet to discuss their debt position in Cartagena, Colombia. The move is seen as an attempt to put further pressure on Argentina to reach accord with the International Monetary Fund

It is thought that the American banks are prepared to cut their earnings - a step they and the regulators have avoided, in the process increasing Argentina's leverage in debt bargaining.

Mr Dick Bové, a bank analyst at Shearson American Express, calculates that the change effectively increases Argentina's interest arrears from about \$450m to about \$750m. The main impact for the banks is that they will have to make a deduction for interest payments credited.

## Watch on progress at IMF

By Peter Wilson-Smith  
Banking Correspondent

Argentina's main bank creditors are pressing ahead with a contingency package to reduce its interest arrears, which could be rapidly put in place if the country makes progress in negotiations with the International Monetary Fund.

However, bankers conceded yesterday that time was running short, if American banks were to avoid having to classify many loans as non-performing, and the package would still have to be linked firmly to IMF negotiations.

The package would involve the 11 advisory group banks, including Lloyds Bank, putting up a further \$125m (£91m) in loans backed by Argentine deposits at the New York Federal Reserve.

Argentina would draw on its own reserves to bring the total up to about \$500m - the sum needed to pay off interest arrears to the beginning of April.

# Argentine loans eat into US banking profits

From Alex Brummer in Washington

Several major US banks, led by Manufacturers Hanover of New York, are expected to report a sharp drop in earnings shortly as a result of their lending to Argentina. This follows the circulation to the banks of new accounting rules ordered by the federal authorities.

The disclosure of the federal decision came as the leading creditor banks to Argentina prepared to meet later this week in New York to discuss whether enough progress had been made in Buenos Aires dealings with the IMF to approve a new package of some \$450 million of credit to meet interest payments.

Manufacturers Hanover, whose shares have been under pressure on the New York Stock Exchange as a result of its Latin lending, said that its adoption of "more conservative" accounting would mean a drop in second-quarter earnings of about \$25 million, or 26 per cent. The new rules do not actually require the banks to take the losses until the third quarter.

There has been a high degree of concern on Wall Street about bank shares ahead of the end of the second quarter of the year on June 30. At that point many US banks would be required to put their Argentine loans on a "non-accrual," under which interest could no longer be taken into profits, resulting in a reduction in earnings.

The banks had been hopeful until recently that this could be avoided if a private sector package of loans to cover

Argentina's second-quarter interest payments were agreed.

But with last week's decision by the US Treasury not to extend its guarantee of some \$300 million of loans made by Latin debtor countries to cover Argentina's first-quarter interest and the continued stalemate with the IMF, some of the leading lenders to Argentina appear to be getting cold feet about their own package.

Without such a package Manufacturers Hanover says that its drop in second quarter earnings will be more severe at \$35 million, or 37 per cent. The bank appeared anxious that the figures should be made public to dispel reports that the earnings collapse could be as high as 60 per cent.

Other banks seemed less perturbed by the impact of the new federal rulings. Citibank of New York said the ruling would have "no material" effect on earnings. It had no immediate comment on the potential impact of the failure of the private banks to put together a package to meet second-quarter interest payments.

The possibility that the large US banks are finally going to make proper write-offs for their Latin American debts has increased confidence in bank shares in the last 48 hours.

"It helps the banks help themselves," commented Mr Richard Fredericks, a partner in the firm of Montgomery Securities in San Francisco. "It gives the banks integrity in their accounting, which they should have had in the first place." He predicted that investors would react favourably.

The Times 20/6/84

## Meatless days for Argentines

From Douglas Tweedale Buenos Aires

President Raúl Alfonsín's Government yesterday launched the latest effort to change the eating habits of beef-hungry Argentines by banning meat consumption in restaurants on Tuesdays and Fridays.

The aim of the measure, which Government officials say will succeed where similar efforts have failed in the past, is to reduce the demand for beef and prevent prices from rising sharply in the lean winter months ahead, when meat supplies reaching markets are expected to drop.

Catchy television advertisements designed to make the meat ban work, urge Argentines: "Appeal to your creativity" to vary their menus on the days of the ban and close with the slogan: "Let's not feed inflation".

Argentines eat so much beef (an average of more than 200lb per person per year, according to officials) that the Government fears any increase in its price would have a drastic impact on the country's 500 per cent inflation rate.

But hopes of changing the country's preference for the traditional inch-thick *bifes* (steaks) are slim, according to most economists. An earlier ban imposed last February failed dismally to control prices



Geoffrey Matthews, in Bogota, on the debtors' summit

# A prayer for deliverance from the great dollar siege

In purely symbolic terms there could hardly be a more appropriate venue for this week's Latin American "debtors' summit" than Cartagena, the beautiful Spanish colonial city on Colombia's Caribbean coast.

Founded in 1533 Cartagena - the conquistadores' first bastion on the South American continent - was built like a fortress to withstand ferocious attacks by British and French pirates seeking to loot the New World treasure brought there for shipment to Madrid to enrich the Spanish throne.

Not for nothing is it called the "heroic city". Its massive walls and fort leave no doubt why it held its own against the fleets of Morgan, Drake and Vernon. So savage were the constant sieges to which Cartagena was subjected that it is said the city's womenfolk used to pray daily in the San Pedro church for a respite from the bloodshed and violence. This week perhaps prayers will be offered in San Pedro for relief from economic slaughter.

Today Latin America feels besieged by what it perceives as the piracy of an unjust international financial order. As a result a fortress mentality is growing among the debtor nations that will be represented at the two-day meeting effectively starting today.

The meeting will be the foreign ministers and finance ministers of Argentina, Brazil, Colombia, Ecuador, Mexico, Peru, Bolivia and Venezuela, the same countries which sent an SOS to the Lancaster House summit earlier this month calling for fairer treatment in resolving the foreign debt crisis. They are still uncertain whether their distress call was properly interpreted by Mrs Thatcher and company. It is also expected that some Central American and Caribbean nations will send representatives to Cartagena.

Participants may not have much time for sightseeing in a jewel of a city offering many tourist delights, though they might get a sadistic kick out of visiting a curious museum which displays a wide array of torture instruments employed during the Inquisition.



There are no prizes for guessing their preferred victims for the thumbscrew treatment, not to mention a turn on the rack - "those young financiers from London who between 1974 and 1981 invaded our continent offering dollars... without ever taking the least care to calculate the true capacity of their clients to pay", wrote one Bogota economics editor at the weekend, adding bitterly, "confronted by a situation which clearly threatened disaster, the great hypothetical guardian of world financial sanity, the International Monetary Fund, remained a mere spectator."

Certainly brash young bankers and the IMF will stand in the dock at Cartagena.

But as the same editor and others are the first to admit, so too will the recklessly irresponsible technocrats charged with running national economies by military regimes in countries like Argentina, Brazil and Chile, who threw caution to the wind, so sublimely confident were they of the infallibility of their "Chicago School" supplyside economics and their sure judgment in negotiating international loans for wildly extravagant public-spending projects.

The Cartagena meeting is hardly a media event in the class of the London summit, but will still be quite an affair, drawing several hundred journalists from Latin America and the US, and should quickly eclipse the annual Cartagena Film Festival - the continent's miniature Cannes - drawing to a close at the same time (the title of one of the entries, *Bajo El Volcan* - Under The Volcano - has proved an irresistible headline over Colombian newspaper articles previewing the meeting).

Yet while these may not be the best of times in Latin America, nor are they necessarily the worst.

The debt crisis generates feelings of doom, but there is also a discernible sense of cautious optimism, fuelled by the leadership of men like Colombia's President Belisario Betancur Cuartas and Argentina's Senor Raul Alfonsin, that Latin America may be entering a new era with democracy in the ascent, the generals in retreat, and revolutionary guerrillas - outside of Central America - without a constituency.

Yet at the same time everyone agrees that if this mood is to gather strength, the



The Times 20/6/84



**Leadership for a new era:**  
Argentina's Raul Alfonsín  
(above left), Colombia's  
Belisario Betancur Cuartas  
(above), and Peru's Manuel  
Ulloa (left).

debt crisis must be sorted out fast.

Red danger signals have already been flashing ominously. Last month riots rocked the tiny, normally tranquil Dominican Republic (with a \$2.5 billion foreign debt) after basic food prices were hiked as part of austerity measures introduced following a three-year IMF bail-out loan of \$430 million.

And in recent weeks the region's giant, Brazil (foreign debt \$92 billion) has also been suffering a wave of social unrest, with mobs looting supermarkets in major cities in reaction to similar austerity measures imposed under pressure from the IMF.

As Argentina's Alfonsín succinctly puts it: "We cannot pay back our debts on the hunger of people." This is the catch-22 for the debtors.

Even so, the summit's host, Señor Betancur (who heads the one country to have so far escaped serious debt problems) insists that the meeting will not be characterized by rebellion against the world's financial markets nor the founding of a "debtors' club".

On one point both London and Cartagena are likely to agree - that the crisis will be solved only on a case-by-case basis. As Brazil's foreign minister Señor Ramiro Saraiva Guerreiro, says: "This meeting is an alert - not a threat".

But the situation has not been eased by the decisions this month of three of the smaller debtor countries - Bolivia, Ecuador and the Dominican Republic - to suspend unilaterally some foreign debt repayments.

Meanwhile, defying the US government and the IMF,

North American private banks have come to the rescue of Argentina, approving a credit bridge which will help Buenos Aires to pay \$500m in interest due at the end of the month.

Argentina's foreign minister, Señor Dante Caputo, in an interview on Colombian radio before that rescue act, declared that the Cartagena summit must "seek political solutions to the payment of foreign debt because in current circumstances it simply is not possible to pay it - the financial resources just don't exist."

At the end of the Second World War, he pointed out, the US "realised that to preserve the strategic security of the North Atlantic not only a military plan was required but also the strengthening of development and democracy in western Europe through a vast programme of financial aid. In our continent conditions for stability also depend on development and democracy but instead of receiving resources we are being crippled by a Marshall Plan in reverse".

Señor Caputo estimates that rises in interest rates this year will represent for Argentina the equivalent of all its meat exports and for Mexico, another major debtor, its entire income from tourism.

There is a mounting consensus in the region that Latin America needs a grace period of five or six years without paying extra debt service or principal. Most leaders are understandably reluctant to drive their countries further into recession to pay off banks in Europe, the US and Japan. It seems certain that the Cartagena meeting will call on the West to swell the IMF's coffers and relax its lending policies, or the region could be doomed to years of economic stagnation.

Nor can Latin America look north for hope. Señor Manuel Ulloa, former prime minister and finance minister of Peru comments: "The American recovery is like an economic locomotive, but it is not pulling any carriages. Europe is not being pulled out of the recession, much less Latin America."

As debt and population increase, output falls. Even assuming a 3 per cent annual growth rate for the region over the next six years, 90 per cent of the extra available workforce will be unemployed at the end of the decade. By the end of this year the debt will be \$400 billion, while high interest rates and their fluctuations make economic planning impossible.

Such stagnation would assuredly choke the flower of democracy before it had had a chance to bloom, while stirring subversion and stoking anti-US sentiment, never far below the surface anyway.

**Economic commentary  
by Tim Congdon  
has been held over**

McMillan-Scott Associates Public Affairs

11 Whitehall London SW1A 2BZ Telephone 01-9301033

Daily Mail  
20th June 1984

## Shame of Falklands soldier who took to drugs

# 'Back from dead' hero hit children



Philip Williams . . . Frustration

THE Falklands soldier who came back from the dead was behind bars last night after attacking two small children.

Philip Williams, who reappeared seven weeks after being presumed killed in the battle for Mount Tumbledown, struck out in frustration during a baby-sitting session, a court heard yesterday.

Twenty-one-year-old Williams—discharged from the Scots Guards last year after psychiatric trouble—now has a drug problem and was anxiously waiting for someone to bring him some amphetamines, or 'speed', magistrates at Morecambe, Lancashire, were told. He hit two-year-old Kate Martin and her four-and-a-half-month-old sister Rachel at their home in Alexandra Road, Lancaster, where he was a lodger.

Williams was looking after the two girls at the weekend while their mother went away for one night.

On her return on Monday Mrs Francis Martin noticed bruising on baby Rachel's head and buttocks and she was taken to hospital and detained for observation.

A doctor who examined her sister found she too had bruised buttocks, the court heard.

### Blizzard

Williams told police in a statement that he thought the baby-sitting might keep his mind off his need for drugs.

But as time wore on he became annoyed at having to watch over the children and hit Kate on Sunday night then struck Rachel the next day.

Williams was remanded

### Daily Mail Reporter

in custody for three weeks, to await medical, social and psychiatric reports after he pleaded guilty to causing the two children actual bodily harm.

He caused a sensation in August 1982 when he stumbled exhausted into a remote Falklands farm house at Point Cove after surviving 48 days in freezing conditions.

Williams, from the village of Halton, near Morecambe, told officers he had become separated from his unit in a blizzard during the bloody battle near the end of the conflict with Argentina.

An inquiry cleared him of desertion and he received a hero's welcome on his return.

## Co-operate with Argentina, banks told

BY PETER MONTAGNON IN BASLE

COMMERCIAL BANKS should continue to co-operate with Argentina in spite of its failure to reach agreement with the International Monetary Fund, Dr Fritz Leutwiler, president of the Bank for International Settlements, said in Basle yesterday.

The Latin American debt crisis and the U.S. budget deficit were the two main problems facing central bankers as they gathered for yesterday's BIS annual meeting. The BIS annual report sharply criticised the U.S. deficit which, it said, could lead to a new world recession if it was not reduced.

After the meeting, Dr Leutwiler said commercial

banks "are very co-operative with Argentina, and could be prepared to go quite a long way. That's a good thing."

Such an approach would buy more time, he added. Over the weekend, senior European central bankers said they believed that Argentina faced an indefinite stalemate in its relations with the IMF, but Western creditors must work hard to postpone any final showdown with the Government of President Raul Alfonsin.

Dr Leutwiler added that banks must take decisions about Argentina on their own and without any arm-twisting from the authorities. "I am not the nursemaid of commercial

banks; it's their money; they don't ask for my advice."

He had no idea how long it would take Argentina to reach an agreement with the International Monetary Fund but he was not especially worried about the impact of its failure to do so on the international banking system because central banks could handle this problem.

The case of Continental Illinois, the Chicago-based U.S. bank, had a positive aspect as it showed the muscle of the U.S. authorities. "They will handle

Continued on Back Page

BIS report, Page 4

Continental Illinois seeks buyer for London bank, Back Page

Continued from Page 1

## Argentina and banks

similar cases in the same way—very forcefully. I was impressed," said Dr Leutwiler, who is to retire as BIS President at the end of this year.

The problem of capital flight emerged at the meeting as a major reason for the reluctance of industrial nations to provide cash help for debtor countries in Latin America.

M Alexandre Lamfalussy, a BIS economic advisor, said capital flight out of Latin America was about \$55bn (£40bn) in the six years to 1983. This meant that one dollar out of every three borrowed by Latin America during those years, was reinvested abroad instead of being used for domestic development.

"Without (economic) adjustment, neither Argentina nor any of these countries are going to get this money back," Dr Leutwiler said. Interest earned on this money amounts to about \$6.5bn annually which would have reduced the region's balance of payments deficit to less than \$10bn, if it had been repatriated last year.

The BIS annual report was also unusually outspoken in its criticism of U.S. fiscal policy. It said the U.S. budget deficit had helped produce a sharp economic recovery over the past 18 months, but must be cut to allow interest rates to fall and to prevent the U.S. economy overheating.

"What the U.S. recovery is

doing for the rest of the world, a U.S. recession could undo just as quickly," it said.

The report also said that developing countries must retain access to industrial country markets if they are to be able to export enough to reduce their debt burdens.

It described protectionist barriers as "more than a grave danger — they are an explosive one."

Paul Taylor in New York writes: Manufacturers Hanover, the fifth largest U.S. banking group and the most heavily exposed to Argentina with \$1.3bn of loans outstanding at the end of the first quarter, yesterday forecast the effect on second quarter and full year net earnings of the Argentina debt problem.

If no interest payments on Argentine outstanding loans are received before June 30, approximately \$735m of the corporation's loans would have to be placed on a non-performing basis. Net interest revenues for the second quarter would be reduced by about \$65m and net income by about \$35m to an estimated \$60m.

If Argentina continues to miss interest payments earnings would be reduced by about \$20m in each quarter, resulting in 1984 net income about 15 per cent below the \$337m earned last year.

# Argentina's machismo toughens Brazil

**Bernardo Kucinski, in Sao Paulo, sees some muscle flexing by Latin American debtors**

THE SHOW of strength directed by Argentina towards the big American banks is fascinating. Brazil's public opinion — the military establishment included. President Alfonsín of Argentina's last move, refusing to pay \$500 million in delayed interest payments in time to save the banks from having to declare all the related loans as non-performing was greeted in Brazil with envy, apparently proof of Argentina's superiority.

In this climate of machismo rivalry, Brazil's economic czar, planning minister Delfim Netto, has lost the initiative on the debt front to the foreign minister, Saraiva Guerreiro, one of the main organisers of the meeting of debtor countries which takes place later this week in Cartagena, Colombia.

With Chile, Bolivia and the Dominican Republic lately joining the fold, the number of countries expected to attend this meeting comes to 10.

Foreign minister

Guerreiro, who will head Brazil's delegation, has great expectations as to the meeting's results. His strategy will be to emphasise what is common to all debtor countries, such as the desire for lower rates of interest and the rescheduling of debt principal into longer periods of maturity, without entering into painstaking details. As for Brazil's particular interests, he will give priority to the call for free trade, directed mainly against American restrictions on Brazilian manufactured exports.

But Saraiva Guerreiro's real aim seems to be to scare the governments of developed countries to the negotiation table. By simply aligning itself with Argentina, Brazil has already been able to push for much better terms on any kind of debt renegotiation. Each new

hardening of Argentina's stance also benefits Brazil.

Delfim Netto still opposes any new approach to the debt problem, mostly it is supposed, because he wants to maintain his personal power. He tried desperately to pre-empt the Cartagena meeting, but having failed, is now sending his right-hand man, finance minister Errane Galveas, Galveas's tactic as he attempts to neutralise Saraiva Guerreiro, will be to emphasise the differences between countries' debt problems, and the assumption (in fact a false one), that ultimately any negotiation has to be bilateral.

Although saying in public that they are working in total agreement it is clear that Brazil's delegation is split, a reflection of the split in cabinet.

Last week, in a major lecture to the Superior War

College, the army think tank, Delfim Netto launched a devastating attack on all those who proposed other approaches to the debt problem. "A moratorium would have destroyed our trade," he said, adding that Brazil's economy is already on the recovery path. He tried to demonstrate the cleverness of his way of dealing with debt: "We are getting one rescheduling after the other, rolling the debt over and over and over again."

He was followed on to the podium the next day by Galveas, who said, with unexpected bravado: "Everybody knows that we will never pay the principal of the debt. What we do is to pay the interest, and when we need more money the bankers must give it to us." This amounts to a more radical version of Delfim's "rolling over and over and over

again" ploy. Galveas also introduced officers to an astonishing figure: he reckoned that Brazil was drained by \$63 billion between 1974 and 1983 in excess payments for oil and interest (taking 1973 rates and prices as reference).

Galveas's bravado at the Superior War College has deep significance. It indicates the need to appease a restive audience by presenting his policies as truly nationalistic. There are several other indications that nationalistic ideas concerning the debt are enjoying increasing support in the armed forces. Guerreiro himself would not have recovered his strength in the cabinet, after such a long period of decline, without some kind of support from the armed forces.

Argentina's policy simplified the debate, reducing the whole question to that of a country having or not having sovereignty. A language army men can understand.

The Guardian 19/6/84

## Falklands rock poser

By Richard Norton-Taylor

Laing - Mowlem - Amey Roadstone, the consortium building the £240 million airport on the Falklands, acknowledged yesterday that it has had to ship 6,600 tonnes of aggregate from Britain as a result of problems quarrying rock on the islands.

Although the consortium did not give the extra cost involved, it is understood that the two ships which have sailed from Bristol with the aggregate will add at least £3 million to the bill. In an official statement, the consortium yesterday said that no further aggregate will be needed from Britain.

It said that problems relating to a quartzite quarry — including veins of clay — on the Falklands had been overcome.



## Latin America will not back Argentina against IMF

ARGENTINA will not attract support from other Latin American countries in its stand against the International Monetary Fund, say European central bankers after "behind-the-scenes" talks with representatives from Latin America.

Dr Leutwiler said in Basle that there was no prospect of a Latin American debt cartel being formed at this week's meeting of major Latin American debtor nations in Cartagena, Colombia.

Dr Leutwiler said his confidence was based on talks with the central bank chiefs of Argentina, Mexico and Venezuela. "I expect a political decision to be made at Cartagena but nothing that will have an impact on the world's banks," he said.

The governor of the Argentina central bank, Dr Enrique Garcia Vasquez, confirmed that he had been in discussion over the weekend with all major Western central bank governors, including Paul Volcker, chairman of the United States Federal Reserve Board, in Washington, who is playing a key role in the debt crisis.

Dr Vasquez argued that Argentina could still reach a compromise agreement with the IMF or could make some private arrangement with commercial banks before the crucial June 30 deadline for solving its \$43.6 billion debt crisis.

Major Western central banks, however, now believe that some

kind of showdown with Argentina is almost unavoidable and that the Argentine situation should, therefore, be treated as an exceptional case to prevent serious repercussions for the international banking system as a whole.

Central banking sources argue that the Authority of the IMF must be upheld to avoid a breakdown of discipline among other key debtors, like Brazil and Mexico. In Basle officials from the Brazilian and Mexico central banks admitted privately that they were watching the Argentine situation closely for signs of IMF weakness.

Dr Leutwiler confirmed that Western central banks supported the tough line shown by the American Treasury last Friday in withdrawing its guarantee from a \$300 million loan to Argentina made by four other Latin American nations in March.

"That decision was well-founded," he said. According to Dr Leutwiler, the immediate priority in the Argentine situation is to buy time. Any move by commercial banks to put together a private financial package would thus be welcome.

But he also made clear that the international financial system could withstand the shock of an Argentine default. Central banks would help by injecting large amounts of liquidity into the system in the way the American authorities did for Continental Illinois of Chicago.

The Times 19/6/84

### Falklands remembered

*From Dr Alec Dickson*

Sir, "Lacking even travelling teachers . . . the children's break in education is almost total", writes your correspondent in his "Letter from Port Stanley" (June 14).

This is astonishing. Twenty-five years ago, when Voluntary Service Overseas was taking shape off my kitchen table, the frequency of advertisements in your Educational Supplement for "camp" teachers to travel from homestead to homestead in the Falklands indicated that there were few takers.

A sixpenny airletter went off to the Governor in Port Stanley, offering 18/19-year-olds for a year in between sixth form and university. The answer was immediate: offer accepted.

Of all the projects then available the chance of riding horseback from family to family and giving all they knew to the children made the Falklands possibly the most challenging and attractive.

Why shouldn't this be happening today?

Yours etc,  
ALEC DICKSON,  
19 Blenheim Road, W4.

# EUROPEAN ELECTION RESULT

Daily Telegraph  
19th June 1984

## Y

### YORK

E. H. C. MACMILLAN-  
SCOTT (C) ... 80,636  
Mrs S. Haines (Lab) ..... 44,234  
M. G. Howard (SDP) ... 33,356  
C maj 36,402; Poll 30.6 p.c.  
Electorate 517,592.



The Telegraph 18/6/84

# Argentine overhangs Wall St

By JAMES SRODES  
in New York

THE MOST exciting moment in "Peter Pan" comes when the anxious children in the audience must clap their hands lest the flicker of light that is Tinker Bell be extinguished forever.

Over the weekend a cast of important government officials and leading American bankers urged Wall Street to do just that. This time Argentina is in the role of fast-fading debter nation. Will Wall Street clap? Don't bank on it.

Why should American investors cheer the state of the debt crisis when the patient steadfastly resists taking the medicine prescribed by the attending International Monetary Fund?

And if Argentina refuses to adopt the IMF's reform programme, what sense is there pretending that nation can pay off loan burdens to such major United States banks as Manufacturers Hanover (which is owed \$1.3 billion), Citicorp (\$1.1 billion) Chase Manhattan (\$775 million) Chemical Bank (\$370 million) or Morgan Guaranty (\$741 million)?

As a measure of the banks' uncertainty consider that the 11 main banks that lead Argentina's syndicate began meetings last Thursday at the offices of Citicorp's law firm, Sherman and Sterling, and the three dozen or so participants were still locked in the meeting late on Friday night and again on Saturday morning without having reached any firm course of action.

However, the banks decided to roll over "on a day-by-day basis" the \$750-million loan installment which comes due on June 30. And bankers did not reject out of hand Argentina's counter offer to make a partial payment of that instalment if loaned part of the money.

Specifically the Alfonsín Government offered to pay \$325 million out of its own reserves if banks could match it with \$125 million in new money. The benefit to the banks is that they would not have to write off the whole amount as a non-performing loan against their second-quarter earnings statements.

Aside from the obvious benefit to Argentina, a part payment would drive a clear wedge between the banks and the IMF. While everyone expects an eventual rejection from the banks, there is little comfort in the delay.

The Telegraph 18/6/84

## Central bankers pressure Argentina

By ANNE SEGALL  
in Basle

Central banks meeting in Basle, Switzerland, over the weekend are joining international efforts to persuade Argentina to think again after last week's decision to challenge the authority of the International Monetary Fund in delicate negotiations on solving the country's \$43.6 billion debt crisis.

The importance being attached to the Argentine crisis was underlined by the arrival in Basle of the American Federal Reserve Board chairman Paul Volcker.

Pressure on Argentina is being mounted by the United States Treasury which late on Friday announced its decision to withdraw a \$300 million loan guarantee to the four Latin American nations which came to Argentina's rescue in March. They are Brazil, Mexico, Colombia and Venezuela.

Commercial banks have also said they will only be prepared to roll over a \$750 million bridging loan to Argentina which fell due last week on a daily basis.

Central banks in Basle are attending the annual meeting of the Bank for International Settlements. The BIS has already played a key role in the debt crisis by providing bridging finance last year to key debtors like Brazil and Mexico.

The presence of Argentine Central Bank chief Enrique Vazquez has given the Basle meeting added significance.

European banking sources believe that the case-by-case approach towards individual debtors has been broadly successful and should be continued.

Teh Times 18/6/84

**Falklands fishing***From Dr Norman A. Godman, MP, for Greenock & Port Glasgow (Labour).*

Sir, In *The Times* (report, June 6) reference was made to the depletion of fishing stocks in the fishing grounds around the Falkland Islands. The report claimed that these fishing grounds were in serious danger of being over-fished by foreign trawlers in the absence of a declared fisheries zone.

The report went on to quote Mr Simon Lyster, Secretary of the Falkland Islands Foundation, as saying that the Argentines had at least as big a stake in preserving Falkland fishing stocks as the British or the islanders had themselves.

The once traditional grounds of the Argentinian fishermen around the islands are now being exploited by Japanese, Polish, Spanish and Russian vessels, whilst 2,000 Argentinian fishermen are unemployed

and upwards of 8,000 others are unable to maintain their living standards.

A recent meeting in Boulogne between officials representing Argentinian fishermen and officials of the Transport and General Workers' Union, chaired by the ITF, (International Transport Workers' Federation), concluded by calling upon the two governments to negotiate an agreement which would enable the Argentinians to resume fishing in these areas.

Yet, in parliamentary written answers both the Prime Minister and the Baroness Young (Minister of State at the Foreign Office) have repeated their belief that any decision regarding the Protection Zone could only be considered when relations between Britain and Argentina had undergone improvement. Such an approach, I believe, is both unimaginative and unhelpful.

If the British government were to

allow Argentinian fishermen to resume fishing in the Protection Zone it would be seen as a positive and concessionary gesture towards the democratically elected government in Argentina and those maritime communities which are still suffering from the strained relations between the two nations.

The Shackleton report on the Falkland Islands observed that the most effective way of developing the efficient management and conservation of the fisheries would be on the basis of "friendly collaboration between Britain and Argentina" within which the fisheries could be jointly managed.

For this state of affairs to be realised the Government would have to take the initiative in advance of more formal negotiations between the two nations.

Yours faithfully,  
N. A. GODMAN,  
House of Commons.  
June 12.

The Times 18/6/84

**Argentina may face debtors' pressure**

By Our Financial Staff

Latin American debtor nations, meeting in Columbia this week soon after the latest setback in efforts to sort out Argentina's \$44 billion (£31.9 billion) foreign debt, are expected to renew calls for easier repayment terms and reductions in trade barriers. But a senior Brazilian official said that there would be no joint debt renegotiation discussions and a "debtors' cartel" was out of the question.

Senhor Roberto Abdenur, head of the Brazilian foreign ministry's economic division, said the meeting would cover general and global issues but not individual country problems.

However, the \$300m loan to Argentina from Mexico, Brazil, Columbia and Venezuela, which is due for repayment at the end of this month, is certain to be discussed.

On Friday, the US Treasury, which had guaranteed to take over the loan provided Argentina reached an agreement with the International Monetary Fund, decided not to extend its guarantee again. The US Treasury's move was designed to step up pressure on Argen-

tina to resolve its open dispute with the IMF over the terms of an economic programme.

The US Treasury has left open the possibility of renewing its guarantee if Argentina and the IMF come to terms. But US officials are now hoing that other Latin American countries, which have already undergone painful economic adjustment, will put pressure on Argentina to agree to IMF terms.

The main stumbling block is Argentina's determination to push ahead with real increases in wages.

The prospects of Argentina and the IMF reaching agreement by June 30, the deadline by which American banks will have to classify many of their loans to Argentina as non-performing, appear slim.

Commercial banks had been working on plans for a \$450m package which would have cleared interest arrears up to the beginning of April, thus avoiding the problem for American banks. However the package was dependent on agreement between Argentina and the IMF.

The Financial Times 18/6/84

FT 18/6/84

# Argentina's relations with IMF sink to 'indefinite stalemate'

BY PETER MONTAGNON IN BASLE

## Argentina seeks broad debt accord

By Jimmy Burns in Buenos Aires

ARGENTINA YESTERDAY appeared determined to widen the scope of its unorthodox approach to its foreign debt problem by pressing western creditor nations to agree to reschedule payments falling due this year without waiting for an agreement between the country and the International Monetary Fund.

Economy Ministry officials in Buenos Aires said that they would raise the possibility of rescheduling part of the \$6.1bn owed in payment for a government-to-government or government-guaranteed loans granted by nation members of the Paris Club during talks with M Michel Camdessus, the grouping's chairman.

M Camdessus arrived in Buenos Aires on Saturday night for three days of talks with Argentinian officials. In negotiations with the Argentine Government earlier this week, M Camdessus was told that Buenos Aires had accepted that an agreement with the IMF was the precondition for a settlement of the Club debt.

However, Argentina now appears to be again arguing that she should be treated as a "special case" and is drawing on the example of Cuba which managed to reach a solution without the fund.

RELATIONS between Argentina and the International Monetary Fund have sunk to a level of indefinite stalemate, according to senior European central bankers attending the Bank for International Settlements (BIS) annual meeting here.

"I see no solution," said one top central banker, adding that it would "destroy" President Raul Alfonsin politically if he accepted cuts in real wages, as demanded by the IMF.

The bankers said they expected the monetary authorities of industrial countries to postpone as long as possible any final showdown with Argentina, while attempting to isolate it as a special case. This could help prevent its dispute with the IMF having a ripple effect, on the finances of other Latin American countries.

The U.S. Treasury decision on Friday not to renew its offer of a \$300m (£216m) bridging loan to Argentina, while leaving the door open for further negotiations, is in keeping with such an approach. So is the preferential debt deal being offered to Mexico, they said.

The bankers said they were aware that the Argentine stalemate could destabilise financial markets. Already, European banks have reduced their credit lines to U.S. banks in the inter-bank deposit market, they said.

U.S. banks, which are heavily exposed to Argentina, were large net borrowers of Eurodollars in the world's money markets last year.

However, the bankers said they were less worried than three months ago about the impact on the banking system of Argentina's failure to pay interest. The Federal Reserve system had since demonstrated its ability and willingness to cope with crises through the rescue operation mounted recently for Continental Illinois.

U.S. monetary policy might have to be relaxed to help the banks if the markets became too nervous and that would lead to inflation. "But inflation would be a small price to pay for saving the western banking system," one central banker said.

Mr Jacques de Larosiére, managing director of the International Monetary Fund, is "in the most delicate position of his career," this banker added. Were he to approve Argentina's plans for a 6-8 per cent increase in real wages this year, he would immediately face demands from Brazil and other countries, for softer conditions and the credibility of the IMF would suffer.

Snr Enrique Garcia Vazquez, Governor of the Argentine Central Bank, said the withdrawal of the U.S. bridging loan offer meant Argentina would have less money available to pay interest to commercial bank creditors. Without the U.S. loan it would have to use its own resources to repay the four Latin American governments—Mexico, Brazil, Venezuela and

Colombia — which advanced \$300m as part of an emergency rescue package in March.

Mexico, particularly, is expected to privately urge Argentina at this week's debtors' conference in Colombia, to reach an agreement with the IMF.

Snr Garcia Vazquez said he still hoped for such an agreement "as soon as possible." The economic programme sent by Argentina to the IMF last week could be modified in some technical respects, "but not in its principal aims because, where salaries are concerned, the problem of President Alfonsin is one of credibility."

Argentina's programme already embodies sharp cuts in its budget deficit which is scheduled to fall to 1.62 per cent of GDP (excluding interest payments on foreign debt) by the first quarter of next year, from 12.13 per cent in the fourth quarter of last year. Argentina also expects a trade surplus of \$3.83bn (£2.77bn) this year.

Snr Garcia Vazquez stressed that Argentina still wanted to pay its foreign debts and was not interested in a debtors' cartel.

However, commercial bankers meeting in New York, on Friday failed to decide ways of ensuring that Argentina can reduce its interest arrears before the June 30 balance sheet deadline, for U.S. banks.

Mexico will not speed devaluation, Page 3  
Argentina's maintain stand, Page 3

## FOREIGN NEWS



Falklands veteran Pablo Macharowsky (right) coaches Gabriel Rovito, who plays him on film.

# War replay for Argentina

from JIMMY BURNS in Buenos Aires

JUST two years after their defeat in the Falklands war, Argentines have been fighting the British again—to relive the memory and learn the lessons.

The replay comes in a film on the war to be premiered in Buenos Aires in August. Based on the book *Los Chicos de la Guerra* ('The Boys from the War'), a collection of interviews with conscripts who fought in the Falklands, the film questions the motives behind the invasion and Argentina's defeat.

Daniel Kon, 28-year-old author of the book and co-writer of the film, said: 'The war was the final suicidal act of a generation of Argentines. The conscripts who went to the islands were only just coming out of childhood when the 1976 coup took place. From that moment on, they never experienced anything but social and political repression.'

Kon and the film's director, 42-year-old Bebe Kamin, have spent three months shooting some of the most daring sequences in Argentine cinema history. 'Death squads' operating freely in Buenos Aires and the corruption and hypocrisy of the Argentine middle and upper classes form the backdrop to the early lives of three Argentines—some of the *chicos* of Kon's book.

But the war is the climax of the film. The final battle for Port Stanley was filmed at a small mountain near Tandil, 250 miles south of Buenos Aires, where the fertile plains of the pampa are interrupted by a fierce landscape of rough grass and rocks.

The shop signs at a small farming community were changed from Spanish to English and the houses were repainted, turning it into a mirror image of Port Stanley.

Falklands 'veterans' acted as consultants and extras, leaving those involved painfully aware of the thin divide between life and art.

'The conscripts helped us to understand what it really feels like to sit in a damp trench, day in, day out, with a rifle that doesn't work. Only they could explain what it means to have to cut off someone else's foot because it's been caught by a bullet and turned gangrenous,' Kon said.

The making of the film was a two-way process for the conscripts: by teaching the actors about the war, they have managed to learn more about their country.

'When I first talked to one of the actors—he was the same age but had never done national service—I realised that even after two years there is still an extraordinary ignorance of what really happened,' said Pablo Macharowsky.

He looked like a Vietnam veteran, with long scraggly hair, wild beard and fatigues. At the age of 20 Palo speaks like a misanthropic old man as he eyed a group of pre-Raphaelite girls (girl-friends of the 'boys' in the pre-war sequences).

He talked quietly about how women and weapons had become the same for him—'something to touch and use.'

When he returned from the war in June 1982, Pablo destroyed his bedroom with a machine-gun: the sequence, the beginning

of his nervous breakdown, is reproduced in the film.

The film could not have been made before democratic government under President Raul Alfonsín returned to Argentina last December.

Kon recalls the problems he had when he wrote his book soon after the war. The loss of prestige suffered by the armed forces after President Galtieri's downfall meant that *Los Chicos* was able to be published in spite of strict censorship. But a number of the *chicos* were identified by military intelligence and received veiled threats against their lives.

Even under Alfonsín, making an anti-war movie in Argentina has had its problems. Hardline military men tried their best to sabotage the film. Shooting had to be interrupted for several days when the local barracks defied an order from the Ministry of Defence to lend equipment.

'I think there is a small and active minority who have a vested interest in seeing that this film is never shown. But the fact that Minister of Defence imposed himself and the army had to give us the rifles means that things really are changing under Alfonsín,' said Kamin.

One of the final scenes was being filmed. A group of conscripts were down a deserted Port Stanley street. 'I want the population to stay in doors,' Kamin shouted through a megaphone. Behind him a small blond boy in a thick sweater burst into tears. 'Don't worry, love... the war is over... the war is over... his mother kept repeating.



## Why not give up Falklands?

ONCE again Peregrine Worsthorpe has proved that he is prepared to venture forth where angels fear to tread. His last article, "Argentina: why we should make peace" represents a courageous and constructive statement.

The essential message is the necessity, in the interests of our two countries, and those of the free world in general, to resolve outstanding differences and resume a relationship with over 150 years of history and tradition. Mr Worsthorpe has commented, but possibly not stressed enough, that the largest colony of British stock outside the Commonwealth has lived for generations in Argentina in a manner entirely consistent with their British traditions.

Inefficient and authoritarian Governments have come and gone, but never, even in the charged atmosphere of the islands war, have the essentials of the British way of life been tampered with wherever these were being maintained on Argentine territory. By the way, this is true for innumerable national minorities in Argentina—the Germans, French, Poles and Russians only to name a few. It is a national tradition that has never been violated.

Britain is negotiating with Peking a treaty transferring sovereignty of Hongkong and adjacent territories on the assurance by the Red Chinese that the essentials of Hongkong's free society will remain the same for 50 years. This may be good diplomacy, but do the Red Chinese have a record of respect for the institutions of minorities within their society? Is there a large British colony in China that has lived untouched under the Communist regime?

Britain fought to establish that the use of force is unacceptable in solving international disputes. My country has responded by establishing a democratically elected Government which has clearly renounced the use of force as an instrument of policy. We in Argentina are determined to make the democratic process work, and work permanently. We hope that this example will be followed by other nations of our hemisphere. Britain can play a most significant role in this process by negotiating a settlement of all the outstanding differences between our two countries.

If the blood of the youth of our two countries will have contributed to the permanent establishment of the democratic system in Argentina, and to the ability of the Falkland islanders to live always in a manner consistent with their British traditions, then it will not all have been in vain, in spite of the tragic loss suffered by thousands of British and Argentine parents.—JULIO E. NUNEZ, London SW1.

PEREGRINE WORSTHORPE argues that Britain should hand over the Falkland Islands to Argentina (albeit slowly) irrespective of the wishes of the Falkland islanders. His argument is both unprincipled and patronising.

The case he advances is based on the same kind of craven and discredited grounds of expediency which have disfigured so much British public policy-making. As he acknowledges, the main justification for such a handover is simply that the Argentines badly want it. They are inculcated from their school-days with the belief that the Falkland Islands should be theirs. But 50 years ago British schoolchildren were taught that India was unquestionably British and most grew up expecting it to remain so. This is hardly grounds for reestablishing the British Raj.

It needs to be stated loudly, clearly, publicly and unambiguously that the only civilised principle to determine sovereignty over any community large or small is that of self-determination. One is thankful that we have a Government willing, in some respects at least, to stand robustly on civilised principles and to resist the weasel words of the Worsthorpes of this world.

Peregrine Worsthorpe's argument is also patronising to his Argentinian hosts. It is treating the Argentine people as immature, as not capable of grasping civilised principles. One can see this if one reverses the Falklands situation. If there were some islands 400 miles off the coast of Scotland which are now the home of a community of Spanish-speaking shepherds but which were once briefly occupied by Britain would Peregrine Worsthorpe urge their incorporation into the UK?

I suspect he would be the first to argue that they be left to determine their own destiny. He would expect Britain to be mature and civilised. Yet he treats Argentina like a toddler throwing a temper tantrum for a lollipop. He wants its demands accepted because it is not capable of mature and civilised behaviour.

My own view of the Argentine people is less demeaning than his. I am confident that as they re-establish their democratic traditions they will come to see how illiberal is their demand for sovereignty over the Falkland Islands irrespective of the wishes of the Falkland islanders.—(Professor) D. E. REGAN, University of Nottingham, Notts.

## Decision nears on \$300m loan for Argentina

# US plays down debt deadline

From Bailey Morris, Washington

American officials yesterday attempted to play down the importance of a key deadline which would qualify Argentina for a \$300m (£217m) government loan to resolve its most pressing debt repayment problems.

Mr Paul Volcker, chairman of the American central bank, and Mr Donald Regan, the Treasury Secretary, said it would not be significant if the American government chose to extend for a third time yesterday's deadline.

"We have got until midnight to decide," Mr Regan said yesterday. Even if the extension were denied, he said, the

Treasury could reactivate the offer later.

Treasury sources said that it had been decided not to extend the loan deadline unless Argentina changed its hardline negotiating position with the International Monetary Fund on a new economic austerity programme.

Other Administration officials said yesterday that a decision on the extension would send an important signal to debtor nations and commercial banks.

The 11-bank syndicate negotiating with Argentina on its \$45 billion (£32 billion) debt met yesterday to consider whether

to extend new loans to the country to pay overdue interest. Banking sources said if the Treasury did not extend the deadline, commercial lenders would be even more reluctant to agree to easier terms for Argentina and other debtor nations.

Meanwhile, Mr Volcker said in Congressional testimony that even if Argentina missed a June 30 deadline on \$500m of overdue interest owed banks, the sums involved were relatively small and would not rock the banking system even though the second quarter earnings of some big banks would be reduced significantly.

The Telegraph 15/6/84

### U.S. silent on Argentine loan

THE United States treasury department gave no indication yesterday as to whether it will roll over a \$300 million loan commitment to Argentina

But Treasury silence on the issue has not stopped bankers from speculating that the Reagan Administration has lost patience with the debtor nation

Argentine officials, meanwhile, were scheduled to meet with bankers in New York to decide whether to lend \$125 million to the country so that it can pay back overdue interest



## US ends guarantee on Argentine loan

From Alex Brummer  
in Washington  
and Peter Rodgers  
in London

The United States Treasury last night stepped up financial pressure on Argentina by refusing to extend a crucial \$300 million loan guarantee which ran out yesterday.

Its aim is to force the new civilian government to bow to the wishes of the International Monetary Fund in implementing harsh new economic policies.

The guarantee covers emergency loans, made by four other Latin American nations to Argentina in an effort last March to prevent the government defaulting on its debts.

Mexico, Brazil, Colombia and Venezuela will now carry the full risk of the loan. This is seen as strong pressure on them to persuade Argentina to come to an agreement with the IMF.

The timing is highly significant. A meeting of Latin American debtors is to be held on Thursday and Friday at Cartagena in Colombia. By withdrawing from the Argentine scheme the Americans may have made it more difficult for the debtor countries to take serious retaliatory action against commercial bank creditors.

There was a previous attempt at the London economic summit to drive a wedge between the debtors and stop the formation of a cartel by promising better loan conditions to those, such as Mexico, who toe the line.

In a statement the Treasury said: "While the US Government regrets that Argentina was unable to reach agreement with the IMF during the previously agreed period, we recognise that progress has been made towards a resolution of outstanding issues."

Treasury sources said the US remained ready to take up its 300 million dollar loan promise after an agreement had been reached.

Commercial banks, including Lloyds, also stepped up their pressure when they decided to roll over a \$750 million loan — due for repayment yesterday — on a day-to-day basis, instead of giving an extension for a period as the Argentines had wanted.

A telex to other banks from Citibank of New York, which is leading the banks' negotiations with Argentina, said that the deadline for repayment had not been met.

The daily rolling over was pending further discussions with Buenos Aires. The next deadline is June 30, when US banks will have to reduce their second quarter profits sharply — under accounting rules — unless Argentina has come to a deal with the IMF that will allow arrears to be paid off.

Argentina this week unilaterally told the IMF the terms it wanted for a new economic programme, short-circuiting the usual negotiating procedures.

But the IMF is almost certain to reject Argentina's proposals because they include a continuing rise in real wages.

# Washington pulls out of Argentine bridging loan commitment

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE U.S. Treasury said last night it could no longer renew its promise of financial aid to Argentina because of that country's failure to reach agreement with the International Monetary Fund on an economic stabilisation programme.

These U.S. decision means that its offer to provide bridging finance totalling \$300m to Argentina, first made on March 30 and since renewed twice, no longer stands.

This represents a new setback for international efforts to find a way of ensuring that Argentina can service its \$43.6bn foreign debt—the third largest in Latin America. The decision follows a public dispute between Argentina and the IMF this week over the need for cuts in real wages to curb inflation, now running at 570 per cent.

The Treasury statement made it clear it was not excluding the possibility that the dispute could be resolved. It said: "While the U.S. Government regrets that Argentina was unable to reach agreement with the IMF during the previously agreed-upon period, we recognise that progress has been made towards a resolution of outstanding issues and that negotiations over an Argentine economic programme that the IMF could approve are continuing."

The Treasury stands ready to entertain a request from Argentina for a new bridging loan once agreement has been reached on an IMF programme, it continued.

The Treasury's decision not to renew its offer of bridging finance became inevitable this week after the government of President Raul Alfonsín sent off a letter of intent to the IMF which had not previously been agreed with Fund officials. The letter said Argentina would not back down on plans for a real increase in wages of 6 per cent to 8 per cent this year.

Argentina has also told its commercial bank creditors that it could not meet a \$750m payment due to them yesterday on a separate bridging loan arranged last year. The loan is now being rolled forward on a day-to-day basis.

Leading creditor banks were meeting yesterday at Citibank's head office in New York to consider how far they could continue to help Argentina in the light of the Treasury decision.

In the short run they have to decide how to handle Argentina's overdue interest payments. Argentina has paid no interest on most of its public-sector foreign debt since January 2, and unless the arrears are at least partially made up by June 30, U.S. banks will have to declare their loans "non-performing." This will make a major dent in the banks' second-quarter profits.

Tentative arrangements had been made to deal with this problem, but they depended on an agreement being reached with the IMF, because leading creditor banks, including Lloyds, would have had to advance further money.

A key issue at yesterday's meeting was whether the Treasury's statement that negotiations between Argentina and the IMF are continuing was enough to allow this deal to proceed.

The IMF has made no public comment on its dispute with Argentina, but is understood to want to keep the door open for further talks.

The banks also have to decide whether to demand repayment of the \$100m they lent Argentina in March at the time the U.S. Treasury made its bridging loan commitment. This was part of a \$500m rescue package to which the governments of Mexico, Brazil, Venezuela and Colombia also contributed. These countries have, however, set themselves a deadline of June 30 for taking a decision on further action.

Argentina is expected to come under private pressure to yield to the IMF at a meeting of major Latin American debtors in Cartagena, Colombia, next week. Mexico and Brazil particularly feel that the dispute could be a setback for the whole continent, undermining their own efforts to restore creditworthiness.

William Hall in New York writes: U.S. bankers reacted relatively calmly to the Treasury

Continued on Back Page

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## Argentine loan

move yesterday. Most are resigned to the interest on their Argentine public sector loans not being brought up to date by the end of the month which will affect their second-quarter earnings.

Analysts estimate that bank earnings will be depressed by between 5 and 20 per cent. Although the potential drop is not particularly large, the money markets are in a very nervous state after the Continental Illinois rescue.

U.S. bond prices were again marked higher yesterday, although short-term U.S. inter-

est rates were largely unchanged.

On Wall Street, however, share prices continued to fall and the Dow Jones industrial average, closed 10.71 points off at 1,086.90, a drop of 44 points on the week. IBM again led the active list, falling \$1½ to another 12-month low of \$99½.

The selling was again blamed on a range of factors, including uncertainty about international debt, problems in the U.S. domestic economy and the outlook for U.S. short-term interest rates.

# Falklands charity still soured by disputed compensation claims

By Alan Hamilton

Two years after the last soldier discharged his farewell shot in the battle for Port Stanley, controversy and ill-feeling still sour the money being paid to the wounded and relatives of the dead.

A humane and generous public, caught on an emotive floodtide, has contributed £15,080,000 to the South Atlantic Fund, set up in the immediate aftermath of the campaign to channel national gratitude into some tangible form.

The fund has disbursed £13.5m directly to victims and their families or through established service charities, and has £2.5m invested. The fund no longer seeks donations, but a trickle of cash and cheques still drips into the fund's office at the Ministry of Defence in London.

Falklands war widows, of which there are 140, have received between £30,000 and £75,000. Payments of widely varying amounts have also gone to 796 men wounded.

The majority of complaints have come from parents of single men killed in action, who have received a minimum payment of £2,500, with extra depending on circumstances.

Recently the families of 60 single men killed, who felt they had been unfairly treated, banded together and sought legal advice on the prospects of getting more.

Their action has posed a moral dilemma. The head of one established services charity, not connected with the South Atlantic Fund, told *The Times* he regarded it as thoroughly immoral that parents of a young man who had signed up for active service well aware of the risks, should seek compensation for his death.

Commander Kenneth Steven, secretary of the South Atlantic Fund, said that he was bound by the law governing charities. It would be illegal for a charity such as the fund to pay out anything resembling standard amounts of compensation. It was important to draw the distinction between compensation and charitable payments to meet specific needs.

"Need is the key word, and need is a compound of many things. Some cases were simple, such as servicemen who were plainly supporting their parents, and some were not."

One problem the fund's administrators has faced is claims from women alleging that servicemen who died had fathered their illegitimate children. Every case has been treated on its merits. Commander Steven says and has been looked at by an assessment board based in Aldershot and composed of welfare workers, representatives of established services charities and staff seconded from the Department of Health and Social Security.

The relative slowness with

which the panel dealt with individual cases led to complaints from MPs of all parties.

Commander Steven defended the fund's caution and said that the balance would be kept to meet calls for help from wounded servicemen who could still suffer long-term physical and psychological effects as yet undiagnosed.

To assess the level of payments, the fund's administrators studied case histories from Northern Ireland, where wounded servicemen, unlike their Falklands counterparts, have the option of applying for help to the Criminal Injuries Compensation Board.

The need to assess each individual case has also led to allegations that the widows of officers are being helped with school fees, while the relatives of other ranks are receiving much less.

Meanwhile, much valuable and unsung work is being done by the established military charities to aid Falklands victims, often with no help at all from the South Atlantic Fund.

The British Limbless Ex-Servicemen's Association, which has received no payment from the fund, is caring for 36 Falklands amputees, and has just paid for five of them to visit Switzerland on what it regards as the best possible therapy for those who have lost a leg - learning to ski.

## SATURDAY COMMENT

By Andreas Whittam Smith

# Stick and carrot approach to Argentina crisis

REVIEWING the performance of Argentina since the civilian government came into office last autumn, it is tempting to conclude that President Alfonsín has outwitted the country's external creditors in masterful fashion. According to this conspiracy theory of history, Sr Alfonsín would have coolly assessed both Argentina's strengths and weaknesses and would have made a similar evaluation of foreign banks and Western governments. For a bankrupt state the balance of advantage and disadvantage would have been quite hopeful.

Argentina's main strength is that she is virtually self-sufficient. By natural endowment, Argentina ranks alongside Canada and Australia; she is a major exporter of meat and grain, she produces enough oil for her own needs and can extract uranium from the ground to run substantial power stations. She has an extensive manufacturing sector. Fifty years ago Argentina was an extremely prosperous country — which is why so much British capital was attracted — and could be so again.

Then the fact that Argentina is now a democracy — Sr Alfonsín's administration replacing a succession of military governments, some of them with horrific human rights records — has also proved to be a great advantage. No Western government, or international banking group, wants to be responsible for inhibiting such promising liberalisation. In a moment of exasperation the Argentine minister of the economy, Sr Bernardo Grinspun, recently told bankers: "You cannot ask the democratic government of Argentina what you did not dare ask the Junta."

More specifically, the unsavoury circumstances in which some of Argentina's foreign loans were

contracted and doubts about the destination of the proceeds has been a useful card in Sr Alfonsín's hand.

He has been able to raise the issue of whether all the loans are "legitimate," a question to which it is hard for creditors to give a meaningful answer. Finally, as always, even in Britain in 1976, it is good populist politics to rage against the International Monetary Fund, portraying it as staffed by hard-faced officials, completely out of touch with local conditions, forcing unnecessary retrenchment on countries at the behest of foreign governments.

Next, still sticking with the

conspiracy interpretation of events, Argentina's government would have assessed the considerable weaknesses in the creditors' position. The old saw that if you owe your bank \$500 you have got a problem but if you owe \$50,000 it is the bank that has the difficulty comes to mind. For the reality is that Argentina's creditor banks would be seriously damaged by default. Hence their willingness in past negotiations to engage in a manoeuvre that appears perfectly ludicrous — lend countries more money just so that they can pay the interest outstanding. In effect that is what Argentina has demanded — and obtained on March 31 — and what she is asking for again, by June 30.

Western creditors, too, have been vulnerable to the hot-cold technique, or the alternation of aggressive and comforting statements. In recent weeks, even, Argentina has tried to detach the commercial bank lenders from the IMF by suggesting separate negotiations.

The present situation is that Argentina has remitted scarcely any interest on its \$44 billion debt during the past 12 months; neither has it come to any agreement about how the payments of principal that were due this year are to be rescheduled.

As for the Argentine economy it demonstrates its underlying

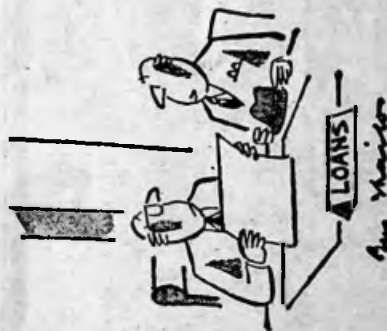
strength by continuing to earn a significant trade surplus, though by no means enough to cover its commitments to external lenders. Indeed, quite the reverse: Argentina is rebuilding her foreign exchange reserves at the expense of creditors. But inflation remains disarmingly high, at well above 400 p.c. per annum, and while the government talks about mild retrenchment, nothing much has been done. For the sake of achieving expansion, wages are still being allowed to rise faster than prices.

In short, Argentina could try much, much harder to earn the big payments surpluses that are required to service her debts. The IMF could not possibly approve Argentina's present policy.

All the same I am unconvinced by the conspiracy theory. The reality surely is that the Alfonsín government believes democracy and social justice would collapse without economic growth; the obligations incurred by its discredited predecessors come much further down the list of its priorities. The Argentine government is being not so much cunning about its debts as careless.

The creditors will thus have to remain patient, stick together, continue to insist on Argentina reaching agreement with the IMF, and try to find some stick-and-carrot tactic.

In the final analysis the stick means the threat of seizing Argentinian assets abroad, withdrawing financial facilities, withholding supplies. The carrot would, perhaps, involve providing equity capital for Argentina's development. And the creditors will also have to accept that what began as seven to ten-year loans may well take twice, or even three times, as long to repay. Within these parameters creditors and debtors alike may muddle through.



"I'm thinking of doing an Argentina..."



# A little closer to the brink

By Peter Montagnon in London and Jimmy Burns in Buenos Aires

**T**HIS WEEK may go down in the history books as another milestone in the debt crisis that has dominated Latin America for nearly two years.

By tonight the U.S. Government must have made up its mind whether to withdraw its official support for one of the world's largest and most intransigent debtors—Argentina.

At stake immediately is the U.S. commitment to provide \$300m in bridging finance to Argentina as part of the emergency rescue package agreed with four Latin American countries last March. The commitment has already been renewed twice — at the end of April and the end of May — in anticipation of progress in talks between Argentina and the International Monetary Fund.

This time round, however, the deadline coincides with a very public dispute between Argentina and the IMF over how its affairs should be handled.

The dispute is deep and fundamental. It centres on President Raul Alfonsín's refusal to accept what he believes will be an IMF-induced recession as the price for international aid.

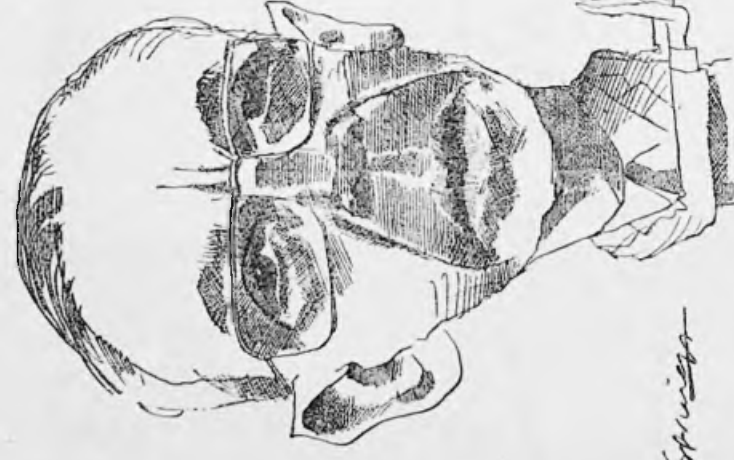
But can the U.S. and other governments as well as commercial banks, continue to help Argentina without the IMF? And can the IMF treat Argentina as a special case without losing its credibility as an economic policeman?

More than ever today, most bankers believe that the IMF is central to any solution to the debt crisis. "You cannot allow a country to go round the IMF or you erode the whole framework," says Mr. Willard Butcher, chairman of Chase Manhattan. But the U.S. Treasury also knows that to revoke its commitment would send a signal to already nervous financial markets that it has lost hope of Argentina reaching agreement with the IMF. That could again severely strain the banking system, and, worse still, might even push Argentina closer to the brink of unilateral default.

Argentine officials already believe that the IMF has shown total intransigence towards demands for greater flexibility. "The IMF said neither yes nor no. It simply failed to understand us," lamented Sr. Adolfo Canitrot, one of the chief Argentine negotiators this week.

The view in Buenos Aires is still that its fledgling democracy and uniquely structured economy set Argentina apart from other nations such as Brazil and Mexico. According to this view it therefore makes no sense to talk of accepting stabilisation programmes similar to those adopted by these two countries.

Unlike Latin America's other borrowers, Argentina has little growth to show for its debt mountain. Indeed the period during which it was borrowing most heavily (1976-1982) culminated in a savage recession, a domestic banking crisis, a



President Raul Alfonsín



Jacques de Larosière, IMF Managing Director

week on the glowing prospects for Argentina's external trade. A surplus of \$3.83bn is expected this year with exports of \$8.68bn and imports of \$4.85bn.

After payment of interest amounting to \$5.94bn and a deficit on other services of \$450m, this would leave a current account balance of payments deficit of \$2.56bn, which officials claim the IMF should accept as entirely manageable.

Certainly Sr. Grinspun regards the trade target as non-negotiable and would not be prepared to cut imports. But the IMF is deeply worried about inflation, which is now running at 570 per cent. Argentine officials see this as their own internal affair. President Alfonsín wants to permit a real increase in wages of between 6 and 8 per cent this year, and officials say that inflation will be brought down by other means than wages policy. The government deficit will be reduced by a campaign against tax evasion plus new taxes and higher utility charges and petrol prices.

The IMF's answer is a simple "yes, but." Its mission in which has no parallel in other major countries. Under U.S. reporting requirements, banks can continue to accrue overdue interest as income for up to 90 days. However, once interest is unpaid for more than 90 days U.S. banks generally have to stop reporting that interest as income. They also have to reverse previous accruals and take that unpaid interest out of income.

As U.S. banks report on a quarterly basis, the March 31 and June 30 deadlines have particular significance. Most U.S. banks are now privately

assuming that Argentina's interest arrears in excess of 90 days will not be cleared by June 30. This will hit their second quarter earnings and also boost their non-performing loans.

The Federal Reserve Bank of New York recently compiled some figures on the effect of the previous Argentina financing package on the first quarter earnings of U.S. banks, and, with one exception, the benefit was not significant. In the case of Citicorp, the overdue interest payments on its sovereign

Buenos Aires, which in past weeks has been headed personally by Sr. Eduardo Wiesner Duran, head of the Western Hemisphere division, cannot see how lower inflation can be reconciled with real wage increases. And, it argues, a break in the soaring inflation rate is essential if Argentina is to resume balanced economic growth and a sustainable payments pattern in the longer run.

Moreover, steep cuts in real wages have been the cornerstone of its economic stabilisation programmes for other countries. In Brazil particularly they have been won only through great political sacrifice by the Government of President Joao Figueiredo. In Mexico, too, real wages were cut by some 20 per cent last year.

The IMF cannot let Argentina off this hook without risking a political backlash against its policies in other client countries which could ultimately undermine confidence in its ability to hold the economic adjustment process together.

In short, this issue is so basic that it cannot be resolved through compromise obscured by consoling jargon about monetary

tary aggregates and domestic credit expansion. That is why the U.S. Treasury has been facing an awkward choice. It could, for example, swallow its pride and agree to extend the offer of bridging finance one more time while working hard behind the scenes to find a way out of the impasse.

Any compromise between Argentina and the IMF would, however, have to be very carefully engineered. Short of outright repudiation, Argentina will need fresh loans from commercial banks this year—its letter of intent talks of \$3.152bn as well as disbursement of \$1bn left over from last year's loan.

Such borrowings have become harder and harder to raise from the international banking community, and if the IMF appeared to have given way, a new bank loan could become well nigh impossible as confidence in Argentina's longer term prospects evaporated.

Renewal of the Treasury commitment could also appear too lenient in other respects as well. The U.S. has already been criticised by Mr. Nigel Lawson, the UK Chancellor, among others, for agreeing to the

Argentinian loans boosted its net income by 2.5 per cent and in the case of Chemical Bank it increased net income by 3.8 per cent. Although the impact on profits is likely to be somewhat larger in the current quarter, mainly because of timing differences on interest payments, U.S. banking officials are not expected to make force banks to make swingeing provisions on their Argentinian public sector debt in the short-term.

## THE IMPACT ON U.S. BANKS

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WILLIAM HALL  
in New York.

March rescue package in the first place. In this package the U.S., clubbed together with Mexico, Brazil, Venezuela, Colombia and leading commercial bank creditors to provide finance totalling \$400m so that Argentina could reduce its interest arrears at the crucial quarterly balance sheet deadline for U.S. banks.

At the time, U.S. officials justified the package by claiming it ensured that Latin American countries as well as lenders had a vested interest in seeing that Argentina reached an early agreement with the IMF.

The other alternative facing the U.S. Treasury has been to say that enough is enough and simply refuse to extend its commitment under the package. But that would be to admit failure—the first time this has happened with a major debtor since the crisis started. (It would also raise the temperature at next week's meeting of debtor governments in Cartagena, Colombia.) At best, Argentina's problem would be left in damaging limbo for months ahead while inflation soared and banks were left high and dry without any interest flow as the next balance sheet deadline looms at the end of the month.

Worse still, Argentina could be driven into an even deeper sense of isolation by such a move, even possibly to the point of complete rupture with foreign creditors.

Theoretically, it would be feasible for Argentina to go it alone. With reserves estimated at around \$1.5bn, Argentina could survive on a strictly cash basis for at least a year and continue to use revenue from grain exports thereafter to pay for imports. But this is a gross simplification of the extraordinary socio-economic and political situation that would be brought about by an overnight disruption in the normal patterns of trade.

Some economists in Buenos Aires argue that the strains of default would speed up fiscal and banking reform, stimulate Argentina's self-sufficiency in industry and energy and mould government and opposition into the kind of unity that was present before in recent Argentine history only on two occasions: the 1978 World Cup and the invasion of the Falklands.

On the first occasion Argentina won; on the second it lost. What could happen on the third is anybody's guess, but it is now a source of acute worry to the outside world that this country stuck on the edge of South America is headed for the brink once again.

### CORRECTION

A feature on this page yesterday said: "...Restrictions limiting the amount of their deposits can pay even their smallest deposits have been forcing them." This should have read: "...Restrictions limiting the amount of interest banks can pay even their smallest depositors have been virtually eliminated, forcing them to pay market interest rates."



The Guardian 15/6/84

# US tough on Argentina over delay with IMF

From Alex Brummer  
in Washington

The US Treasury is threatening to withdraw its guarantee of the \$300 million Latin American bridging loan to Argentina when it falls due for renewal today.

Its tough tactics were described by Treasury officials yesterday as part of an effort to put pressure on Argentina to reach agreement with the IMF on austerity measures. The letter of intent supplied to the IMF this week by Argentina is regarded as inadequate by the fund's managing director, Mr Jacques de Larosiere.

The risk that a Treasury refusal to renew its guarantee would send fresh jitters through Wall Street receded somewhat yesterday when the Federal Reserve chairman, Mr Paul Volcker, told Congress that he expected the commercial banks to reach an accord with Argentina before June 30

irrespective of an IMF agreement. In the recent past such debt agreements have only been concluded after an IMF facility has been granted.

Mr Volcker said that he understands "proposals have been made and tentatively agreed upon to enable Argentina to pay interest due to US commercial banks prior to the end of the second quarter." This is regarded as critically important to the confidence of the US banking system since without such an agreement all Argentinian loans would have to be put on a "non accrual" basis, meaning a sharp drop in earnings.

Under the terms of the original Latin American bridging loan to Argentina four debtor countries, including Mexico and Brazil, agreed to put up \$300 million backed by a US guarantee. When Argentina reached agreement with the International Monetary Fund the Latin bridging loan would

be converted into a direct US loan.

The US Treasury Secretary, Mr Donald Regan, who expressed optimism during the London summit on an Argentinian-IMF accord by June 15, is thought to be frustrated by the tactics in Buenos Aires. Treasury officials made it plain yesterday that the US hopes to increase the pressure on Argentina and its Latin American creditors through its display of last-minute brinkmanship on renewal of the guarantee.

They made it clear, however, that failure to renew the guarantee today would not rule out a \$300 million loan still being granted after Argentina has submitted to the IMF terms. The main bar to an accord with the IMF remains the Alfonsin government's commitment to increase real wages by between 6.8 per cent at a time when inflation in the country is running at 500 per cent.

## Alfonsin in union 'trap'

From Jeremy Morgan  
in Buenos Aires

The powerful labour organisation, CGT, has launched a "plan of struggle" to demand quick changes in President Alfonsin's economic policies, which fall far short of the austerity demanded by overseas creditors.

The Confederation General del Trabajo, whose leaders also control key factions in the opposition Peronist mass movement, said that the time had come for "concrete actions" to support workers' wage demands.

The move came only days after the government confronted the International Monetary Fund with a "letter of intent," insisting a debt repayment plan had to include economic growth measures, together with an increase of 6 to 8 per cent in real wages this year.

Up to two million workers are estimated to have been called out on strike or put on "alert" in a campaign of industrial unrest.

The CGT would ensure future strikes did not "lead to anarchy," but government policies have brought the country to the "brink of a social explosion," union leaders said.

Referring to the policy pact signed a week ago between President Alfonsin and opposition parties, including the Peronist, one CGT leader said that "although some type of political ceasefire exists," this would not stop the unions from demanding wage rises.

The CGT launched a campaign of strikes and factory occupations against the last government formed by President Alfonsin's Radical Party only nine months after it took power in 1983.

The military overthrew the then president Arturo Illia in 1966, after two years of worsening law and order.

In Madrid, President Alfonsin stressed that Argentina would stand firm against austerity measures proposed by the IMF as a condition for new financial aid to help to repay the \$43.6 billion (£28 billion) foreign debt.

President Alfonsin's joint declaration on Britain's "anachronistic colonial situation" in the Falklands and Gibraltar was prominently displayed in the Buenos Aires press yesterday, the anniversary of Argentina's surrender on the South Atlantic islands two years ago.

Several marches were called to mark yesterday's unhappy anniversary although no official ceremonies were planned.

The Guardian 15/6/84

### FALKLANDS

## Spain and Argentina rapped

THE Prime Minister yesterday censured Spain and Argentina for the joint communique restating their claims to Gibraltar and the Falklands.

At question time in the Commons, Mrs Thatcher told MPs: "Naturally we take exception to the terms of the joint communique so far as they distort the true position of Gibraltar and the Falklands."

The joint declaration, signed on Wednesday by President Alfonsin of Argentina and the Spanish Prime Minister, Mr Felipe Gonzalez, condemned Britain for retaining sovereignty over Gibraltar and the Falklands Islands.

Mrs Thatcher said: "I think

we take particular exception to it, as today, of course, is the second anniversary of the surrender of the Argentinians in the Falklands Islands, when the white flags were flying over Port Stanley."

Mrs Thatcher had been urged by Mr John Stokes C. Halesowen and Stourbridge) to tell Spain that "we are not frightened by this sort of thing, but if Spain wants our support to join the EEC she had better not do it again."

Mrs Thatcher assured MPs: "We stand absolutely by our commitment to respect the wishes of the people of Gibraltar and absolutely by our commitment that the wishes of the people of the Falklands are paramount."

McMillan-Scott Associates Public Affairs

41 Whitehall London SW1A 2BZ Tel: 01-900035

# Falkland memorial for victims of war

By John Ezard

THE Falklands yesterday got what has already been called—half appreciatively and half critically—their own Statue of Liberty.

A granite memorial was unveiled in Port Stanley in honour of the 255 British servicemen and three civilians killed in the 1982 conflict. It is surmounted by a bronze figure of Britannia on a scale which dominates the town's small harbour.

The ceremony, held on the second anniversary of Argentina's surrender, was attended by two next of kin of British war dead. Mr Desmond Keoghane, chairman of the Falklands Families Association, was flown out by the Ministry of Defence, but an ex-chairman, Mr Charles Ford, had to raise £1,000 to pay for his own journey.

The £59,000 cost of the memorial is being funded by an appeal among the 1,800 islanders, who have already given £50,000. Projects to raise the money included a sponsored 24-hour non-stop "dance-in" at Port Stanley and a sponsored mountain walk by children on the island of West Falkland.

The monument's 22-foot-high plinth of polished granite quarried at Merrivale, Devon, is inscribed with names of all units in the task force and the words *In memory of those who liberated us, 14 June 1982*. It is surrounded by walls of East Falkland stone with bronze plaques bearing the names of all British victims of the conflict.

The 6ft Britannia which rises from it is by the British sculptor David Norris as part of an overall design by Gerald Dixon, an islander who has an architectural practice in London.

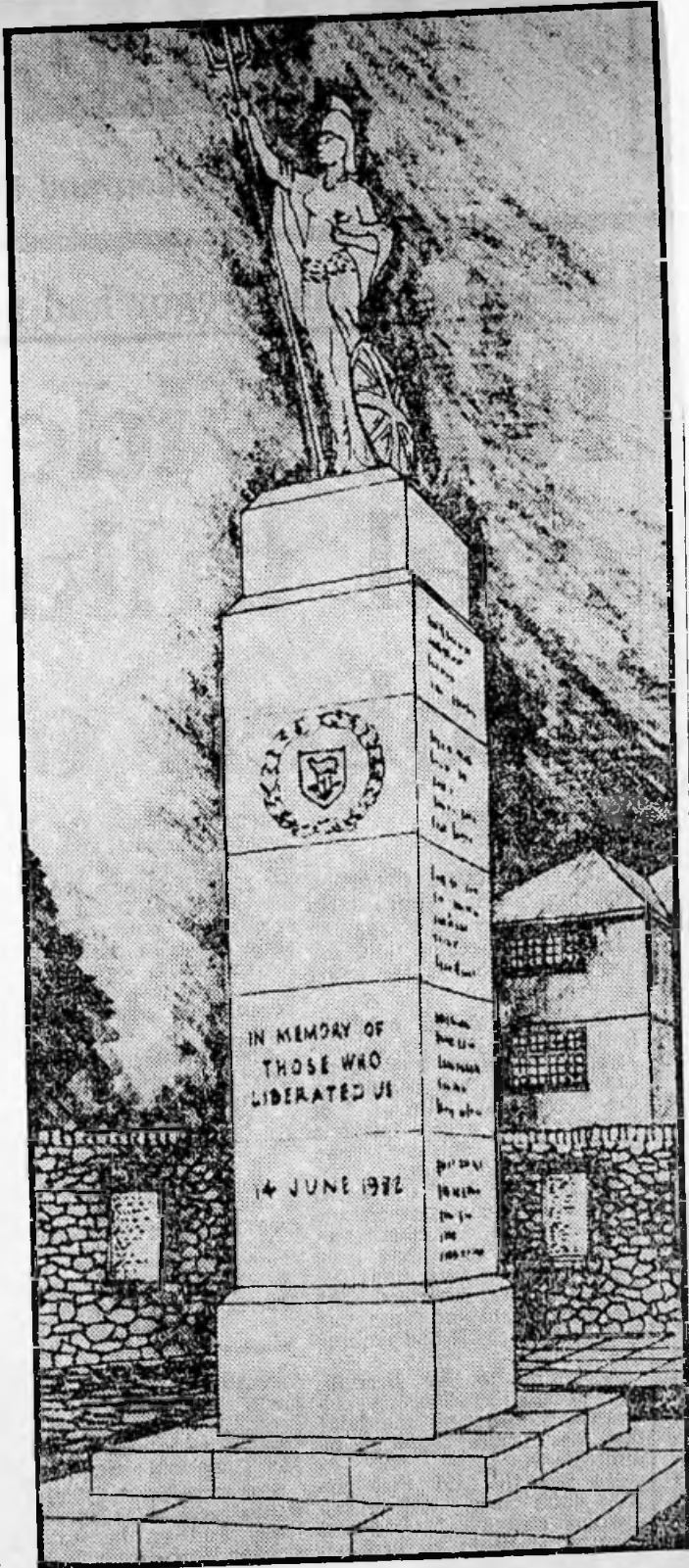
The statue overlooks the seas of a town less worried by the threat of the Argentine Navy—which swarmed into its waters two years ago—than by the presence of 48 foreign factory ships

*A drawing by its designer of the memorial in Port Stanley*

which are plundering its fish stocks.

The monument was unveiled by Mr Harold Rowlands, the Falklands financial secretary, the only senior official who was allowed to stay during the Argentine occupation.

The ceremony gives Port Stanley its second war memorial. The first, commemorating British dead in the battle of the Falklands during the first world war and the Battle of the river Plate during the second, is half a mile away.



Private Eye  
14th June 1984

## Letter from The Falklands

Government House

PORT STANLEY,



*From Our Own Correspondent*

MARGARET THATCHER'S Airport for these islands is doomed to be one of the most expensive ever built. And the reason can be put down simply to poor quarrying rock.

Last week the airport project director, John Parr-Burman of the Laing-Mowlem consortium — which got the tender for the £215million project in the face of stiff competition — flew out here to evaluate the crisis.

The rock which Laing-Mowlem expected to use for the runway was to be mined here from Mt. Pleasant. But shortly after the end of hostilities the Royal Engineers took some of the rock for road-making and found it too hard for crushing as the quartzite contains bands of sandstone. When made into concrete, the rock becomes flakier and is thus quite unsuitable for high-grade concrete. This rock is also causing problems with the sand, half-a-million tons of which will be needed for the airport. The quarrying for sand revealed clay particles — also highly unsatisfactory. The idea of crushing quartzite to make sand is very controversial in the construction industry, as it is a slow and expensive process.

So while alternative sites are being looked at, six cement testers have been telling their employers that the mix would quickly become too smooth on a runway and possibly break up completely.

Now Laing-Mowlem, and the quarrying giant Ames Roadstone have started to import thousands of tons of rocks and sand from the UK — a step some construction experts feared and predicted when our airport project was considered two years ago. It would be easier to get it from South Africa but political considerations have ruled that option out.

Now the delays and strains over the project have infected the 800 imported workers on the site. Bored and sex-starved some employees have developed a game known as "budgie bashing". This diversion from booze and drugs, — the latter are smuggled in from South Africa — involves killing as many penguins as possible on the beaches by stoning them.

On New Year's Eve, a riot broke out in one of the camps when some geese were captured and released in the hall when a film was being shown. One worker maniacally pulled the head off one of the birds and fighting erupted. As a result 11 workers were sacked.

On the same night another group of lads stole three Land-Rovers and made their way to the local club — exclusively the preserve of we Islanders. There they proceeded to molest some of our women and steal the alcohol. Things calmed down rapidly when we presented guns and threatened to shoot the construction gang if they did not go away. And away they go, losing two Land-Rovers in the bog on their way back to camp.

For further amusement a worker cut up the fire hoses in the cook house manned by Kelvin Caterers on 13 February and set fire to it. He, too, was sent back to the UK but not before he was badly beaten up. There are only four security guards to keep the 800 odd workers under control and they are clearly pressed to do so. The ultimate, and only, sanction is being thrown off the island.

On 16 April, there was a severe homosexual rape. The victim had to be hospitalized and flown back to Britain for further medical treatment. The rapist, however, was allowed to keep his job, driving a truck in the camp, because he is good at his work. On another occasion a worker, beaten up by another truck driver, was threatened by said driver with a knife in the hospital, unless he retracted a statement complaining about the assault. This was witnessed by a company executive Tom Bainbridge who was in the next bed. In this instance, the driver was put on a ship bound for South Africa.

## NEWS

# FALKLANDS UNITS GET NEW TELEPHONE LINK

THE FIRST telephone call over a new unmanned radio relay system which will eventually link up units of the three Services throughout the Falkland Islands was made by Major General Keith Spacie, Military Commissioner and Commander British Forces (inset left).

The Falkland Islands Trunk Wideband Communication System — FITS for short — is being operated by men of 266 Signal Squadron (South Atlantic).

It will replace manned relay stations on bleak mountain tops where men of the Squadron have experienced temperatures of minus 17 degrees and wind gusts of 100 mph.

The system is designed for installation in 20 foot containers (pictured) with a second container to house twin generators where a mains supply is not available.

Computerisation will enable signallers to a "master control" to keep their finger on the pulse of each station in the system right down to the amount of fuel in the generator tanks.

The system is currently being deployed by a team under Warrant Officer Class 2 Ian Cowie, from Aberdeen, a member of the Royal

Electrical and Mechanical Engineers, detached to the Falklands from the Projects Division of the School of Signals at Blandford, Dorset.

The isolated sites for the system were prepared over six months by men of the Osnabrück-based 73 Field Squadron Royal Engineers under command of Captain Phil Kershaw-Naylor.



Daily Telegraph  
14th June 1984

**RAF Ascension Island**

A dinner was held last night in the Officers' Mess, RAF Ascension Island, to bid farewell to the Commander British Forces Ascension Island, Group Captain M. A. Sutherland, and six other departing officers. Squadron Leader A. J. C. MacLachlan presided.

**RAF Stanley**

The Officers' Mess, RAF Stanley, held a dining-in night last evening on Coastal Sale Dominia. The principal guest was Maj-Gen. K. Spacie. Squadron Leader S. F. Bolam presided.

**NAVY APPOINTMENT**

The Queen has approved the promotion to Vice Admiral on Sept 7 of Rear Adml Sir John Woodward, Flag Officer Submarines, who commanded the British task force during the Falklands conflict, the Ministry of Defence has announced.



## WORLD NEWS

## Argentina, Spain agree on soft line

President Raul Alfonsín of Argentina and Spanish Premier Felipe Gonzalez signed an declaration in Madrid supporting the claims against Britain for the Falkland Islands and Gibraltar, undertaking to press them peacefully and in line with UN resolutions.

Diplomats saw the peaceful nature in which Argentina agreed to pursue its Falklands claim as a further move towards formal renunciation of hostilities in the South Atlantic.

The Foreign Office in London reacted cautiously last night. Back Page. Argentina wants new loan, Page 4

# Argentina and Spain link territory claims

BY TOM BURNS IN MADRID AND ROBERT GRAHAM IN LONDON

PRESIDENT Raul Alfonsín of Argentina and Spanish Prime Minister Felipe Gonzalez yesterday signed a joint declaration in Madrid supporting each other's claims to the Falkland Islands and to Gibraltar. They undertook to press both claims peacefully and in conformity with the relevant United Nations resolutions.

The document was an unprecedented formal linkage between the two disputes. Earlier this week, at the start of President Alfonsín's visit to Spain, King Juan Carlos said at a state banquet that both countries shared "the painful colonial sequelae that affect the integrity of our nation."

The expressed desire to press the Falklands claim peacefully was in line with repeated pub-

lic statements in a similar vein by Sr Alfonsín since he took office. Argentina has also underlined the peaceful nature of its claims in United Nations resolutions.

Diplomats in Madrid, however, noted the significance of the undertaking signed by Sr Alfonsín in a formal diplomatic document and suggested that it was a step further towards a formal renunciation of hostilities in the South Atlantic.

In London last night, the Foreign Office reacted cautiously. It said that a number of statements by President Alfonsín and Sr Dante Caputo, the Argentine Foreign Minister, expressing their desire for a peaceful solution to the Falklands issue had all

fallen short of a formal declaration ending hostilities.

The main sticking point, however, appears to be President Alfonsín's difficulty in publicly accepting Britain's position on sovereignty.

He has said that he is willing to discuss normalising relations with Britain on the understanding that sovereignty is brought on to the agenda at some stage. Britain, however, refuses to consider any agreement that entails a commitment to discuss sovereignty.

The joint statement by Argentina and Spain, therefore, was seen in London as a further attempt by Argentina to keep the Falklands issue in the limelight and increase the pressure on Britain to act. It also served to highlight

Spain's own problems in attempts to reach agreement with Britain on Gibraltar.

That agreement, to enter talks on all aspects of Gibraltar, including sovereignty, in return for Spain's reopening of its border with Gibraltar so far has not been realised.

The latest document, entitled the Declaration of Madrid, said: "Spain and Argentina, which are the victims of an anachronistic colonial situation, support their respective claims over the Malvinas Islands and Gibraltar to restore the integrity of their national territories through peaceful means in conformity with the relevant resolutions of the United Nations."

References in the document to a "political dimension" to Argentina's debt and Spain's

desire to assist a renegotiation, were explained by a Spanish Government official as meaning that Spain would support Argentina in debt talks with the Paris Club of creditor nations.

Sr Alfonsín last night ruled out any change in Argentina's position in its dispute with the International Monetary Fund over its external debt.

"We do not think the possibilities of negotiation (with the IMF) have closed," he said in Madrid. "What has closed is the possibility of Argentina changing its position."

Sr Alfonsín said that it would not be appropriate to forecast what would happen if there was no agreement with the Fund. Argentina wants new loan,

Page 4  
Lombard, Page 23

## Lombard

# Two cheers for Alfonsin

By Anatole Kaletsky

LIKE the boy who cried "the Emperor has no clothes," President Raul Alfonsin has inadvertently done the world a service. With luck, his open defiance of the International Monetary Fund could shake the political leaders of the industrialised nations out of the complacency on Third World debt which was still much in evidence at last week's London Summit.

Mr Donald Regan, the U.S. Treasury Secretary, for example, put forward the laughable view that the Third World debt problem was a "private" matter between the debtors and their bankers; there was no need for the U.S. or other governments to get involved. "Very well, we will take you at your word," President Alfonsin appears now to be saying. "We will bargain directly with the bankers, bypassing the IMF—if the bankers refuse whatever rescheduling terms we decide to offer, let them call us in default and drive themselves into insolvency."

Another magic word favoured by the Summit leaders was "adjustment." But what does adjustment mean? As far as external debt problems are concerned, it ought to mean a switch in economic policy which will generate a trade surplus big enough for a country to pay the interest it owes without increasing excessively its total level of borrowing. This is exactly what the Alfonsin government intends to do.

On the basis of current policies, the Government is forecasting a trade surplus of nearly \$4bn, compared with a deficit of \$1.4bn in 1980. Private econometric services expect such surpluses to continue for the rest of the decade, even without further austerity measures. This trade performance should be good enough to allow Argentina to pay its interest bills in the years ahead without building up its foreign debt at more than 2 per cent or so annually.

This is where the third ritual incantation comes in: "IMF" Argentina has to adjust more drastically because M. Jacques de Larosiere says so.

He has three possible reasons for rejecting President Alfonsin's programme. First,

he can argue that Argentina's balance of payments adjustment is not, in fact, sufficient. If the banks were to refuse to provide any new finance the country would obviously need an even bigger trade surplus than the projected \$3bn to pay its interest bill of nearly \$6bn.

But this is precisely what the system of involuntary lending, organised in 1982, was designed to avoid. The banks were supposed to increase their exposures to developing countries, albeit in a controlled way. In the event bank lending has turned out to be smaller than originally intended because Mexico, Brazil and some other countries with IMF adjustment programmes have generated much larger trade surpluses than anybody expected last year. But to President Alfonsin these exaggerated trade surpluses do not prove that the IMF's prescriptions are working better than expected. On the contrary, they suggest in fact that the debtor countries have over-adjusted at the IMF's behest.

A second argument against Argentina's economic plans is hyperinflation. Yet this is primarily an internal political matter which becomes relevant to external creditors only when hyperinflation endangers the social foundations of a country's economy. Sooner or later this tends to happen; but it is not clear that the IMF's perceptions on this issue should override the views of Argentina's first pluralistic, democratically-elected government for nearly two decades.

This leads to the final—and most important—explanation of the stalemate between Argentina and the IMF. M de Larosiere cannot accept President Alfonsin's policies for fear of setting a precedent. The Argentine economy may be inherently strong enough to generate an adequate trade surplus even without cutting government deficits as drastically as the IMF demands; but other countries are not so lucky.

True enough. But is this kind of policymaking by lowest common denominators the custom-tailored "case by case" approach which summit leaders assure us is going to solve the debt crisis permanently and without cost?

# Argentina wants new loan to cover balance of payments needs

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ARGENTINA is to ask its commercial bank creditors for a new loan of \$3.152bn (£2.25bn) to cover its balance of payments needs for this year, according to the terms of its letter of intent sent earlier this week to the International Monetary Fund.

The borrowing requirement is in addition to a disbursement of the remaining \$1bn left over from last year's \$1.5bn medium term credit, Argentine officials said yesterday. But they added that banks can expect to receive substantial repayments from Argentina this year which will substantially reduce their net new commitment.

The letter of intent, which was signed without the approval of the International Monetary Fund, forecasts a trade surplus of \$3.829bn and a current account deficit of \$2.557bn. Total interest payments on Argentina's foreign debt will amount to \$5.937bn this year.

Banks can, however, expect to receive payment from Argentina of about \$1bn in arrears if the plan set out in the letter of intent is implemented. In addition they would be able to reduce their short term trade financing to Argentina by \$228m because of a drop in imports to \$4.85bn, as well as receive repayment of the balance of

\$750m outstanding from last year's bridging loan.

The officials, who are currently travelling with President Raul Alfonsin on his visit to Spain, say they believe the programme shows that this year's balance of payments will be manageable, but they added that the government is not prepared to compromise on its plan to increase real wages by six to eight per cent this year. This has been the main sticking point in Argentina's negotiations with the IMF.

Argentina aims to cut inflation to half its present level of 570 per cent but it prefers to do this through increasing taxation on luxury goods such as gasoline so that the better off are harder hit. Under the programme the government's budget deficit would fall to 6.85 per cent of Gross Domestic Product in the first quarter of next year. Without interest payments on foreign debt the deficit would by then be only 1.62 per cent of GDP.

The programme forecasts that economic growth in Argentina will rise to 5 per cent this year from 2.5 per cent in 1983. Sr Bernardo Grinspun, Argentine Economy Minister, has said he rejects any approach to the country's problems that would curb inflation by inducing a recession.

# Argentine rescue at risk

From Bailey Morris,  
Washington

US officials must decide by tomorrow whether to extend an earlier commitment to put up \$300m for an Argentine rescue package in the light of the south American nation's tough new negotiating stance with the International Monetary Fund.

Sources at the US Treasury said officials would like to send a strong signal to Argentina and other debtor nations contemplating a similar hardline strategy that such actions will not be treated lightly.

One way to do this would be fail to extend the \$300m commitment beyond tomorrow's deadline set by the US treasury, officials said. The US commitment, in the form of a loan to four Latin American nations which helped Argentina meet overdue interest payments

## BORROWINGS\* from International Monetary Fund (\$ m)

	Drawn	Undrawn
Brazil	1,690	2,730
Chile	296	225
Ecuador	123	41
Mexico	1,360	2,196
Peru	276	401

\* Under standby and extended arrangements

last March, was made on condition that the government of President Raul Alfonsin agree an economic austerity programme with the IMF.

The agreement is now very much in doubt after Argentina's decision to challenge IMF procedures by ignoring a negotiating team now in Buenos Aires and appealing directly to

M Jacques De Larosière, the managing director, in a letter stating specific borrowing demands.

US official are concerned that if Argentina is successful in bending the international rules, other debtor nations will attempt to follow suite, creating havoc in the banking system.

Mr Paul Volcker, chairman of the US Federal Reserve Board, selected this concern in a speech in New York, in which he warned debtor nations of the consequences of not reaching satisfactory accords with their creditors.

● The developing country debt problem has greatly improved Mr Walter Wriston, chairman of Citicorp said in London yesterday. He said he could not understand why all the press reports were so gloomy.

## Spain and Argentina 'are colonial victims'

From Harry Debelius, Madrid

Declaring themselves "victims of an anachronistic colonial situation", Spain and Argentina pledged mutual support here yesterday for their claims to sovereignty over the Falklands and Gibraltar.

In a document referred to as the "Madrid Declaration" released in the final hours of the official visit of President Raul Alfonsin of Argentina the heads of both governments agreed to seek "the restoration of the integrity of their national territories, by peaceful means, in accordance with the pertinent resolutions of the United Nations."

The declaration also expressed the concern of both governments "over the efforts to transfer international tensions to the Iberian American subcontinent and especially to Central America."

The document denounced the "tragic" consequences of the contrast in wealth between developed countries of the northern hemisphere and nations of the southern hemisphere "which see their relative situation deteriorating and see how misery is perpetuated in large sectors of the population."

Spain committed itself to help Argentina renegotiate its debt and to renew a line of Spanish credit for certain medium and long term operations.

The two countries "express their solidarity with those peoples of the subcontinent who have not yet achieved the full use of their political sovereignty," and called on the "de facto" governments to speed up the processes of transition.

Argentina, according to the declaration, supports Spain's entry into the European Economic Community.

President Alfonsin arrived here on Monday for an official visit, his first trip abroad since his election last November. He was scheduled to leave Madrid early today for Galicia, in north-west Spain, where he will remain until Saturday on a private visit.

## Debt deadline

US government officials must decide by tomorrow whether to extend a commitment to provide \$300m for an Argentine rescue package

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## Argentine rein checks Wall Street

By JAMES SRODES in Washington

FEDERAL RESERVE chairman Paul Volcker had encouraging words on the debt crisis yesterday but Wall Street was still distracted by doubts about the Argentine situation.

The Dow Jones Industrial Average closed unchanged at 1,110.53.

The Commerce Department's retail sales gauge rose just 0.2 p.c. in May following a rise of 3.1 p.c. in April.

Despite the slowdown, however, the small increase is evi-

dence that consumption is still playing a role in the economic expansion.

Citicorp chairman Walter Wriston said there is a "good possibility that United States interest rates will be marginally lower" by the end of the year.

Regarding the foreign debt crises Paul Volcker, Central Bank chairman said that while the foreign debt crisis is far from over, the stage has been set for a return to "normalcy"

Mr Volcker said robust growth in the United States, economic adjustments in the debtor nations and continued lending by leading commercial banks was paving the way to a healthier financial climate, but "commercial banks must allow debtor nations to refinance their maturing debt for some time."

● The pound in New York closed at \$1.3865 against \$1.3830.

# Alfonsin refuses to end war

From Edward Owen  
in Madrid

Argentina will not end the state of war with Britain until the fortification of the Falkland Islands is stopped and the exclusion zone is lifted, President Alfonsin said here yesterday.

"Argentina is not going to unilaterally declare the end of hostilities," Mr Alfonsin said. "Great Britain has to put an end to the fortification of the islands and the exclusion zone which is creating serious hardship, not only for Argentina but also for other Latin American countries." He called for immediate talks with Britain.

"We have to eliminate once and for all these remnants of colonialism. We will work intensely in all international forums to try to get Britain to comply to the latest UN resolution," he said.

Mr Alfonsin told journalists there was a risk of Britain turning the South Atlantic into a new Indian Ocean — a place for East/West competition. "A British minister has said that the British presence on the island is important to the North Atlantic Treaty Organisation. I have always thought the islands were in the south Atlantic."

President Alfonsin and the Prime Minister of Spain, Mr Gonzalez yesterday signed a joint declaration in which they condemned Britain for retaining sovereignty over the Falkland Islands and Gibraltar.

The declaration read in part: "Spain and Argentina, who are victims of an outdated colonial situation, support their respective claims for sovereignty over the Falkland Islands and Gibraltar to restore the integrity of their national territories by peaceful means, conforming with the pertinent United Nations resolutions."

Juggling the debt, page 8.

## Alfonsin's debt juggling act

From Jeremy Morgan  
in Buenos Aires

Two years after the Argentine military regime's humiliating defeat in the Falklands, President Alfonsin is keeping foreign creditors guessing. Critics of his rejection of the International Monetary Fund's call for austerity are all too ready to dismiss the move as yet another example of the same Argentine "adventurism" that prompted the ill-fated decision to seize the islands.

But, two years to the day after the surrender in Port Stanley led to the military regime's departure from power last December, President Alfonsin is already struggling to safeguard his chances of staying in office for his full six-year term.

The \$43.6 billion foreign debt and the high social cost of meeting the repayments is only part of a complicated mosaic of pressures bearing down

on the Democratic Government barely six months after President Alfonsin was sworn in amid almost boundless optimism that things were really going to change. All too little has changed, but the expectations remain, as the Government is finding out to its cost after months of trying to cajole the less reasonable sectors of Argentine society into a new phase of democratic consensus and compromise.

President Alfonsin has repeatedly warned that Argentina's fledgling democracy will not stand the strains of full austerity sought by the IMF. For that reason, his Government will not accept "recessive recipes."

But he seems to have had much more success in getting the message across to the Argentine population than to the fund, the banks which are demanding that the Government reach an agreement with the

IMF before negotiating with Western industrial countries. Already, there is an uncomfortable parallel with the regime's confident assumption of strong international support for the occupation of the Falklands.

Diplomatic observers warn that President Alfonsin seems to have seriously overestimated the importance attached by the outside world to the survival of Argentine democracy. Domestic considerations are also thought to have bolstered the Government's apparent belief that foreign creditors nudged by sympathetic Western governments will make an exception of Argentina, particularly given the general agreement on its eventual ability to repay the debt.

A long-running, but as yet unresolved, argument between the creditors and the Government lay behind the decision to send

Government's plans directly to the IMF's managing director, Mr Jacques de Larosiere, without the approval of his officials in Buenos Aires. Bankers have long argued that Argentina's huge grain sales and relative prosperity — even after a fall of 12 per cent in the Gross Domestic Product over the last three years — means that it is better placed than most debtors to make sacrifices.

The Government has countered that these same factors suggest that what the economy needs is not austerity, that would force Argentine standards of living down to unprecedented levels, but more time to meet payments.

Resistance to the IMF's conventional prescriptions is bolstered by the effect of similar policies in neighbouring countries recently and official awareness of the popular belief that the IMF is the puppet of the big banks.



# Diffident survivor who prefers not to look back

By Michael Horsnell

Sir John Nott, the bespectacled Secretary of State for Defence during the South Atlantic campaign, leaned forward in his armchair at the offices of the City bank Lazard Brothers, of which he is an executive director, and asked: "When actually is the anniversary?"

We were speaking of the heady moment at 9pm on June 14 1982 when Major General Menendez surrendered the Argentine forces in the Falklands at the end of the most extraordinary military venture undertaken by British forces since the Second World War.

The openness of the question seemed fully in keeping with Sir John's misleading image as an absent-minded theology lecturer. But he explained: "I have never been a person who looks back on the past as I am a very bad old boy, who never goes to school or regimental reunions, or anywhere near the House of Commons for that matter".

A product of Bradfield College, Trinity College Cambridge, where he was president of the union in 1959, and the 2nd Gurkha Rifles, Sir John left the Commons last year, after 16 years, and now divides his time between Lazard and the 150-acre farm near Hayle in Cornwall where he lives with his attractive Yugoslav wife Milofka.

The man, whose concern two years ago was to despatch a naval task force 8,000 miles to the South Atlantic to engage an enemy off the naval outpost of a forgotten empire, is now preoccupied with the rural pursuits of tending his sheep, growing commercial daffodils, and keeping his three-acre lake clear of reeds.

"I don't think about the Falklands at all," he said. "It's past history for me, though of course I had so much media exposure at that time that a large number of people, especially younger ones, still come up and want to talk about it."

"It was a fascinating period and I suppose I feel privileged to have experienced it. But I pray to God no other experience like that ever happens again to me. I assure you I found it emotionally a very disturbing period."

"When it was all over I had no sense of elation, just one of tremendous relief. I was so much more conscious of the risks we were taking than most people around me, though the Services of course knew them. It was a tremendous gamble to conduct an operation of this sort at 8,000 miles without air superiority. My greatest relief was when we got ashore without the Argentines

discovering it. The Almighty was on our side. It could have been disastrous if the landing had been discovered earlier".

He added: "I never felt responsible for the loss of life. But every time a ship went down it was terribly upsetting. I really did believe we would lose far more ships and men than we did. What is so remarkable about the Falklands is how little went wrong. War is a very confusing and unpredictable event, and however well trained and equipped you are, you can never be in total control".

It was the Foreign Office which ranked as the villain of the piece over the way the South Atlantic crisis had caught the Government unawares, and in the following few days Lord Carrington, the Foreign Secretary, resigned, together with Sir Humphrey Atkins and Mr Richard Luce.

Sir John, who would have resigned if it had not been for Mrs Thatcher's support, proved to be the primary survivor of the political crisis which preceded the despatch of the task force. This was despite the onslaught he received from his own party for the performance he gave when the Government nominated him to answer its critics in the House of Commons on April 3 - the first Saturday session of Parliament since Suez in 1956.

How did it feel to address the House knowing it was lusting for scapegoats? And did the Falklands crisis account for his decision not to fight the 1983 general election?

"The most difficult thing for me was that I felt personally more exposed than anybody else in the situation that arose", he said. "This is what politics is all about and there is no resentment. But because Carrington was in the Lords and I was in the Commons I was in the most exposed position of all. The Prime Minister, being Prime Minister, was able to stand back from it a bit, and when the operation began I suppose unconsciously I felt all the time that I was going to bear the blame for any mistakes".

So far as the former Defence Secretary is concerned the primary lesson of the retaking of the Falklands is the one which our enemies will have learned. "There is less likelihood now to be a war than there was before the Falklands happened because we were not prepared to tolerate aggression, and that is the major benefit for the West, and the only real potential enemy we have, the Soviet block, will have learned that lesson", Sir John said.

The Times 13/6/84

## Court ready for second phase of Galtieri trial

From Douglas Tweedale, Buenos Aires

The military court trying General Leopoldo Galtieri and other former officers for Argentina's 1982 Falklands defeat has ended summary proceedings, moving the six-month trial a step closer to a final decision that Defence Ministry sources say could take a further six months.

The president of the Supreme Council of the Armed Forces, Argentina's highest military tribunal, announced that the court had finished collecting evidence against General Galtieri and 15 other officers accused of military crimes ranging from negligence to cowardice.

He said the trial would now move into a new phase in which military prosecutors are to present the charges against the accused and in which the officers are to present their defence.

A Defence Ministry official said: "There is no way to predict how long this process will take, but you would not be far off if you said (until) November or December."

General Galtieri, the former President, Admiral Jorge Anaya, the former Navy commander, and Brigadier Basilio Lami Dozo, the former Air Force chief, were placed under arrest by the Supreme Council



After the attack: Survivors coming ashore at Bluff Cove from the Sir Galahad, ablaze in the background

"I suppose they could offer me a desk job, but I wouldn't be happy, because I couldn't hold rank. I couldn't tell men to do something I couldn't do myself. In any case, holding down a pen and paper desk job, doesn't fit into the 'macho' image I have of being a soldier. Earlier this year, I went to West Germany with the Welsh Guards and, although I had a fantastic time, my limitations were brought home to me."

In spite of the surgeons' skills, those limitations remain severe for both his hands, one minus a finger, are terribly crippled. The top of his head is bald, and his face will always draw startled gazes. "Mature people look behind the scars but others can't help asking and questioning. I don't blame them. Disability and blindness are accepted, but how many severely burned people do you know?"

He is about to sign another contract with a television company for a series which will attempt to examine how he is rebuilding his life. "The basic message will be look at me, Joe Soap. This could happen to you, and if it does, you have to cope

because there is a big wide world out there, to live in and enjoy it if you want to. I have normal ambitions. I want a job and a quiet and secure life. My family has been tremendous. What can you say of people who perform miracles?"

His preoccupation is trying to find enough money to transform into a gymnasium the 20ft by 10ft extension built on to the neat and comfortable home

### 'He is a courageous and caring man'

which his mother and step-father have bought from the local council. "When my mates are working, it is a lonely day, and I have never been a great one for reading, and television becomes boring. The body muscles wither when you are lying in a hospital bed and I want to get fit again".

His step-father, Mr Harold Hatfield, said: "He has had his depressions, and who can blame him? But now, his attitude is

fantastic, and he is a courageous and caring man. He bears no animosity towards anyone. He has been an inspiration to people all over the world who write and telephone us. On Friday, his mother and I will be meeting in London a little Japanese girl who gained her inspiration for her skin grafting operation from him. We have a man in the house." He added: "We have also had enormous help from the Rhymney Borough Council, who have bent over backwards to give us permission for the extension."

Simon Weston wants a normal life, but having had one engagement break up since he was injured, he does not believe he will become a family man. In part, that is because of his determination to remain a Valleys boy. Within his village he is accepted and liked. But most of all he is anonymous. In his close-knit community he can go into his local pub without being stared at or pestered. There are many operations still to come but Simon Weston believes the worst is over, for he is a soldier boy who has returned home, and there he intends to stay.

# One Falklands hero who can never forget

Tomorrow marks the second anniversary of the British forces' victory in the Falklands. Here, two men whose lives were profoundly affected by the conflict in dramatically different ways talk to *The Times*. In the first report, Guardsman Simon Weston tells how difficult it is to forget. In the second, Sir John Nott tells how he has been able to consign it all to the past.

By Tim Jones

The nightmares, the despair and deep depression are, he hopes, behind him now – but, as he admits, “I know that, whatever I do or wherever I go, the Falklands will always be with me.” With his twenty-third birthday coming up, his ambition is to be “an ordinary Valleys boy” – one of the lads in the transitional period between carefree youth and adult responsibility.

The ambition is difficult for his name is Simon Weston and, for as long as he lives, his face and body will bear witness to the fact that Britain once went to war to defend a remote and windswept sovereign territory 8,000 miles away. His is the face which stunned the nation when the television cameras lingered on it as he stood in pain, ramrod straight, to receive his Falklands Campaign Medal at Buckingham Palace from the Prince of Wales.

Even his pain was public, for television cameras recorded many of the 24 operations he has undergone as Army surgeons have sought, square inch by excruciating square inch, to rebuild his face. By all known laws of medical science, Simon Weston, Welsh Guardsman, should have died within minutes of the Argentine jets bombing the Sir Galahad as it lay at anchor off Bluff Cove on Tuesday, June 8, two years ago.

Horribly burnt over half his body, he hung on to life against all the odds because he was determined to see his family again. When he arrived at RAF Brize Norton looking more like an Egyptian Mummy than a human being, his grandmother pointed to his mother, Mrs Pauline Hatfield, and said: “Look at that poor boy.” It was not until Mrs Hatfield heard the bandaged figure call out “Mam” that she realized it was her son.

Unlike many of the families

whose sons were killed or injured in the Sir Galahad incident – which was, with 50 killed and 67 injured, the biggest single British tragedy of the war – Simon Weston does not believe there should be an official inquiry. “If mistakes were made, if we were kept too long aboard the ship, then conscience is sufficient punishment for those who took the decision. I know at the time I wasn’t complaining, because I was warm and dry. Before me was the prospect of a long, exhausting march and a bloody battle. Chances have to be taken in war, and if they come off they are hailed as brilliant victories,” he says.

“Nothing can be gained by thinking all the time about what may have happened – none of us are time lords – and I don’t think the dead are being allowed to rest in peace by constant calls to find out what went wrong.” In spite of his pain, and the memory of dead comrades, Simon Weston remains convinced that the Falklands War was right. “People who wanted to be British were being bullied by a dictator. We had to help them.”

## ‘I hate nobody, bear bitterness to no one’

But he professes no animosity towards the pilot who came out of the sun and changed his life in a horrifying split second. “How many times do I have to say it. I hate nobody, and bear bitterness to no one. Feeling hatred won’t change my life.” Although he is still a Guardsman, he believes that he will soon part company with the Army, which has been his life and love ever since he joined as a boy entrant at the age of 16.

Continued

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# Argentina bypasses IMF debt team

By Our City Staff

The International Monetary Fund is unlikely to be satisfied by the austerity measures proposed unilaterally by Argentina in a letter of intent delivered directly to the IMF headquarters in Washington.

Senior IMF officials were taken aback by the unorthodox approach in going over the heads of a five-man IMF team in Buenos Aires.

But Argentine's economy Minister, Senor Bernardo Grintun, denied that lack of prior approval from the IMF negotiating team meant a rupture with the organization and said the letter of intent in fact "marks the formal beginning of negotiations."

Argentina's letter of intent requested a reported short-term credit of £1.1 billion from the IMF to help meet the £5.5 billion interest payments due this year on foreign debt totalling \$43 billion.

The IMF requires an acceptable letter of intent outlining economic policy guidelines before granting emergency credit to any member nation.

The text, released in Buenos Aires, confirmed speculation that the six-month government of President Raol Alfonsin had adopted a tough stance with the IMF and private foreign creditors. Senor Grintun, in his letter to the IMF President, M Jacques de la Roissiere, said his government would take "self-

protective measures" to ensure that foreign debt repayments did not "endanger political and social stability".

Argentina failed to reach an agreement on several key points with the IMF negotiators who were required to give prior approval to the Argentine programme, according to government sources.

The Alfonsin administration then reportedly decided to send its unorthodox proposals direct to M Roissiere in the hope that the IMF Board of Directors would approve them.

The letter reveals a growth-orientated economic programme that apparently violates traditional IMF guidelines on several points: it proposes a high-budget deficit of 9.6 per cent of the gross domestic product at the end of this year, contains no significant cuts in the federal budget, and insists on President Alfonsin's commitment to raise public-sector real wages by 6-8 per cent this year, agreed with the main opposition party.

Trade figures in the letter of intent predicted a foreign trade surplus of \$3.8 billion this year but did not specify what percentage would be used to meet repayments on the debt.

The proposal implies a need for \$3.1 billion in fresh credit (above and beyond what it may receive from the IMF) to meet the \$5.5 billion in interest payments due before December.

# Juan Carlos backs Argentina on Falklands

From Harry Debelius Madrid

King Juan Carlos threw his weight behind demands for the decolonization of Gibraltar and the Falklands, telling the President Raül Alfonsin of Argentina that "both Spain and Argentina suffered the painful consequences of colonialism which affect the integrity of the homeland".

The King's remarks, published here yesterday, formed part of his toast at a formal dinner in the President's honour on Monday, the first day of his official visit to Spain.

The King also called on developed nations to come up with "innovative and bold formulas" to solve the problem of mounting foreign debts faced by Argentina and many other countries. Such formulas should respond not merely to the demands of justice, but to the need for survival, the King said.

He said the problem had overflowed the field of finance to become a political challenge for all states jointly. He added: "No country or group of countries can live and prosper indefinitely while the rest of humanity becomes ever more isolated."

In his reply to the toast, President Alfonsin did not discuss the territorial disputes with Britain. Instead he limited



In sympathy: The King and President Alfonsin

himself to drawing political and social parallels between Argentina and Spain, both of which only recently substituted dictatorship for democracy.

Nevertheless, the Falklands and Gibraltar were not forgotten. The Argentine Foreign Minister, Senor Dante Caputo, said after a meeting on Monday with the Spanish counterpart, Senor Fernando Morán, that a reference to the two territories would be included in a joint Madrid Declaration, to be published on Wednesday evening, at the end of Senor Alfonsin's official visit.

Galtieri trial, page 7  
Falklands anniversary, back page

## Banks hope Argentina will find compromise

By ANNE SEGALL

ARGENTINA yesterday lit a fuse under the world banking system by making it clear that it has no intention of reaching an early agreement with the International Monetary Fund and staging what in effect amounts to a major challenge to the fund's authority.

Sr Bernardo Grinspun, Economy Minister, took the unprecedented step of publishing the contents of a 20-page "letter of intent" from Argentina to the IMF without the approval of the fund.

The letter is being regarded as a unilateral declaration of the country's determination to seek its own salvation without regard to the wishes of its international creditors.

Argentina declares that the present level of world interest rates is "unacceptable" and gives a warning that the country intends to take "self-protection" measures.

Argentina says it intends to restrict debt payments to what it can afford out of export earnings while at the same time maintaining imports at levels consistent with economic growth.

This suggests the country is refusing the kind of economic retrenchment generally re-

quired by the IMF before it gives support.

Bankers in London were trying to derive comfort yesterday from Argentina's general promise to honour its international debts.

They noted that the letter to the IMF says: "It is not a question of not paying, but of doing it in the most adequate conditions to achieve objectives in a framework of economic order, growth and social peace."

Banks were still hoping yesterday that Argentina would pull back from the brink before the June 30 deadline for restoring its \$43.6 billion debt crisis.

Hopes were being pinned on a last-minute compromise with the IMF or another bail-out by the United States Treasury, similar to the one in March.

But in Buenos Aires Sr Grinspun told a Press conference that the deadline had been put back "for an unspecified period."

British banks are owed about \$4 billion by Argentina. Midland, largely through its Crocker subsidiary in California, is believed to be owed a total of \$1 billion with Lloyds not far behind and Barclays and National Westminster owed about \$500 million each.

The Telegraph 13/6/84

### Galtieri awaits sentence

Argentina's Armed Forces Supreme Council has concluded its investigation stage of a court-martial of former President Leopoldo Galtieri and another 15 military officers for their mishandling of the 1982 Falklands war with Britain, the military court said. Sentences are expected in November or December.

Gen. Galtieri and the two other members of the military junta that ordered the invasion of the islands on April 2, 1982, Navy Commander Isaac Aahaya, and Air Force Brigadier Basilio Lami Dozo, have been held under preventive arrest at military units since February in connection with the case.



# Argentina threatens to talk directly to banks

BY JIMMY BURNS IN BUENOS AIRES AND PETER MONTAGNON IN LONDON

ARGENTINA WILL propose separate debt talks with commercial banks and government creditors if the International Monetary Fund rejects its application for a \$3bn (£2.2bn) loan, Sr Adolfo Canitrot, under-secretary for planning, said yesterday.

He said: "We still want to pay our debts and if the banks are realistic they will agree to negotiate rather than risk confrontation."

Sr Canitrot is one of Argentina's chief negotiators with the IMF.

His remarks came amid growing resignation in Buenos Aires over the likelihood that the IMF would reject the economic programme to reduce inflation and service Argentina's \$43.6bn foreign debt set out in a letter of intent delivered on Monday to Sr Eduardo Wiesner Duran, head of the fund's western hemisphere division.

Sr Wiesner is expected to seek clarification of the Argentine plan before returning to Washington to discuss the proposals with M Jacques de Larosiere, IMF managing director. So far the IMF has declined to give a verdict on the Argentine letter which contains a proposal for a 6 to 8 per cent 1984 wage increase

which is known to be a major sticking point between the two sides.

An immediate problem, however, confronts the U.S. Treasury which must decide by Friday whether to extend its commitment to provide \$300m bridging finance to Argentina under the terms of the emergency rescue package agreed last March.

A U.S. refusal to extend this commitment would be a clear signal to already nervous financial markets that the Treasury had given up hope of Argentina reaching an IMF agreement.

Commercial bankers said there was almost no chance of them reaching any agreement with Argentina without an IMF agreement.

Mr Willard Butcher, chairman of Chase Manhattan, said in London: "The IMF is the keystone to a solution. You cannot allow a country to go around the IMF or you erode the whole framework of a solution."

With Argentina and its western creditors apparently braced for a head-on clash it emerged yesterday that President Raul Alfonsin ordered the signature of Argentina's letter of intent last weekend despite a last minute intervention by M

de Larosiere. The IMF chief telephoned Sr Bernardo Grinspun, Argentina's economy minister, on Friday night and urged him not to sign without further consultation in Washington.

The final text of the letter released on Monday night argues that Argentina should be treated as a special case because the Government's first objective is to consolidate democracy through social justice and its economic programme must be subordinated to this basic objective.

Key projections in the letter include a budget deficit by the end of 1984 of 9.1 per cent of gross domestic product, nearly five points higher than the target fixed in last year's IMF agreement.

The Government is forecasting a 1984 trade surplus of \$2.8bn and a current account deficit of \$2.5bn.

The letter states Argentina's right to adopt unspecified "measures of self protection" against the "excessive high international interest rates, continuing protectionism and the commission charges of international banks."

**ARGENTINA** threw down the gauntlet yesterday in what could be the most serious development yet in the third world debt crisis.

With less than three weeks to go before the country faces the prospect of defaulting on its \$43 billion (£30 billion) debt, Argentine ministers have decided to challenge the authority of the International Monetary Fund by refusing to accept the fund's proposals for economic reform.

Sr Bernardo Grinspun, the economy minister, yesterday confirmed weekend reports that Argentina has sent off a "letter of intent" to the IMF.

But the news was accompanied by suggestions that the letter is a slap in the face to IMF officials who have spent many months negotiating an acceptable programme for economic reform. Argentina has in effect decided on its own terms without deferring to IMF recommendations.

Worse still, statements in Buenos Aires yesterday indicate that Argentina is prepared to blackmail its international creditors by considering a siege economy.

Sr Grinspun himself yesterday confirmed the worst fears of Argentina's hard-pressed creditors by hinting that the "letter of intent" contains provisions for allowing the economy to expand and real wages to rise in flagrant breach of IMF demands for retrenchment.

He also told reporters that Argentina's economy could continue functioning even without IMF support.

Argentina has long been regarded as the one country which could afford to default on its international debts because it is basically self-sufficient.

The problem for the rest of the world is how to deal with Argentina if it proceeds to renege on its international obligations, in deed if not in word.

## CITY COMMENT

# Argentina ready for head-on clash with IMF

The key consideration without doubt will be to prevent Argentina's default contaminating other debtor countries with serious consequences for financial discipline.

Indeed, Western governments may have little choice now other than to call Argentina's bluff, however harsh the consequences for their domestic banks.

## Commercial prudence

MEANWHILE, how are the good intentions of the summitters to be translated into action? Despite a certain vagueness in Whitehall yesterday (too many late nights poring over communiques?) it looks as though the "political impetus" claimed as the chief benefit of the summit by Mrs Thatcher and her colleagues may bear fruit in at least two areas.

On debt, the summit declaration in favour of multi-year rescheduling will be music to the ears of harassed bankers who have for some time known that some easing of debt repayment terms for the most over-borrowed countries would be necessary if they are to get much of their money back in the long run. Now they have political blessing for what commercial prudence dictates, together with a useful concession from governments on

the rescheduling of their own debt.

When the Argentina crisis is out of the way, the International Monetary Fund will doubtless lose little time in trying to work out ways in which it can encourage good behaviour by debtors for several years ahead, as the necessary counterpart of extended rescheduling.

The World Bank is already preparing to exploit to the hilt the softening of attitudes on debt and aid. With the summit strictures on the need for more private investment very much in mind the Bank will shortly be asking for more cash for the International Finance Corporation, which co-finance projects with the commercial sector. And it is working on outline plans for a multilateral guarantee agency for private investment which would insure foreign companies against nationalisation, for example.

The seven heads of government have also told finance ministers to hurry up with their studies on overhauling the international monetary system, which are now to be completed in the first half of next year. Suggestions that these might pave the way for the new Bretton Woods world monetary conference desired by the French seem wide of the mark however. That looks as far off as it ever was, which is where most of the summit governments want it to stay.

# Pym says Falkland options should stay open

By Richard Norton-Taylor

Mr Francis Pym, the former foreign secretary, said last night that Britain should not close the door on any option over the Falkland Islands, including a lease-back arrangement with Argentina, which might be in the best interests of the islanders.

He said he could imagine that the islanders would have different attitudes and aspirations as a result of drastic changes in their life-styles imposed by the large British military presence.

"The fact that the islanders have rejected a lease-back solution is not necessarily the end of the story," Mr Pym said.

But direct negotiations between Britain and Argentina were almost unimaginable until the Buenos Aires government formally agreed to a cessation of hostilities.

This was particularly important since Argentina was not a democracy in a deep-rooted sense. Mr Pym said in evidence to the Commons Foreign Affairs Committee.

He avised a step-by-step approach — discussing the islanders' possible change in attitude, he spoke of a decade — and suggested that other countries could help to restore diplomatic negotiations between Argentina and Britain.

Mr Pym also contradicted statements by Mr Alexander Haig, the former US Secretary of State, Admiral Sandy Woodward, commander of the task force, and the former Peruvian foreign minister, Mr Arias Stella, about the events surrounding the sinking of the Argentinian cruiser, the Belgrano, on May 2, 1982.

He rejected Mr Haig's statement that all sides to the dispute had agreed in principle to the Peruvian peace plan before the Belgrano was sunk. He described the plan as "an outline of a possible future proposal" of which there was no urgent need to inform London.

Questioned by Labour members of the committee, Mr Pym said the Peruvian plan had been unlikely to form the basis of agreement, though he said later that by May 7 the proposals had been developed to a point where they were acceptable to Britain.

He also described the change in the rules of engagement — about which he was not consulted — needed to sink the Belgrano as a reasonably routine procedure. Admiral Woodward has said that such a change was made only once during the course of the Falklands war.

Changes of the rules of engagement happen a number of times during war, Mr Pym claimed.

The war cabinet's decision to sink the Belgrano was a military one, but one he supported, Mr Pym said. He described as inaccurate remarks attributed to Mr Stella, now Peruvian ambassador at the United Nations, that there would have been war if the Belgrano had not been sunk.



Mr Pym — "change of islanders' attitudes"

The Financial Times 12/6/84

# Pym defends efforts to find Falklands peace

By Robert Graham

FORMER Foreign Secretary Mr Francis Pym vigorously defended yesterday his handling of abortive efforts to find a peaceful settlement with Argentina during the Falklands crisis.

Appearing before the House of Commons select committee on foreign affairs, Mr Pym insisted that the sinking of the Argentina cruiser Belgrano was not the main cause of the failure of peace proposals put forward by Sr Belaunde Perry, Peruvian President.

Mr Pym, who was Foreign Secretary at the time of the Falklands war, said that negotiations on a seven-point Peruvian plan continued after the sinking of the Belgrano on May 1. Britain even agreed to a firm-up set of proposals on May 6. However, these were rejected by Argentina.

"Argentina was not in a position to do a deal," he said. "The Government (Argentine) was in a confused state."

Mr Pym was questioned at length about his visit to Washington on May 1 and May 2 just after the U.S. had swung firmly behind Britain in the crisis. He said his talks on May 1 with General Alexander Haig, then Secretary of State, had not centred exclusively on the Peruvian peace proposals.

# IMF sees Alfonsin threat as a bluff

From Alex Brummer  
in Washington

The International Monetary Fund expects Argentina to supply its high-level team in Buenos Aires with a "Letter of Intent" in the usual way despite public statements that it will ignore the team and go directly to Washington.

According to well-placed sources at the IMF, the head of the team in Buenos Aires has been informed by the Government of Mr Raul Alfonsin that it will be provided with a Letter of Intent as soon as the terms have been agreed in Congress.

In line with usual practice, Mr Eduardo Duarte Wiesner, the hemispheric director who heads the IMF team, will dispatch it immediately to IMF headquarters in Washington.

The fund has received no official word of the public announcement that the Weisner team will be bypassed and says there is no precedent for such action. However, it would be procedurally possible for Argentina to circulate its Letter of Intent directly to members of the executive board and for its alternative director to call the board together to consider its loan application. This is considered unlikely and the whole incident is regarded within the IMF as no more than public posturing.

The general shape of the Argentine Letter of Intent to the IMF is already known in Washington as a result of reports made by the Weisner team to the headquarters staff on the state of negotiations. While the Argentine Government has agreed to austerity measures aimed at lowering inflation and restricting

government spending, the main block to a successful conclusion of the talks is the Alfonsin Government's commitment to keep real wages growing by 6-8 per cent a year.

In order for the IMF to accept the Letter of Intent, which will enable Argentina to make longer term arrangements for rescheduling and repayments of its \$45 billion in debt, some way of reconciling this promise to the Argentinian unions with the IMF's more austere approach to adjustment will have to be found.

"Does the Letter of Intent include any kind of modalities to overcome this?" One IMF source asked yesterday. Without some means of dealing with this then the chances of Argentina being granted an IMF facility remain remote.

The US authorities are somewhat anxious about the delay in an agreement between the IMF and Argentina. Without such an agreement the US banks will be forced (unless regulations are temporarily waived) to put their interest payments from Argentina on accrual basis later this week. Given the recent nervousness in the US banking system this is something which the Treasury Secretary Mr Donald Regan has been anxious to avoid.

Despite the problem over real wages there is some indication that the recent accord between the Government and other parties on debt and austerity together with the discussions between the Alfonsin Government and the Congress have set in motion a political process which may result in a consensus leading to an IMF accord.

The Guardian 12/6/84

## 'No arms deal'

ARGENTINA'S Defence Minister, Mr Raul Borrás, denied yesterday that the Government had sold weapons to guerrillas fighting to overthrow the Sandinistas in Nicaragua. He conceded that it was "probable" that soon after President Alfonsin took office in December, some weapons had been sent under contracts signed under the military regime, writes Jeremy Morgan.

# Falklands talks not ruled out, says Pym

By Richard Evans

Mr Francis Pym, the former Foreign Secretary, predicted last night that the time could arrive when Britain and Argentina would discuss the sovereignty of the Falkland Islands.

But he insisted the resumption of any form of direct talks or diplomatic relations between the two countries depended on Argentina's first renouncing formally the threat of hostilities.

"That would make a very considerable difference. It would be possible to reestablish representatives in Buenos Aires and gradually start the unthawing process."

Mr Pym, who was giving evidence to the Commons Foreign Affairs Select Committee recalled that in the 1960s and before the Falklands war Britain had been prepared to discuss the sovereignty issue.

The "illegal and universally condemned invasion" of the islands had seriously affected the British Government's attitude. But, referring to sovereignty, he added: "Let's take it

step by step until perhaps we can at some stage get back to a position where this can be discussed.

"It is not as though we have never been prepared to discuss this. On the contrary. There was a stage when the British Government was willing and tried to take the matter to international law but the Argentines refused.

"One must not point the accusing finger at Britain. It should be pointed the other way round."

Although Mr Pym stressed any possibility of discussions over the islands' future was a long way off, his guarded comments were in contrast to the view of Mrs Thatcher who has repeatedly ruled out any idea of discussing the Falklands' sovereignty with Argentina.

Mr Pym said he believed it was "politically difficult" for the recently elected Argentine government to renounce formally the use of force towards the Falklands.

# Argentina backed by Spain

From Harry Debelius  
Madrid

President Alfonsín of Argentina and Señor Felipe Gonzales, the Spanish Prime Minister, are expected to reassure each other of mutual support on the Falklands and Gibraltar during Señor Alfonsín's official visit which began here yesterday.

Nevertheless, observers said, other problems are expected to dominate the talks, primarily those arising from the recent restoration of democracy in Argentina after seven years of military rule and that country's massive foreign debt.

The three-day visit and a subsequent unofficial trip constitute the Argentine head of state's first journey abroad since he was elected last November. The president, aged 57, will leave Madrid on Wednesday and continue to the north western region of Galicia to visit the home town of his grandparents.

King Juan Carlos greeted the president and his wife in Madrid. Last night the Spanish king and queen were hosting a formal dinner.

● **BRITISH REPLY:** The Foreign Office yesterday replied to Argentine criticism of British "inflexibility" over the Falklands by pointing out that the Government had publicly expressed its readiness to take part in official talks on normalizing relations between London and Buenos Aires.

The Times 12/6/84

The continuing drain of commercial deposits from the Continental Illinois Bank must be evoking some wry smiles of satisfaction in Buenos Aires, where President Raul Alfonsín is playing a game of brinkmanship with the International Monetary Fund over the agreement of economic terms vital to the propping up and rescheduling of its £32 billion foreign debt.

Although Continental's problems have little to do with the debts of Latin American countries, the revenue accounts and even balance sheets of several other US banks could look sick if Argentina fails to meet payments due when the banks make up their half-yearly books on the last day of this month.

That fear might be expected to push the United States either into extending temporary credits geared to a deal with the IMF beyond the end of the week or to hinting to the IMF management in Washington that its men negotiating on the spot in Buenos Aires might consider a few last minute concessions to the political difficulties of Señor Alfonsín's civilian administration.

The latest Argentinian move, to sign its own unilateral "letter of intent", although it had failed to agree the terms with the IMF is a fascinating piece of theatre that clashed over the weekend with that other piece of political theatre in London, where summit leaders, who effectively represent the creditors, agreed a debt strategy that will countenance longer-term rescheduling, but a link this even more strongly to countries agreeing - and sticking to - IMF approved economic programmes.

Unless the IMF negotiators suddenly start going soft, the creditor nations may find they have somewhat painted themselves into a corner.

For an increasing number of debtors, especially those calling for a North-South confrontational debt conference in September, the undoubted lure of longer-term debt arrangements may pale before the horror of suddenly switching to responsible economic policies in a politically volatile environment. Brazil's riots were not lost on other debtor governments. On the other hand the balance between tolerating economic softness and shoring up commercial banks is surely tilting in the creditor countries.

In this atmosphere there is plenty of scope for brinkmanship by Argentina and others throughout the summer. Indeed, cynics see President Alfonsín's sudden resuscitation of the Falklands issue as another possible diversion, with arrangements with British banks, notably Lloyds and Midland, as a pawn to be used in the interplay between the IMF negotiations and the protection of the Argentine government's political popularity.

None of this will provide immediate succour for anxious financial markets.

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# Alfonsin and Spain plan to attack Britain

The Telegraph 12/6/84

By TIM BROWN in Madrid

SPAIN and Argentina set to work yesterday on a joint communique making common course against British sovereignty over Gibraltar and the Falkland Islands.

The occasion is the visit to Spain of President Alfonsin of Argentina, who was given a 21-gun salute and red-carpet welcome on arrival in Madrid. The statement knocking Britain is expected later this week.

Senor Fernando Moran, Spanish Foreign Minister, said the statement would announce a co-ordination of anti-Colonial foreign policies.

President Alfonsin told Spanish radio on the eve of his five-day visit: "We will join hands to fight the remnants of colonialism Spain and the Argentine are facing."

His visit is being treated as very important by the Socialist Government in Madrid, and thousands of posters in shop windows salute "Dr Alfonsin, President of Argentina and grandson of Spain." He is to visit the ancestral home in Galicia whence his grandfather emigrated.

## BELGRANO 'MYTHS'

### Pym explains

ANTHONY LOOCH writes: It was part of the "mythology" of the Belgrano story to suggest that the sinking of the Argentine cruiser during the Falklands conflict sabotaged peace proposals then being considered. Mr Francis Pym, former Foreign Secretary, told the Commons Foreign Affairs Select Committee yesterday.

Mr Pym, who had just become Foreign Secretary when the Belgrano was torpedoed on May 2, 1982, by a British submarine, said that if the warship had not been destroyed there would have been much greater risk to British forces.

Recently, some military leaders in Argentina had admitted that the sinking was right from Britain's point of view. It was a military decision.

"I think the sinking had no effect on the efforts to find a peace settlement, and this process continued into the second half of May, 1982," Mr Pym added.

## Strike bill 'higher than Falklands'

By JOHN RICHARDS  
Industrial Correspondent

THE pit dispute has cost the taxpayer some £3,000 million — over three times the cost of the Falklands war — Mr Scargill, the miners' president, told Aslef delegates at their London conference yesterday.

## Explorers seek trees for Falklands

By A. J. McILROY

**T**HREE Britons are to mount an expedition to an unexplored island off the coast of Chile as part of a scheme to bring trees to the Falklands.

Hardy specimens will be needed to survive the experiment in the hostile South Atlantic conditions in the Falklands, which is almost devoid of forestation.

The three-month trek will be led by Mr Iain Peters, 36, a tree surgeon, mountaineer and explorer from South Zeal, Devon. His companions will be Mr Renny Croft, 30, a photographer from Yorkshire, and Mr Don Sargent, 35, a Plymouth graphic designer.

They will set off in November for the island of Santa Ines. About twice the size of the Isle of Wight, it has been surveyed by the Chilean Navy, but its west coast and interior are unexplored.

Mr Peters said the expedition hopes to collect seedlings from trees and vegetation in the centre of the island.

He said a Government report had underlined the importance of the Falkland diversifying from moorland sheep farming. Trees would improve the quality of agriculture on the wind-swept barren moorlands.

### 'MALVINAS DAY'

By Our Buenos Aires  
Correspondent

Argentina commemorated Malvinas (Falklands) Day yesterday with military parades at all military stations. Senor Raul Borras, Defence Minister, decorated Servicemen and former conscripts who fought in the seven-week war with Britain in 1982.



Mr Iain Peters, a tree surgeon and mountaineer, who is to explore a remote island off Chile in search of trees suitable for the Falklands.

# Argentine debt move

By **CRISTINA BONASEGNA** in Buenos Aires

**P**RESIDENT ALFONSIN, Argentina, has approved the text of a letter of intent to be submitted to the International Monetary Fund. It is aimed at a rescheduling of payments of the country's debt of \$43.6 billion (£31.2 billion).

The letter is to be submitted to the IMF today. A draft copy is reportedly to have been handed on Thursday to Mr Eduardo Weiser Duran, who heads an IMF delegation now in Buenos Aires.

After a Cabinet meeting on Saturday night the Government said it was willing to meet its commitment but that the "realistic possibilities of payments" were "rooted in economic recovery and growth in the sense of social justice."

## Approval 'unlikely'

Senor Alfonsin has repeatedly said that Argentina will pay her debts, Latin America's third-biggest after Brazil and Mexico. But he will not agree to take recessive measures imposed by creditor organisations.

The letter is said to aim at a rescheduling of debt payments that fall due this year and in 1985 by requesting a

loan, which according to various reports ranges between \$1.5 billion (£1 billion) and \$3.5 billion (£2.5 million).

Many financial observers in Buenos Aires believe the letter is unlikely to find favour with the IMF, mainly because of disagreements on the Government's income policy and the proportion of Argentina's foreign currency reserves that is to be allocated to servicing the debt.

## EXILE RETURNS TO URUGUAY

By Our Buenos Aires Correspondent

Senor Wilson Ferreira Aldunate, leader of Uruguay's Blanco (White) party who has spent six years as a political exile in London, will return to Montevideo on Saturday despite a military government warning that he will be arrested as soon as he arrives.

He is returning for the first time in 11 years "to join his people in the struggle for democracy." Party members, trade unions and student organisations plan to meet Senor Ferreira Aldunate at Montevideo in defiance of a government ban on all public rallies.

The Times 11/6/84

## Argentina condemns Britain

From Douglas Tweedale  
Buenos Aires

President Raul Alfonsin of Argentina for the second time in less than a week yesterday attacked what he called Britain's "inflexibility and unwillingness to negotiate" a peaceful solution to the Falklands dispute. He was speaking as the Government declared a national holiday to mark a "day of reaffirmation of Argentine rights to the Malvinas islands".

President Alfonsin said, in a prepared speech read simultaneously at three military ceremonies: "Our way is not war, but in the name of our dead we will not cease a single instant in our claims. Let no one confuse pacifism with abandonment, let no one confuse diplomacy with weakness."

On Friday, the President told a Spanish radio station that the situation in the Falklands dispute was "bad, very bad".

A political pact signed between the Government and Opposition parties last week also contained signals of a toughening Argentine stance on the Falklands.

The pact stated: "In any diplomatic negotiation with Great Britain, the topic of Argentine sovereignty over the Malvinas, South Georgia and the Sandwich Islands must be included."

# Madrid lays out a red carpet for Alfonsin

BY TOM BURNS IN MADRID

FROM THE moment he lands in Madrid today President Raul Alfonsin of Argentina will be stepping on the plushiest of red carpets that Spaniards can roll out for a visiting foreign dignitary.

He will scarcely have time to unpack his bags at the Prado Palace, once General Franco's residence and now refurbished for top VIPs, before he is rushed off to a private lunch with King Juan Carlos.

King Juan Carlos will host a banquet as will the Prime Minister, Sr Felipe Gonzalez, and Sr Alfonsin will have the rare honour of addressing the Cortes. The programme has been meticulously prepared.

Behind the pomp and circumstance the Argentine President can be assured of a genuinely warm reception which is expected to turn delirious when at the end of the week he visits the north-western region of Galicia where his father was born and where his close relations still live. Sr Alfonsin is one of the best known foreign leaders in Spain and by far the most popular.

Both Argentine and Spanish officials emphasise the importance of the visit. They point out that it is not just the first trip Sr Alfonsin is making to Western Europe as President but also that he is coming to Spain and then going back home.

In Paris and Rome Sr Alfonsin would be almost as feted as he will be here. But pointedly the visit to Madrid is not the first leg in a trip to more important European capitals.

On both sides the thinking is that Spain and Argentina can and should enter into a special relationship. It owes much to personalities. Sr Gonzalez, the Spanish Government and the ruling Socialist Party threw all their weight behind Sr Alfonsin even before he became an official presidential candidate. Sr Gonzalez was accordingly rapturously received in Buenos Aires when he attended Sr Alfonsin's inauguration.

There is clear political content to the mutual admiration.

Sr Alfonsin has made very clear that he has closely studied Spain's transition to democracy.

He perceives that there are lessons to be learnt, not least on how to deal with the military.

Sr Alfonsin's recent agreements with Sra Isabel Peron, the Peronist leader, and the joint calls for an all-party national pact to consolidate democracy are closely modelled in language, content and intent on all-party and all-union initiatives that took place in Spain in the late 1970s.

As well as Sr Gonzalez, Sr Alfonsin's entourage admire the former Spanish Premier, Sr Adolfo Suarez, the chief architect of the post-Franco democratisation, and Sr Suarez has acted in the past year as the Spanish Premier's unofficial go-between and envoy to Buenos Aires.

Unstinting admiration is reserved of course for King Juan Carlos who will be formally invited this week to visit Argentina in November. In 1980 the king took the opportunity, when he was the guest of Gen Videla, the former Argentine President, to issue an uncompromising plea for democracy and civil rights.

The common experience of political transition dovetails neatly with the expressed desire of King Juan Carlos, as well as of Sr Gonzalez and before that of Sr Suarez, that the so-called "Ibero-American community" should become more than just rhetoric.

In a succession of interviews given in recent days to the Spanish media Sr Alfonsin has spoken of Spain as "the mother country" and of Spain as a bridge between Latin America and Europe. Even Spaniards would not claim as much for their country as the Argentine President has done.

The timing of the visit is such that just as the IMF receives today Sr Alfonsin's letter of intent on his country's foreign debt he will have a perfect platform from which to press his points in Europe before a sympathetic audience.

# Buenos Aires asks for an IMF loan

From Jeremy Morgan  
in Buenos Aires

The Government has approved a formal request for financial assistance from the International Monetary Fund, without saying what terms it wanted for rescheduling foreign debts worth \$43.6 billion.

The text of a long-awaited "letter of intent" setting out the Government's plans for the economy and debt repayments was approved by President Alfonsin's Cabinet at a meeting on Saturday night, but an official statement issued afterwards said nothing about the content of the document.

The Government said that the letter of intent would be sent today to the IMF, and to Argentina's elected Congress, where there is growing opposition to the austerity sought by overseas creditors.

Official insistence that the

debt would be renegotiated "without impairing the interests of the country or national dignity" heightened speculation that the Government might be embarked on a policy of confrontation with the IMF.

A team of IMF technicians has been in Argentina for more than a month negotiating the terms of the letter of intent, but even the arrival of a senior official a week ago is not thought to have broken an impasse over several key issues.

Concern in local banking circles centres on the possibility, first aired publicly over a week ago, that the Government might now bypass the negotiators and send its plan without their blessing to the IMF's managing director, Mr Jacques de Larosiere. He is expected to reject the move, leaving open questions about what happens next.

The Financial Times 11/6/84

# 'Malvinas' support sought

PRESIDENT Alfonsin will be seeking a statement of "solidarity" from the Spanish Government for Argentina's claims to the Malvinas (Falklands), drawing a parallel between the islands and Gibraltar, Jimmy Burns writes from Buenos Aires.

Sr Hugo Gobbi, the Argentine ambassador to Spain is Sr Alfonsin's former chief adviser on the dispute with Britain, and in recent weeks has continued to play an active role in press-

ing for European support for the resumption of negotiations.

Madrid, however, is in a quandary. It obviously wishes to improve its links with Latin America. At the same time the Spanish Government does not want to risk jeopardising its relations with Nato and its future entry into the EEC.

Madrid is likely to continue to offer its good offices as a potential mediator between Buenos Aires and London.



# Argentina heads for clash with IMF on 'letter of intent'

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA LAST night appeared to be heading for a clash with the International Monetary Fund unilaterally signing a "letter of intent" without the approval of an IMF mission to Buenos Aires. This is headed by Sr Eduardo Weisner Duran, the fund's Western Hemisphere director.

The Ministry of Economy said yesterday that Argentine negotiators and Sr Weisner Duran had failed to agree on the text of the letter approved by the Argentine cabinet on Saturday night.

"You could say that the negotiations ended in deadlock. We expect some difficult days ahead," said one official.

Argentina is gambling that the IMF's directors, under pressure from the U.S. Government, will still show flexibility and take the unprecedented step of overruling its own officials in accepting a less restrictive economic programme.

However, the official gloom here yesterday contrasted markedly with the optimism surrounding the negotiations throughout last week.

In spite of earlier hopes of a compromise, Argentine officials apparently accept that their position has introduced further uncertainty to the international debt crisis with unforeseeable consequences.

The Government yesterday remained silent on the details of the letter, which will be sent simultaneously to Washington and to the Argentine parliament today.

A curt statement, issued on Saturday night after the cabinet meeting, indicated, however, that President Raul Alfonsin had stuck doggedly to his refusal to accept financial orthodoxy as the price for an arrangement with his country's creditors.

"The rescheduling of the foreign debt must proceed on the basis of an economic programme which makes it possible to deploy Argentina's full potential without impairing the interests of the country or national dignity," it said.

While reaffirming that Argentina was willing to honour its debt obligations, the statement emphasised that the "realistic possibilities of payment are rooted in economic recovery and defence of social justice."

The letter is understood to be almost identical in concept and targets to that reportedly conveyed to Sr Weisner Duran in the middle of last week.

It was written to support a request for further funds believed to be in the region of some \$3bn — including a standby credit — and the rescheduling of \$20bn of debt payments falling due this year.

It is understood that one of the main sticking points of last week's negotiations was the Government's refusal to curb wages drastically as the main instrument for reducing its budget deficit.

Argentina has indicated its aim to reduce the deficit from more than 17 per cent to 10 per cent of gross domestic product, but has insisted that public sector salaries should increase in real terms this year by between 6 per cent and 8 per cent.

In May inflation in Argentina was running at an annual level of close to 570 per cent.

Peter Montagnon adds: Argentina's admission that it is in open disagreement with the IMF after weeks of optimistic pronouncements from Buenos Aires will come as a serious blow to the country's commercial bank creditors.

Efforts to help Argentina by rescheduling part of its \$43.6bn foreign debt and providing temporary cash injections to help it meet interest payments are all predicated on a successful conclusion to the IMF talks.

Unless the two sides can reconcile their views by Friday, Argentina could face the withdrawal of a U.S. Treasury com-

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**IMF approves Yugoslavia credit, Page 3**

Continued from Page 1

## Argentina

mitment to provide \$300m in bridging finance. A deal with bank creditors to ensure that about \$500m in overdue interest payments are met by June 30 will also almost certainly founder.

Failure by Argentina to meet the interest payments would make a serious dent in U.S. second-quarter bank profit figures, as Argentina public sector loans would have to be officially declared as non-performing.

Though many banks have been half expecting such an outcome this would only add to the tension surrounding Argentina's debt problems and make them more difficult to solve.

# Argentina: why we should make peace

the Sunday  
Telegraph

10/6/84

IT is impossible to spend even a few weeks in Argentina without realising how much the Falklands mean to the people of that country. These feelings are not limited to a few extremists, but extend across the political spectrum and include all age groups.

Apart from the very rich families, educated for the most part in British public schools and thoroughly internationalised, all Argentines want the islands "back." Only the nationalists believe in recovery by force. The goal of recovery itself is an article of faith drummed into every boy at school—and every girl, too, judging by some of the patriotic matrons I encountered.

So what? Are not the Irish also taught at school to believe that Ulster belongs to them and if the pressure of Irish irredentism is not enough to sway British policy, why on earth should Britain be swayed by Argentina's? I put this question to a senior Minister in President Alfonsín's Government, and his reply, in the form of a counter-question, was quite illuminating.

Would Britain be just as determined to hang on to Northern Ireland, he asked, if the only inhabitants there, apart from sheep, were a mere 1,700 Protestants? In the case of Northern Ireland, he went on, the number of Protestants involved were such as to justify Britain's absolute determination to frustrate Ireland's aspirations. But the tiny Kelper population really was not sufficient to justify Britain frustrating Argentina's.

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"Try to see the situation, Mr Worsthorne, from Argentina's point of view. If Britain had ever taken Argentina seriously as a nation to be respected, the problem of the Malvinas would have been solved in Argentina's favour years ago. To talk about self-determination for 1,700 Kelpers would have been dismissed as manifest nonsense in relation to the sovereignty claims of any nation other than one dismissed as a tin-pot Latin American banana republic.

"Britain's postwar refusal to negotiate seriously about sovereignty was a mark of Britain's total contempt for Argentina and by extension for Latin America as a whole. No newly independent African country would have been treated so insultingly, let alone an Asian one."

There is some truth in this. If Argentina was a country Britain respected, and had any desire to be friendly with, a way would have been found to persuade the Kelpers to come to terms with the facts of geography and economic common-sense, all of which point to their accepting association with Argentina. Now, of course, as a result of the invasion, Britain has even more reason not to want Argentina's friendship. Although this reaction is absolutely understandable, I think it is mistaken. Argentine friendship is worth fostering. Or at any rate, her enmity is worth avoiding.

Admittedly, this is a subjective judgment based on a three-week visit. But as each day passed I became ever more convinced that only harm could come from refusing to negotiate. Although it was obviously necessary for Britain to stop Argentina grabbing the islands by force, it is not at all necessary for Britain to insist on holding them forever, and nobody's interests, least of all the islanders', will be served by Britain insisting on doing so.

In the long run, the islanders should become Argentine, but not in the lifetime of adult Kelpers, who have the right to live out their lives in the manner born. The process of transference of sovereignty should be slow and gradual, with many international checks and guarantees written into the agreement, the whole process stretching, say, over half a century. So just as no adult Argentine would get his heart's desire in his lifetime,

**By Peregrine  
Worsthorne**

neither would any adult Falkland Islander have anything to fear in his.

I asked the Argentine Deputy Foreign Minister whether such a long-term transference of sovereignty would be acceptable to his Government and he said it would. The nationalists would blow their top, since they want sovereignty now, but he was confident that President Alfonsín could persuade the great body of the Argentinian people that patience was the better part of valour. In the meantime, with contacts resumed, it would be Argentina's job to disarm the islanders' fears far more effectively than had been done in the past.

But what certainty is there that President Alfonsín's Government will not be overthrown soon by some awful military dictator? Obviously nothing is certain. But the likelihood of this happening would be very remote indeed if Argentine democracy seemed to be gaining through negotiation what General Galtieri failed to win by force. Indeed, by implicitly linking the negotiations to the maintenance of democracy, Britain would in effect be exercising an immensely constructive influence over Argentina's destiny for many years to come.

Before I visited that country, such a prospect would have left me pretty cold. No longer. If Britain's handling of the Falklands question were now to play a crucial part in enabling Argentina to enjoy political stability, and all that would flow from this economically and socially—nothing less than the recrudescence of a potentially great Western nation—then this is a role and responsibility to fire the duller Briton's imagination.

Argentina deserves to be taken seriously. It could be—indeed, once was—a model for Latin America, and because of the Falkland Islands Britain

could now exercise crucial leverage in making her so again. Here there really is a challenge to British statesmanship—a case of bringing in the old world to restore the balance of the new. Naturally enough, Mrs Thatcher is reluctant to do anything which might seem to devalue the supreme sacrifice of those British Servicemen who, it will be said, died to keep the Falklands British. But I do not think that is what they did die for. They died to stop aggression, not negotiation.

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What struck me so forcefully in Argentina was the continuing strength of pro-British feelings, in spite of the war; feelings which would know no limits if the Falklands problem was solved in Argentina's favour. Britain would become the hero of South America. But what about the objections of the Falkland Islanders themselves, are they to be ignored? Not so long as the adults are alive. But in the case of their children, yes, probably, and there is no point in pretending otherwise. Eventually they will have to become part of the many tens of thousands of other Anglo-Argentines who have always lived contentedly under the Argentine flag, many of whom came from the Falklands in the first place.

So long as Britain refuses to negotiate about sovereignty, the Falkland Islands issue will fester, doing harm to all concerned. The idea of Fortress Falklands for ever is a negation of statesmanship. The only rational way forward is some kind of settlement which, in doing justice to the *amour propre* of Argentina, will also help to give a good and glorious name to that country's present attempt to revive democratic institutions.

Britain played a big role in Argentina's early years of liberal promise in the 19th century, and has an opportunity now to help promote another era of progress, if only Mrs Thatcher could see her way to seize it. Far from dishonouring the dead, this would be a much more constructive way to make use of their lost lives than transforming the pastoral and peaceful way of life they came to defend into a permanent military encampment.

## Falklands plea by Tories

BY KEVIN BROWN

THE GOVERNMENT yesterday faced calls from several Conservative backbenchers in the Commons for direct talks with Argentina on the future of the Falklands.

A short debate on the South Atlantic was dominated by unease among Tory back-benchers about the slow pace of moves towards a resumption of commercial and diplomatic links.

The debate produced no immediate relaxation in the official line that the war is still too recent for direct contacts. But the hope among the backbenchers who spoke was that such contacts would help to create a climate in which moves towards reconciliation

could be expected.

The tone was set by Mr Cyril Townsend (Con, Bexleyheath), who said direct talks were long overdue and accused the Government of being out of step with public opinion.

Mr Robert Rhodes James (Con, Cambridge), warned that another war was inevitable unless the two governments moved closer.

Mr Ray Whitney, Foreign Office Under-Secretary, said confidential talks were going on through Swiss and Brazilian diplomats. Britain looked forward to the resumption of direct links, but he warned against sending the wrong signals to Argentina.

## Argentina takes hard line

by Isabel Hilton

ARGENTINA has hardened its position on the Falkland Islands as a result of an internal agreement signed last week by President Raul Alfonsin and the majority of the opposition political parties.

The agreement was devised to allow Alfonsin a measure of political peace in which to implement a tough set of economic measures to help solve the country's financial crisis. But the price was a concession to the hardline nationalism of the Peronist movement over the Falklands.

As a result, the document signed last week announced that any diplomatic negotiations with Britain must include on the agenda the issue of sovereignty. And it also says that Argentina intends to intensify her diplomatic efforts at the United Nations and with the non aligned movement.

The new hardline is a setback for Argentina's foreign minister, Dante Caputo, who had hoped

to secure support within the European Community for bilateral negotiations with Britain. Although Argentina had signalled a willingness to make progress on other issues, rather than insisting that sovereignty dominate discussions from the beginning.

Alfonsin begins a five-day visit to Spain today, where he will ask the Spanish president, Felipe Gonzalez, to press Britain to lift the exclusion zone round the islands and put an end to the "fortress Falklands"

Daily Mail  
9th June 1984

## **Bomb found on Isabel Peron's plane home**

**BUENOS AIRES:** A powerful bomb was found on a jumbo jet that was to carry former Argentine president Isabel Peron to Spain yesterday, police said.

Police discovered a 1lb package of TNT in the nose of the scheduled jet during a search for smuggled goods and moved the aircraft to a military section of Ezeiza international airport.

The bomb was exploded in a nearby field. 'If it had exploded in the air, the plane would have disintegrated.

Mrs Peron, who now lives in Madrid, flew out on another plane.

## FEARS GROW ON ARGENTINA'S DEBT PAYMENTS

By TONY ALLEN-MILLS in Lima

REPORTS that Argentina is sending a high-level economic delegation to Bolivia next week have heightened fears that Buenos Aires is planning a dangerous confrontation with Western banks.

Argentina's increasing co-operation with La Paz is being seen by Western analysts as an ominous sign that President Alfonsín may be seriously considering following Bolivia's recent example in suspending payments on its foreign debts.

International banks were shaken by the surprise Bolivian decision last month, not because of the money involved, but because of the precedent it set.

The banks are still discussing how best to deal with the Bolivian crisis. Their main problem is to avoid giving other South American countries the impression that they can avoid paying their debts.

When the government in La Paz announced it was suspending debt repayments pending the negotiation of better terms with its creditors, Argentina was quick to voice its moral support.

### Aid to Bolivia

There are now fears that Argentina is ready to go a step further by increasing its economic aid to Bolivia to enable it to hold out against the Western banks for the best terms possible.

Ironically, although Argentina is heavily indebted, it still has plenty of ready cash.

Overshadowing developments in La Paz are Argentina's own debt deadlines — notably, the end of the second financial quarter in the United States on June 30.

If Argentina has not paid an estimated \$1.6 billion (£1,148 million) in interest by that date, American banks will once again face the prospect of heavy cuts in profits. Western bankers in the region say there is still a

serious risk that Argentina will not pay.

"Buenos Aires is fully aware of American regulations governing unpaid loans, and they've got the banks against the wall," declared a financial expert in Lima.

The La Paz-Buenos Aires axis now seems more significant than the much-vaunted mini-summit of Latin American ministers due to take place in Colombia later this month.

Finance and foreign ministers from Argentina, Brazil, Mexico, Colombia, Venezuela, Peru and Ecuador, will meet in Cartagena on June 21-22 to discuss a common approach to the Latin-American debt crisis.

Western analysts believe there is not much danger of a "debtors' cartel" forming a united front because Brazil and Mexico, the two largest debtor nations, are considered unlikely to opt for confrontation.

### ARGENTINE PACT Peronists join in

OUR BUENOS AIRES CORRESPONDENT writes: Sixteen parties in Argentina, including the ruling Radicals and the main Opposition Peronists, have signed a 15-point agreement on home and foreign policy issues.

The pact, drafted this week, states that "diplomatic negotiations between Buenos Aires and London must include the question of sovereignty over the Malvinas Islands." Argentina would step up the search for a peaceful solution.

Parliament—P10

## Yesterday in Parliament

# TORY MPs CALL FOR DIRECT TALKS WITH ARGENTINA

By PETER PRYKE Parliamentary Correspondent

THE disquiet among some Conservative MPs at slow progress in restoring normal relations with Argentina was expressed in the Commons yesterday when calls were made for direct talks with the new democratic government.

Mr CYRIL TOWNSEND Conservative MP for Bexleyheath, called for the restoration of normal diplomatic and commercial links without delay, in place of the present discussions conducted through intermediaries.

He said that 30 Conservatives had signed a motion supporting such a move.

And he added that many countries which had supported Britain over the Falklands were now watching to see if we had become intransigent.

Opinion polls had shown that domestic opinion was in favour of reaching agreement with Argentina.

"The public suspect there is a way but they are beginning to wonder if there is the will."

He pointed to the cost of the "Fortress Falklands" policy — now costing every British taxpayer about £40 a year — and to the strain placed on our armed forces.

### 'Disastrous drift'

Confirming that he and two other Parliamentarians are to visit Argentina for talks with non-governmental organisations soon, he said: "Let us have courage, offer hope and end this disastrous drift into deadlock."

Several speakers regretted Mr Townsend's failure to be nominated to the Select Committee on Foreign Affairs. One of them, Mr Peter Bottomley (C, Filton) said that the restoration of diplomatic relationships was important, not just to assist democracy in Argentina, but in the interest of the people of Britain as well.

It would require great courage on both sides of the Commons to make it politically possible for the Government to put into effect what was necessary and right.

Describing the debate as "a

great Parliamentary occasion" he said that it would be seen by history that it was on those who were willing to risk short term disapproval that the future in South America depended.

Mr ROBERT RHODES JAMES C, Cambridge, urged the Government to extend the hand of understanding — if not of friendship — to the new democratic government.

He said that a resumption of the Falklands war would be inevitable if the two governments did not move together.

### Not yet ripe

Mr RAY WHITNEY, Parliamentary Under Secretary, Foreign Affairs, indicated that in the Government's view the time was not yet ripe for direct talks with the Argentine government, but urged MPs not to under-estimate the progress that had been made in the six months since the democratic government had come to power.

The exchanges taking place must remain confidential. "As soon as maybe we look forward to a time when we can get into direct talks with the Argentinians."

"We would be wrong, we would be forsaking the responsibility we have to the Falkland Islanders and to the British people if we entered into another level of talks on a false prospectus," he said.

They should learn from the past. If Britain again led the Argentinians into thinking we would not stand by our commitment to the Falkland Islanders trouble would be quick in coming.

The House rose at 2.59 p.m.



## Peron urges unions to work for peace

From Jeremy Morgan  
in Buenos Aires

Argentina's opposition leader, Mrs "Isabel" Peron, urged union leaders to cooperate with the Government. Time was short and "peace and unity require us to set aside grudges and hatred," Mrs Peron said.

In her first public speech since returning to Argentina almost two weeks ago for crisis talks with the Government, she called on leaders of the biggest union organisation, the Confederacion General del Trabajo to support the national accord sought by President Raul Alfonsin.

But Mrs Peron's plea for patience fell far short of telling the CGT leaders, who also control large sections of the Peronist movement, to halt the growing wave of strikes.

Doubts were increasing about Mrs Peron's ability or determination to deliver on whatever promises she may have made to President Alfonsin in private. She made the call on the eve of her expected return to self-imposed exile in Madrid.

President Alfonsin will also be in Spain for most of next

week on an official visit. But he will leave behind a country affected by rampant inflation.

Government officials say Argentina will send a letter of intent setting out its debt repayment and economic programmes to the International Monetary Fund in a few days.

The CGT is bitterly opposed to austerity, particularly any "imposed from outside," and official figures show that prices jumped 17 per cent in May alone.



● Mrs Peron :  
Time is short

The Sunday Telegraph 10/6/84

ARGENTINA'S politicians and trade unionists yesterday condemned a failed attempt on the life of former President Maria Estela de Peron. They called for an investigation into a powerful bomb discovered on board the plane that was to fly her to Spain on Friday after a 19-day visit to Buenos Aires.

Among the 300 passengers booked to fly on the Argentine Airways Boeing 747 was the Argentine Labour Minister Juan Manuel Casella, on his way to an International Labour organisation meeting in Geneva.

The airforce police in a routine check found 400 grams of trotyle plastic explosive and a highly sophisticated triggering device hidden in the nose cone of the aircraft.

The Times  
8th June 1984

PARLIAMENT JUNE 8 1984

## MP's press for talks with Argentina

### THE FALKLANDS

Direct talks between diplomats of Britain and the Argentine over the future of the Falklands were long overdue. Mr Cyril Townsend (Bexleyheath, C) said in the Commons.

Initiating a debate on British policy for the South Atlantic, he said Britain's friends and allies were closely watching to see if the Government was becoming intransigent in its attitude.

It was two years since the guns had stopped firing and since then depressingly little had been done to patch up Britain's quarrel with the Argentines.

During the week beginning June 25 he hoped to be in Buenos Aires with Mr Bruce George and Lord Kenner as part of a delegation from the South Atlantic Council, which embraced all political parties, businessmen, academics, former diplomats and churchmen.

Their hosts would be a non-governmental organization, the Argentine Council for International Relations, which had been most helpful. They would want to meet a cross-section of public opinion and to consult the government.

He hoped that a good-will, fact-finding visit by parliamentarians would allow the discussions being carried out through the protecting powers.

The House of Commons research

department told him that this financial year every taxpayer was paying about £40 for Fortress Falklands. It was an expensive way of carrying out an obligation to some 350 families.

Britain must restore diplomatic and commercial links with the Argentine without further delay. That would be in the interests of this country, the Falklands islanders because it would reduce tension and aid development, and President Alfonsín who needed to cut back his defence budget to make more money available for health and welfare and paying off his vast debts.

The present time was propitious towards normalizing relationships. The government of President Alfonsín was well supported throughout the country and the military discredited with many former serving officers in prison awaiting trial.

Mr Bruce George (Walsall South, Lab) said that maybe not now but in the not too distant future there should be a movement towards negotiation. The Government would be unwise to isolate President Alfonsín and his government and give the military a chance for a comeback.

Mr Robert Rhodes James (Cambridge, C) said the time had surely come for a sober reassessment in Argentina and Britain of the Falklands conflict, its antecedents and the situation they were now confronting.

unless by exhumation of the past she is forced to do so.

The 11 explanations given for the sinking of the Belgrano simply did not add up, that was now known. In October he had visited Peru, at his own expense, and spoken to the President and others who confirmed that the British Government knew all along about the progress being made by the Peruvians in drawing up a peace plan.

He also believed the memory of Mr Francis Pym, then the Secretary of State for Defence, was wrong when he claimed he did not meet General Haig during the evening Mr Pym arrived in Washington to discuss the Falklands crisis.

It is just not true the added there was no contact between Mr Pym and General Haig.

Mr Raymond Whitton, Under Secretary of State for Foreign and Commonwealth Affairs, said he rejected any accusation of intransigence on the part of the Government or the position of the Government as stated by the commentators to the Falkland islanders on the radio and yet were determined to seek a normalization of relations with Argentina on the other.

As soon as may be they would forward to a time when they got into direct talks with the Argentines. They would be wrong and wrong being the responsibility they had to the Falkland islanders, the British people, and indeed the Argentine people if they entered into another level of talks on a false prospectus.

### Townsend: Hoping to visit Buenos Aires

We cannot the said) pass an act of oblivion, of what has occurred, nor should we, but we are dealing with a new Argentine government and not the old one.

Above all what was required was a willingness on both sides to agree that the finest memorial to those who served and suffered in the war would be a lasting and understanding peace between our countries.

Mr Tam Dalyell (Linlithgow, Lab) said that until they were honest with themselves about the past they were not going to be able to concentrate on the future.

I think (he said) there is no chance whatsoever of pressing this Prime Minister to start negotiating

### In and out

THERE IS no obvious successor to Adrian Monk, the Falkland Island Government's London representative, who is to retire at the end of the month. Alastair Cameron, from the Secretariat in Stanley, will fill in, but has made it clear he does not want the post permanently.

Monk, 65, admits he is tired of commuting from his home in Central Wales. He says the job, which he has held since January last year, has its

frustrations: "Either we can't get people to go out there, or they do want to go and we can't get them out. The pace of development does seem from here to be very slow."

The post is worth £15,000 a year, plus expenses, and although an islander would be preferred, someone with a good knowledge of the Falklands would be acceptable. Though Monk praises the British Government for being "very steadfast" in dealing with Argentina, he sees problems and pressures ahead.

The Times 7/6/84

## Alfonsin in search for accord

From Douglas Tweedale  
Buenos Aires

After two weeks of talks with opposition parties, President Raúl Alfonsín has asked the country's political leaders to sign a broad political accord that would commit them to defending democracy and to supporting several key government policies.

The text of the proposed agreement, leaked to the press on Tuesday night, calls for - among other goals - Argentine acceptance of the Vatican's proposals for ending a border dispute with Chile, for diplomatic negotiations with Britain over the Falklands dispute that would include Argentina's claim to sovereignty, and for a joint effort with other Latin American nations to solve the region's foreign debt problems.

Señora María Estela Martínez de Perón, leader of the powerful Peronist Party, was reported to have already accepted President Alfonsín's proposed accord, which amounts to a non-aggression pact between the Peronists and the Government. According to unconfirmed reports, Señora Perón was planning to sign the agreement yesterday afternoon.

Spokesmen for Señora Perón also announced that the former President and widow of President Juan Perón would return to Spain on Friday.

Daily Mail  
8.6.84

## **Falklands— 'white elephant'**

**PORT STANLEY**: A British Army medical officer has embarrassed military officials in the Falklands and in Britain by condemning moves to build a new hospital in Port Stanley.

Colonel Michael Templer, commanding officer of the Royal Army Medical Corps, serving in the Falklands, said on the BBC world service that a new, larger hospital in Port Stanley to replace the one burnt down in April could become a white elephant. Instead, a hospital should be built near the new airport.

He suggested that if the British pull out, 'presumably lines of communication will be re-established with Argentina' for civilian medical care.

Daily Mail 8.6.84

## **Wales lining up Argentina trip**

By PETER JACKSON

**BRITAIN** will renew sporting contact in Argentina when Wales send their soccer team to Buenos Aires at the end of next season.

If secret negotiations for a South American tour are completed in the next few weeks, the Welsh footballers will be the first British team to play international sport in Argentina since the Falklands war.

The Welsh Rugby Union last year cancelled a trip to Argentina scheduled for this summer and the English FA have so far avoided any meeting with the 1978 World Cup winners.

I understand Wales made

preliminary inquiries about a match in Argentina at last month's FIFA congress in Europe.

The Welsh FA are planning also to play Brazil in Rio next June.

Secretary Alun Evans said: 'We have started negotiations for a match in Brazil as final preparation for the potentially decisive home World Cup match against Scotland.'

'We know Mexico are also seeking European opposition before they host the next World Cup finals. We are in touch with them, and would also seek a third match against a top South American side.'

## Argentina might sell destroyers to Iran

By DESMOND WETTERN Naval Correspondent

**A**RGENTINA is negotiating to sell Iran two British-designed Sea Dart missile destroyers, sister ships of the Sheffield and Coventry, which were lost off the Falklands two years ago.

One of the destroyers, the 3,150-ton Hercules, was completed by Vickers Shipbuilding at Barrow in 1976.

The second, the Santísima Trinidad, also 3,150 tons, was completed at the Rio Santiago shipyard in Argentina in 1981, with British technical assistance.

The Argentines equipped the ships with French Exocet anti-ship missiles in addition to the Sea Dart anti-aircraft weapons.

But the maintenance of both ships must be causing considerable problems because of lack of spares, particularly for the Sea Dart system.

### Carrier escorts

In the Falklands conflict both ships served as escorts for the Argentine carrier, and although their shadowing British submarine lost contact with their task group as it moved towards the Falklands, all the ships returned home after the cruiser General Belgrano was sunk.

Their lack of action in the conflict presumably means both ships still have their full outfit of 22 Sea Darts, with an undisclosed number of spares.

But with four new destroyers and six frigates, all German-built, now in service or soon to join the Argentine navy, the two British-designed destroyers can probably be spared, if it helps Argentina's vast overseas debts.

The Iranian navy's losses in the war with Iraq are not

known, but at the time of the fall of the Shah it had three old former British and American destroyers, four frigates built in Britain in the early 1970s, four American-built corvettes between 15 and 20 years old, and 12 modern French-built fast missile craft armed with American 60-mile-range Harpoon anti-ship missiles.

According to the latest issue of JANE'S DEFENCE WEEKLY, Argentina is also supplying Iran with more than 100 T A M medium tanks, which are of German design.

## FALKLANDS TURN-OUT SURPASSED

**T**HOUSANDS turned out to watch a D-Day parade of 1,200 men and women—contingents from the British, American and French armed forces as well as British and Free French veterans—through Portsmouth.

More people packed into the city's Guildhall Square than for the Falklands victory parade. Among them were American veterans of the Second Armoured Division Association in their white baseball caps.

Leading the parade were the old soldiers from the British and Free French organisations, some marching with umbrellas in place of rifles, others using walking sticks.

The commander in chief, Naval Home Command, Admiral Sir Desmond Cassidi, took the salute. The ambassadors of Czechoslovakia, Poland and Greece were among diplomats who attended.



## Falklands overfished

Britain and Argentina should co-operate to prevent massive overfishing round the Falklands, mostly from Iron Curtain vessels, Mr Simon Lyster of the islands foundation said yesterday.

"Heavy fishing by these foreign trawlers within 200 miles of the Falklands could ruin the prospects of a long-term fishing industry and damage the ecology of the area," he told an Anglo-Argentine Society meeting in London.

Hundreds of thousands of tonnes were being taken by Polish, Russian and East German vessels, as well as boats from West Germany, Japan, Spain and Taiwan.

"This is neither in Britain's nor Argentina's interests and both countries should co-operate to impose controls," he said.

"Something must be done quickly. The British Government has refused to declare a 200-mile fisheries zone round the Falklands, as a result of which, foreign trawlers are free to take as much fish as they can catch just three miles beyond the Falklands."

## Worsthorne's Argentine journal — 2

# Friendly faces in the land that was our enemy

In this further account of his journeyings in Argentina, Peregrine Worsthorne tells of interviews with Service chiefs in the Falklands War, top businessmen, and the editor of an English-language newspaper. He also sees how the Anglo-Argentine farmers are faring in Patagonia

**SATURDAY:** Mario Hirsch, head of Bunge and Born, one of Argentina's oldest and largest corporations, sends his car to collect me for a weekend in the country. It is a medium-sized and rather old Mercedes, which is a much more modest vehicle than any tycoon of his rank would boast in most other countries. But here it stands out as a symbol of conspicuous consumption, by contrast with most of the other cars on the road, which are much more modest, not to say decrepit. I have yet to see a Cadillac, for example, or a Rolls-Royce. In Third World countries proper, absence of such obvious signs of modern affluence causes no surprise. But here they do, since in so many other respects Buenos Aires is indistinguishable from Paris or London.

The drive to the Hirsch *estancia* (one of many) takes about two hours, and I see the pampas for the first time. For an agriculturalist, it must be

a marvellous sight—such an endless and unbroken vista of flat fertility. But apart from crops, cattle and horses there is nothing to see except the occasional cluster of tall trees which hide the *estancia* homesteads.

Mario Hirsch's turns out to be an enchanting Italian baroque villa, built for a 19th-century President. There is no drive, and one turns off the dirt road straight onto a great expanse of lawn which surrounds the house right up to its foundations, like green wall-to-wall carpeting. Awaiting to greet one is the *estancia* major-domo, dressed in the traditional *bombachas* (white linen baggy pants thrust into brown leather boots). To my relief all the other house guests and their wives speak good English, into which they switch as soon as I am ushered in.

After an excellent lunch, the male guests are given a tour of the property, which includes one of the most advanced artificial insemination stations in the world. Because the manager only speaks Spanish, Mario Hirsch and his friends have to translate all the embarrassing

details for my benefit, and any Anglo-Argentine political barriers that may have existed initially are soon replaced by the much stronger bonds of what we all have in common: the same prurient reaction to the facts of life inculcated in us all by a British public school education.

Not until quite late in the evening does the conversation get round to the "Dirty War," in which one of the guests lost two children, kidnapped and killed by the terrorists. Not surprisingly, it is the original terrorist atrocities, rather than the reactive Army and police repression, that he wants to dwell upon. There could have been no decent and honourable way of defeating terrorism, he insists.

In the beginning, they had tried to give the suspects a fair trial. But this simply meant that any judge who failed to acquit got murdered.

Given the state of world opinion, it was impossible to fight terrorism in the open, since the progressive media refused to be realistic about what had to be done. On the other



Worsthorne at the new memorial, near Buenos Aires, to the "Malvinas" war dead

hand, fighting terrorism secretly, as Argentina had sought to do, inevitably led to police and Army excess.

The trouble with Argentina, he went on, was that there was no social cohesion between all the various power élites, no old-boy network. Top soldiers, top politicians, top bankers, top journalists, top academics, scarcely knew each other, except officially, unlike in Britain, where they had probably all grown up together, been to the same schools, etc. Thus in times of trouble there was no mutual trust at the top, no informal channels of communication—even at the gossip level—between one group and another.

In Britain, the "Dirty War" excesses would have been stopped over the bar at White's, of which he was a member. But in Argentina the various power groups—in this case certain Army and police units—operated quite independently in isolation, without ever coming into even social contact with their peers in other important activities. In his view, abuses of power in Argentina were caused much less by the absence of formal democracy than by the absence of an informal Establishment—such as we have in Britain—which monitored bad behaviour at every stage, starting at the public schools.

**SUNDAY:** Roast beef for lunch, followed by a traditional Argentine pudding, consisting of milk and sugar boiled into a dark, sickly sweet paste. It is a nursery dish which Argentines love because it reminds them of their childhood—the equivalent of Proust's *madeleine*, or the Englishman's rice pudding. But unless rendered palatable by nostalgia it is pretty difficult to swallow.

In the afternoon, return to Buenos Aires in time for dinner at the immensely imposing British Embassy. Strictly speaking, there is no such place, because of the severance of diplomatic relations, and my invitation comes from "The British Head of the British Interests Section, Embassy of Switzerland." But in practice he is David Joy, the Embassy Counsellor who stayed on after the Ambassador withdrew, and still occupies the great building in solitary splendour.

There are about 20 to dinner, mostly Argentines who seem very happy to receive British hospitality. My Argentine neighbour explains why the President had turned down my request for an interview. Apparently he is still smarting from having been conned into giving an interview to Amit Roy, the resourceful correspondent of the *Daily Mail*, who put in an application under his other hat as correspondent of an Indian paper. Wanting to be nice to Mrs Gandhi and the Third World, Alfonsín agreed to the interview, and was very angry indeed to find his words front-page news in Britain.

## Unhappy children

My neighbour is also good value on the reasons why the Argentine pre-invasion efforts to woo the Falkland Islanders were so unsuccessful. Apparently they used to invite groups of children over to the posh Anglo-Argentine schools in Buenos Aires, hoping to make them feel at home there. But being simple, unsophisticated kids, they felt painfully ill-at-ease in such grand surroundings, and returned to their parents in the Falklands full of complaints about how badly they had been treated.

The Falkland Islanders emigrated from Britain in the first place to escape from that kind of stuffy atmosphere, and to find a replica of it in Argentina confirmed their worst fears of what life would be like under Argentine rule. "It was Anglo-Argentine snobbery, not Galtieri's jackboot, that put them off," he said.

Cont..

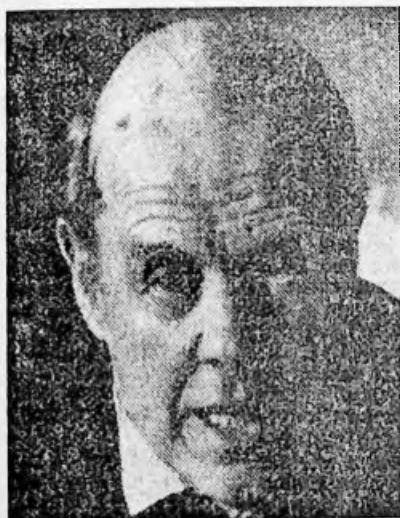
**MONDAY:** Drive out to Lucan, a cathedral town not far from the capital, where President Alfonsín is giving a speech to mark the second anniversary of the invasion. Before the speech he attends Mass in the cathedral, and has to sit with head bent as the Bishop excoriates his Government's plans to legalise divorce, while totally ignoring the Malvinas war, which is meant to be what the occasion is all about. (So stringent are the rules against divorce here that one of the main newspaper proprietors has had to adopt his children by his second

wife so as to avoid them being legally declared bastards.)

Nevertheless, when the kiss of peace comes to be exchanged, as is now the Catholic custom, several members of the congregation—who have heard me talking to the interpreter in English—come up to embrace me with tears in their eyes. There is only a small crowd to hear the President's speech in the main square, and his renunciation of war as a proper way of solving the Malvinas issue receives warm cheers. After he has unveiled the war memorial to the Malvinas dead, I also pay my respects, a gesture which arouses more expressions of goodwill.

Hurry back to lunch with a group of young businessmen at the Jockey Club, which is far more luxurious, if only slightly less palatial, than London's Reform or Travellers. (It has been entirely rebuilt since being burnt to the ground by rampaging Peronistas in 1957.) *The Daily Telegraph* still enjoys pride of place on the newspaper table in the magnificent library, as it did throughout the war, the only concession made to anti-British feeling having been the demotion of the portrait of the Duke of Wellington to the back room.

Much concern is expressed over lunch at the growing dependence by Argentina on trade with Russia and China, owing to the exclusion of all their agricultural products from the European Community. Industrially and commercially, Argentina is get-



Costa Mendez, Foreign Minister during the war: "Difficult not to like him," says Worsthorne

ting closer to Russia all the time. That is what the Western media should be worrying about—they say—instead of concentrating all its attention on human rights violations. Communism had no chance of winning favour in Argentina. But Russian economic influence was gaining ground at a frightening rate.

In the afternoon attend what is meant to be the main anniversary demonstration and march in the centre of the city, organised by the Peronists and other nationalist political groupings. The turnout seems to me quite incredibly small, given the importance of the occasion, and limited to students indistinguishable in appearance from those to be found at the North London Polytechnic. Even their rage, which is expressed by much jumping up and down, has to be whipped up by rabble-rousers, and the only genuine anger seems to be on the faces of motorists held up by the resulting traffic jams.

The climax comes when the demonstrators set fire to the English clock tower and dump the bust of Canning in the river. But even these gestures seem a bit silly, bearing in mind Canning's support for Argentine independence and the fact that the clock tower was Britain's way of hailing the new country's birth. But Argentina's students seem as bereft of any sense of history as everybody else's.

Call on N. Costa Mendez, Galtieri's Foreign Minister, who is the only leading participant in the invasion not yet charged with any crime. Having retired from public life in disgrace, he is now some kind of business-legal consultant. According to him, the original plan was to withdraw the invasion force after a short occupation, before the British had decided how to react. The intention was to demonstrate how easy it was for Argentina to invade and how serious were their feelings about the islands. If they had intended to stay there, all the military preparations would have been far more thorough.

Where the miscalculation lay was in the volume of popular support in Argentina, which made withdrawal politically impossible. Once Galtieri

saw the immense crowds in the Plaza de Mayo he realised that the original plan was quite impracticable, since his Government would be swept away by any suggestion of withdrawal. So assumptions that he had miscalculated about British reactions were rather wide of the mark. It was the Argentine reaction, rather than the British one, that he had principally underestimated.

Costa Mendez, judging by his appearances on the telly during the war, had always struck me as a very fishy customer—a kind of Argentine Dr Goebbels, even down to the club foot they have in common. Such an impression does not survive an actual meeting. We end up talking about mutual friends at St Anthony's College, Oxford, where he was once a visiting fellow, and exchange cards. This is not at all what I had intended. Just as it was impossible not to find oneself hating Costa Mendez during the war, now it is just as difficult not to like him.

## Talk of fascism

Dine with the Bartolomé Mitres. He is the owner of *La Nación* and a strong supporter of Alfonsín. His beautiful wife used to live in Paris, where she became friendly with the Oswald Mosleys, and is very displeased when I do not agree that he was one of the sweetest of men. Although the Mitres are strong democrats, they do not have that instinctive distaste for fascism which is now part of Europe's heritage. Mosley to them was just another British politician. Over here, in any case, fascism is still perfectly respectable as a doctrine, as it was in Europe before the war. There are good fascists and bad fascists, and the company clearly finds my automatic objection to hear Mosley described as "sweet" quite perverse and inexplicable.

It is my turn, however, to express surprise when the company gets into an argument as to whether there have been 61 or 62 Argentine Presidents since the First World War, as if it was the precise number that made that statistic interesting.

Another guest makes an interesting comparison between Huey Long, the demagogic populist would-be dictator of Louisiana, and Argentina's Peron. Like Peron, Huey Long exploited the grievances of the underprivileged hit by the 1930s world recession, and had there not been Franklin Roosevelt in office in Washington at the time, Long's Presidential bids might have been as successful in the United States as Peron's were in Argentina.

The politics of North and South America, he said, were not as fundamentally different as people liked to imagine. It was a miracle that democracy in the United States had not cracked during the Depression. In Argentina it had cracked, but North Americans should not gloat, since there but for the grace of God, in the shape of FDR, they, too, might have gone.



**TUESDAY:** Call on James Neilson, the English editor of the *Buenos Aires Herald*, who earned much praise during the years of military rule for his outspoken editorials in defence of civil rights. I have a letter of introduction to him from *Encounter*, in which he often writes.

Normally meetings between journalists are fairly relaxed affairs. But not, it seems, in Argentina. James Neilson sits stiffly behind his desk, waiting for my questions with the same kind of wary concentration that a batsman gives a notoriously dangerous fast bowler. At first I am disconcerted, even irritated, by this distance-keeping coolness. But after listening to the editor's account of what life was like for journalists here in the very recent past, one can understand why trust between strangers is not established by one letter of introduction.

Although a reputation—of the kind I have—for being an eccentric reactionary is no great handicap nowadays in New York and Washington—possibly even an advantage—here, understandably enough, such Right-wing views are still taken deadly seriously. In Britain one can afford to mock at liberalism a bit, precisely because its values are so sacrosanct that reverence is unnecessary, rather as in truly Catholic countries people are free to laugh out loud in Church. But in Argentina—Neilson's

To date Alfonsín had shown no sign of coping realistically with the very genuine possibility of an escalation into hyperinflation on a Weimar scale, and if this happened, as it very well might, Argentina might become another Lebanon, since even the armed forces were now no longer sufficiently united to maintain order. On the credit side, almost everybody in the country wanted Alfonsín to



**James Neilson, editor of the Buenos Aires Herald: a difficult life for journalists**

message could hardly be clearer—it is not yet felt appropriate to take liberties with liberty.

Neilson tells me that all Argentine democrats should be grateful to Mrs Thatcher for having defeated Galtieri since, if he had won, the country would have remained under military rule for ever, so great would the Junta's prestige have been. Nor would the effects of such a spectacular victory have been limited only to domestic affairs in Argentina. The Junta, flushed with its military success against Britain, would have soon started taking the offensive against Chile and Brazil, in a crazy effort to realise Argentina's original dream of a "southern cone" empire. Military rule throughout Latin America would have received an enormous shot in the arm.

President Alfonsín's first hundred days had been neither as successful as FDR's or as disastrous as Napoleon's, according to Neilson, and it was still far too early to know whether his Government would be any more successful than any of its modern predecessors in completing its full six-year term.

succeed and his authority at the moment was still unchallenged and unchallengeable.

The relative success of the Peronist movement at the last election (42 per cent of the vote as against Alfonsín's 52 per cent) was more reassuring than worrying, said Neilson, because it strengthened the hands of the movement's democratic wing against the fascist. After all, the prospects of winning Parliamentary power at the next election were still quite good, and certainly not so bad as to suggest that recourse to the streets was the only way forward (ie, backward). In any case, the Peronist movement lacked a charismatic leader capable of playing the politics of passion and was very unlikely ever to find one again.

The reason for this was that the myth of the great man-himself was still such a vital force in the Argentine national consciousness that no other potential Peronist leader dare risk the sacrilege of copying that style, which was why in the last election their Presidential candidate, Luder, had been such a dull dog.

What a marvellous Catch 22 situation! Because a Peronist candidate with a demagogically effective personality would be sacrilegious, the movement can only avoid profaning the memory of its founder by never again emulating his success.

Although Government by armed forces is not always as bad as some people think, Neilson added, in one respect—the economic—it is much worse, since the defence budget gets grotesquely out of control. Just imagine what would happen to Britain's defence expenditure if the Chiefs of Staff were in a position to buy every piece of hardware that caught their fancy.

Back in the hotel, waiting for me in the bar are Admiral Hussey and Brigadier-General Reeve, the two Argentine officers of British extraction whom General Menéndez took with him to the Falklands to liaise with the islanders, whom I had vaguely asked to meet, never expecting them to come round so promptly.

The news of their arrival troubles me a bit, since I

have already been made distinctly queasy by the sight of the occasional Argentine soldier, in the uniform rendered so familiar to us on television during the war—green battle fatigues, kepi-type cap and American field boots—doing sentry duty outside public buildings. For a long time after the Second World War, one used to feel the same way about the sight of a Wehrmacht uniform. But that was much more understandable, in view of the truly dreadful cause that uniform had come to symbolise.

## Queasiness

In Argentina's case I feel absolutely no sense of comparable ideological revulsion. Yet the queasiness is there all the same. Could it be that one has to diabolise the enemy in any war so as to justify the necessity of having to kill him, and that the element of personal revulsion may even be all the greater in minor expeditions where the ideological issues themselves are not sufficient to arouse much hatred or passion? Or is my queasiness just a primitive reaction to the fact that they have recently spilt our blood?



As it happens, these two particular "theys" in the bar turn out to be in civilian clothes and also disconcertingly like "us" in speech, appearance and even habits, down to the Admiral's taste for pink gin and the Brigadier's for whisky and soda.

Nor is this Englishness a mere affectation, as it might have been, for example, with some Anglicised Prussian officer. Both their fathers are English, which is their native tongue. In a way, of course, their Englishness makes the meeting even more distressing. For not only are they the foreign enemy but also, in our eyes, not far off traitors to boot.

The Admiral explains that he was anxious to meet me to hear the latest news about the fire in the hospital on the islands (reported in the newspapers that morning). Could I give him the names of the casualties, as he feared some of them might be friends of his? Not only had he been on the islands during the occupation, but in earlier days as well when he was in charge of the Falklands-Argentine air link. The Brigadier interrupts with detailed questions about where the fire had started and so on, explaining how he had tried to improve the fire precautions during the occupation.

When I explain that I know nothing about the hospital, and have never been on the islands, both express surprise and disappointment. They had assumed that a British journalist visiting Argentina at this juncture would not have arrived before picking up some first-hand knowledge of the islands.

Not expecting to be put on the defensive—indeed, quite the reverse—I try switching the conversation to the present problems of the Argentine armed forces. What did they think of the impending war criminal trials in which so many of their more senior colleagues would shortly be appearing? (Every day the newspapers report that this and that general or admiral "has been placed at the disposal of the Supreme Council of the Armed Forces," ie, charged with some crime or other.)

## No comment

Not surprisingly, still being serving soldiers, they refuse to be drawn into that subject, except to say that they hope that the Argentine armed forces will never again get involved in politics, not necessarily because this is bad for politics but because it is bad for the armed forces.

"Imagine the damage which would be done to your Services if every so often the best, brightest and brainiest were suddenly transformed into civilian administrators, university rectors, Ministers, ambassadors, industrial directors and so on, leaving only the riff-raff behind to run the Army, Navy and Air Force. Not only does military rule distort civilian institutions but it also lowers standards in the military institutions as well.

"Instead of young soldiers dreaming about having a field marshal's baton in their knapsacks, they dream about having a Presidential sash there instead." All genuinely professional Service people were praying for Alfonsín's success, since only a long period of civilian rule would allow the armed forces to recover their former strength.

As to the Malvinas, of

course a civilian Government would be far less likely than a military junta to try to settle the problem by force. But if in the future a civilian Government ever did order another invasion the armed forces at its disposal—for the reasons just given—would almost certainly do a much better job.

Almost all their generation of senior officers were now 100 per cent in favour of democracy and parliamentary government, seeing in their restoration the best hope for rebuilding the national defences on a sound basis. Others might give reasons for supporting democracy. But in their view, the solidest ground at present under Alfonsín's feet consisted of the pragmatic professional conclusions based on military self-interest.

Before departing they ask me about Max Hastings, whom they had watched striding into Port Stanley as they were preparing to get out, because, as they say, "he looked so extraordinarily British." When I reply that Max could have said exactly the same thing about them, they seem to take this as a compliment and our meeting ends much more warmly than it had begun.

**WEDNESDAY: Fly to Rio Gallegos in Patagonia,** the southernmost tip of South America, where the Jamieson clan have asked me to

visit their sheep station. Rio Gallegos is very much a garrison town now, not only because of the Falklands war—many of the planes flew from bases nearby—but also because of the long-standing dispute with Chile over the Beagle Channel. It is also an oil town, although drilling has scarcely begun.

The weather is bright but very cold. Yolanda Jamieson, who was by birth a Falkland Islander, meets me at the airport, and we drive to the station some 50 miles to the north. Her husband's family, along with many others, emigrated here from Scotland—some coming via the Falklands—in the 1880s when this part of Patagonia was virtually empty, except for the pumas and condors. They brought their own sheep with them and have never really looked back.

## Split loyalty

The station homestead is a very modest building, recognisably the same as the original house built of driftwood from the beach and other shipwreck material, there having been no natural timber in those early days. Nevertheless, it is called the "big house," by comparison with the other even more modest homesteads of all the other members of the clan who, between them, seem to

own vast tracks of this excellent sheep-rearing country.

Lunch consists of tomato soup, mutton stew and sponge pudding, and is attended by lots of people from the station—of all types—with William Jamieson presiding at one end—his English is poor—and his elderly mother at the other. She was born and brought up in Dunfries, and talks about "our Mrs Thatcher," which Bill, a third-generation Argentine, finds endearingly funny.

I ask about the problem of divided allegiances during the war, and William says that the experience, for many so-called Anglo-Argentines, was a kind of moment of truth. For the first time they had been compelled, at long last, to recognise the full extent of their Argentine identity.

It was Argentina which had provided their forebears with an opportunity to make good, and they owed a tremendous debt to their country of adoption. In any case, after all these years, they were accepted quite naturally as native Argentines and had experienced pretty well no awkwardness even during the worst days of the war.

True, the name plate of the British Club, in Rio Gallegos, had been stolen, but that, marvellous to say, was the worst example of Argentine xenophobia. He personally thought the club's name should have been changed long ago to Pioneers

**Flashback to April, 1982: Buenos Aires crowds demonstrate for possession of the Falklands**



or something, since so many of the members were now of non-British blood.

Having a Falkland Islander wife, he quite understood why the Kelpers want to remain British, but did not think that one of the reasons given—to escape being ruled by tyrannical generals—makes much sense, since life in Patagonia had never been much affected by what goes on in Buenos Aires.

Where the Argentine authorities had made a crucial error was in trying to sell their country to the Falkland Islanders in terms of its modernity, with free visits to the capital, etc, instead of bringing them over to see him and his like in Patagonia, where they would have been much more at home, even down to having the mother's drop scones for tea, as I was shortly going to do.

Drive back to dinner at the British Club, which is another very modest set-up; William Jamieson tells me that the last chap sitting on my stool, for whom he had bought a drink, was one of the pilots just back from the Falkland war, the British Club being their normal watering hole after a hard day's fighting.

A few moments later one such comes in, followed by the honorary British Vice-Consul, and the talk is about growing roses in this atrocious climate. A doctor joins the group, and says Mrs Thatcher reminds him of Evita Peron. "If your Prime Minister gave us back the Malvinas, she too could become a cult divinity in Argentina." At dinner the group expands even further and soon seems to include the entire town, all anxious to ask surprisingly friendly

questions about Britain. The barman, as is the generous custom in Argentina, always sprinkles a few extra splashes of whisky into the glass, over and above the official measure—a practice which my host of Scottish blood does not appear to blink an eye at, in spite of it happening over and over again into the small hours of the morning. Could there possibly be any greater demonstration of Argentina's beneficent and constructive powers of assimilation, by comparison with which those of North America seem much less ambitious?

**THURSDAY:** Return to Buenos Aires to catch the night plane back to London, which gives me time to spend an afternoon in Parliament, which was closed during the years of military rule and still has a first-day-back-at-school air, with members looking a bit lost and nervous as if anxious not to do the wrong thing. The public galleries, however, are packed, excitedly awaiting the opening of the session as if the curtain was about to go up on the first night of a new play in which the entire audience are willing to succeed. How frustrating to have to rush away, since having met some of the actors—not the star, unfortunately—I feel the show may indeed live up to expectations, and even have, at any rate by later American standards, quite a long run.

*In The Sunday Telegraph next week Peregine Worsthorne sums up on his Argentine travels and the future of the Falklands.*

# Fears growing that Argentina will not pay debts

By TONY ALLEN-MILLS  
in Rio de Janeiro

**FINANCE** ministers of four heavily indebted Latin American countries who meet later this month will discuss whether Argentina is going to plunge the financial world into chaos by refusing to pay its debts.

Many Western bankers and diplomats in Latin America agree that if any of the "big four" debtors decide deliberately to default, it will be Argentina, and not Brazil, Mexico or Venezuela.

From Buenos Aires itself, the recent signs have scarcely been encouraging.

President Alfonsín was the prime mover behind last month's belligerent joint warning from leading South American debtors that they "cannot accept indefinitely" the domestic crisis posed by foreign debt obligations.

## La Paz backed

When Bolivia last week became the first country to announce publicly it was suspending its debt repayment, Argentina was quick to support this "exercise of national sovereignty."

Senor Bernardo Grinspun, Argentine Finance Minister, hinted darkly that other countries might follow the example of La Paz.

Among Argentina's neighbours, opinions are mixed over the risks Senor Alfonsín is prepared to take to retain his domestic popularity.

Some bankers believe the pressures from an aggressive and volatile Argentine work-force will only be quelled if Buenos Aires adopts the wildly

popular ploy of halting interest payments.

"There's not much doubt the average Argentine worker thinks that that crisis is a plot to bleed Argentina dry in order to subsidise Reaganomics," said a banker in Rio de Janeiro.

Other analysts believe the fear of repercussion from the international banking and trading markets will keep Argentina on an orthodox course.

The president of a large Brazilian company said: "Argentina has as much to fear from the English banks as it had from the Royal Navy."

When Senor Alfonsín took office last year, he pledged that he would honour Argentina's obligations. But his government has failed to get to grips with the country's disastrous finances.

## Peron in limelight

The foreign debt now stands at \$43.6 billion (£31.1 billion), and with interest rates still rising, the pressures on his leadership are rapidly becoming intolerable.

Senor Alfonsín has sought to defuse some of his domestic opposition by seeking rule by consensus.

Argentines have recently been treated to the unusual sight of the President hobnobbing with Senora Isabel Peron, the disgraced former President who still holds considerable sway over the Peronist minority.

But Senora Peron's re-emergence as a key political figure has had little impact on the largely Peronist workforces' attitude to the government.

Last week, after a bruising round of pay talks, the government's offer of a 14 per cent. award for June was briskly dismissed by the unions as "bordering on the absurd."

With inflation now sprinting

at a yearly rate of 500 per cent., the union leaders' dismay was understandable.

Looming ominously in the background are a succession of deadlines that will further turn the screws on the seven-month-old democracy.

Talks with the International Monetary Fund on establishing austerity programmes in exchange for vital cash support should have been concluded by May 31, but were extended at the last moment for a further 15 days.

It was the second consecutive month that a deadline had been extended.

The most dangerous of all, on June 30, the second financial quarter ends and American banks must collect \$1,600 million (£1,142 million) in Argentine interest payments or be forced to write off the loans against their profits.

The outlook is so uniformly dismal that few of Argentina's neighbours would be surprised if Buenos Aires deliberately engineered a crisis.

The key question would then be whether anyone else followed suit — bringing reality to the bankers' worst nightmare: a debtors' cartel.

THE TELEGRAPH 5/6/84

# Shell revives £214 m Argentine project

By ROLAND GRIBBEN

SHELL has started negotiations with Argentina in conjunction with local partners about a \$300 million (£214 million) development programme for exploiting a small oil find in the Magellan Straits.

Work on the South Atlantic find was suspended in the run-up to the Falklands conflict, but Shell is now cautiously making a re-entry into Argentine oil and gas off-shore exploration.

The development is being welcomed by the Argentine government, which is anxious to encourage more foreign investment. Shell sources in London are strongly denying suggestions that there is any diplomatic initiative involved in the move.

The oil find is only small. A commercial development would be a significant boost for the new government and could provide the lever to attract other oil companies who cancelled drilling plans before the Falklands crisis.

Shell's involvement in the Straits dates back to a 1979 agreement and the first series of negotiations about the reactivation of the programme are reported to have gone well.

The find is relatively close inshore, around 12 to 15 miles from the entrance to the notorious straits and several hundred miles from the disputed Falklands area where seismic studies suggest there are considerable oil reserves.

# Hong Kong retains financial strength

"SHIPPING today," said Mr C. H. Tung, "is really no joking matter. It is so bad we can hardly smile."

Most people in the industry would readily echo those remarks, made at a recent Seatrade conference in New York. But they would probably also envy the resilience and relative financial strength of the Colony's major shipowners, even though the plight of the shipping markets has not left them totally unscathed.

Along with Sir Y. K. Pao, head of World International, and Mr Frank Chao, who runs Wah Kwong's shipping side, Mr Tung is one of Hong Kong's leading shipowners. All three head companies which have benefited from financial conservatism and well-timed investments.

But while the top companies provide few excitements in stock market terms—and those running them tend to steer well clear of personal publicity—the Colony has had its share of upsets on the shipping scene recently.

Not the least of these was the collapse of the Carrlan group, which built up a large property empire before succumbing last year to its overstretched ambitions and vast indebtedness. Carrlan had acquired Grand Marine Holdings and boosted

its fleet, which then had to be gradually sold when the parent ran into trouble.

Wheelock Maritime, part of the Wheelock Marden trading group, also made awkward headlines by turning in heavy losses in the past two years. It has a large fleet, but much of it was exposed to the spot market, where rates have been low. The result was a severe liquidity squeeze.

Hong Kong owners, who have relied extensively in the past on long-term charters (notably with Japan), are now having to think more flexibly. Local bankers point out that joint ventures with European partners will have to take the place of steady charters, as markets become more variegated.

The big companies have diversified strongly. World International has strong local property and hotel interests, while Orient Overseas (Holdings) Ltd—the publicly quoted company of the Tung group—owns international terminals, office blocks, and insurance interests.

Low taxes and the Colony's operational freedom have helped its shipowners. But even their faith in the industry is being harshly tested by the present tough shipping environment, not to mention the problem of Hong Kong's future.

A.F.

# Crucial month ahead for Argentina

THE STAGE is now set for a crucial month of international manoeuvres to find ways of solving Argentina's \$43bn foreign debt problem.

Last Thursday the U.S. Treasury agreed to give Argentina until June 15 to reach agreement with the International Monetary Fund on a programme to reduce inflation, now running at more than 520 per cent, and cut its balance of payments deficit.

At the same time leading creditor banks were locked in apparently inconclusive discussion in New York to find ways of helping Argentina reduce its interest payment arrears by the critical June 30 balance sheet deadline for U.S. banks.

Unless these issues are resolved over the next few weeks there is a risk of renewed upheaval in financial markets, already destabilised by the Continental Illinois rescue and the collapse of bank share prices on Wall Street.

Argentine officials now say emphatically that they want to reach a speedy agreement with the IMF and also to avoid causing U.S. banks more grief over the June 30 deadline. If interest arrears go back by more than 90 days, U.S. banks will have to declare Argentine loans as non-performing. This does not mean writing them off, but it would make a major dent in second-quarter profits.

In talks with bank creditors Argentina has offered to pay some of the interest arrears out of its own reserves, but it will not provide all the \$500m

needed and that means it must find a way of borrowing more money from the banks. For the banks this poses a major problem—under pressure from European banks particularly, all creditors are agreed that no further money can be disbursed to Argentina before it signs an IMF agreement.

In turn that means an IMF agreement is central to solving Argentina's problem. Despite Argentina's assurances to the contrary, bankers say that they have not yet received much in the way of positive signals from the IMF itself. Certainly few expect an agreement to be reached by this Wednesday as promised by Sr Adolfo Canitrot, a senior Argentine official last week.

That is why the new deadline imposed by the U.S. Treasury is so important. If Argentina fails

to meet it the rescue package put in place by the U.S., Mexico, Brazil, Colombia and Venezuela last March could fall apart. The U.S. would withdraw its offer to provide bridging finance and the Latin Americans would claim repayment (through grain exports) of the \$300m they advanced.

The most damaging aspect would, however, be the signal to the markets that the U.S. had lost faith in Argentina's willingness to come to terms with the IMF. Short of a formal declaration of default by Argentina, which even now seems most unlikely, that would be the worst setback since the debt crisis started.

Even though the outcome is still uncertain Argentina must now be under more intense pressure than ever to reach agreement with the IMF within

the next two weeks.

Elsewhere, Manufacturers Hanover is making slow but steady progress towards assembling a lead management group for Denmark's \$1bn standby credit. There is a strong current of opposition in the market to the low facility fee of only 0.05 basis points offered on this deal, and besides Manufacturers itself no other U.S. banks had signed up by last Friday.

But 17 lead managers, of which seven are Japanese, had come in and just under \$800m of the total sought was covered. Manufacturers hopes to have the group complete early this week, but it has clearly been a struggle to piece it together—an that should be food for thought for other borrowers seeking deals on similar terms.

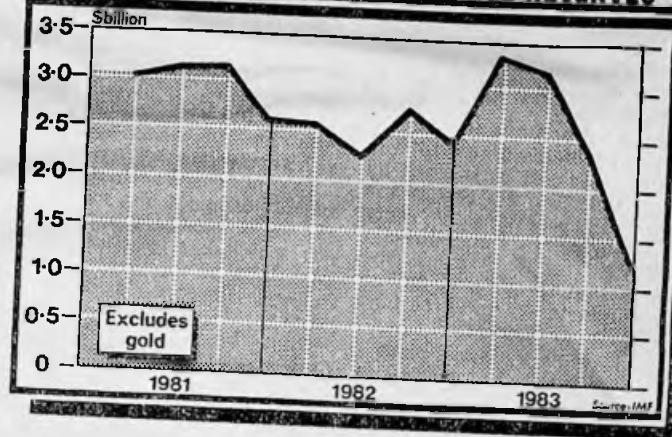
Spain last week launched a \$500m revolving underwriting facility through Merrill Lynch, and Portugal is expected to tap the market soon. Other new deals last week included a £100m medium-term standby facility for Sears Holdings, the UK retailer, which is led by Lloyds Bank International.

David Dodwell adds from Hong Kong: The Electricity Generating Authority of Thailand has invited about 15 banks to bid by this Friday on a \$200m general purpose loan that will be guaranteed by the Thai Ministry of Finance.

Japanese banks are showing keen interest in the deal which will be used to repay more expensive borrowings raised in 1980.

Peter Montagnon

ARGENTINA: FOREIGN EXCHANGE RESERVES



like to use Señora Perón's remaining influence over the party founded by her late husband to achieve some sort of political truce while he tries to renegotiate Argentina's £30bn foreign debt and resolve the country's internal economic crisis.

Señora Perón, for her part, has kept almost as quiet about her wishes as was her custom while living in her Madrid retreat. She has not spoken in public nor granted any press interviews. It is not even certain whether she plans to remain in Argentina or return to Spain.

● Señor Wilson Ferraira Aldunate, the exiled leader of Uruguay's Blanco Party, plans to return to Uruguay on June 16 despite threats by the military Government to arrest him.



Daily Mail  
4.6.84

### Money for heroes

NEARLY £2,000 has been raised by three Falkland Islands women to provide commemorative coins for the 777 British Servicemen injured in the Falklands campaign.

Mail on Sunday  
3rd June 1984

By DAVID ROSE

A POLITICAL row is about to erupt around Mrs Thatcher over a bizarre plan to offer the Argentines a share in the wealthy fishing rights off the Falklands.

Two years after the liberation of the islands, the Foreign Office is exploring the idea of a joint British-Argentine fishing zone.

The deal could pave the way towards restoring normal links with Argentina and boost the islands' economy by several million pounds a year.

But it has incensed the Falklanders, already angry at the way £46 million set aside for the islands by the Government is being 'frittered away' by Whitehall. Last night Sir Rex Hunt, the Falklands Civil Commissioner, was flying into Britain to tell Foreign Secretary Sir Geoffrey Howe

## Islands' airport runs into trouble

THE Government's £215 million airport project on the Falklands dubbed the Margaret Thatcher International Airport has run into trouble.

Builders on the site, which is due to open in nine months, have found that the local rock they hoped to use for cement is not as good as their surveys expected.

Without high-quality rock to make concrete, the airport runways and aprons would quickly crack up in the severe Falklands weather, and the tarmac runway surface would wear dangerously smooth.

Now the contractors, a consortium of three major building firms, have had to start shipping thousands of tons of rock and sand 8,000 miles from Britain.

of the islanders' feelings. And Adrian Monk, the Falklands Council's man in London said: 'It's a dangerous move to allow the Argentinians a foot in the door.'

For some time the islanders have been pressing their own case for an extended fishing zone. But the Foreign Office has been reluctant to act unilaterally for fear of upsetting Argentina.

Now the plan is to allow Britain and Argentina jointly to impose a licence fee on foreign vessels fishing up to three miles off the Falklands shoreline. Polish, Russian, Spanish and other foreign ships catch thousands of tons of fish each year from the seas around the Falklands.

But only the Poles contribute anything to the islands' economy — £250,000 a year in port charges — because they actually dock.

The islanders are also angry about the aid programme. They say that too many experts have been sent out, and too few workers.

The Overseas Development Administration in London said yesterday that £15 million had been spent on repairing the road between Port Stanley and the old airport, on providing three replacement aircraft, and on building 54 houses, as well as on salaries.

# Anger over Falklands fish deal for Argentina

Two years on and a new invasion scare for Whitehall

# Another victory for the flag . . .

From PETER DOBBIE in Minquiers, Saturday

UNTIL yesterday no-one except Steve and Bob knew that we had lost Minquiers. But thanks to their prompt and patriotic action, I was able today to witness the Union Flag being raised again over a tiny speck of Empire.

Invaders, armed to the teeth with picnic baskets, had come from mainland France to this southerly point of the British Isles, 13 miles from Jersey. The first Jersey lobster fishermen Steve McGuire, 18, and Bob le Marquand, 37, knew that the tiny outcrop had changed hands was when they saw that the Union Flag had been replaced by a strange banner.

Bob said: 'We were furious. We rushed back and pulled it down.'

It was this that allowed me yesterday to step back on Minquiers once again under British sovereignty.

I saw the garish red, white and green tricolour. I also had the plaque left by the 15-strong landing party.

It declared their support for an obscure Frenchman who, they said, was first King of Patagonia. And it declared the island Patagonian territory.

## Security

The invaders toasted their cause with white wine before fleeing on a luxury cabin cruiser.

The invasion is being treated as a prank. But it underlines a bitterness towards Britain over sovereignty of Minquiers — granted at the expense of France after the Second World War.

And the man responsible for the invasion, 59-year-old author Jean Respal, solemnly announced it was in retaliation for Britain's 'invasion' of the Falklands.

Officials are particularly angry that the incident happened in the week when security was high on Jersey

## Island raid by lunch party

for the visit of the Queen Mother.

The French, particularly the Bretons, have long had designs on Minquiers and have criticised Britain's role in the Falklands.

But it is likely to be some time before this particular tricolour flies on Minquiers again.

The invasion sent a ripple of apprehension through Whitehall writes Peter Simmonds in London.

Two years ago it would have been a titter, but that was before a group of scrapdealers landed on the Falkland Islands.

This time Home Secretary Leon Brittan learned of the latest invasion of a British dependent territory.

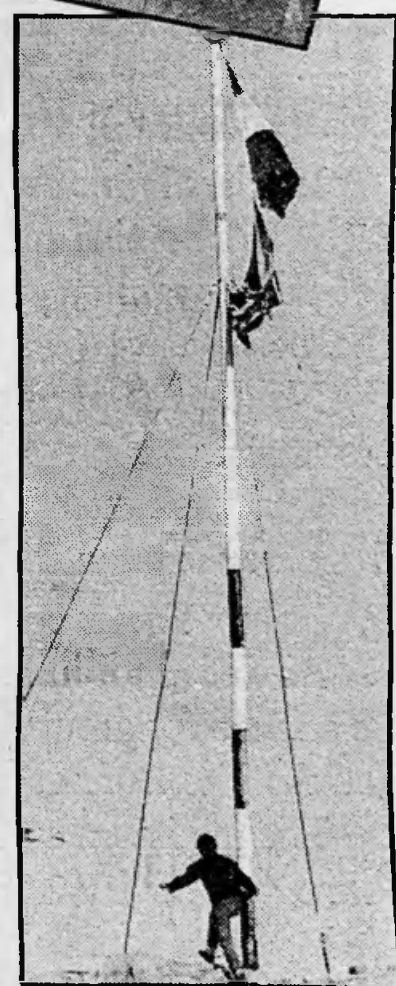
What, an anxious Home Office official was ordered to ask, was being done? He was confident that within three days Britain could, if necessary, assemble a Task Force.

Then he breathed easily — the civil powers were in control.

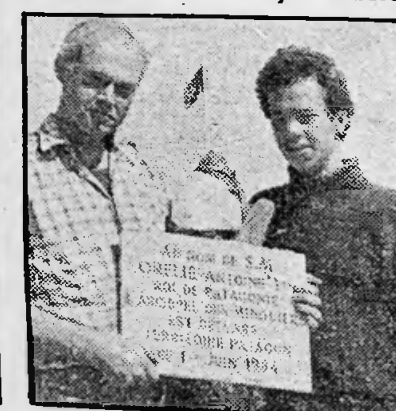
Five Jersey policemen were on their way in a boat.



OURS AGAIN: Bob (left) and Steve raise the Union Flag after 'liberation'



TRICOLOUR: Left by invaders



PLAQUE: Message to Britain

## Airfield will not upset ecology of Falklands

By Gareth Parry

The ecological impact of the new Falklands strategic airport now being built should be negligible, concludes a report published yesterday. Measures are already being taken to minimise soil erosion, to prevent oil pollution so as to safeguard a small local colony of Gentoo penguins, and to reduce the risks of aircraft bird strikes, particularly by gulls and Upland Geese.

One of the great unknowns, however, is the effect on the habitat of Mount Pleasant Airport's 2,500 population; or perhaps the location's effect on the population. Charles Darwin wrote in 1845: "The theatre is worthy of the scenes acted on it. An undulating land, with a desolate and wretched aspect. . . . The country is uniformly the same undulating morland; the surface being covered by light brown withered grass and a few small shrubs."

The report was commissioned by the government's Property Services Agency and compiled by Dr John Miles of the Institute of Terrestrial Ecology. It was produced quickly to help with decisions

on the number of detailed design aspects. Construction of the £240 million airport is well advanced, with the aim of enabling flying to start from the main runway in April 1985, and completing the project in February, 1986.

Where construction will damage vegetation and lead to subsequent soil erosion the area will be revegetated by hydro seeding. PSA will establish trial grass seeding beds to test mixtures indigenous to the Falklands — especially those unpalatable to Upland Geese. But no geese or other birds will be shot on the airfield — this is considered futile in preventing bird strikes. To stop an increase of the local gull population, and rats, all waste food will be macerated.

The conservation value of Bertha's Beach and its penguins — the rest of the land likely to be affected by development is of negligible conservation value — is accepted. *Ecological Impact Assessment of the Proposed Mount Pleasant Airfield and Associated Development, Department of the Environment (PSA), Price £5.*

## War memorial

A memorial dedicated to the servicemen of the Royal Fleet Auxiliary killed in the Falklands conflict was unveiled at the military port of Marchwood, near Southampton.

## Worsthorne's travels in Argentina

ARGENTINA's Foreign Minister at the time of the Falklands War told Peregrine Worsthorne that President Galtieri had not intended to occupy the islands for good, but only long enough to impress the British.

This is just one of the fascinating conversations described by Worsthorne in his account of his travels in Argentina.

He not only interviewed Costa Mendez, but also tycoons, an English-language newspaper editor, and an admiral and a brigadier who fought in the Falklands. He met Argentines of British stock and learned of their divided loyalties.

Worsthorne's intriguing report on Argentina and the attitudes of her people, who were Britain's enemies only two years ago, continues in *The Sunday Telegraph* tomorrow.

## £215m debt delay

Argentina had been granted a 30-day extension on a loan of some £215 million made by four Latin American nations two months ago to help it meet commitments to American banks, it was announced in Buenos Aires.

## Decision looms on IMF package for Argentina

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SENIOR U.S. Treasury officials were last night locked in study of Argentina's negotiations with the International Monetary Fund as a decision loomed on whether to extend the availability of a \$300m financial rescue package put in place last March.

Central to the package was a commitment by the Government of President Raul Alfonsin to reach agreement with the IMF on an economic programme to reduce inflation now running at more than 520 per cent and cut Argentina's balance of payments deficit.

Argentina has already missed an end-April deadline for reaching this agreement and a second deadline falls due today. With little chance of an agreement in the next 24 hours the U.S. and four Latin American countries — Mexico, Brazil, Colombia, and Venezuela — which subscribed to the March package must now decide whether to keep it in place.

Yesterday Sr Bernardo Grinspun, Economy Minister said Argentina would reach agreement with the IMF this week but there has been no public comment from the IMF itself.

Meanwhile leading bank creditors were meeting in New York to discuss proposals for Argentina to meet interest payments on its foreign debt that have been left unpaid since January 2. Unless these arrears are reduced by June 30, U.S. banks will have to place Argentina loans in a special non-performing category in their balance sheets which would hit their profits and could cause renewed uncertainty over the health of the international banking system.

Earlier proposals for Argentina to contribute \$350m from its reserves to reduce interest arrears have apparently foundered and talks with the banks were last night understood to be proceeding slowly.

Financial Times 1/6/84

## Argentina reprieved on U.S. loan

BY PETER MONTAGNON IN LONDON AND JIMMY BURNS IN BUENOS AIRES

ARGENTINA LAST night won a further two weeks breathing space to complete negotiations with the International Monetary Fund and on servicing its \$43bn (£30bn) foreign debt.

The U.S. Treasury said it would extend to June 15 bridging finance until Argentina receives an IMF loan. It said it had done this in the light of continuing progress in talks between Argentina and the IMF.

The decision will reassure financial markets which had grown nervous as yesterday's deadline for Argentina's IMF agreement neared. Argentine officials said an agreement with the IMF was imminent, but most commercial bankers remained sceptical.

The U.S. Treasury's decision means the emergency rescue

package put in place last March for Argentina by the U.S. and Mexico, Brazil, Colombia and Venezuela can remain until June 15. Under the package the four Latin American countries lent Argentina \$300m to help it meet interest payments on its foreign debt. The advance was to be repaid by U.S. Treasury bridging finance as soon as a basic agreement was reached with the IMF.

The Treasury decided to extend the package deadline after consultation with the four other Latin American governments.

But this does not mean that Argentina's problems are over. It still has to complete its IMF talks and it is also locked in difficult discussions with commercial bank creditors. They

will be asked to re-schedule debt falling due between late 1982 and the end of this year and for a new loan of up to \$3bn.

Unless progress on this can be made by the end of June bankers fear that financial markets could be further destabilised by worries over Argentina's debt.

Doubts over President Raul Alfonsin's willingness to agree an IMF programme were a key factor behind last week's sharp falls of bank share prices on Wall Street.

In Buenos Aires, officials said Argentina would sign its letter of intent with the IMF by next Wednesday after final consultations with Fund's technical team.

Sr Adolfo Canitrot, one of Argentina's chief negotiators

with the Fund said the countries involved in the March accord had already agreed to extend the May 31 deadline.

According to Sr Canitrot, the draft letter was virtually complete and officials were "simply rechecking the figures."

The exact content of the letter is unclear although Sr Canitrot said it represented a "compromise" between economic "realism" and President Alfonsin's insistence that his government would not accept excessive austerity.

Even if the letter is sent to the IMF on Wednesday, it remains to be seen whether its terms will be accepted by the Mr Jacques de Larosiere, the Fund's managing director.

Doubts raised over debtors' conference Page 4



## Hunt's London trip to 'iron out' problems

By PATRICK WATTS in Port Stanley

SIR REX HUNT, the Falklands Civil Commissioner, leaves the islands for London today for an unexpected round of consultations at the Foreign Office.

He said they would include talks on the future relationship between Britain and Argentina and perhaps the Falklands and Argentina.

Sir Rex said he would tell Baroness Young, Minister of State, that while it was in the islanders' interests for normalisation of relations between Britain and Argentina, he would stress that most did not want any restoration of commercial trade or air links between Argentina and the Falklands.

The unexpected announcement of his recall was being viewed with apprehension as islanders have always had a natural suspicion of the Foreign Office, although Sir Rex is considered a "firm ally."

Sir Rex said that the visit would be useful, and would "clear the air." He would be

"chasing up" the Foreign Office on the lack of movement of the proposed new constitution for the Falklands.

"We've had one or two responses since Lady Young's visit in January, but there are one or two points to be ironed out with Ministers. I want to see what is happening, as we are hoping very much to get a change in the constitution this year."

A select committee recommended more elected legislative members and continuation of the two council system, with increased representation for elected members on the Executive Council. The Foreign Office is against the two council idea being retained.



# Fat Albert in the Falklands

Just over a year ago the first Hercules C-130Ks to reach the Falklands landed at Stanley in their new role of tactical air-to-air refuelling tankers. Now they are a well established and effective component of Falkland Islands air defence.

Originally known as Heredet (Hercules Detachment), the unit became officially known as No 1312 Flight in September, 1983. The specially trained Hercules crews are drawn from Nos 24 and 30 Squadrons, whilst the majority of the groundcrew are detached from Lyneham. All personnel complete a four-month detachment, with aircrew "working their ticket" down by operating the airbridge — all C-130 tanker crews are also fully qualified in the passenger / freight transport role.

The primary task of the "Fat Albert" tankers, as they are affectionately known at Stanley, is to refuel the air defence fighter aircraft. This form of air refuelling is quite different from

the airbridge replenishment and has required the development of new techniques with a quicker and more flexible response, with the tankers maintaining a QRA commitment in support of the Phantoms and Harriers.

The other main role is maritime reconnaissance of the Falkland Island Protection Zone. Daily flights are flown on the difficult task of surveying the large area of sea to maintain a check on all shipping, which includes the trawlers of some of the Warsaw Pact countries. The task requires close co-operation with the Royal Navy ships and helicopters engaged on the same task.

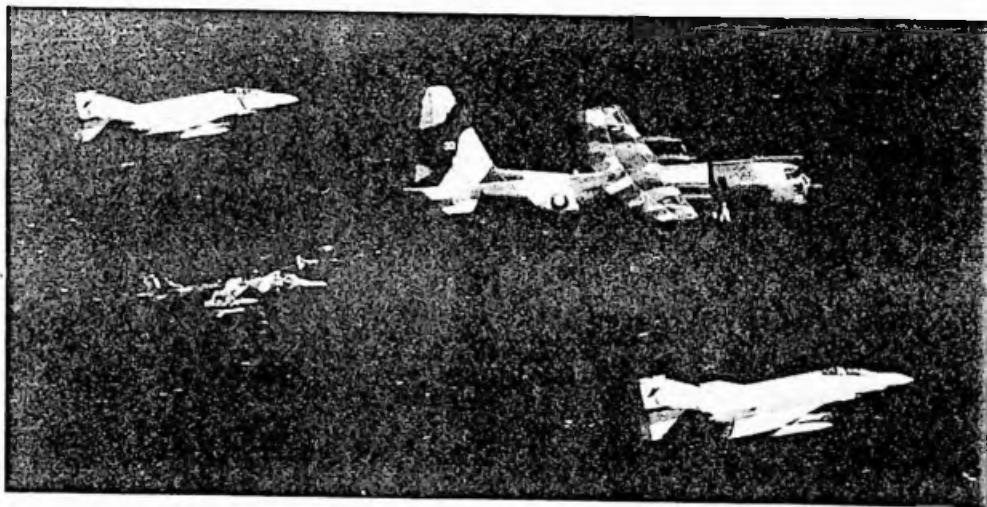
The Flight also makes regular runs to South Georgia to airdrop essential supplies and mail to the Army garrison there. The scenery is spectacular with steep-sided snow covered mountains and glaciers, but this sort of terrain is not ideal for low-flying aircraft.

The crews and aircraft are also capable of carrying out the longer range search-and-rescue missions, so they are continually at a high

state of readiness to meet the wide variety of roles. Each crew is qualified in air-to-air refuelling and dispensing, maritime reconnaissance, tactical support, search-and-rescue and transport flying.

The success of the Flight would not be possible without the very good serviceability rate achieved by the small team of (mainly NCO) groundcrew. There are no hangar facilities for the Hercules so all rectification work must be done in the open. This often has to be in severe weather conditions in order to meet the readiness states and short airbridge turnaround times, with strong winds the norm rather than the exception.

The Flight headquarters is a complex of Portakabins which has been built up gradually with an operations room, a workshop and extra storage facilities. The latest addition is hot and cold running water from standing water tanks — all achieved on a self-help basis, because PSA have yet to arrive.



"Fat Albert" refuelling two Phantoms and a Harrier of the Falklands air defence force.

RAF News 1-14th June 1984

## ***Falklands Crowns for servicemen***

THREE FALKLAND ISLAND women have organised the buying of 777 Crowns — one for each of the British Servicemen wounded during the invasion nearly two years ago. The special coins, minted to commemorate the liberation of the islands, will shortly be flown to Britain for distribution by the Ministry of Defence.

The three women behind the gesture are Mrs Betty Ford, a Port Stanley telephone exchange operator; Mrs Joan Middleton and Mrs Daisy McKay both shop assistants at the town's West Store. Together they spent nearly a year organising dances, collections and raffles to raise the £1,942.50 for the Crowns.

A few days ago they went to the Headquarters of the British Forces in the Falkland Islands and handed them over to Major General Keith Spacie, Military Commissioner and Force Commander.

Said the Commander: "It was a very nice gesture and will be very much appreciated by those concerned. It will show them they are not forgotten."

The three women decided on the move after seeing a newspaper photograph of a soldier who had lost a leg in the conflict.

Said Mrs Ford: "We just wanted to do something for the injured. We received very generous donations from people throughout the islands and scores of gifts to raffle."

The Crowns are worth 50p as legal tender in the Falklands but are sold in special presentation packs for £2.50.

Daily Mail  
31st July 1984

## Battle honours go to Falklands regiments

**THE Parachute Regiment** has been awarded battle honours for its actions at Goose Green, Mount Longdon and Wireless Ridge in the Falklands.

An honour also goes to the Scots Guards for its action on Tumble-down mountain.

The honours were announced

yesterday by Defence Secretary Mr Michael Heseltine.

The Parachute Regiment, plus the Blues and Royals, the Scots Guards, the Welsh Guards, the Duke of Edinburgh's Own Gurkha Rifles, and the SAS, can now include 'Falklands Islands 1982' on their regimental colours.

## NEWS IN BRIEF

### Falkland honours for Paras

THE QUEEN has approved Falklands war battle honours for the Parachute Regiment and the Scots Guards, the first such honours since the Korean War more than 30 years ago.

The two regiments also join the SAS, the Blues and Royals, the Welsh Guards and the 7th The Duke of Edinburgh's Own Gurkha Rifles in receiving theatre honours for their roles in the South Atlantic conflict. The honours were announced yesterday by the Defence Secretary, Mr Michael Heseltine.

Battle honours — for action in specific battles — will go to the Parachute Regiment for its part in the battles of Goose Green, Mount Longdon and Wireless Ridge. The Scots Guards' battle honours are for the regiment's role in the fighting at Tumbledown Mountain.

### PARAS GAIN FALKLAND HONOURS

By NICHOLAS COMFORT  
Political Staff

THE Queen has approved the award to the Parachute Regiment of battle honours for three engagements in which it fought during the Falklands conflict, with Goose Green at the head of the list.

The regiment also wins battle honours for the engagements at Mount Longdon and Wireless Ridge as British forces closed in on Port Stanley.

At Goose Green the regiment's Second battalion forced the surrender of an Argentine Garrison twice its size after the death in action of its commanding officer Col "H" Jones.

#### Scots Guards

One other regiment wins specific battle honours in the list of awards made public yesterday by Mr Heseltine, Defence Secretary. They go to the Scots Guards for their part in the action on Tumbledown Mountain, in the closing stages of the conflict.

Six regiments win "theatre honours" for their overall part in the campaign with a rare public mention for the SAS. Apart from the Scots Guards the Paras and the SAS, theatre honours go to the Blues and Royals, the 7th Duke of Edinburgh's Own Gurkha Rifles and the Welsh Guards.

The regiments can now add the names of the battles, or the Falklands campaign as a whole, to the list of honours on their colours.

# Optimism on Argentine agreement with IMF

By Robert Graham in  
Buenos Aires

A SET of proposals bringing Argentina closer to agreement with the International Monetary Fund has been submitted to the Government for approval and a decision is expected within the next 72 hours. Argentina's position will then be communicated to the IMF in Washington, possibly by the end of the week.

A senior official said yesterday that it was now up to the Government to make "a political decision" on the proposals. This means that an Argentine delegation is unlikely to go to Washington this week as earlier reported but could do so next week for what could be the final round of negotiations with the Fund. Officials are talking in private of aiming for an agreement with the IMF by August.

The proposals, finalised over the weekend, are understood to contain at least one Argentine concession to the Fund. This entails a lowering of the planned refinancing needs for Argentina in the year to July 1985. Until now, there has been a difference of more than \$1bn between the two sides on the amount Argentina needs for refinancing public and private-sector debt. The Argentines have reportedly narrowed this difference by half.

The other proposals centre on plans to contain the budget deficit while at the same time permitting real salary increases of about 6 per cent. The Fund has been anxious to hold back real wage increases, but is reportedly willing to accept budgetary cuts elsewhere if the Government persists in maintaining public-sector employees' purchasing power.

The Argentine proposals also cover exchange rate policies, which are reported to envisage an accelerated devaluation over the next three to four months, equivalent to about 25 per cent. The Fund has been pressing for a single devaluation of about this level. Overall, the Government is being asked to present to the IMF a more orthodox approach than has been contemplated to the country's \$43bn foreign debt.

The Financial Times  
31/7/84

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# Hongkong deal 'almost settled'

From David Bonavia  
Peking

The Hongkong problem has been largely solved during the talks here over the past few days between Sir Geoffrey Howe, the Foreign Secretary, and Chinese leaders, informed Chinese sources said here last night. "The major matters have been solved, and only minor matters remain to be dealt with," one of the sources said.

Any details which remain to be settled can be dealt with at the opening of the General Assembly of the United Nations in New York in September, the Chinese source said.

"After all, it is China and not Britain that will lose most if the Hongkong problem is not solved."

If the Chinese assessment is correct, it represents an important breakthrough in one of the trickiest diplomatic and political problems Britain has had to deal with in the history of its dismantling of the colonial empire.

Under the terms of the likely agreement, Britain will yield to China sovereignty and administrative powers over Hongkong in 1997, while China will guarantee to let the capitalist economic system continue, likewise the British based legal system and various important freedoms which Hongkong's nearly six million population have become accustomed to, for a period off 50 years after 1997.

Earlier yesterday Mr Xhao Ziyang, the Chinese Prime Minister, received Sir Geoffrey in the Zhong Nan Hai complex of lakeside villas where the leadership resides and conducts much of its business.

Mr Xhao told Sir Goffrey: "In the vital questions of the Anglo-Chinese talks, we have explored together with you ways of solving outstanding issues. Your current visit has given a new impetus to the talks. I am appreciative of this."

Mr Xhao said Sir Geoffrey's previous talks with Mr Wu Xueqian, the Chinese Foreign Minister, "have demonstrated the spirit of our long-term interests and friendship as well as the spirit of mutual understanding and cooperation."

He continued: "The Chinese side attaches great importance to its relations with the United Kingdom. There are bright prospects for friendly relations and cooperation between China and Britain."

A British spokesman said last night that "substantial" progress had been made but some important points remained to be solved. He declined to say what they were.

Sir Geoffrey leaves tomorrow for Hongkong, where he is expected to face a severe grilling from the local press and prominent figures.

# Falklands regiments receive honours

By Rodney Cowton  
Defence Correspondent

The Parachute Regiment has been awarded four of the ten theatre and battle honours granted to the Army after the Falklands conflict of 1982.

In addition to the Paras' receiving almost half of those honours, both Victoria Crosses of the Falklands war were won by members of the regiment - Lieutenant Colonel "H" Jones and Sergeant Ian McKay.

The regimental awards were announced yesterday by Mr Michael Heseltine, Secretary of State for Defence. The Parachute Regiment was one of six regiments to receive theatre honours, which will be inscribed on regimental colours. They also receive three out of four battle honours, for engagements at Goose Green, Mount Longdon and Wireless Ridge.

In addition to those going to the Parachute Regiment, the Queen has approved theatre honours for The Blues and Royals, the Scots Guards, the Welsh Guards, the 7th Duke of Edinburgh's Own Gurkha Rifles, and the Special Air Service Regiment. The Scots Guards also receive a battle honour for the action on Tumbledown Mountain.



Symbol of courage: The Paras' cap Badge.

Honours for the Royal Navy and the Royal Air Force, together with the intention to award regimental honours to the Army, were announced last October.

By a tradition going back to 1827 the Royal Marines, who played a prominent part in the Falklands conflict, do not receive battle honours because of "the difficulty of selecting from amidst so many glorious deeds."

Theatre honours are awarded only to regiments which have colours on which they can be emblazoned. This requirement automatically rules out of consideration many corps and other formations.

Battle honours, which are merely recorded in the Army List, and are not carried on regimental colours, are considered sufficiently important to warrant the granting of an honour.

The Blues and Royals, which provided two troops of Scorpion and Scimitar reconnaissance vehicles, were the only armoured units.

The Welsh Guards lost 38 dead and 85 wounded on June 7, 1982 when Argentine aircraft attacked the Sir Galahad and Sir Tristram, the ships they were aboard at Bluff Cove.

INTERNATIONAL OIL  
NEWS 30.7.84

#### FALKLAND ISLANDS

Firstland Gets First Search License The U.K. government has awarded the islands' first exploration license to Firstland Oil & Gas, reports said.

The license is for an area known as Douglas Station in northern East Falkland and is owned by Harry Camm through Falklands Properties, of the Channel Islands, a government official in London told ION. Amount of acreage wasn't disclosed but survey work is scheduled to begin in September.

Firstland is said to be involved in exploration work in Louisiana and Texas.

The Guardian 30/7/84

## Improved exports boost Argentina

From Alex Brummer,  
in Washington

An unexpected improvement in Argentina's current account will enable it to meet its next debt repayment deadlines from its own reserves of gold and currency reserves, according to US banking sources.

Buenos Aires has already begun repaying a \$300 million bridging loan from four Latin American countries due tomorrow and the US banks now expect it to meet a further \$125 million repayment deadline in early August.

The decision by Argentina to repay the \$300 million bridging loan from Mexico, Brazil, Venezuela and Colombia, as

well as a bank loan made to help cover second quarter interest payments, should relieve some uncertainty from the US banking system. It reflects Argentina's stronger foreign trade position stemming from the upturn in the world economy and increased demand for its exports of grain and other foodstuffs.

The \$125 million loan from the commercial banks, was arranged last month, to help Buenos Aires meet its repayments on second-quarter debt. The promptness with which it is being repaid is being seen as some evidence that Argentina has decided that it will not buck the case-by-case approach to the debt crisis.

The Guardian 30/7/84

## Falklands challenge

Britain should hand over sovereignty of the Falklands to Argentina in return for guarantees of self rule for the islanders, a Liberal Party committee proposed yesterday.

"In the end, there has to be a solution. We cannot go on endlessly with the Fortress Falklands policy which is costing the taxpayer so much and does not relieve the islanders of the threat of military operations. We have to get round the table and discuss sovereignty with the Argentinians.

"The task is going to be how to find a solution which satisfies Argentinian aspirations on sovereignty, but at the same time gives control of their affairs to the islanders."

The committee's solution would give the islanders control of their own police force and administration, but would leave foreign policy, defence and perhaps the postal service in the hands of Argentina.

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M Cheysson, left, with Señor Dante Caputo, Argentine Foreign Minister in Buenos Aires.

## France seeks UN role on Falklands

Buenos Aires — M Claude Cheysson, the French Foreign Minister, said in Buenos Aires that France has never recognized British sovereignty over the Falkland Islands and gave a warning that Argentina would have to sign an agreement with the International Monetary Fund before receiving French

investments (Douglas Tweeddale writes).

M Cheysson was speaking at the end of his three-day visit to Argentina. He declined to predict his country's stance should Argentina introduce a resolution on the Falklands issue at the United Nations General Assembly

"France condemned the use of force by Argentina in 1982, but that in no way implies that we recognized British sovereignty over the island", he said. He added that Señor Javier Pérez de Cuéllar, the UN Secretary-General, must play "a most important role" in finding a peaceful solution

## Banks worried by talk of action in Argentina

By TONY ALLEN-MILLS in Buenos Aires

**W**ESTERN bankers in Argentina are beginning to despair of the ability of President Alfonsín's government to get to grips with the country's economic crisis.

Seven months after the Radical party took office, it has still not produced a concrete programme for dealing with inflation, now galloping towards 500 per cent. this year.

Nor has it reached an agreement with the International Monetary Fund that would pave the way for long-term restructuring of the \$48 billion (about £37 million) foreign debt.

When the Economy Minister, Senor Bernardo Grinspun, concluded an 85-minute televised policy speech recently, one American banker in Buenos Aires said he felt "suicidal."

Senor Grinspun gave no clue that the Government was formulating a concrete economic package — even one that involved non-payment of debts. His performance was described by one magazine as "a disaster" — and by another as "lamentable."

Said a columnist in *LA SEMANA*: "Instead of persuading the country that in spite of everything, the Government is sure of what it is doing, he showed himself to be vacillating, void of concrete ideas and uncertain of either himself or his programme."

### Question dodged

The question that the banks, the I M F, and most of the Western financial world want answered is whether Argentina is going to agree to tough new measures to bring inflation under control.

Senor Alfonsín, who is under heavy pressure from organised labour to resist any policy smacking of austerity, has dodged the question.

A recent decision by American banks to restructure the way they account for their loans has reduced some of the tension over a possible Argentine default. But with the I M F still struggling to secure an agreement, a serious breakdown is not being discounted.

## FALKLANDS HAND-OVER URGED

By Our Diplomatic Staff

**B**RTAIN should cede sovereignty of the Falkland Islands to Argentina in exchange for international guarantees that the islanders would have internal self-government and be able to preserve their way of life, a Liberal party report urged yesterday.

The "Fortress Falklands" policy, costing about £1 million a day, is described as "political folly" by the discussion paper of the party's Latin American Affairs committee.

Lord Avebury, one of its members, said yesterday that "Britain must be prepared to discuss sovereignty, as she did before 1982, and not simply to note the views of the other side."

The report suggests that the islands could be given local taxation powers, the right to elect members to Argentina's national assembly as well as a local assembly, the right to a percentage of any oil revenues and that both Spanish and English would be official languages.

Argentina upsets banks—P4



# Falkland handover plan by Liberals

The Yorkshire Post 30/7/84

BRITAIN should hand over sovereignty of the Falklands to Argentina in return for guarantees of self-rule for the islanders, a Liberal party committee proposed yesterday. It hopes the plan will be adopted by the party as official policy.

The Liberal leader, Mr. David Steel, and the Foreign Affairs spokesman, Mr. Russell Johnston, are studying the 26-page report from the party's Latin American Affairs Committee. A committee member, Lord Avebury, said: "I think there will be a lot of support for this within the Liberal party but I do not deny it is controversial."

"In the end, there has to be a solution. We cannot go on endlessly with the Fortress Falklands policy which is costing the taxpayer so much and does not relieve the islanders of the threat of military operations."

"We have to get round the table and discuss sovereignty with the Argentinians."

"The task is going to be how to find a solution which satisfies Argentinian aspirations on sovereignty but at the same time gives control of their affairs to the islanders."

The committee's solution would give the islanders control of their own police force and administration but would leave foreign policy, defence and perhaps the postal service in the hands of the Argentinian government.

Lord Avebury said: "There would obviously have to be detailed discussions over who would run what."

He admitted that the islanders might not at the moment be prepared to make any concessions to the Argentinians but added: "I don't think that any rational islander can believe that the Falklands Fortress policy will last for ever."

He hoped they would see the need for a solution of a more permanent and guaranteed nature.

The committee has not yet spoken to Argentinians about the proposals but hopes to hold discussions over the next few months.

The Liberal conference in September could debate the report but it seems more likely that it will be given detailed international study before going to next year's conference for full debate.

Mr. Steel yesterday challenged the Tories to join the Alliance in putting up candidates in September's "mini-election" for the Greater London Council.

He said that now Mrs. Thatcher had put the case for the GLC's abolition she should argue it before the court and the people.

Speaking after a special meeting of Liberal MPs and peers, he said even if the Tories refused to take part, the Alliance would fight and the election would then become a referendum not on the GLC's future, but "on the excesses of Labour rule."

He said: "So if the GLC's abolition is not an issue, the elections should be more than Ken Livingstone's public relations placing."

"Indeed he should beware. He is putting his tender majority on the line and he should not take the result for granted."

"Let the people vote on the wild spending plans, as well as the necessary ones; on the nonsense of Labour as well as the sense of the GLC."

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## Conscript plight in Falkland film

By TONY ALLEN-MILLS in Buenos Aires

THE first full-length Argentine film to show a fictional treatment of the Falklands War opens in Buenos Aires this week with its makers unsure how the public will react.

A story of the experiences of a group of young conscripts who fought in the Falklands with minimal training, the film takes a jaundiced view of military dictatorship that started the war.

Called "Los Chicos de la Guerra" (The Kids of War) it is based on a best-selling factual account of the misery and ill-treatment suffered by hundreds of 18-year-old conscripts at the hands of Argentine regular officers.

The film will not endear itself to right-wing nationalists and supporters of the military, but its realistic depiction of Argentine youths being forced to surrender by British troops may also prove too painful for wider audiences.

### VILLAGE TRANSFORMED

The setting for the film was an isolated village south of Buenos Aires cleverly transformed to resemble Port Stanley. Argentine street signs were replaced by names like "Ross Rd," and Land-Rovers

were borrowed from local farmers.

Many blonde-haired Argentinians of English stock played the parts of British soldiers.

The director, Bebe Kamin described the work recently as "not a war film." He said: "We were trying to show the history of a generation, how adolescent youths were forced into incredible situations beyond their control."

MICHAEL KALLENBACH AT THE UNITED NATIONS writes: The failure of the talks in Switzerland aimed at normalisation of relations between London and Buenos Aires means that Britain will face strong pressure from the international community during the next session of the United Nations General Assembly.

British diplomats have already begun to work out their strategy, following last week's meeting with Senor Perez de Cuellar, the Secretary-General. It followed a surprise call on him by Senor Dante Caputo, the Argentine Foreign Minister.

The Secretary-General is expected to send a memorandum to Britain and Argentina asking them to return to the negotiating table. He is expected to remind them that he is willing to mediate between the two sides.

### Falkland's stance

CONTRARY to the views expressed in your leading article that ultimately there must be discussions on sovereignty, the Falklands war was fought to keep the islands British, and no passage of time can affect the justice of that cause. In the issue of June 17, the Argentine case was devastatingly demolished by Professor D. E. Regan in your correspondence columns.

Nations, like individuals, have to face the fact of life that there are always some desires which, however passionately advocated, they are never going to be allowed to achieve.

If the military verdict had gone the other way one wonders how much "magnanimity" we should be receiving from the Argentines? It is unlikely that there would be mounting pressure from Argentine churchmen, politicians, and journalists for speedy consideration (and possible acceptance) of "the British claim to sovereignty." (Rev) STEPHEN C. THOMPSON, St Leonards-on-Sea.

## Argentina and Britain

### When fudge is not so sweet

What's in a word? A lot, according to the Argentine version of how months of secret preparation for the first meeting of British and Argentine officials since the Falklands war were tossed away. The meeting, which started in Berne on July 18th, lasted only until the following day, when the Argentines walked out in protest at the British declaration that "we are not ready to discuss" the islands sovereignty.

Ready can mean either "willing" or "prepared". The Argentines took it to mean prepared, and bridled when the British objected to their translation. The British foreign secretary, Sir Geoffrey Howe, claimed that the Argentines had agreed to the form of words before the talks began. The Argentines retorted that the British also dropped the word "yet" which would have implied that they were willing to discuss sovereignty at some stage. Not so, said the British.

The semantic fudge was intended to get round Argentina's insistence that talks could not begin unless sovereignty was on the agenda, and Britain's insistence that anything but sovereignty could be discussed. The British, as a first stage, seemed ready to consider suspension of the 150-mile naval exclusion zone around the islands, which has damaged the Argentine fishing industry. In exchange, the Argentines might have acknowledged that hostilities had ended (Argentina says there is no need for this since hostilities were never formally declared). The British also wanted to discuss the resumption of normal trade and financial links, the renewal of air services between Argentina and the Falklands, and a visit by Argentine families to the war graves in the Falklands.

Argentina's withdrawal from the talks may be connected with an agreement soon to be signed with Chile over three tiny islets in the Beagle Channel and a whole lot of sea beyond it. President Alfonsín is wary of a nationalist outcry about the deal, which gives most of the land to the Chileans. Last week a senior

## INTERNATIONAL

general in the Argentine foreign ministry resigned in protest against the impending agreement.

Argentina's foreign minister, Mr Dante Caputo, has threatened to raise the Falklands sovereignty issue in the United Nations this autumn. But his officials still seem confident that the talks with Britain can be revived. Opposition politicians took the prospective dialogue with Britain in their stride. A leading Peronist called the talks "a step forward".

For Argentina to agree at any stage to put sovereignty on a back-burner would be a major concession. The British refusal to discuss the subject was predictable, but does not actually seem to have much support in Britain. A survey carried out by National Opinion Polls last month found that 67% favoured talking with Argentina about "ownership of the islands", compared with 29% who opposed it. The people interviewed had no difficulty in reconciling this with support for the Falklands war itself: more than 90% felt that sending the task force was right, compared with 5% who were convinced that it was a mistake.

### The cost to Britain

Mr Francis Pym, Britain's foreign secretary during the Falklands war, has argued that sovereignty should be on the agenda. The Labour party's foreign affairs spokesman, Mr Denis Healey, last week voiced the fear that Britain had "missed the bus". It is argued that President Alfonsín will find it harder to make concessions to Britain as Argentina's economic crisis bites and criticism of his government increases.

The pressures on Mrs Thatcher's government are financial. The "Fortress Falklands" policy will cost some £2.3 billion in extra defence spending in 1983-87 (including the cost of building an airfield.) This works out at £34 for every British taxpayer next year. If pay and equipment for the armed forces in the Falklands are added, the cost is £44 per taxpayer. Although the extra Falklands money is not coming out of the regular defence budget, some military men are complaining that too much of Britain's defence commitment is being directed away from central Europe.

An all-party pressure group, the South Atlantic Council, has been set up to try to improve relations with Argentina. A parliamentary delegation visited Buenos Aires last month. It seems unlikely that this will ever have the clout of the Falklands Islands lobby, which successfully blocked foreign office attempts at a negotiated settlement before the war, and now seems to have convinced the British government that £1.3m per islander over four years is a price worth paying.

Private Eye 27 July 1984

## Falklands, Badlands

Sir,

Re your article in *Eye* 587 of 15th June on the Falklands Airport. Having recently spent 'time' on the Island camp, it should be noted that things far from getting any better, have got worse.

On the Easter weekend, 22nd April 84, a directive was issued to the workers saying they would be obliged to work the Monday.

The lads saw this as an unreasonable request and after a large meeting decided against. Thus they could have a prolonged booze-up on the 30p a can export ale. Management opened the bars late, as a reprisal. Only after mutterings of "get the pick handles out" did management concede. Plenty of ale led to the inevitable fights and malcontent, and the camp prostitutes plied their trade with a willingness even Norman Tebbit would have admired. A total of £1,530 was spent on ale that day at 30p a can.

The camp is made worse through an irregular mail service, poor welfare staff, and sense of deprivation that is hard to express: It is surrounded by minefields and boggy terrain, wind and rain are a constant companion, and it is isolated from even the most basic living standards.

At the first meeting aboard the 'England' Wyn Kendrick said "It's a hard place, for hard men, to do a hard job." I half expected Conan the Barbarian to show us to our huts! But I think even he would be on the export ale after a couple of days.

Yours,

NICK DURKIN,

27 Neville Terrace, York.

Private Eye 27 July 1984

# "Talks founder on one word"

by Our Political Staff  
Nicholas Coledispute

AS THE air filled with accusations of "intransigence", "bloody-mindedness" and "insane pig-headedness", the talks which have been held to settle the long running crisis which is

costing Britain £800 million a day collapsed yesterday.

The sticking point, it seems, was just one word, which sent one party to the dispute storming angrily from the conference room.

"Obviously we cannot discuss 'sovereignty' said a Government spokesman "and the Argies know it damn well".

McMillan-Scott Associates Public Affairs

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# Alfonsin calls poll on Pope's peace plan

By TONY ALLEN-MILLS in Buenos Aires

PRESIDENT ALFONSIN of Argentina has taken the unprecedented step of calling a consultative referendum on proposals drawn up by the Pope to end



the long wrangle with Chile over the Beagle Channel.

The move was being portrayed in Buenos Aires yesterday as an indication of Argentina's commitment to democratic paths in its international negotiations.

Although President Alfonsin did not refer directly to the Falklands when he announced his plans in a television speech, it was clear he hoped the world would take note of Argentina's readiness to tackle problematic disputes.

Buenos Aires and Santiago have squabbled for more than a century over the Beagle and the three tiny islands of Picton, Lennox and Nueva, which lie a few miles off Tierra Del Fuego.

The Vatican has been mediating between the two sides for more than five years, and earlier this year presented a draft proposal for resolving the dispute.

The proposal which awarded sovereignty of the three islands to Chile dismayed Argentine Rightwingers. But there was a feeling in the Government that if the Pope's authority was not enough to produce a settlement, the dispute might continue for ever.

At issue in the Beagle is what Argentina regards as the inviolable principle of "bi-oceanic" jurisdiction; that Chile belongs in the Pacific, and Argentina in the Atlantic.

## Troubling waters

The three disputed islands are on the Atlantic side of Cape Horn, and though Chileans have inhabited them for more than 100 years, Argentina still claims them.

The Pope has sought to compromise by awarding Chile sovereignty over the islands while drawing a line through local waters giving Argentina jurisdiction in the deeper Atlantic.

But Buenos Aires is still troubled by the prospect of waters it will not control.

Some diplomats have deduced from Argentina's sudden obstruction of last week's Falklands talks that Senor Alfonsin was preparing the way for concessions on Chile, and that he did not want to aggravate the military by appearing "soft" on the Beagle and the Falklands simultaneously.

Yesterday's announcement reinforced suspicion that the two issues were linked, but President Alfonsin still did not escape the criticism of right-wingers, who believe a referendum usurps the government's authority.

However, the president made it clear he would not regard the poll as binding.

The poll is due to be held in late September.

The Telegraph 27/7/84

The Guardian 27/7/84

## Beagle vote

THE Argentine President, Mr Alfonsin, said yesterday "his Government would hold a referendum to decide on a solution to the century-old Beagle Channel dispute with Chile. The referendum would be held 30 days after final proposals to solve the dispute were issued by the Vatican, he said. — Reuter.

McMillan-Scott Associates Public Affairs

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## Alfonsin referendum on Beagle dispute

BY MARTIN ANDERSEN IN BUENOS AIRES

PRESIDENT Raul Alfonsin of Argentina has called a nationwide referendum in a move to resolve the century-old border dispute with Chile over the Beagle channel at the tip of South America.

In a surprise ten-minute address on nationwide television and radio on Wednesday night, President Alfonsin said the referendum would take place within thirty days of the announcement of the final agreement between the two countries, which he broadly hinted would occur "within the next few weeks."

The referendum appeared to be a device by which the President's seven-month-old democratic Government could put some distance between itself and what many here say will be the political fall-out from the highly controversial pact. In his address President Alfonsin appeared to be laying the foundations for what will likely be his Government's selling strategy for the accord. Diplomatic observers here say the accord was presented to both sides by an increasingly frustrated Vatican on a take-it-or-leave-it basis. The Vatican has been mediating in the dispute since 1979.

President Alfonsin stressed the need for peace on the continent "to eliminate poverty, ignorance and desperation affecting tens of millions of

Latin Americans." He hit out at the "phantom of conflict between our peoples and the arms race which is its immediate consequence. This, he said, shifted needed resources and energy away from pressing domestic problems. He reminded viewers that his Government was not responsible for the conflict but rather inherited the "grave errors" the dispute had produced in the past.

In late 1978 Argentina and Chile nearly went to war over the disputed border region with Argentina. It sent body bags to its southern territory and at least one army general had specially made crystal glasses emblazoned with the legend "Santiago 1978." Soon after Pope John Paul II intervened to mediate between the two Roman Catholic countries.

Reaction yesterday to Alfonsin's speech appeared to be mixed. Former Foreign Minister Nicanor Costa Mendez, who served under President Leopoldo Galtieri during the Falklands war, said he disapproved of the referendum because "it is a method not established in the constitution."

Left-wing Peronist leader Sr Vicente Saadi, said he disagreed with reaching an agreement with Chile while the country is ruled by the military dictator Augusto Pinochet.

# BUENOS AIRES STILL WAITS FOR VERDICTS

The Telegraph 27/7/84

By TONY ALLEN-MILLS in Buenos Aires

**S**HORTLY before 8 a.m. each weekday a stream of elderly, distinguished-looking Argentines files into an imposing building in central Buenos Aires to spend the day pondering allegations of torture, murder, bungling, and cowardice.

They are the 20 members of the Supreme Council of the Armed Forces, which has the task of investigating and sentencing officers concerned in two bloody campaigns — first the "dirty war" against Leftist subversion in Argentina, then the invasion of the Falklands.

Gen. Leopoldo Galtieri, who as President of Argentina, authorised the Falklands invasion, faces a maximum sentence of death for "dereliction of duty" during the campaign, although few believe he will be executed.

Also in the hands of members of the military Supreme Council is the fate of another former President — Gen. Jorge Videla, who presided over the so-called "dirty war" — and of hundreds of officers linked to allegations of incompetence or brutality.

Although the Argentine military's transgressions have been minutely charted as the nation has turned from dictatorship to democracy during the last two years, few military criminals have actually been brought to justice.

## Campaign pledge

It was one of President Alfonsín's firmest campaign pledges during the elections last year that the military would be made to pay for the disgrace it had brought to Argentina. But seven months into his Presidency his supporters are still waiting for results.

The Supreme Council, which claimed the sole right to administer military justice, was controversially allowed to spearhead investigations into past military crimes.

Human rights campaigners bitterly complained that senior military officers could hardly be expected to deliver satisfactory verdicts against their brother generals, especially where cases of "disappeared" persons were concerned.

So far the Council has deflected the criticism by failing to deliver any verdicts at all. It continues to hear evidence from witnesses and com-

plainants, and its spokesman, Col Jorge Gonzalez, said: "We are under no kind of pressure."

But according to Government sources the day of reckoning is close for the officers whose warped sense of duty led to the deaths of more than 10,000 Argentines in the war against subversion.

There are also allegations of failings arising from the Falklands war which also cost Argentine lives.

## 'Slap on wrist' fear

The question now bothering most civilian politicians is: will the Council impose sentences to fit the crimes?

Many Argentines feel it is more likely that military punishments will amount to no more than a slap on the wrist, and that the Government may have to intervene.

The Supreme Council recently ordered Gen. Galtieri to be placed under "rigorous preventive arrest." This is an indication that he has been found guilty. But no definitive sentence has yet been handed down.

A further 15 senior officers who had responsibilities in the Falklands have to answer to the Council for their actions, among them Gen. Menendez, briefly the islands' "Governor," and Capt. Alfredo Astiz, who commanded Argentine troops in the South Georgia islands, and who has been linked with the use of torture during the "dirty war."

Argentine concern is focusing not so much on the Falklands as on the agonising problem of the "desaparecidos" — the many Argentines who vanished during the "dirty war."

Argentines ask if the Council will hold senior officers and the military juntas of the period responsible or whether they will just accuse captains, majors, and colonels involved in individual cases.

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## NEW FALKLANDS COMMANDER FAST BECOMES KNOWN

AN EARLY priority for the new Commander of British Forces in the Falklands, Major General Peter de la Billiere, has been meeting both the islanders and the men and women of his command.

The 50-year-old General is rapidly becoming a familiar figure on the islands — a novel experience after a career spent in the anonymity of the SAS.

Of his Command he has this to

say: "I think the thing that has impressed me above all else is the standard of training and morale that exists throughout the three services in the Falkland Islands. I am doubly impressed by the way the concept of joint services operates throughout all walks of life in this command."

One story that the General likes to tell is of visiting a Royal Navy-run cookhouse, being met by an

RAF staff sergeant who showed him a preparation bay where two soldiers were working and then introduced him to two cooks serving the evening meal who were from the Navy and the Army; customers were from all three services.

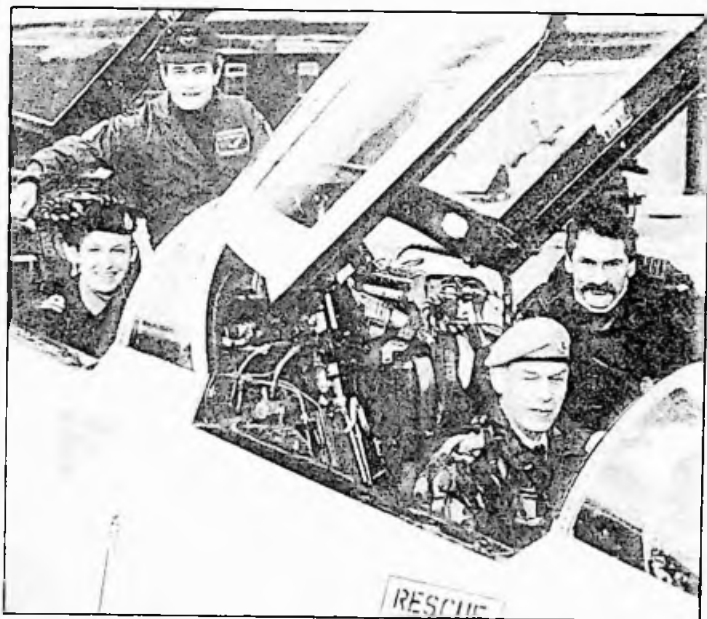
And to underline the inter-service cooperation in the Falklands the CBF has a Royal Navy ADC, Lieutenant Paul Ashcroft, RN.

Of the islanders he says: "We are their guests and it is vital to our presence here that we should have a very close association with the people both in Stanley and in the 'camp'. At present that relationship is quite outstandingly close.

"But there will have to be sustained effort by the Forces to maintain it as the high activity which followed the conflict draws further into the past."

Which is why General de la Billiere, sporting his sand-coloured SAS beret, is taking such an active lead in cementing even closer contacts with the islanders.

The General joined the SAS in 1956 and commanded 22 SAS before taking charge of the SAS Group, as a brigadier, in 1977. He held this post for six years. He was the SAS officer behind the establishment of the Counter Terrorist Force, used so dramatically to break the Iranian Embassy siege.



General de la Billiere is pictured here being shown over a Phantom at RAF Stanley by Wing Commander Geoffrey Brindle (40) who commands 23 Squadron. In the rear seat is the General's ADC, Lt Paul Ashcroft (25); he is being shown the cockpit by Squadron Leader Bob Crane (36), who is a flight commander.

## TESTING TIME ON HONGKONG

Sir Geoffrey Howe has set off for China amid signs that the negotiations on the future of Hongkong have reached a difficult stage. When the Foreign Secretary last visited the Far East three months ago, it looked as though an agreement on Hongkong was imminent. China had spelt out its plans for preserving Hongkong as an autonomous, self-governing region for at least fifty years after 1997 – the year the British-held lease on most of the territory expires. And the British Government had come round to the view that given China's assurances, the British administration of Hongkong could be brought to an end thirteen years hence in a manner acceptable to Parliament and at least tolerable to the people of Hongkong. All that remained, it seemed, was to draw up an agreement incorporating clear and specific provisions for maintaining Hongkong's present economic, political and legal system after 1997.

But since then the negotiations have run into trouble. The Chinese leader Mr Deng Xiaoping apparently prefers a general statement of principle, rather than an agreement in detail. No doubt he feels, along with most other people in China, that Hongkong is essentially China's internal affair, and not something to be agreed on with the British. Mr Deng has also complicated matters by propos-

ing a Sino-British commission based in Hongkong to oversee the transitional period between now and 1997 – a commission that could quickly undermine the effectiveness of the British administration there. Mr Deng seems to believe that having extracted significant concessions from the British side, he can now go farther and press for a settlement entirely on China's terms. Perhaps he is under the impression that Britain's interest in Hongkong is too slight for Mrs Thatcher and her government to resist. He will certainly have been encouraged to think this by the House of Commons debate on Hongkong in May, when MPs on both sides of the house seemed only too anxious to placate China in whatever way they could.

It is up to the Foreign Secretary to dispel any such impression as firmly as he can. As *The Times* has repeatedly argued, an agreement on Hongkong must include full and precise provisions for the future if it is to be of any use. Such an agreement would help keep Peking to its word, for the simple reason that the Chinese Communist Party has been much better about sticking to its international commitments than it has about keeping the promises it has made to its own people. It would also provide the minimum necessary reassurance to the population of Hongkong, and so be doing a

service not only to Hongkong but also to China.

That said, there is some reason to think that the differences now dividing the British and Chinese negotiating teams can be overcome. There are many ways of drawing up an agreement, and it should be possible to fit Britain's requirements into the framework favoured by China. A document to which detailed provisions are appended in the form of annexes could, for example, just about serve the British government's purpose. Similarly, Mr Deng's idea of a liaison commission need not be rejected out of hand. There will have to be some sort of liaison during the next thirteen years; and provided it takes place in say, Peking or Canton it will help smooth the way to Britain's withdrawal from Hongkong and thus be to the territory's advantage.

It is probably wrong to assume that Mr Deng is adamant and will remain so. He is in a strong position; but he needs to settle the Hongkong issue amicably, both as an earnest of his intentions towards Taiwan, and as proof that China's open-door policy towards the West works and is seen to work. As such he would be unwise to insist on getting his own way, and can surely be persuaded that it is in China's broader interest to come to terms. A breakdown in the talks would serve the interests of nobody.

# LITTLE HOPE FOR FALKLANDS BREAKTHROUGH

By TONY ALLEN-MILLS in Buenos Aires

AS diplomats from Britain, Argentina, Switzerland and Brazil yesterday sifted the debris of last week's abortive meeting on the Falklands, it was clear that further progress on the issue is highly unlikely before next year.

Argentine officials said that despite the rapid breakdown of the talks in Berne a second phase of discussions with Britain should be arranged.

The Brazilian government, which represents Argentine interests in Britain, offered to host fresh talks to break the sovereignty deadlock.

But diplomatic sources on both sides agreed the chances of progress had been severely dented by the failure to overcome the sovereignty hurdle in Berne despite months of careful preparation.

The next step is now likely to be a UN General Assembly debate in October or November a forum that in the past has tended to magnify the divisions between London and Buenos Aires, instead of reconciling them.

Meanwhile, British officials have been examining the breakdown for clues to Argentina's motives in killing the talks over an issue they knew Britain was not prepared to concede. The Swiss government, which laboured patiently for months to bring the two sides together, has stressed to Argentina that a wrangle over sovereignty would destroy the purpose of the talks — to agree on more practical areas of bi-lateral co-operation.

## Territorial wrangle

According to sources close to the negotiations, the Argentine withdrawal may have been prompted in the first instance by linguistic ambiguities in the translation of key words in Britain's statement that it was not prepared to discuss sovereignty.

But the underlying cause of the debacle is more likely to be related to President Alfonsín's domestic concerns such as discontent within the Argentine military and his efforts to settle

another long-running territorial wrangle, the Beagle Channel dispute with Chile.

Right-wing nationalists were outraged that Argentina should be talking to Britain at all, while Senor Alfonsín is trying to cement a controversial Beagle Agreement involving concessions to Chile that might further anger the patriotic Right.

British sources believe Argentina had little to gain by commencing the talks with the deliberate intention of sabotaging them. But President Alfonsín and other senior officials are thought to have been nervous enough about the talks to halt them at the slightest sign of difficulty—such as which Spanish word should be used to translate Britain's refusal to discuss sovereignty.

## Weak nerves

The suspicion that weak nerves were to blame for the breakdown has been reinforced by mollifying statements from Argentine officials during the last few days.

Senor Dante Caputo, Foreign Minister, said Argentina was committed to diplomacy as the only means of resolving the issue and wanted to make progress on practical matters.

He added that Buenos Aires was not immediately seeking "substantial negotiations" on the sovereignty question but merely an acknowledgement that the problem existed.

But London's position remained that the problem does not exist because the islands are British. Those familiar battle lines will be redrawn at the United Nations in the autumn and a further attempt to tackle practical problems may not get off the ground until next year.



The Times 25/7/84

## Argentina says Britain closed door

From Our Own Correspondent  
Washington

Señor Dante Caputo, the Argentine Foreign Minister, last night accused Britain of closing the door to dialogue over the Falkland Islands. He said that was the basic message he had delivered in talks with Mr George Shultz, the US Secretary of State.

Señor Caputo, speaking at the Argentine Embassy in Washington, said the problem in resolving the conflict diplomatically was that "we have a dilemma with respect to how to begin negotiations." Britain had said negotiations could not include the topic of sovereignty. Negotiations, for Argentina, must include the topic of sovereignty.

He said that Argentina had indicated on February 16 in a note to the British Government that as "a previous step" there should be a dialogue between the two countries with an open agenda for both. "The difference between negotiations and dialogue, I believe, is clear for all."

The Telegraph 25/7/84

## **ARGENTINES BLAMED FOR BREAKDOWN**

By **MICHAEL KALLENBACH**  
at the United Nations

**A** MESSAGE sent yesterday by Sir Geoffrey Howe, Foreign Secretary, to Senor Perez de Cuellar, United Nations secretary-general, blames Argentine diplomats for the latest breakdown in talks on the Falklands dispute.

Commenting on last week's talks in Berne, Sir Geoffrey accused the Argentines of not adhering to the agreed manner with which the sovereignty issue was to be dealt.

Britain's position had always been that the sovereignty question was not up for discussion, while Argentina maintained that any meeting with Britain was "meaningless" unless the sovereignty question was raised.

Sir Geoffrey said the British Government was "sad and frustrated" that Argentina had decided to "set aside this agreed basis"

McMillan-Scott Associates *Public Affairs*

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Daily Mail  
25th July 1984

## **Plea on Falklands**

**NEW YORK:** Britain and Argentina yesterday took the Falkland Islands dispute to United Nations Secretary-General Javier Perez de Cuellar.

Argentina's U.N. ambassador, has told Perez de Cuellar that the central point is sovereignty, and British unwillingness to discuss it makes a negotiated settlement impossible.

# Call for Hong Kong set guarantee for tense week to colony

By David Beresford

A report by the Conservative Party's Bow Group today calls on the Government to ignore China's September deadline for an agreement on the handover of Hong Kong.

The demand comes on the eve of departure of the Foreign Secretary, Sir Geoffrey Howe, for talks with the Chinese leaders in Peking and amid speculation that the Government may be considering a refusal to meet the deadline.

The Bow Group report, written by its political officers, Mr Nigel Waterson, argues that Britain owes its last substantial colony "an international treaty which guarantees them no less freedom, stability, and prosperity than they have now." On grounds of self interest alone Britain had to negotiate adequate safeguards for Hong Kong's inhabitants. There would be an exodus which would make those of the Ugandan Asians and Vietnamese boat people "seem insignificant."

"The Peking government are currently pressing quite hard for their September deadline," says Mr Waterson. "The British negotiators should tell them politely, but firmly that this is unrealistic, and that the discussions will go on as long as is necessary to produce a series of carefully worded and thoroughly detailed documents dealing with every aspect of life in Hong Kong after 1997."

*Hong Kong's future — Countdown to Communism? Bow Publications Ltd, £2.50 from 240, High Holborn, London W1.*

From Mary-Louise O'Callaghan in Peking

A tense week for Hong Kong begins today, with the nineteenth round of the Sino-British talks and the arrival of the Foreign Secretary, Sir Geoffrey Howe, in the colony on Thursday.

Sir Geoffrey will then go to Peking, where it is believed he will try to resolve the issues still holding up the final Sino-British agreement on the colony's future.

These are believed to include the joint monitoring committee proposed by the Chinese and some of the finer details of the agreement. China has said it will announce its plans for Hong Kong unilaterally if the negotiations are not concluded by September.

Earlier this month, Hong Kong reacted adversely to the proposal by Deng Xiaoping that a joint Sino-British committee to "oversee" the colony's administration until the 1997 changeover be established. Community leaders and the media in Hong Kong voiced concern that the committee could be used by China to interfere in the colony's administration prior to 1997, when Britain's lease over most of the territory is due to expire.

This concern over the committee and tumbling share prices in the colony is believed to have prompted the lightning visit by the Foreign Office Minister responsible for Hong Kong, Mr Richard Luce, 10 days ago.

While in Hong Kong, Mr Luce strongly rejected the possibility of a joint monitoring committee, reiterating the British position that it will remain responsible for Hong Kong until the official handover in 1997.

"We want to concentrate on the stability of Hong Kong before 1997, and here it is very important to reaffirm that it is very much the intention of the British Government to main-

tain responsibility for Hong Kong until 1997 — sole responsibility," Mr Luce said.

The Chinese negotiating team is also believed to favour a final agreement that is fairly loosely worded, leaving specific details to be worked out between now and 1997.

It is expected that Sir Geoffrey will be pushing for a more detailed agreement to ensure that confidence in the already beleaguered colony does not continue to decline before China resumes control.

He is expected to hold talks with his Chinese counterpart, Mr Wu Xueqian, and other senior Chinese officials, but the programme has not yet been finalised and no further details have been released by the British Embassy in Peking.

Expectations are growing, however, that Sir Geoffrey will make a statement on the negotiations — which up to now have been conducted in secret — most likely in Hong Kong, where he is stopping for one night on his return trip to London.

He last visited Peking in May, shortly before announcing in Hong Kong that Britain would relinquish both sovereignty and administrative control over Hong Kong in 1997.

The Howe visit, believed to have been planned for at least two weeks, follows recent moves to speed up the progress of the talks, which have now been held regularly for more than a year. The Chinese and British sides are now meeting every 10 days.

Last week, Sir Geoffrey announced plans to establish a special agency in Hong Kong to collect Hong Kong's reaction to the draft agreement expected in just over a month if the Chinese deadline of September is to be met. It is then believed that a final statement will be formally approved by the British Parliament and China's rubber-stamp National People's Congress.

## **Argentina puts debts crisis on Shultz agenda**

**From Mohsin Ali  
Washington**

Señor Dante Caputo, Argentina's Foreign Minister, has arrived here for talks with Mr George Shultz, the US Secretary of State, on bilateral relations, Central American questions and international economic and debt problems.

Señor Caputo discussed the Falklands dispute and other international developments with Señor Perez De Cuéllar, the United Nations Secretary-General, in New York on Sunday evening before coming here.

A spokesman for the Argentine Mission to the UN said that discussions were of a general nature in the wake of the quick breakdown of the Falklands talks between Argentina and Britain in Bern, Switzerland, last week.



# INVESTORS IN HONGKONG SEE BLEAK FUTURE

By HUGH DAVIES in Hong Kong

**L**AND in Bermuda, a "prime site" on a boulevard in Encing, California, tracts of territory in Western Australia, and cosy £120,000 flats in Fulham, were being offered for sale in Hongkong Press advertisements yesterday.

One of the colony's best-selling books claimed to reveal the easiest way to obtain a passport to Canada.

The race is on to capture investors who see their future growing bleaker by the day.

The negotiations are entering their most nerve-racking period. Sir Geoffrey Howe, Foreign Secretary, visits China later this week to impress on Wu Xueqian, his opposite number, the need for Peking to add much more detail of its plans to the wording of the pact.

## Good intentions

This, it is felt, is vital to convince Parliament of the Communist regime's good intentions.

However, Teng Hsiao-ping, China's most powerful politician, is about to turn 80 and is thought to be in no mood to back down in the Hongkong talks which he need never have entered.

He is deaf in one ear and is said to be working only three hours a day. His most recent remarks have indicated that he is becoming increasingly impatient at the lack of progress.

Teng recently reminded one set of Hongkong visitors that he had warned Mrs Thatcher that unrest in the colony could force China's hand and speed the takeover. He stressed that a draft agreement would have to be produced by September, the deadline set by Peking some time ago. However, he seems sure that this would be no problem.

Even Macau, where a firm has been trying to lure businessmen with the bait of possible Portuguese citizen-

ship, is now being openly targeted by the Chinese as their next stop after Hongkong in the reunification of "the motherland."

Another crucial moment in the 1997 talks is approaching with Britain deliberately moving into collision course with China after talking of "intractable problems," a phrase well-known in business circles in Peking where foreigners know just how difficult the talks must be.

## Wider circle

Britain appears to accept that this date is set in stone and Teng cannot lose face. Interestingly, two more names have reportedly been added by Teng to the list of authoritative spokesmen in Peking on the issue of Hongkong, indicating that the leader is now consulting a wider circle of advisers.

Teng announced the list after publicly criticising Huang Hua, former Foreign Minister, and Geng Biao, ex-Defence Minister, for talking "rubbish about China not sending troops to the territory after sovereignty was handed over."

He named himself, the Prime Minister, Foreign Minister and Ji Pengfei, head of the Hongkong and Macau Office, as the only men allowed to speak on China's behalf.

But, according to Chinese sources, President Li Xiannian, head of State, is now able to speak about the territory, as well as Peng Zhen, 82, head of the National People's Congress, with whom Teng is said to have clashed on ideological grounds in recent weeks.

## U.N. joins talks on Falklands

By MICHAEL KALLENBACH

Our United Nations  
Correspondent

SEÑOR PEREZ DE CUELLAR, United Nations Secretary-General, last night again found himself in the centre of sovereignty talks over the dispute on the Falklands between Britain and Argentina.

The Argentine Foreign Minister, Señor Dante Caputo, in New York for a private visit before going to Washington later today, called the Secretary-General to brief him on the breakdown of talks between his government and Britain last week. He asked the Secretary-General to intervene in the dispute over the key issue of sovereignty.

The meeting between them was only their second since President Alfonsín was elected to power during elections in Argentina last December.

### Steadfast position

Their meeting comes in the wake of the failed talks in Berne, Switzerland, which were the first direct ones between the two countries since they severed relations as a result of the Falklands war in 1982.

Argentina has taken a steadfast position that it was ready to resume negotiations with Britain but has said they would be "meaningless" unless they included the sovereignty issue.

However, Argentine diplomats at the United Nations have privately stressed that they were more optimistic about the Switzerland talks indicating that it would be preferable to talk about the issues of mutual agreement rather than those on which the two governments disagreed.

### Minimal role

Yesterday, a senior Argentine diplomat at the United Nations, Señor Ricardo Lagorio, said that the meeting between the Secretary-General and Señor Caputo was arranged "at the last minute" so as to give the Argentine Foreign Minister a chance to bring the Secretary-General closer to the talks in Switzerland.

Although Britain has been reluctant to get the United Nations involved in negotiations concerning the islands, it appeared that last week's talks in Switzerland again underlined the minimal role that the UN can play in resolving the dispute.

However, the Secretary-General has a mandate from the General Assembly to bring the two parties back to the negotiating table although so far this year he has done little publicly to show his hand if at all he has any ideas up his sleeve.

Sr Caputo said he would not comment on his talks with Sr Perez de Cuellar until he had met with the U.S. Secretary of State, Mr Shultz, in Washington today. He will return to Buenos Aires tomorrow.

# Chile deal made Argentina take hard line in talks

by IAN MATHER, Defence Correspondent

A MAJOR concession by Argentina to Chile over the long-running Beagle Channel dispute led directly to last week's abrupt collapse of negotiations with Britain.

In a move strongly criticised by right-wing opponents, President Raúl Alfonsín's Government is to offer Chile right of access into the Atlantic through the channel.

The gesture is too 'soft' for the leader of the Argentine team in the Beagle Channel talks. He resigned on Thursday, when the Argentines and British were meeting in Switzerland.

It appears that the Alfonsín Government decided at the last moment to adopt a hardline on talks with Britain to mollify critics of its policy towards Chile.

Evidence that Argentina was getting what one British diplomat at the talks described as 'increasingly cold feet' was revealed by Argentina postponing the talks with Britain four times during the past three weeks of preparation. Only one postponement appeared legitimate. A split in Argentina between those eager to improve relations with Britain, headed by Foreign Minister Dante Caputo, a Sorbonne-educated sociologist, and conservative elements headed by Peronists in the Senate, where Alfonsín does not have a majority, also appears to have been a factor.

In the British view the talks broke down because the Argentine delegation failed to observe ground rules negotiated through Swiss and Brazilian intermediaries.

They were that Argentina would raise the sovereignty of the Falkland Islands. Britain would refuse to discuss it, and the two sides would then get down to practical ways of improving relations.

The preparations were so detailed that the precise wording of the gloss each side would put on its public statements afterwards was laid down. At first the British were going to announce that they had refused

relations and progress towards sovereignty.

During a one and a half hour formal session after dinner the Argentine delegation, having raised the sovereignty issue, then refused to pass on to other business.

On Thursday, Mr David Thomas, head of the British delegation, presented six points which it had been agreed would form the substance of discussions.

These were: a comprehensive restoration of commercial relations; the lifting of discriminatory measures; freedom of access for shipping; the return of the Argentine dead from the Falklands (or a visit to the graves by close relatives); gradual restoration of cultural, scientific and sporting contacts, and an enlargement of the commercial and consular departments of the British Interests section of the Swiss Embassy in Buenos Aires.

Argentina did not even raise three further points it had been agreed should be discussed at its request: the 'fortification of the Malvinas' through the building of a 'strategic airport'; lifting of the maritime 'protection zone' of 150 miles, and guarantees that no British nuclear weapons would be taken into the area.

Just before mid-day, the Swiss chairman, Edouard Brunner, who worked most of the night to bridge the gap, gave up and the talks ended.

The Whitehall view is that while Britain and Argentina have at least negotiated face to face for the first time, the breakdown is serious and there is no immediate prospect of a resumption.



**RAÚL ALFONSÍN :**  
Mollifying his critics.

to discuss sovereignty. After much haggling it was agreed the British would say they had been *not prepared* to discuss the subject, implying a slightly less definite refusal.

But when the 14 senior officials, four from Britain, Argentina, and Switzerland and two from Brazil, sat down for the opening dinner at the five-star Schweitzerhof Hotel in Berne on Wednesday it became clear that the Argentines were about to insist on direct 'linkage' between normalisation of

The Sunday Times 22/7/84

## Alfonsin's missile pact

by Antony Terry

ARGENTINA'S decision to develop a sophisticated missile capable of inflicting extensive damage on the Falkland Islands is said to be part of a new agreement between the socialist government of President Raul Alfonsin and the military.

Under the deal, the army agrees not to sponsor an attempted coup in return for substantial government funding of military gadgetry. The development of the El Condor missile, reported in The Sunday Times last week, is included.

Guillermo Makin, an Argentinian researcher at Cambridge, confirms this. He said last week that the Condor programme ties in with Alfonsin's plan for a complex reorganisation of Argentinian forces.

McMillan-Scott Associates *Public Affairs*

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# Stop airfield, Argentina demanded

By Our Diplomatic Correspondent

ARGENTINA was seeking Britain's agreement to stop building the £215 million airport at Mount Pleasant on the Falklands and abandon the 150-mile protection zone around the islands at the abortive peace talks in Berne last week.

President Alfonsín's Government had given advance warning to the Foreign Office that installation of the airport to take long distance jets was regarded in Buenos Aires as a "warlike measure".

The project was as unacceptable as the naval zone, which is still being patrolled by British warships, Phantom fighter bombers and reconnaissance aircraft.

It was disclosed in London yesterday that a third condition to be put forward by Argentina was that Britain must give guarantees not to introduce nuclear weapons in the Falklands region.

The three Argentine proposals for discussion were to be added to a six-point plan outlined at Berne by Dr David Thomas, Under Secretary for American Affairs.

The British suggestions were: resumption of normal economic and commercial relations between Britain and Argentina; freedom of access to Argentine ports for British ships; re-establishment of communications and air links; cultural, scientific and sporting contacts; restoration of a consular service; repatriation of Argentine war dead and a visit by relatives to Argentine graves on the islands.

An attempt to restart talks on all the points is not likely for several months after the breakdown in Berne over Argentina's refusal to shelve the issue of sovereignty.

Sir Geoffrey Howe, Foreign Secretary, told the Commons on Friday of the "regret and frustration" that after months of preparation, Argentina had failed to proceed with the talks.

In Whitehall's eyes, the Buenos Aires leadership caught an attack of cold feet just before the discussions in Berne and reneged on a carefully-constructed agreed formula.

It had been understood that Argentina would make a statement in Berne and then announce that she had raised sovereignty at the talks. Britain would reply that Mrs Thatcher's Government was not prepared to discuss this. The negotiations would pass on to other topics.

The Berne meeting began only after four postponements requested by Argentina in the past few weeks. At the opening dinner and discussion in a hotel private room, Senor Marcello Delpech, suddenly declared that the Argentine delegation wished to establish a "certain and sure mechanism" for addressing the question of sovereignty.

So long as there was no serious formula worked out to deal with sovereignty, Argentina could not discuss any of the six points raised by Britain.

Informed sources in Berne said yesterday that in the contacts with Britain over the last few months, President Alfonsín indicated that he would declare a formal end to hostilities in the South Atlantic in exchange for abandonment of the British protection zone.



# Howe accuses Argentina of reneging on talks deal

By Julia Langdon,  
Political Correspondent

The Foreign Secretary, Sir Geoffrey Howe, yesterday accused Argentina of breaking the basis of agreement for the Bern talks on restoring normal relations with Britain in the wake of the Falklands war.

He told MPs in a Commons statement that the talks broke down because the Argentine representatives insisted that any discussion in Bern between Britain and Argentina must be linked to the question of sovereignty.

"This was totally at variance with the agreed basis," Sir

Geoffrey said. He explained in great detail the negotiated arrangements which had taken place before the talks started this week to ensure that they did not immediately founder on British refusal to discuss sovereignty of the islands.

It had been accepted that both sides would set out their respective positions. It was thus understood that Argentina would raise the subject of sovereignty, Britain would refuse to discuss it, and the talks would move immediately on to other practical issues of common concern. The Foreign Secretary pointed out that the Swiss government, acting as in-

termediaries, had confirmed the arrangement.

Sir Geoffrey said that normal relations were plainly in the interests of Britain, Argentina and the Falkland islanders. Practical issues raised by Britain at the talks included resumption of normal commercial and financial relations, restoration of the air services agreement between Britain and Argentina, and arrangements for a visit by Argentine next-of-kin to Falklands war graves. On all these subjects, there was some prospect of agreement.

Mr Denis Healey, shadow Foreign Secretary, suggested

that the talks had come to grief because the British had dropped the key word "yet" from the phrase on Britain's refusal to discuss sovereignty.

Sir Geoffrey denied this. "The Government was seeking, upon the basis of the plainly stated position that we are not prepared to negotiate sovereignty to find a basis on which we could move towards normal relations."

In Bern yesterday, the Swiss chairman of the talks disagreed with official announcements by both governments that they ended in failure. "The meeting had never been planned to be more than an

initial contact," said Mr Edouard Brunner. "There is no question of a break-up."

However, no date for a possible second round has been fixed," he added.

*Jeremy Morgan adds from Buenos Aires:* Argentina's foreign minister, Mr Dante Caputo, speaking to the lower house of the Argentine Congress, accused Britain of having "broken the rules of the game."

He said Britain's representatives had "effectively altered" informal accords reached between the two governments before the talks got under way.

The Argentine government went to considerable lengths to show its surprise and disappointment at British insistence that sovereignty could not be included in the "open agenda" at this early stage. But its surprise may not have been quite as total as it seemed, a diplomatic source said.

He suggested that the Argentines were hoping to raise the Falklands issue for the third year running at the United Nations general assembly later this year. The UN has long backed Argentina's case that negotiations over

"decolonisation" of the Falklands should begin.

Mr Caputo claimed that the breakdown of the Bern talks showed "Britain's inflexibility and the Argentine government's willingness for dialogue." Argentine officials privately conceded that this week's events had demonstrated the two countries' positions over the sovereignty issue.

Mr Caputo stressed that for his government to accept any negotiation where sovereignty was not raised "would provide a most dangerous precedent that could jeopardise our country's sovereign claim."

# FALKLANDS WAR OF WORDS

By ROBIN GEDYE  
Diplomatic Staff

**VERBAL** warfare between Britain and Argentina broke out yesterday over the collapse of talks on the Falklands. Argentina said it would appeal to the United Nations for a resolution urging negotiations on sovereignty.

Sir Geoffrey Howe, Foreign Secretary, blamed Argentina for forcing the collapse of talks in Berne by breaking an agreement not to pursue the sovereignty question.

"This basis was plainly agreed and clearly understood by the Argentine government. This arrangement was also confirmed by the Swiss government," he said.

But Sir Geoffrey said that in Berne, Argentina argued that talks on practical issues had to be linked to discussion of how to address the sovereignty issue.

"This was totally at variance with the agreed basis and the talks thus came to end," Sir Geoffrey said.

## Broken agreement

Senor Dante Caputo, Argentine Foreign Minister, insisted during a speech to Congress in Buenos Aires, that talks had collapsed because Britain broke an agreement for an open agenda.

He said Argentina would not have gone to the meeting if it had known Britain would not accept discussions on sovereignty and that the United Nations would now be approached to urge negotiations on the issue.

Mr Brunner, the Swiss Secretary of State who chaired the meetings, said that they had lasted for 15 hours, continuing until early Friday morning.

"They wanted to talk to each other, but they wanted to talk about different things," he said.

He stressed that negotiations through diplomatic channels would continue using Switzerland as Britain's intermediary and Brazil as Argentina's.

## POLITICAL MOVE

### 'Strength of purpose'

President Alfonsín yesterday accused Britain of arrogance for refusing to discuss sovereignty over the Falklands. "This arrogance is not important. The resolve of the Argentines will be more important than any other force," he said.

The English-language **BUENOS AIRES HERALD** said the government's decision to enter into talks and stall when the British reacted as they had always said they would, could have been "a feint designed to impress public opinion with its strength of purpose." — A.P. Reuter.

The Times 21/7/84

# UK and Argentina blame each other

By Our Foreign Staff

Britain and Argentina yesterday blamed each other for diverging from agreed arrangements and causing the breakdown of the first direct talks between the two countries since the Falkland Islands conflict in 1982.

Britain said the talks in Berne on Thursday broke down because the Argentines tried to link discussions on practical issues for normalizing relations with discussions on sovereignty. They had known that that was unacceptable to Britain.

But leading officials in the Argentine Foreign Ministry blamed the British representatives for changing just one word in a planned joint communiqué.

The officials said the two sides had agreed beforehand that when Argentina raised its claim to sovereignty, the British delegation would respond by saying: "We are not ready to discuss sovereignty", or its Spanish equivalent: "*No estamos en condiciones de discutir*".

This formula would have allowed Argentina to claim that it had included the issue of sovereignty in the open-agenda talks. Britain, on the other hand, would have been able to claim that sovereignty was not discussed, and both delegations would have gone on to more manageable aspects of the dispute.

But Argentine diplomats claimed that the British delegation changed the agreed wording to state that Britain was "not prepared to discuss sovereignty", which in Spanish was translated into the much less flexible phrase: "*No estamos dispuestos a discutir*".

British sources asserted that the breakdown had nothing to do with forms of words but everything to do with the Argentina's looking for a means of linking the question of sovereignty with discussions of practical issues.

Sir Geoffrey Howe, the Foreign Secretary, spoke of his "regret and frustration that after months of careful preparation the Argentine Government brought the talks to an abrupt and premature end by failing to proceed upon the basis that had been clearly agreed".

● Britain's trade with Argentina since the Falklands war has continued at a much higher level than official statistics suggest. British companies have been shipping goods via third countries, with identifying marks on machinery and equipment removed in trade that has possibly reached as much as £4m a month. Both Governments know that this hidden trade exists.

Debt doubt, page 17

Daily Mail  
21st July 1984

## **Falklands trade was on agenda**

BRITAIN would have been prepared to restore trading links with Argentina in the Falklands talks which broke down on Thursday.

We would also have welcomed a new air services agreement and would have been prepared to permit visits by relatives of Argentine soldiers killed in the Falklands.

Foreign Secretary Sir Geoffrey Howe told MPs yesterday of his regret at the breakdown but confirmed there was no question of Britain being prepared to discuss sovereignty, the issue which led to the Argentines' walk-out.

# The long and the short of it

It has taken two long years for Britain and Argentina to say a direct, civil word to each other: and perhaps — amid yesterday's instant bath of confusion — both sides have lost the knack. Even with the Swiss and Brazilians playing Acas guide dogs, the basic problem of whether sovereignty was or wasn't on the agenda — an implicit understanding underpinning any talks — seems to have got stuck up front and tugged at the foundations. That betokens some pretty soggy diplomacy somewhere along the line. It also seems to blow away brief hopes that something modestly fruitful might emerge from Bern: the lifting of our total exclusion zone, perhaps; public admission from Buenos Aires of the overwhelming private truth that Senor Alfonsin doesn't want to start another war; and the beginning of more quiet chats. All of that, because it was long overdue, looked simple commonsense. But it was not, of course, an end in itself, and everyone (from Mrs Margaret Thatcher down) must have been terribly deluded if they supposed so. Britain and Argentina have been ratcheting away over Falklands sovereignty for decades. Time and again the Foreign Office (and the Treasury) have sought to edge towards a deal which makes geographical and economic sense; and time and again they have bumped their heads on the unwillingness of the islanders (and their Westminster champions) to sanction any such process. General Galtieri lost patience in 1982, and paid for it in blood and humiliation. But one lost war, in the essential nature of such mystic territorial disputes, does not signify the end of the story; nor erase the decades when the British government rationally concluded that it didn't want the burden of the Falklands and tried, nervelessly, to give the tiny outcrops away. One military victory doesn't make that sort of world fresh again for all time. To the contrary, on any thoughtful time-scale, it has increased the eventual pressure — the sheer, grinding cost — on Britain to achieve some ultimate accommodation.

We can hang on to our Fortress, of course, for as long as we have the cash and the resolve. But when even Mr Heseltine has finished his rationalisation at the MoD, when the entire infrastructure of defence strategy is run by a junior clerk from a telephone box just off Whitehall, there will still come a day within two or three years when the bedrock of British defence policy — in Europe, the North Atlantic, and in nuclear strike capability — can't be afforded; when costly peripherals, like the Falklands, will become desperate embarrassments. So we must be clear if we truly wish any new start. Argentina is not run, for the moment, by a "fascist dictatorship." It is run by a benign and beset social democrat. Argentina, in this manifestation, does not remotely wish to take the Falklands by storm. On the contrary, it seeks some very long term arrangement which leaves the Falklanders living as they have always done and which, simultaneously, takes the patriotic heat out of an issue which has for so long warped Argentine domestic politics. The Swiss and Brazilians in Bern, one may guess, must think Senor Alfonsin entirely sensible in his aspirations. So will any relevant wider forum, like the UN. And one thing, over time, must lead to another.

Our Foreign Office chaps, of course, have their instructions. If they stray too far, Mrs Thatcher will cut off their tongues. But the Prime Minister's political mortality has been well underlined by recent banana crops: and we are dealing here with longer range inevitabilities. It would be good — because in the end, summoning up some courage, it will be essential — if the British government could bring itself to talk openly and honestly to the Falkland islanders: the grit in any gentle process. That is what we promised two years ago. Instead, though, we have merely piled in the armaments and promises, disguising the long term inevitabilities in a welter of short-term expenditure. So starting to talk to the Argentines was, in a sense, always putting the cart before the horse. If the islanders are thought to have an eventual veto, there is no point in setting out to remove barriers between our London and Buenos Aires which are essentially straddled across one long, stretching road. Any talks, of course, are better than none in this impasse. It would be cheering if Bern, merely "interrupted," yielded something; indeed, anything. And the imperatives for dialogue remain. But the real starting point for fruitful progress remains where it has always been: Westminster, where the options for the Falklands must be decided, and where the choice of enduring options has to be made.

# Falklands talks founder amid anger

By Patrick Keatley,  
Diplomatic Correspondent

Top-level talks between Britain and Argentina over the Falklands broke down in the Swiss capital, Bern yesterday, no prospect of resumption.

Both sides last night issued angry statements blaming each other and Brazil, which worked in secret for eight months to set up the talks, despaired of finding any formula to rescue them.

The issue that brought everything crashing down was, inevitably, sovereignty. Britain says it had been agreed in advance that if this came up the

## Leader comment, page 12

British negotiators would simply ignore it and move on to practical issues such as trade, transport, and the resumption of diplomatic relations.

An angry Foreign Secretary said last night: "The talks between Britain and Argentina in Bern have now ended because the Argentines were not prepared to continue them on the basis plainly agreed in advance through the Swiss Government."

Sir Geoffrey Howe said the British Government had consistently made it clear that it was not prepared to discuss the question of sovereignty over the Falklands.

But Argentina takes the view that sovereignty could not be ignored, as a matter of national pride, and that talks on any other basis are unacceptable. The Argentines, therefore, walked out and the signs are that they do not intend to return.

The Swiss chairman, Mr Edouard Brunner, earlier seemed determined to maintain the fiction that the talks had not collapsed, and that there were still hopes of a resumption. The Brazilians also hinted at the possibility of "proximity talks," in which the two sides need not meet but would be in the same building. But, late last night, all this looked like unjustified optimism.

It is too soon to determine if it is worthwhile keeping the four-man British team in Bern. Today would have been the second day of the first government-level talks since the Falklands war, with a third to follow, if necessary.

Jeremy Morgan adds from Buenos Aires: In a statement earlier, the Argentine Government said it had "interrupted" the talks because the agenda did not include sovereignty.

Argentina's three-man team had left the talks because of British intransigence over the issue, the Foreign Minister, Mr Dante Caputo, said.

The Foreign Ministry said  
Turn to back page, col. 1

## Falklands talks fail

Continued from page one

its officials had restated Argentina's "sovereign rights" over the islands when the talks began, but that the British had refused to discuss the issue.

The agenda could not exclude the question of sovereignty, since this was "at the base of the controversy with the United Kingdom," it added.

Resolution of the sovereignty question had to be included in any serious and responsible discussions aimed at finding a Falklands solution, officials said.

The hard line adopted once

the sovereignty snag was hit was seen as an attempt by the Government to recover political ground lost at home by agreeing to the talks in the first place.

Official sources said the collapse of the talks had been brought about by a last-minute change by the British in the wording of a document being prepared during the talks.

It was said that the Argentines had been led to believe that Britain was willing to say it was "not yet" prepared to discuss sovereignty, but that when the text was being drafted the word "yet" had been removed.



## ARGENTINE ANTICS

ARGENTINA'S APPARENT SABOTAGE of the direct talks with a Foreign Office team in Bern is both foolish and unnecessary, and raises serious questions about the credibility, and possibly even the stability, of President RAUL ALFONSIN's seven-month-old Government. Britain went into what had been seen as modest, relaxed and secret negotiations believing that an acceptable mechanism had been devised which would prevent a squabble over the vexed issue of Argentina's claim to sovereignty over the Falkland Islands. The talks could not have been envisaged in any other way: a "sell-out" by either side was never on the cards. As far as London was concerned the talks were certainly not about the Falklands but about finding ways to "normalise" relations after the traumatic events of only two years ago. As such they were a significant breakthrough, and, some might say, not before time.

Senor ALFONSIN has been talking about Britain's "extraordinary arrogance," and its "anachronistic colonialism"—the sort of tired and familiar rhetoric that has done nothing to help thaw relations. However it is not difficult to grasp that Argentina's newly-restored democracy remains a fragile plant. Up to his neck in debts and desperate for a domestic consensus to safeguard his chances of staying in office for his full six-year term, Senor ALFONSIN has had to deal firmly both with his edgy and largely discredited generals and push ahead with investigations into human rights abuses, and also to flirt with the still-powerful Peronists and their allies.

Britain is rightly in favour of restoring the fullest diplomatic, commercial and cultural ties with Senor ALFONSIN's Government, as well as making a start on settling a whole range of peripheral bits and pieces such as the Argentine war graves. The talks in Switzerland should have been a good start, and it is hoped that conversations will continue through the protecting Powers.

## TALKS WITH ARGENTINA BREAK DOWN

By Our Diplomatic Staff  
**T**ALKS between Britain and Argentina in Berne, Switzerland broke down last night over the issue of Falkland Islands sovereignty.

Sir Geoffrey Howe, Foreign Secretary, claimed that the collapse came after the Argentine delegation reneged on an agreement to bypass the sovereignty question so that the two teams could get down to practical points in the talks, which began on Wednesday.

### Matter of regret

The talks had now ended because the Argentine were not prepared to continue them on the basis plainly agreed in advance through the Swiss Government. The British side had complied scrupulously with the understanding.

"It is a matter of great regret, that, after months of negotiations to find a neutrally acceptable basis for talks, the Argentine Government were not prepared to respect that basis."

Editorial Comment—P18

# Argentina talks break down over sovereignty

By Robert Graham in London and  
Anthony McDermott in Berne

THE FIRST DIRECT diplomatic contacts between Britain and Argentina in two years collapsed last night in Berne amid mutual recriminations. The talks were aimed at normalising relations broken off when Argentina invaded the Falkland Islands in 1982.

Discussions lasted less than 24 hours. They broke down on the vexed issue of sovereignty over the Falkland Islands—the crux of Britain's dispute with Argentina.

Sir Geoffrey Howe, the Foreign Secretary, was asked on television last night about the future status of the discussions. "I think we shall have to reflect for some time," he replied.

Sir Geoffrey blamed the Argentines for failing to respect the original basis of the agreement for the talks. The Argentines, meanwhile, called the talks meaningless for failing to envisage discussions of sovereignty over the islands.

The negotiations, conducted by senior diplomats, were the result of seven months of laborious diplomatic contacts through Switzerland and Brazil, which represent direct diplomatic relations.

Swiss diplomats made desperate efforts to keep the two sides talking, but were unable to bridge the gap. The talks began on Wednesday with an informal dinner and yesterday's break-down came as a surprise.

Both sides went into the meeting encouraged in the belief that progress could be made towards normalising diplomatic and commercial relations. As a minimum, it had been hoped to end the talks with an agreement on lifting trade restrictions between the two countries.

Britain said it had arranged with Argentina in advance how to get round the question of sovereignty over the Falklands. Argentina could raise the issue if it wished but Britain would not discuss it. Talks would then go on to cover practical measures for normalising bilateral relations.

The row yesterday arose over the drafting of a document in which Argentina sought to have included the phrase: "The British representatives are not prepared yet to analyse the sovereignty question." British representatives refused to allow the word "yet" since this clearly implied discussion of sovereignty at a future date both by Argentina and Britain. As a result of this, the Argentine representatives said the talks were meaningless and moved to break them off.

The Swiss diplomats, embarrassed as hosts by the prospect of failure exerted considerable pressure for the talks to resume. But late yesterday they were unable to make the Argentines budge.

Diplomats closely connected with the talks said last night that an early resumption of talks would now be difficult. The two sides appear to have made little progress in bridging the huge gap between them.

The Financial Times 20/7/84

## WORLD NEWS

### Talks with Argentina break down

The first diplomatic talks between Britain and Argentina since the Falklands war broke down in Berne last night.

The discussions, aimed at normalising relations, lasted less than 24 hours before the issue of sovereignty over the Falklands disrupted them.

Foreign Secretary Sir Geoffrey Howe blamed the Argentines for not respecting the original basis of the talks—that if Argentina mentioned sovereignty, Britain would refuse to discuss it. Argentina said this refusal made the talks meaningless. **Back Page**

The Times 20/7/84

# Muted response to reform proposals for Hongkong

From David Bonavia  
Hongkong

The Hongkong Government's proposals for gradual democratization of the territory's administration have received a muted response from public figures here and from the official media in Peking.

The New China news agency, Peking's main political representative in Hongkong, said that the Green Paper, which proposed more public participation in the territory's administration, placed no obligation on the Chinese side because it was drafted by the British side.

Mr Dennis Bray, acting Chief Secretary, said that a British proposal to establish a monitoring body, to test public reaction to the results of the Anglo-Chinese negotiations, would make it possible to throw out any agreement which was



Sir Geoffrey Howe:  
Expected in Peking.

unacceptable to the people of the territory, 99 per cent of whom are Chinese. He did not however expect this to happen.

It is believed that Peking, which was given a copy of the Green Paper before publication, is pondering how the widening

of the electoral process would affect almost six million people of Hongkong and their attitude to becoming a "special administrative region" of China after the expiry of the New Territories' lease in 1997.

The current proposals would institute an electoral college to choose candidates for the legislative council and reduce the number of official members. The Governor would, however, retain full executive powers, at least until the 1990s.

Sir Geoffrey Howe, the Foreign Secretary, is expected here next week on his way to Peking for discussions on Hongkong. Among the most difficult problems is China's demand for a joint Anglo-Chinese commission to sit in, Hongkong and monitor changes in political and administrative bodies before the transfer of sovereignty.

## Fear for Hongkong deal

By Henry Stanhope, Diplomatic Correspondent

Secret contingency plans have been drawn up in Whitehall in case the Peking talks between Britain and China over the future of Hongkong end in failure.

Sir Geoffrey Howe, the Foreign Secretary, is flying to Hongkong and Peking on Wednesday for urgent talks in an attempt to find a way past a number of intractable issues.

But there are signs of alarm in Whitehall that, with just over two months before the Chinese deadline for an agreement at the end of September, failure is now a very real possibility.

British delegates, led by Sir Richard Evans, the ambassador in Peking, are said to be racing against time to find a settlement.

Muted response, page 4

# Argentine fury ends Falkland talks

By Henry Stanhope  
Diplomatic Correspondent

The Anglo-Argentine talks in Switzerland over the future of the Falkland Islands have broken down less than 24 hours since they began. Sir Geoffrey Howe, the Foreign Secretary, said last night that it was a matter of "great regret".

His statement ended several hours of speculation after an angry claim from Señor Dante Caputo, the Argentine Foreign Minister - later denied by its Foreign Ministry - that his delegation had broken off the negotiations in Berne because of British "intransigence".

For a time confusion reigned as the British Embassy in Berne referred all inquiries about the talks to the Foreign Office in London, which passed them back to the Swiss Foreign Ministry, which was providing a chairman for the talks.

The Swiss first said that the negotiations had been "interrupted" but were now continuing, and there was even references to a second round of negotiations at a later date in Brazil.

Sir Geoffrey's statement made it clear that the talks had broken down over Argentine insistence on discussing sovereignty of the islands, the subject Britain had ruled off the agenda.

Sir Geoffrey said: "The British Government have consistently made it clear that they are not prepared to discuss with the Argentines the sovereignty question."

"But against this background the British Government have taken a position of opening talks in order to move towards a more constructive relationship."

"Exchanges have been going on over a long period to set up these talks. They have now ended because the Argentines were not prepared to continue them on the basis plainly agreed in advance through the Swiss Government."

The talks, the first direct contact between the two governments since the Falklands War two years ago, broke down when the Argentine representative insisted that the discussion of normalizing relations should be linked to the issue of sovereignty, Sir Geoffrey said.

# Secret peace talks

Daily Express  
19.7.84



President Alfonsín: Under pressure

## On Falklands Britain and Argentina meet in a Swiss city

By MICHAEL EVANS  
Diplomatic Correspondent

SECRET negotiations began between Britain and Argentina last night to try to end tension in the Falkland Islands.

The meeting, in Berne, Switzerland, was the first between the two countries since the end of the South Atlantic war more than two years ago.

But Britain made it clear that there should be no discussion about sovereignty of the still disputed islands.

The Argentines apparently agreed, although it is believed they pressed hard for Britain to lift the 150-mile protection zone.

The meeting, attended by top officials, followed months of messages between the two countries. They were passed via the Swiss, acting for British interests, and the Brazilians for the Argentines.

Because Argentina has refused to end hostilities formally, Britain has been forced to maintain 4,000 troops on the Falklands on a high state of alert.

### Hopeful

Premier Mrs Thatcher is hopeful that this first meeting will pave the way to the resumption of normal diplomatic relations.

Argentina's civilian leader President Raul Alfonsín, is still pledged to achieve sovereignty of the Falklands, but has apparently given way to diplomatic pressure to put this issue on one side for the moment.

At a meeting over dinner last night the British delegation led by top Foreign Office diplomat David Thomas and the British Ambassador in Berne, Mr John Powell-Jones. The Argentine team was headed by Marcelo Delpech, senior Under Secretary at the Buenos Aires Foreign Ministry.

Daily Star  
19.7.84

### FALKLANDS TALKS OPEN

BRITAIN broke the deadlock with Argentina over the future of the Falklands last night when secret high-level talks started in Switzerland.

Top officials from both countries discussed the prospect of Britain lifting a 150-mile protection zone around the islands.

The Gaurdian  
19th July 1984  
**Argentines claim sovereignty**  
**will be on discussion agenda**

THE FIRST oil-prospecting licence in the history of the Falkland Islands was granted by the Civil Commissioner, Sir Rex Hunt, yesterday to Firstland Oil and Gas, a company which has operated in the Texas and Oklahoma oilfields since 1981. Firstland's chairman, Mr Paul Beck, said in the Falkland's capital Port Stanley that he expected to spend \$500,000 on initial onshore geological surveys at Douglas Station, a 100,000 acre sheep farm on the north side of East Falkland.

## Falklands peace talks under way

By NICHOLAS DAVIES, Foreign Editor

BRITAIN and Argentina started talks last night in an attempt to put an official seal on the ending of the Falklands war. The two-day meeting in Berne, Switzerland, is the first between officials of the two countries since the conflict started more than two years ago.

The nations are still technically at war because Argentina has never declared an end to hostilities.

Britain refuses to discuss sovereignty, but wants scheduled air services with Argentina restarted. Argentina wants the 150-mile exclusion zone around the Falklands lifted.

The Daily Mirror  
19th July 1984

# Top level Falkland meeting in Bern

By Patrick Keatley,  
Diplomatic Correspondent

After months of secret negotiations, the first direct contact between Britain and Argentina at government level gets underway in Bern today.

According to British sources, Argentina has agreed to take part in this initial, two-day session on the basis that the British side will not be prepared to enter into any discussions of sovereignty.

But in Buenos Aires, the Argentine Foreign Minister, Mr Dante Caputo, said yesterday that the talks would include the question of sovereignty of the Malvinas. He told a press conference that Argentina intended to use the negotiations to establish its sovereignty over the islands.

The Falklands Civil Commissioner, Sir Rex Hunt, has assured islanders that the sovereignty of the Falklands will not be on the agenda. In a statement issued in Port Stanley yesterday, Sir Rex said: "I would like to emphasise to all islanders that the purpose of the talks is to explore practical means of achieving a more normal relationship between Britain and Argentina. Any discussion of sovereignty over the Falklands is excluded from the talks."

At this early stage, each team will be led by Foreign Ministry officials rather than ministers with Mr Edouard Brunner, the senior state secretary of the Swiss Government in the chair.

For Britain, the leader is Mr David Thomas, a former ambassador to Cuba, who took over supervision of south American policy at the end of last year.

Backing him up will be the British ambassador in Bern, Mr John Powell-Jones, who has conducted the months of private contacts with Argentina which led up to this formal negotiating session.

Completing the team will be a legal expert from the Foreign Office, Mr Tony Aust, and the head of the Falkland Island Department, Mr Andrew Palmer.

The Argentine team includes the ambassador in Bern, Mr Katzenstein, and two Foreign

Office officials, and the leader is the senior under secretary for what Argentina calls the Southern Cone, Mr Marcello Delpech.

To get things off to a good start, it was arranged that all the delegates would meet for dinner last night and the Swiss went to some trouble to try and keep the venue of this private function confidential.

The agenda is anyone's guess, because both sides retain flexibility. But the British will be looking for an Argentine declaration of the end of hostilities in the South Atlantic and hope for early agreement on the resumption of normal diplomatic relations. At present, the embassies in London and Buenos Aires remain closed.

Argentina will wish to press hard for the resumption of normal operations by her fishermen in Falkland waters, and is determined that the British shall declare an end to the protection zone around the islands.

What may prove to be a straw in the wind will be the Argentine reaction to a message which is still on the file, unanswered, since it was sent from London by Mr Pym as Foreign Secretary in May last year. It suggests that any general settlement should re-establish air services linking Port Stanley to the outside world, and that this should be covered by an official agreement.

Britain for its part will reiterate in the Bern talks that the offer to return the bodies of some 300 Argentine soldiers killed in the 1982 fighting still holds good. Equally, Argentina is welcome to arrange visits by relatives to the graves of soldiers in the military cemetery, and this need not await agreement on all the other items.

The chronology of the confidential diplomatic context between London and Buenos Aires begins in September, 1982, when a World Bank meeting led to agreements on the reciprocal lifting of financial restrictions.

But signals were coolly met while the generals were in charge in Buenos Aires. It was the elections in October last year, and the arrival on the scene of a civilian Government, which broke the ice.



Daily Telegraph  
19th July 1984

# Falklands talks begin in Berne

By **ROBIN GEDYE** *Diplomatic Staff*

**B**RTAIN and Argentina held direct discussions yesterday for the first time since the Falklands war, the Foreign Office announced. The talks are taking place in Berne on the initiative of the Swiss government.

Before the delegations began discussions, Senor Dante Caputo, Argentine Foreign Minister, said in Buenos Aires that his side intended to use negotiations to establish sovereignty over the Falklands.

But Sir Rex Hunt, Falkland Islands Civil Commissioner, reiterated Whitehall's position in a statement to islanders yesterday and said: "I would like to emphasize to all islanders that the purpose of the talks is to explore practical means of achieving more normal relations between Britain and Argentina."

"Any discussion of sovereignty over the Falklands is excluded from the talks."

Britain's five-man delegation is led by Dr David Thomas, Under-Secretary of State for American Affairs, and includes Mr Andrew Palmer, Head of the Foreign Office's Falkland Islands department and Mr John Powell-Jones, Britain's Ambassador to Berne.

Argentina's delegation is led by Senor Marcello Delpech, Mr Thomas's opposite number. Also present will be the Brazilian Ambassador and a senior Swiss official.

## Thatcher's message

Yesterday's meeting is the result of delicate and highly-secret negotiations which began last year when Senor Alfonsin took power from the military junta and Mrs Thatcher sent a message welcoming the restoration of democracy.

Britain has proposed that a bilateral air services agreement, which Argentina scrapped in 1982, should resume. It has also called on Argentina to announce an official end to hostilities while Argentina wants Britain to lift the 150-mile exclusion zone around the islands.

Whitehall sources stressed last night that whatever differences there still were between the two sides, an important and vital step had been taken in meeting face to face for the first time in two years.

The Times  
19th July 1984

# Argentina begins talks with Britain

By **Philip Webster**  
*Political Reporter*

Britain and Argentina began talking officially again last night for the first time since the invasion of the Falkland Islands in April 1982.

Discussions, expected to last two days, got under way in Berne between senior diplomats from both governments after months of painstaking preparatory work conducted through Swiss intermediaries.

Sir Geoffrey Howe, the Foreign Secretary, announced that the Government's purpose would be to explore the prospects for "progressive normalization" of relations with Argentina.

Although both sides agreed to maintain total confidentiality about the substance of the talks, it seemed likely that the initial exchanges would cover economic, commercial and diplomatic issues.

While the British say the Argentine claim to sovereignty over the Falklands is not on the agenda, Argentina was at pains to point out yesterday that the talks had no agenda, and they would certainly be raising the issue.

The discussions are being held under the chairmanship of Mr Edouard Brunner, State Secretary of the Swiss Department of Foreign Affairs. The Swiss have acted as Britain's protecting power in Argentina since the break in relations.

The four-man British delegation is led by Mr David Thomas, the Foreign Office under-secretary responsible for the Americas, and includes Mr Andrew Palmer, head of the Falkland Islands department, and Mr John Powell-Jones, the ambassador in Berne.

Heading the Argentine team is Senor Marcello Delpech, a senior under-secretary in the Foreign Ministry, whose responsibilities include the Falklands. The Brazilian Government, which has acted as Argentina's protecting power, is also represented at the talks.

British officials yesterday said the Government felt the climate had been improved by statements from the new Argentine leaders placing more emphasis on their wish to pursue their claim to Falkland sovereignty by peaceful means, and by the fact that there have been no Argentine incursions this year in the 150-mile protection zone around the islands.

● **PORT STANLEY:** The Falklands Civil Commissioner gave the go-ahead yesterday for oil prospecting on the islands (Reuter reports). Sir Rex Hunt granted the licence to Firstland Oil and Gas, whose chairman, Mr Paul Beck, said surveys would begin in September.

## DEFENCE SHAKE-UP WELCOMED

By Our Defence  
Correspondent

A reorganisation announced yesterday of the Defence Ministry which includes the removal of several top posts was welcomed by the three Service Chiefs of Staff.

"There is complete unanimity in their view that they can live with the new system—and make it work," said Field Marshall Sir Edwin Bramall, Chief of the Defence Staff, yesterday.

In a White Paper, Mr Heseltine, Defence Secretary, proposes a new unified Defence Staff should be formed from the existing central staffs, from those of the three single services, the Defence Secretariat and the defence scientists.

To exert much stronger control of defence expenditure and of resource management, a new Office of Management and Budget is to be established under a Permanent-Under-Secretary. It will also have a capability for inspection and audit.

The Ministry's structure for equipment procurement, and for scientific staffs, is to be revised.

Heseltine's White Paper—P8  
Editorial Comment—P18

# HESELTINE'S SHAKE-UP FOR DEFENCE

By Maj.-Gen. EDWARD FURSDON  
Defence Correspondent

THE creation of a new unified defence staff is among the principal items in Mr Heseltine's new higher structure for the Defence Ministry announced yesterday.

The other main items are the strengthening of the positions of the Permanent Under-Secretary and the Chief of the Defence Staff as the Defence Secretary's two principal advisers, the creation of a new office of management and budget within the Ministry, and changes in structure in the scientific and equipment procurement areas.

A separate defence arms control unit responsible to the permanent under-secretary is to be established.

The three service chiefs of staff will continue as the professional heads of their services—fully responsible for their fighting effectiveness, management, overall efficiency and morale—and as members of the chiefs of staff committee.

But in future they will normally report and tender advice to the Defence Secretary through the Chief of the Defence Staff. They retain their right of access to both the Defence Secretary and the Prime Minister.

Generally there are no surprises in Mr Heseltine's proposals, all have been foreshadowed, but the clear message from yesterday is that these are only the preliminary major changes—more may be made as Mr Heseltine's work continues.

Mr Heseltine's White Paper on his new proposals—to be implemented on January 2, 1985—says it represents but the first stage of the Government's assessment of proposals for the central organisation of defence.

"A major task of the new organisation will be to address the scope for further improvements in efficiency," it says.

The White Paper is heavy on generalities but light on detail. How the new structure will be fleshed out and worked in practice is not yet revealed. Obviously a great deal of the detailed work has yet either to be done or made available for public information.

seas policy committee of the Cabinet chaired by the Prime Minister. The Chief of the Defence Staff "will attend as required, as will the chiefs of staff when necessary."

The defence council chaired by the Defence Secretary and comprising those in existing ministerial posts and the new service and senior civil servant key posts will continue. So, too, will the three service boards each of which will have an executive committee to supervise detailed management in accordance with directives determined centrally.

### More savings

The White Paper says that the restructuring of the staffs will result initially in savings in posts, including four at three star (Lieut Gen/Deputy Secretary level and five at two star Maj Gen/under secretary) level.

Later implementation, it says, will result in more savings at a lower level. In essence, under the direction of a new four star level Vice Chief of the Defence Staff, the new unified defence staff will fulfil the functions of the existing central military staffs, the greater part of those of the single service, navy, general and air staffs, and contain civil servants of the defence secretariat and scientific staff.

For its military work, the new defence staff will look to the Chief of the Defence Staff and for its political and parliamentary work to the permanent under secretary, both of whom have their responsibilities as the Defence Secretary's two principal advisers clearly re-defined.

The new staff is structured into four groups: strategy and policy, headed by a civil servant deputy secretary; programmes and personnel, headed by a service three star officer; systems, dealing with operational concepts, requirements, and research; and commitments, dealing with operations, deployments and exercises.

The defence intelligence staff keeps its separate identity but is also to be restructured and streamlined.

Rationalisation of the services' training, logistics and support areas will continue to be pursued whenever possible in such areas as H.Q. medical services, training and in music.

The new Office of Management and Budget—headed by the second permanent under secretary—aims to achieve stronger control over the ministry's corporate financial planning, the commitment of resources, and its financial and management systems. It will concentrate on four areas—resources and programmes; finance; administration and civilian management.

A new style equipment policy committee is to be set up to advise on equipment production and development and on the balance of equipment investment.

\* The Central Organisation for Defence. HMSO. Cmbd 9515. £2.25p.  
Editorial Comment—P18

### Maximum delegation

The emphasis of the new structure is on "the need to plan to fight together on an integrated basis."

The heart of the Heseltine review is that "future policy for each service must be shaped increasingly within a common defence framework—central machinery is needed to arrive at the best defence-wide solutions and the right management organisation is required to carry them through."

Elimination of overlap, maximum delegation, clear lines of accountability, and the introduction of executive responsibility budgets on an extensive scale across both service and civilian establishments are advocated as the keys for progress towards achieving better value for defence money.

In equipment procurement there must be increased competition both domestically and internationally and a closer more self-help-reliant defence industry.

Major questions of defence policy are to continue to be taken by the defence and over-

Daily Mail  
19.7.84

## Defence top brass to go in shake-up

THE AXE is ready to fall on some top brass at the Defence Ministry in the first major shake-up for 21 years, it was announced yesterday.

At least nine senior officers and Civil Servants with the equivalent rank of major-general and above are to go under a plan by Defence Secretary Michael Heseltine.

The proposals, outlined in a White Paper, upset some senior officers, who went to see Mrs Thatcher to express their reservations.

But the Prime Minister backed Mr Heseltine and Service chiefs must now accept the plan.

Mr Heseltine was determined to reorganise the Ministry, the biggest single department in Whitehall, after the Falklands war.

He believed the campaign proved the need for the Services to be equipped and trained to fight together.

Under the new plan individual Service vice-chiefs of staff, who now run large departments

By HARVEY ELLIOTT

responsible for organising their own individual Services, will disappear.

Instead, their staffs will be amalgamated into a Defence Staff.

Mr Heseltine was keen to end the scramble for a share of cash for new equipment.

At present the Army, Navy and Air Force, each under a Deputy Secretary, draw up their own list of priorities.

Under the new proposals an Office of Management and Budget will be created and the three Deputy Secretary posts will be scrapped.

Daily Mail  
19.7.84

## Falklands peace talks with Argentina

By GORDON GREIG  
Political Editor

BRITAIN and Argentina were talking peace directly to each other last night for the first time since the Falklands War ended over two years ago.

The breakthrough came as envoys from both countries met at a secret rendezvous in the Swiss capital of Berne.

It dramatically boosted hopes that friendly diplomatic and commercial ties can be re-established very quickly.

One subject Britain is insisting will not be on the agenda is sovereignty. Whether it could wreck the talks may be known today.

Argentine sources said their men would raise the subject. In London, the Foreign Office curtly insisted it will not be discussed.

And in the Falklands itself, Civil Commissioner Sir Rex Hunt reassured the islanders that sovereignty

would be excluded from the talks.

Mrs Thatcher has always insisted that the wishes of the islanders about who rules them would be paramount.

The immediate objective of the talks: Is Argentina willing to declare a formal end of hostilities in return for Britain reducing its 150-mile exclusion zone around the islands?

The cordiality in which the talks are taking place suggests the negotiations could go on almost non-stop until tomorrow.

The talks represent a major gamble for Argentina's new democratic regime.

Daily Mail  
18.7.84



*Sir Jeremy ; hero*

## Jobs for the Generals

NO DOUBT Falklands commander Major-General Sir Jeremy Moore was a good and competent officer. But when a professional soldier chooses to retire from his well-paid career and accept a very high pension from public funds, he has no right to be given a job, starting at the top, as director-general of the Food Manufacturers' Association and the Food and Drink Association, in an industry of

which he knows nothing whatsoever.

This is one of the causes of British industry's low standards of efficiency and labour relations. If retired industrialists were given top jobs in the Army, with the rank of general, the absurdity would destroy the Army's morale, efficiency, and recruitment.

D. GRAHAM,  
Staines, Middlesex.

Daily Mirror  
19.7.84

## Pin pals are wed

TRACEY JOHNSON stuck a pin in a list of names and won herself a soldier husband. Tracey, 20, was reading a newsletter in the Sheffield hospital where she worked when she spotted a list of Falklands troops looking for pen pals. She closed her eyes, stuck in a pin and hit the name Lance Bombardier Mark Gray, 24. Now, a year after meeting, they have married.

# BRITAIN AVOIDS REFERENDUM FOR HONGKONG

By HUGH DAVIES in Hongkong

**B**ITRAIN has finally decided to steer clear of a Hongkong referendum to test the acceptability of the imminent pact with China defining the colony's future, knowing that such a poll would be frowned on by the Communist régime in Peking.

Instead, it is understood that a special office will be established in the territory, staffed by civil servants, to accept and collate all shades of public opinion.

Asked about the possibility of a full-scale ballot of the five million residents, the Foreign Secretary, Sir Geoffrey Howe, carefully sidestepped the issue during a Press conference on Hongkong Island at Easter.

"We have not come to a conclusion about the best of several alternative ways of assessing opinion. It must be stated that there are some very real drawbacks to the idea of a referendum," he said.

Most people in Hongkong knew exactly what he meant. The belief is that the last thing China wants is a public test of the popularity of its political system. Peking has made it clear that the people of Hongkong can play no role in negotiations, and certainly have no veto power once the pact is published.

## Resigned to being kept in the dark

However, the Queen in her 1983 speech to Parliament committed Britain to eliciting the views of the people. Ministers have since reiterated the pledge.

According to sources in Hongkong, the office conducting the survey will be run on independent lines with neutral observers overseeing the work.

Apart from individual assessments of the draft agreement once it is announced, statements are to be gathered from all interested civic and industrial bodies. Even reports of Press conferences and newspaper editorials are to be collected.

Presumably these would then all be circulated to MPs before the Commons vote, expected in December, to decide if the pact can be rectified.

In Hongkong, where people are resigned to being manipulated and kept in the dark about their fate, the popular feeling is that ultimately whatever they say will have little effect on the outcome.

## Green Paper

### leaked

Cynicism is likely to increase today with the release of a Government Green Paper outlining a scheme to give people a greater say in the colony's affairs.

The document, leaked last night in Hongkong, proposes indirect elections to both Legco, the legislative council responsible for enacting laws and controlling public finance, and Exco, the executive council that meets weekly to advise Sir Edward Youde, the Governor.

The 47 Legco members, whose leaders have clashed publicly with Teng Hsiao-ping, the

Chinese leaders, would no longer be all appointed.

From next year, six would be chosen by a 430-member electoral college formed by the 19 district boards, the urban council and the new regional council. Another six would be elected by professional and special interest groups known as functional constituencies.

Twenty-three members would still be chosen by the Governor and the number of government officials sitting on the body would be cut by five.

## Review planned for 1989

By 1988 the council would grow to 50 members, 34 of them indirectly elected, with a review planned for the following year.

On Exco ostensibly the colony's cabinet the scheme is for Legco members to pick among themselves four members, with the Governor appointing eight. By 1991, Legco's elected members would double with the other cut by two.

The Green Paper, which is asking for public reaction over the next two months, recommends that all councillors be elected by 1993, by which time the two bodies would merge into a municipal council.

Also suggested is the idea that the Governor be replaced by a mayor elected by the municipal council or popular vote.

Controversy is likely over the key suggestion that Hongkong is, according to the paper, still not ready for direct elections, which it says would run the risk of a swift introduction of adversarial politics and an element of instability at a crucial time.

Observers believe that the government fears pro-Chinese elements, which are daily becoming better organised in the colony, might score sweeping victories in direct elections and thus hasten Marxist rule, not due until 1997.

Peking is reported to be extremely angry at not being consulted about the document. China has already warned that only "patriots" staunchly loyal to the mainland's aspirations are to be allowed into the post-1997 administration.

The yearning for democracy has been kept alive by small pressure groups for many years. But until recently it was largely ignored by the government because of widespread public apathy and a perception that Peking would oppose bold political reforms.

A timid start was made two years ago with the establishment of district boards to foster public participation in community affairs. Barely 13 per cent. of eligible voters bothered to turn out for the elections.

McMillan-Scott Associates Public Affairs

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## Hong Kong protest

Hong Kong leaders in a call for direct election to the Legislative Council, yesterday criticised the British Government's cautious green paper for its "slow-paced" approach to democratic reform.

More uncertainty over the colony's future was created yesterday, when Sir Geoffrey Howe cancelled plans to make a statement in the House.

He was expected to reveal Britain's attitude towards the contentious Chinese proposal for a "joint commission" for Hong Kong up to 1997. It was also believed that he would describe the "acceptability test" — the mechanism by which Hong Kong will be consulted about a Sino-British agreement on its future — which has so far remained wholly obscure.

**Demand for faster reforms,**  
page 6

## Uncertainty as Howe cancels Commons colony statement

# Demand for faster reform in Hong Kong

By John Gittings

Hong Kong leaders will issue a strong call for direct elections to the Legislative Council today and criticise the Government's cautious Green Paper for its "slow-paced" approach to democratic reform.

The Green Paper will stir up new controversy in the increasingly politicised atmosphere at a time of growing anxiety about the future.

More uncertainty was created yesterday when the Foreign Secretary, Sir Geoffrey Howe, cancelled plans to make a statement today in the Commons which had been promised only yesterday.

Sir Geoffrey was expected to use the occasion of the Green Paper's publication to reveal Britain's attitude towards the contentious Chinese proposal for a "joint commission" for Hong Kong up to 1997. It was also believed that he would describe the "acceptability test" — the mechanism by which Hong Kong will be consulted about a Sino-British agreement on its future — which has so far remained wholly obscure.

The Hong Kong question will now be dealt with in the Commons today by written questions and answers — a far safer way for Sir Geoffrey at this critical time, less than a week before he flies to Peking.

The Green Paper, which will be presented this morning to the Legislative Council, is a first attempt — spurred on by the prospect of China's regaining sovereignty in 1997 — to inject an element of democracy into the Legislative and Executive Councils, which are entirely appointed by the Governor.

All except two of the 15 elected members of the Urban Council — the lower level body which is partly based on democratic franchise — have rejected the Green Paper's proposal for indirect elections to "Legco" as inadequate. They urge that it should also include directly elected members who would be "responsible to the electors" so as to guarantee that official policies would be "more in line with public opinion."

The Green Paper, whose contents have been extensively leaked, is said to provide a formula for the gradual replacement of appointed members of Legco by two new groups.

One of these will be chosen by an electoral college of the lower level elected members.

The other proposal is for members to be chosen from what are called "functional constituencies" — representing professional groups such as lawyers and businesspeople — to maintain what would be, in the view of the Hong Kong Government, the proper balance of community interests.

Meanwhile, reports yesterday in Hong Kong suggested that the "acceptability test" for Hong Kong opinion on the Sino-British agreement will be purely consultative.

According to one source, an office will be set up to gather public opinion, headed by a senior Government officer. Assuming that an agreement is initialled by the Chinese deadline of September, the Hong Kong people might have six weeks or so to express their views before the agreement is put before Parliament.

# Government bid to reassure Hong Kong

BY ALAIN CASS, ASIA EDITOR

THE BRITISH Government is today expected to make a major effort to reassure both Westminster and the people of Hong Kong that it is standing up to Chinese pressure in the drawn-out negotiations on the colony's future.

Sir Geoffrey Howe, the Foreign Secretary, is expected to outline to the Commons ideas for testing public opinion in Hong Kong when a draft agreement is finally concluded with Peking. Sir Geoffrey may suggest setting up a special office in the territory to which the people of Hong Kong could make representations.

Sir Geoffrey is expected to reassure Parliament and Hong Kong that Britain intends to maintain full control of the territory until 1997, when the UK's leases on most of the colony expire and China is to resume sovereignty.

It now seems certain that the UK negotiators will resist the idea of the joint Sino-British commission suggested by Peking to oversee the transition period, a scheme widely regarded in the colony as a back

door to an effective Chinese takeover before 1997.

Officials insist that, despite increased nervousness in Hong Kong over the state of the negotiations, these are not "in crisis."

Sir Geoffrey's statement will follow the recent visit to the colony by Mr Richard Luce, the Foreign Office Minister responsible for Hong Kong, and will precede his own planned trip to China and the territory later this month.

It will also coincide with today's publication in Hong Kong of the long-awaited Green Paper on proposed changes to the way the territory is governed.

The Green Paper is expected to set out ways in which the colony's government can be made more democratic, without, however, recommending any radical reform of the present system.

It is likely to propose instead a gradual broadening of the way members of the appointed Executive and Legislative Councils are chosen in the run-up to 1997. Pressure has been growing recently for an elected body to govern Hong Kong.

# Argentina loans upset more banks

BY PAUL TAYLOR IN NEW YORK

CHASE MANHATTAN and J. P. Morgan yesterday both reported lower second quarter earnings blaming, in part, a more conservative approach to counting for public sector loans to Argentina.

The two New York money centre banks join Manufacturers Hanover Trust which last week reported an 8.5 per cent decline in second quarter net income because it placed additional Argentine loans on a non-accrual basis in line with tougher federal bank regulatory guidelines which become mandatory in the third quarter.

Chase Manhattan, the third largest U.S. banking group in terms of year-end assets, reported a 14.3 per cent decline in second quarter earnings to \$90m or \$2.21 a share compared to \$105m or \$2.68 a share in the same period last year, which included an \$11m after-tax gain from a settlement with Iran.

For the first half earnings were \$193m or \$4.76 a share compared with \$211m or \$5.42 a share in the 1983 first half.

Net interest income increased in the quarter despite the adverse impact of about \$13m after taxes of non-accrued loans to borrowers in Argentina. The banking group also reported that most fee-based income categories showed increases. But Chase added that second-quarter earnings also reflected moderate increases in both other operating expenses and the provision for loan losses.

J. P. Morgan, the fifth largest U.S. banking group in

terms of end-year assets, reported a 0.8 per cent drop in second-quarter net income to \$103.7m or \$2.32 a share compared with \$115m or \$2.59 a share in the same period last year. However, first-half earnings increased by 7.3 per cent to \$249.7m or \$5.64 a share compared with \$232.8m or \$5.35 a share in the year-ago period.

The banking group blamed the second quarter decline on two principal factors — lower net interest earnings resulting mainly from the placing of additional Argentine public-sector loans on non-accrual status, and losses from foreign exchange trading. These negative factors were partially offset by lower provisions for credit losses and income taxes.

Morgan has decided in the latest quarter to adopt the clarification of policy on non-accrual loans announced last month by bank regulator agencies. Had the adoption of this new policy been deferred until the third quarter when it becomes obligatory the bank said non-accrual loans, which totalled \$875m at mid-year net of charge-offs, would have been lower by about \$216m and second quarter earnings would have been higher by about \$12.4m before taxes and about \$6.9m after taxes.

Net interest income in the latest period fell by 7.5 per cent to \$359.5m from \$388.8m a year ago. Non-interest operating income fell to \$123.6m from \$137.8m with foreign exchange trading resulting in a \$12.9m

loss in the latest period compared to gains of \$24.1m last time.

The bank said the provision for possible credit losses in the quarter was \$45m compared to \$90m in the 1983 quarter. Net charge-offs totalled \$12.1m compared to \$30.8m a year ago.

Non-accrual loans, net of charge-offs, totalled \$875m at the end of the quarter compared to \$535m a year ago and \$604m at the end of the 1984 first quarter. Morgan said the inclusion of \$324m of Argentine public-sector loans accounted for the substantial increase during thesecond quarter.

Payments of interest received by June 29 on \$216m of these loans made them less than 90-days past due but the loans were considered non-accrual in line with the tighter regulatory guidelines.

First Chicago said net earnings in the quarter increased by 23 per cent to \$53m or 98 cents a share from \$43m or 91 cents a share. For the first half the bank reported net income of \$102.7m or \$1.95 a share compared to \$86.5m or \$1.87 a share in the year-ago period.

The latest results include those of American National, acquired for \$275m in cash on May 1. Excluding this acquisition and the related costs and adjustments First Chicago said its second quarter net earnings increased by 15 per cent to \$49.6m.

Mr Barry Sullivan, chairman, said the second quarter im-

provement reflected improved net interest income and growth in non-interest income partly offset by higher expenses and an increase in provisions for loan losses.

In contrast to Morgan and Chase, Security Pacific, the ninth largest U.S. banking group, and First Chicago, the 11th largest in terms of year-end assets, both reported a further improvement in second-quarter earnings.

Security Pacific, the fast-growing Los Angeles-based group, reported a 6 per cent increase in net earnings to \$68.6m or \$1.86 a share compared to \$65.1m or \$1.78.

For the first half net earnings were 8 per cent higher at \$136.5m or \$3.70 a share compared to \$126.3m or \$3.48.

Security Pacific said net interest income increased to \$351.5m from \$333.8m, mainly because of higher earning assets which offset a decline in the net interest margin.

The bank's provision for credit losses increased by 32 per cent to \$49.8m in the latest period, up from \$37.7m. Net credit losses also increased to \$48.4m from \$16.6m while the resulting reserve for credit losses ended the quarter at \$355.5m or 1.19 per cent of total outstandings compared to 1.2 per cent a year ago.

Non-performing loans increased to \$1.04bn or 3.5 per cent of total credit outstanding at the end of June compared to \$788m or 2.9 per cent of total credit outstanding a year ago.

## Argentina orders wage rises above inflation

From Douglas Tweedale, Buenos Aires

Argentina's civilian Government has ordered a series of wage increases for state and private workers that seem to emphasise President Raul Alfonsín's determination to raise real wages by 6 to 8 per cent over the country's high inflation rate.

The Government announced the expected measures on Friday night, giving most state workers an extra 12 per cent in their July wages, although those at the low end of the pay scale will receive more. It also raises the minimum wage to 8,500 Argentine pesos (about £11) a month.

The increases are also to

include a 4 per cent increase over inflation for the first six months of the year. The cost of living rose 158.9 per cent between December and June.

Analysts said it was too early to tell whether these measures represent a break with the International Monetary Fund, which is known to oppose salary increases, but it comes when Government officials have been busy saying that an agreement with the IMF is imminent.

An Argentine technical delegation is to travel to the United States today to meet the IMF.

## Lloyds cheques draw blank on Falklands

By John Ezard

Lloyds Bank was accused last night by a Falkland Islands councillor of being unpatriotic because it refuses to honour cheques from account-holders among the British garrison.

The policy came to light when garrison officers with long-standing Lloyds accounts found their cheques being refused at Standard Chartered, even when they offered cheque guarantee cards.

The officers complained that they had had to post-

pone phone calls home to their families, which must be paid for in cash, and had been unable to buy presents for their children while on leave in the capital, Port Stanley.

Mr Alan Parry, the manager of Standard Chartered's Falklands branch — the only private bank on the islands — said yesterday: "I continually have to explain to irate officers that it is beyond our control."

He said that Lloyds refuse to agree to a cheque-clearance deal or to explain their refusal.

Standard Chartered's head office in London said last night: "We have satisfactory reciprocal arrangements with Lloyds elsewhere in the world. But they have stated quite firmly that they will not guarantee Lloyds cheques issued in the Falklands. Therefore, unfortunately we cannot accept them. The problem seems to be unique to the Falklands."

Lloyds have a 200-year tradition of handling British military accounts. Many officers bank at its Cox and King's branch in Pall Mall, which issues picturesque

cheque books. The bank also has a subsidiary, the Bank of London and South America, with 38 branches in Argentina.

A Lloyds employee is listed as a representative on the South Atlantic Council, a pressure group formed to press for a settlement of the Falklands dispute.

A Lloyds spokesman, unable to confirm the policy last night, said there was absolutely no question of it being connected with interests in Argentina or of the bank being anti-Falklands.

The Guardian  
17.7.84

# Lloyds cheques yield no Falkland cash

By John Ezard

Lloyds Bank was accused last night by a Falkland Islands councillor of being unpatriotic because it refuses to honour cheques from account-holders among the British garrison.

The policy came to light when garrison officers with long-standing Lloyds accounts found their cheques being refused at Standard Chartered, even when they offered cheque guarantee cards.

The officers complained that they had had to postpone phone calls home to their families, which must be paid for in cash, and had been unable to buy presents for their children while on leave in the capital, Port Stanley.

Mr Alan Parry, the manager of Standard Chartered's Falklands branch — the only private bank on the islands — said yesterday: "I continually have to explain to irate officers that it is beyond our control."

He said that Lloyds refuse to agree to a cheque-clearance deal or to explain their refusal.

Standard Chartered's head office in London said last night: "We have satisfactory reciprocal arrangements with Lloyds elsewhere in the world. But they have stated quite firmly that they will not guarantee Lloyds cheques issued in the Falklands. Therefore, unfortunately we cannot accept them. The problem seems to be unique to the Falklands."

Lloyds have a 200-year tradition of handling British military accounts. Many officers bank at its Cox and King's branch in Pall Mall, which issues picturesque cheque books. The bank also has a subsidiary, the Bank of London and South America, with 38 branches in Argentina.

A Lloyds employee is listed as a representative on the South Atlantic Council, a pressure group formed to press for a settlement of the Falklands dispute. The council has emphasised that his involvement is purely personal.

Mr William Luxton said last night: "I'm sure that if the troops realised that many of them are banking with an obviously anti-Falklands group like Lloyds, then they would transfer their accounts to another more patriotic bank. It's a sad thing that a British bank is making life difficult for British soldiers overseas."

A Lloyds spokesman, unable to confirm the policy last night, said there was absolutely no question of it being connected with interests in Argentina or of the bank being anti-Falklands.



The Telegraph 16/7/84

## FIRST FATALITY AT FALKLANDS AIRPORT SITE

By Our Port Stanley  
Correspondent

A labourer working on the new Falklands airport, Mr Haydn Perry, 41, from Pontypridd, has died after a fall from a roof. He is the first man to be killed since the project began nearly a year ago.

Meanwhile violence has flared once again at the site where 1,400 Britons are employed. Three men were stabbed at the weekend as reports of gang-style warfare emerged, with several groups struggling to gain control.

Recently a caterer employed by a sub-contractor disappeared while travelling from the Falklands to Cape Town. Unconfirmed reports speak of threats made to him before boarding his ship that he would not reach South Africa.

The Telegraph 16/7/84

## 163pc RISE FOR WORKERS IN ARGENTINA

By Our Buenos Aires  
Correspondent

The Argentine government, adhering to its promise to lift wages above the rate of inflation announced at the weekend that private sector workers would receive 162.9 per cent. rise on their salaries in December.

The increase included 158.9 per cent. to compensate for inflation, as well as an additional four per cent. to raise real wages. But if a worker has already received an increase of more than 162.9 per cent. since December, he does not qualify for additional increment.

The government also announced an 18 per cent. wage rise this month for public sector workers. This increase, according to official statistics, represents a four per cent. increase in real wages.

McMillan-Scott Associates *Public Affairs*

41 Whitehall London SW1A 2BZ Telephone 01-930 0935

The Guardian 16/7/84

## UK 'edging towards Falklands talks'

From Jeremy Morgan  
in Buenos Aires

Britain has sent Argentina another Note concerning possible steps towards improving relations broken during the Falklands conflict two years ago, according to reports here.

Although there was no official confirmation of the reports, they have been enough to prompt a climate of renewed expectation that the two governments are discreetly edging towards breaking a deadlock on initial moves leading up to talks.

The Swiss ambassador in Buenos Aires, Mr Jean Pierre Keusch, was said to have deliv-

ered a Note from the British Government when he visited the Argentine Foreign Ministry on Friday evening.

The Swiss embassy represents British interests in Argentina.

Another report implied that the latest round of behind-the-scenes contacts was more advanced and that the two governments may already have exchanged notes, but this was considered less likely. Nevertheless, the Argentine Foreign Ministry was said to have prepared an official statement for distribution on Friday night, only to postpone this at the last moment.

Observers noted that unofficial talks between Argentina and Britain went sour a month ago, apparently reversing the limited progress made in discreet contacts after President Alfonsín took power.

In remarks coinciding with the second anniversary of the Argentine surrender at Port Stanley at the end of 10 weeks' undeclared war, President Alfonsín publicly complained of Britain's "extraordinary arrogance."

The latest British note supposedly centres on lifting the 150-mile exclusion zone around the islands, and an outline for future talks, but there is no

indication of what might be expected in exchange. Until now, London has always insisted that the Argentinians formally end hostilities.

The reported move by the British has been linked to the unofficial, five-day visit last month by three British parliamentarians.

The importance of British banks as Argentina's second biggest group of commercial creditors is thought to have put pressure on Mr Alfonsín as he seeks an agreement with the International Monetary Fund as a first step to rescheduling the country's \$43 billion foreign debt.

## Port Stanley in range of new missile

By Antony Terry and Maria Laura Avignolo

WESTERN intelligence sources believe that Argentina is developing a new missile that could hit Port Stanley in the Falkland Islands from the Argentinian mainland.

The missile's development has been confirmed by sources in Buenos Aires. Codenamed Condor, it has been under development for some years. Completion of the programme is understood to be only months away.

Sources differ as to the range and capability of the missile. Western intelligence agencies believe it will have a range of 800 miles and be launched from ground bases. Military and political sources in Argentina say it will have a range of just over 100 miles and be ground or air-launched.

Argentina has no significant rocket manufacturing capability at present. The missile will mark a great advance. During

the Falklands war, Argentina relied on French-made Exocet missiles, which have a maximum 40-mile range and are air-launched. But, now that Britain has built sophisticated radar systems in the Falklands, the effectiveness of the Exocet has been considerably reduced.

West German and Italian rocket experts have been helping the Argentinians develop the new missile at a secret laboratory in the city of Azul, 300 miles south-west of Buenos Aires. The air force has been testing the Condor at a base near Chamical, in the parched and desolate north-west.

Military sources in Buenos Aires admitted that the missile was under construction but refused to reveal any details. "It's top-secret," said one senior official. A member of Argentina's parliament told The Sunday Times that the missile would "give the country a decided advantage over neighbouring countries".

If it had an 800-mile range, the missile would put Argentina in the forefront of ground-launched missile technology.

Although a conventional warhead would have little impact in an area as thinly populated as the Falklands, it would represent a threat that the British government would have to counter with improved air-defence systems.

## Chile trade to Falklands angers Argentina

From Douglas Tweedale  
Buenos Aires

Argentina has formally protested to Chile over reports that Chilean merchants are shipping supplies to the Falkland Islands, just as the two countries are nearing a solution to their own century-old border dispute in the Beagle Channel.

An Argentine Foreign Ministry spokesman said that Chile's Ambassador in Buenos Aires was given the protest on Thursday afternoon.

He said the Chilean action "breaks with Latin American solidarity" and could harm negotiations at the Vatican over the Beagle Channel dispute. The Chilean embassy denied any formal protest had been made.

Meanwhile the military court trying nine former Argentine junta members on charges of gross human rights violations has been granted an extended deadline to finish its work by the civilian Federal Court of Appeals. The June 28 deadline has been extended by 90 days.

Telegraph 14.7.84

### Debt crisis talks

Baroness Young, a Foreign Office minister, held talks with Brazilian officials on Britain's attitude to Latin America's foreign debt crisis and the conflict in the South Atlantic.

The Times 14/7/84

## Howe to visit Hongkong and China as fears grow

Sir Geoffrey Howe is flying to Hongkong and Peking in 10 days time, as concern grows among Hongkong's 5.3 million people over their future under Chinese rule (Henry Stanhope writes).

The Foreign Secretary, who will be making his second visit

in three months, will be in Hongkong on July 26-27, Peking on July 27-31 and Hongkong again July 31-August 1.

But the focal point will be his talks in Peking with Mr Wu Xuequan, a state councillor, and other Chinese leaders, only

a few weeks before the September deadline for a draft agreement.

Sir Geoffrey, who will be hard on the heels of his junior minister, Mr Richard Luce, already in Hongkong, has made clear that much work remains

to be done before agreement can be reached.

Whitehall officials were dismissing all suggestions of any crisis in the talks yesterday. But the Foreign Secretary's visit could have almost any kind of impact upon the volatile local dollar and stock exchange.

McMillan-Scott Associates Public Affairs

41 Whitehall London SW1A 2BZ Telephone: 01-930 6935



KILLED: Capt. North

## Ship of pride

A SHIP called the Atlantio Conveyor, built to replace her namesake sunk during the Falklands war, was launched on Tyneside yesterday.

It was built by Swan Hunters for Cunard.

The original Conveyor was sunk in 1982, and her captain, Ian North, 57, and 11 other servicemen were killed.

Daily Star  
13.7.84

Five British soldiers facing a court-martial at Catterick dramatically changed their pleas last night and admitted 14 drug charges.

The men, from 38 Royal Engineers based at Ripon, were dismissed from the Army and received jail sentences ranging from 84 days to nine months.

They were said to have used LSD, amphetamines and cannabis — sent in parcels from Britain when they were serving in the Falklands.

Findings and sentences are subject to confirmation.

Daily Express  
13.7.84

## New Atlantic Conveyor

CARGO ships suitable for an emergency defence role should be ordered by the Government, Trafalgar House chairman Sir Nigel Brookes, urged yesterday.

It would boost jobs in the shipyards, he said at a lunch in Newcastle upon Tyne.

After the lunch the Defence Secretary's wife Mrs Ann Heseltine launched Cunard's new 36,000-tonnes Atlantic Conveyor, replacing the ship sunk during the Falklands war.

The roll-on roll-off container ship cost £47 million. It was built with a defence capability by Swan Hunter at Wallsend.

Daily Mirror  
13.7.84

# 'BULL ROUTINE' RAP BY HERO MEDICS

FALKLANDS Army medical heroes are up in arms over a harsh dose of "bull" from officers.

The soldier medics complain they are being treated like raw recruits instead of battle-hardened veterans.

One angry medic — stationed with 16 Field Ambulance at Aldershot — has slammed stark barrack room life in a letter to the Daily Star.

The man, too frightened to be named, complained of:

- Constant day and night inspections.
- Rock bottom morale.
- Cold, condemned, damp living quarters.
- Orders to march everywhere — at the double.

By MICK SEAMARK

The medic said: "We are being treated like infants."

The Royal Army Medical Corps unit's new commanding officer, Lieutenant Colonel Ian Strain, who took over last month, admitted: "I suppose I am a bit of a new broom sweeping clean."

"Some of these complaints do have a ring of truth to them but there is a hotbed of discontent."

"When I first arrived one or two of the men were a little bit overweight and the unit wasn't quite up to the standard it deserved."

"I admit the blocks where the men live are not in good condition but everyone suffers from cash cutbacks."

Daily Mail  
13.7.84

## A tragic 'failure' in blaze hospital

By ROBERT PORTER

THE death toll of eight in the Falklands hospital blaze might have been lower if fire hoses had been connected to water mains and fire-proof doors had been fitted.

This was the finding of yesterday's inquiry report which said that both safety measures had been urged time and again.

### Doors

The islands' Public Works Department left the hoses disconnected because the water pressure was thought inadequate.

But fire officers who tested the hospital hydrants obtained a 20ft jet of water. They wanted the work to be finished 'without further delay,' one of six requests made in 17 months.

The day before April's disaster the department, headed by Mr George Webster, said that the job would be finished when 'men were available from other tasks.'

This, says the report, was a 'failure' to get priorities right.

The tragedy was probably caused by the 'inadvertent act of a patient, a member of the staff or an intruder.'



# Safety defects in fatal Falklands hospital fire

By GRAHAM PATERSON Political Staff

VITAL hose reels in the King Edward V. Memorial Hospital in Port Stanley, where eight people died in a fire in April, were not connected to the water supply months after they were installed, an independent inquiry into the Falklands tragedy revealed last night.

Had the hoses been connected they might have helped in fighting the fire in its initial stages, or in aiding the breathing apparatus teams to enter the building. This might have saved lives.

The inquiry was set up to find the cause of the fire in the hospital, which was built in 1914 of wood and clinker boards.

The inquiry also found that windows, which patients could have used to escape, opened by only 12 inches; that there were delays between the discovery of the fire and calls for help; and that fire orders could have been better drafted and better enforced.

## 'Vital measure'

The islands' Public Works Department was told by the hospital authorities that internal hose reels were a vital fire prevention measure in December 1982. By July 1983 they had been fitted—but not connected to the public water supply.

More than nine months later, when the fire broke out, they had still not been connected despite the comment by one expert that "every attempt should be made as a matter of priority to make these appliances operational."

Despite this call for urgent action it was agreed by the Works Department that the hoses could not be connected up because the water pressure was too low. But further tests showed that this was not the case.

Sadly, the failure to connect up the hoses to the mains was one of the issues discussed the day before the tragedy at a meeting to consider hospital fire precautions.

The minutes of the meeting said the Public Works Department had argued "that as soon as men were available from other tasks the installation would be completed."

The report adds that it would have been "reasonable" for the hoses to have been connected. The failure to do so reflects a failure by the Public Works Department to allocate priorities.

The report also concludes that a number of slip-ups slowed down the alarm reach-

ing the fire services, leading to a delay of about ten minutes.

But it adds: "We do not consider any Service personnel to have been in any way at fault in their behaviour, and their efforts to assist patients and nursing staff are to be commended and may well have saved life."

The report concludes that "great courage" was shown by servicemen, but that connection of the hoses to the water supply and better fire doors would have helped rescuers.

## Manpower shortage

Our PORT STANLEY Correspondent writes: The Falklands Civil Commissioner, Sir Rex Hunt, said yesterday the report was "eminently fair." On criticism of the Public Works Department he said: "They couldn't win as they are so short of manpower."

The Times  
13.7.84

# Lives lost in hospital fire because of poor facilities

By John Witherow

A commission of inquiry into the Falklands Islands hospital fire which killed eight people, including a nurse, Barbara Chick, has decided that lives were lost because of inadequate fire precautions.

The commission, which concluded that the fire was probably started accidentally on April 10 by a patient or member of staff, possibly leaving a cigarette near mattresses, singled out the fact that internal hoses were not connected to the water supply.

If they had been connected, and the hospital fitted with fire doors, it "might have helped in either fighting the fire or in helping the breathing apparatus teams to enter the building in the face of intense heat; and this might have saved lives".

The commission of four decided that this "reflected the failure of the Public Works Department to monitor and control their work programme and assess priorities".

It was also concluded that there was some confusion over poorly-drafted fire orders and the design of windows impeded escape.

Although there was a 10-minute delay in alerting the fire brigade because of an "inadvertent breakdown of communication", the commission decided this may not have led to extra deaths.

But the report does outline a

series of unfortunate delays. Once the alarm was raised there was a delay in sounding the siren because Port Stanley's telephone operator had to leave the switchboard to turn on the siren. As a result urgent telephone calls were blocked.

Once the fire brigades reached the King Edward VII Memorial Hospital they were faced with inadequate water pressure from two fire hydrants near by and the failure of two trailer pumps.

The commission exonerated the RAF fire services of any delay on arriving at the blaze and said the fire-fighting efforts "produced an excellent example of civil and military co-operating".

The report recommended a number of changes, including that the Public Works Department should urgently check that adequate fire precautions have been taken.

The fire underlined a series of warnings about hazards at the hospital. As long as five years ago fire experts gave a warning that emergency doors were kept locked and that fire hoses were not connected.

Soon after the liberation of Port Stanley in 1982 a local official wrote to Whitehall calling for improvements in the water supply and estimated that if fire broke out it would become uncontrollable within three minutes.

# Falkland fire warning 'unheeded'

By John Ezard

Fire hoses in the Falklands hospital in which eight people died in a blaze last April were left unconnected to the water supply, and fire doors recommended eight years before had not been installed, according to the commission of inquiry's report published yesterday.

The report blames the Falklands public works department for failing to heed repeated warnings and requests from hospital and fire service staff. It says that the fire hoses might have helped to save lives, and the fire doors would "almost certainly" have done so.

A British nurse, Miss Barbara Chick, and seven islanders including a mother and her newborn baby died in the fire which destroyed the wooden, overcrowded 50-year-old hospital during high winds on April 10. Firemen were unable to get in because of the intense heat.

The public works department's

director, Mr George Webster, a British official appointed through the Overseas Development Administration, has resigned and is returning to Britain this summer. His job is being advertised in Britain at £10,000 a year, plus a £10,000-£12,000 tax free supplement.

Mr Webster said in Port Stanley, yesterday: "If I had had the manpower, I would have introduced a system of priorities as recommended by the report."

The Civil Commissioner, Sir Rex Hunt, said the department "couldn't win, as they are so short of manpower." Everyone connected with administering the Falklands since 1977 was to blame for a disaster which had been "grievous and keenly felt throughout the islands."

The report, from a commission under Mr David Calcutt QC, with two Falkland islanders on its team, says that in December, 1982, the Falklands

senior medical officer, Dr Alison Bleaney told the department that installation of internal hose reels was a "vital" fire precaution.

A total of five warnings were given on the subject. The hoses were fitted by July, 1983, but not plumbed in.

The minutes of a meeting on April 9, 1984, — the day before the fire — stated that plumbing work had begun but had stopped about five weeks previously. It would restart as soon as men were available from other tasks, the department promised.

Mr Webster told the inquiry that he was unaware until the April 9 meeting that the hoses were not connected, because "it was his habit to pass demands for work of this kind to a subordinate."

He had no system for determining work priorities, apart from those he was given at weekly meetings with Sir Rex Hunt.

Fire doors were recom-

mended in an official report in 1977. Dr Bleaney pressed for them in 1982. The fire officer and Forces quartermaster both followed suit in 1983.

Mr Webster had said in December 1983 that they would be ordered when labour and materials were available. At the meeting on the day before the fire Mr Webster undertook to look into the situation.

The commission finds that the fault lay in the way the department was run — "with no running record being kept for work commitments accepted or the state of progress on each and no overall priority system." Decisions on what job should be tackled next — "or indeed interrupted" — were left entirely to the individual concerned.

*Report of the Commission of Inquiry into the Fire at the King Edward Memorial Hospital, Stanley, on April 10, 1984. Falklands Islands Government, London Office, 29 Tufston Street, London SW1P 3QL.*

# Argentine generals reshuffled

The Times  
13.7.84

From Douglas Tweedale  
Buenos Aires

President Raúl Alfonsín's civilian Government in Argentina has made further changes in top military postings after the disciplinary crisis in the Army last week.

The Defence Minister, Señor Borras, and General Ricardo Pianta, appointed as Army chief of staff after last week's crisis, announced new appointments to five key commands designed to consolidate the civilian Government's control over the Army.

Señor Borras said that General Raúl Schirmer will serve as deputy chief of staff of the Army, and that General Héctor Ríos Erenu, a civilian loyalist, will take over the troubled Third Army Corps in the province of Córdoba.

General Ríos Erenu was said to have been chosen especially to reassert discipline in the Córdoba garrison, which was reported to be the focus of an incipient rebellion against General Jorge Arguindegui, relieved as Army chief of staff last week.

Señor Horacio Jaunarena, the civilian Deputy Defence Minister, said that the changes in the Army were made to "cut short a state of deliberation in the Army". (A "state of deliberation" is used in Argentine military terminology to mean political unrest in the ranks.)

Political sources familiar with military thinking said that the latest changes had "brought the military situation under control," but added that unrest over the civilian Government's investigations into human rights abuses would continue.

A decree issued on Tuesday by the Alfonsín administration allowing servicemen to testify before civilian judges about the participation in what is called "the fight against subversion" during the 1970s was likely to aggravate the unrest.

Until now, military personnel called to testify before civilian judges in a number of cases had refused, saying they needed permission from their superiors. But the new decree eliminates this option.

The Guardian 13.7.84

## Army dismisses five for taking drugs

Five soldiers found guilty of drug offences were given detention sentences and dismissed from the army yesterday at a court martial at Catterick, North Yorkshire.

Three of the five—all sappers with the 38th Engineer Regiment based at Ripon—committed drug offences while on duty in the Falklands.

Richard D'Agostino, aged 21,

was sentenced to nine months detention after he admitted possessing cannabis and amphetamines in the Falklands and conduct prejudicial to military discipline by taking LSD in the Falklands.

The court martial heard that D'Agostino had been sent drugs in letters by friends in London. He shared them with Gavin Watt and Peter Nowell.

Watt, aged 21, admitted pos-

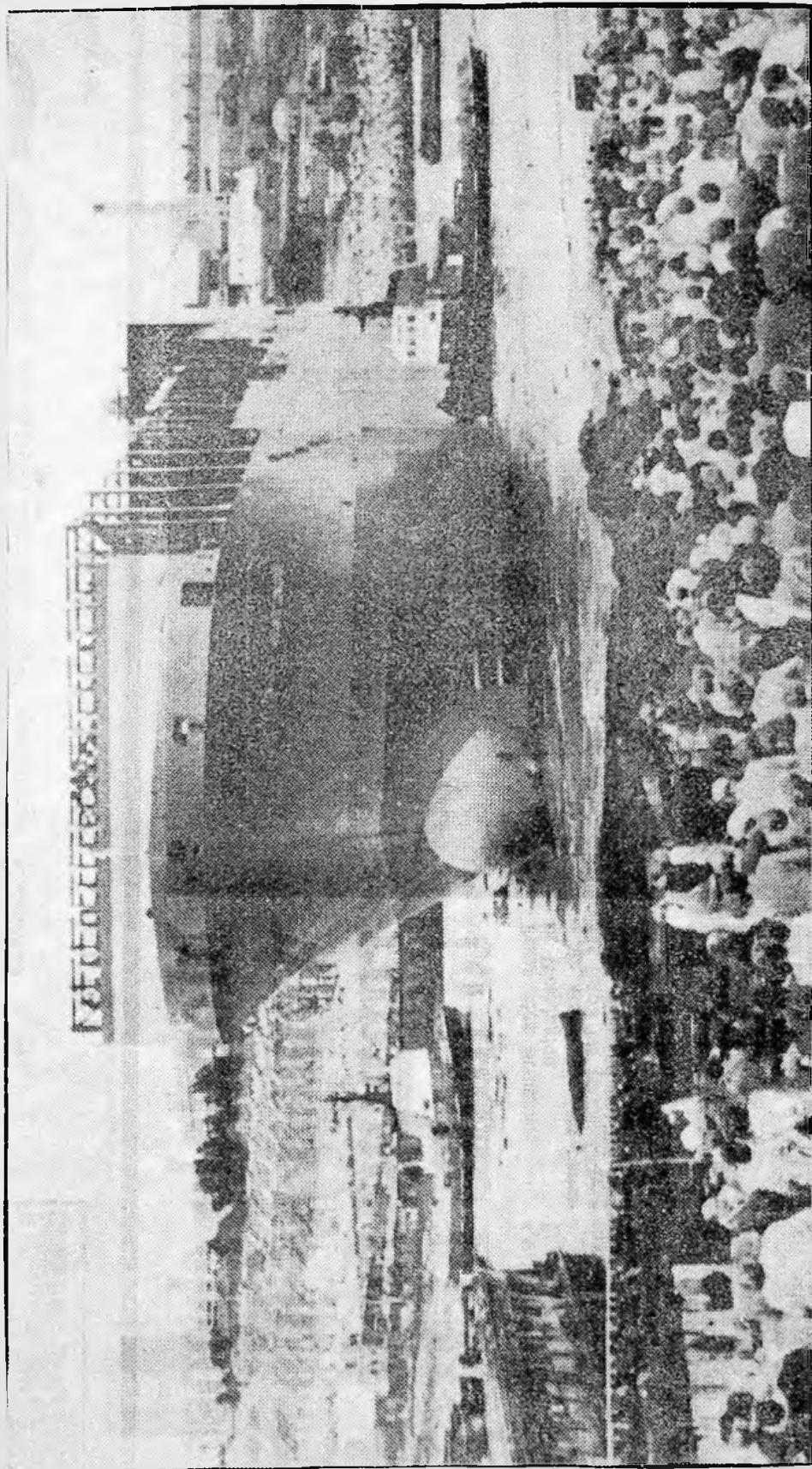
sessing cannabis, amphetamines and taking LSD while on duty in the Falklands. He also admitted conduct prejudicial to military discipline by smoking cannabis aboard SS Uganda in the South Atlantic and was sentenced to nine months detention.

Nowell, aged 22, was given 84 days detention after admitting possessing cannabis in the Falklands.

Ian Askey, also 22, admitted possessing cannabis in Edinburgh, smoking it in Berlin and consuming it in Ripon. Stuart Smith, aged 20, admitted conduct prejudicial to military discipline by consuming cannabis at Ripon. Askey and Smith were given six months detention.

All the sentences will be served at a military corrective training centre in Colchester.

The Guardian 13.7.84



Cunard's new 36,000-ton container ship *Atlantic Conveyor* leaving the Wallsend yard of Swan Hunter on Tyneside yesterday. She was launched by Mrs Ann Heseltine, the wife of the Defence Secretary, and replaces the ship sunk during the Falklands war



## Death riddle of heroine

**Exclusive**

BRISTOL nurse Barbara Chick described as the heroine of the Falklands hospital fire was never seen leaving the building after the blaze broke out.

An inquiry team, whose report was published today, indicates that she died in an attempt to rescue a

wheelchair bound patient.

Miss Chick was said in Britain to have rescued four patients and then died when she went back to try to rescue a fifth.

But the inquiry into the April disaster, in which eight people

By Frank Jezierski died, gives a different version. After the fire alert, she went immediately to help a wheelchair-bound patient.

Another nurse left the building with patients and believed Miss Chick was following her.

the bravery of servicemen and others who fought the fire. It also says "heroic efforts by many people" saved many lives.

The inquiry was not able to pinpoint the cause of the blaze.

A discarded cigarette was previously blamed.

But Nurse Chick's body was found later when men with breathing apparatus entered the hospital.

Falkland government sources confirmed today that islanders did not believe she had ever left the hospital after she discovered the fire. The report praises

Western Daily Press  
Friday 13 July 1984

# The tragic faults in Falklands death fire

A committee of inquiry has criticised fire precautions before the Falklands hospital blaze in which a Bristol nurse died.

Nurse Barbara Chick was one of seven people and a baby who died in a fire at the King Edward Memorial hospital in Port Stanley on April 10.

Miss Chick, who discovered the blaze, was overcome by smoke as she

went back into the hospital to rescue patients.

An inquiry into the blaze was set up by Falklands Civil Commissioner, Sir Rex Hunt.

Its report yesterday catalogued a series of administrative errors, oversights and equipment failures in the Falklands Public Works department and the island's fire-fighting service.

Lives were lost unnecessarily because:

### By Sally Dealer

Hospital hose reels failed to work because they were not connected to the water supply.

Fire doors to the hospital were ordered but never bought because of administrative muddle.

Water pressure in Port Stanley was not high enough to make the island's pumps work.

Two pumps failed to work and the report says they should be replaced.

The committee says it is impossible to say how the fire started but it rules out arson or electrical failure.

But members highlight a ten-minute gap between the discovery of the fire by Nurse Chick and the alerting of civilian and military fire services although they say the ten minute delay may not have cost lives.

Lives could have been saved if the internal hose reels had been connected allowing more firemen to get into the hospital before the fire took a strong hold.

Daily Telegraph  
13.7.84



Falkland Islands  
Government

## LONDON REPRESENTATIVE

The Falkland Islands Government (FIG) wish to recruit a Representative in London.

The Representative is responsible for running the Government's London Office, representing the views of FIG and Falkland Islanders to Her Majesty's Government, Members of Parliament, the media and the British public; providing information about the Islands; encouraging immigration and investment; recruiting FIG staff.

The Representative is assisted by an office manager and a personal assistant.

A suitable candidate is likely to be over 45, have substantial Government or administrative experience, and be a good communicator. Connections with the Falkland Islands are desirable but the post could suit a former Service or diplomatic officer with concern for the Falkland Islands. The successful candidate will spend a period in the Falkland Islands before appointment and will be expected to visit the Islands regularly thereafter.

The gross emoluments will be of the order of £15,000 p.a. An initial two-year contract is envisaged.

Apply in writing to: Falkland Islands Government Office, 29 Tufton Street, London SW1P 3QL.

The Times  
13.7.84

## Falklands post

Britons as well as Falkland islanders will be eligible to apply for the post of Falkland Islands Government representative in London, when advertisements appear soon. The present representative Mr Adrian Monk, is retiring.

The Economist  
13th July 1984



Falkland Islands  
Government

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The gross emoluments will be of the order of £15,000 per annum. An initial two-year contract is envisaged.

Apply in writing to: Falkland Islands Government Office, 29 Tufton Street, London SW1P 3QL.

The Times 12/7/84



## FALKLAND ISLANDS GOVERNMENT

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The gross emoluments will be of the order of £15,000 p.a. An initial two-year contract is envisaged.

Apply in writing to: Falkland Islands Government Office,  
29 Tufon Street, London SW1P 3QL.

Private Eye  
13th July 1984

### Penguin Protectors

Sir,

*The Falklands Anglo German Society held its Annual General Meeting yesterday. Everyone present was appalled by the references in your Letter from The Falklands (Private Eye No 587, 15th June 1984) to the torture and killing of penguins and geese by some of the workers on the airport project.*

*A prime purpose of our Society is the protection of penguins and other natural things and fauna in the Falkland Islands. We intend to pursue the matter as appropriate and would be greatly helped in this if any readers who share our most serious concern could write to me in support.*

Yours sincerely,

ROBERT BROTHERRSON,  
1 Lane Ends, Frost Row, Sedburgh, Cumbria.

## Bombed ship 'FALKLAND' rejoins the Fleet HONOURS FOR SHIPS

By Our Naval Correspondent

THE frigate Argonaut has rejoined the Fleet more than two years after she was severely damaged by an Argentine bomb in San Carlos Water while she was covering the initial landings of British forces in the Falklands.

The 3,200 ton frigate is the last warship to complete repairs after the conflict although work on the landing ship Sir Tristram has still to start.

The Argonaut was hit by a bomb below the water line which wrecked Seacat missile magazine and started fires as well as putting her boiler room out of action with a consequent great loss of power supplies.

### Sonar system

Work on the ship has been prolonged as the opportunity was taken while she was in Devonport dockyard to install the lengthy cable and data processing for a long-range towed array sonar submarine detection system.

The Argonaut, which cost some £7 million to build in 1966, completed a major refit only two years before the Falklands conflict at a cost of £62.6 million, a figure that has almost certainly been exceeded in the work on her over the past two years.

By JOHN PETTY

Shipping Correspondent

BATTLE honours were presented last night to 54 merchant ships which took part in the Falkland Task Force. But with them went a warning to the Government that State aid was now vital to save the merchant navy from collapse.

MPs are tabling last-minute amendments and new clauses to the Finance Bill to try to force changes this week to plans by Mr Lawson, the Chancellor, to wipe out aid currently given to shipowners.

The Finance Bill proposes to end tax-relief which companies get when ordering new ships. It also ends income-tax relief for seamen in foreign service, cutting their wages by between £10 and £15 a week each.

### Fading memories

Mr William Menzies-Wilson, president of the General Council of British Shipping, said memories of how well the merchant navy served in the Falklands "tended to fade too quickly."

"If the Finance Bill went through this week, Britain would be the only major western maritime nation with no significant support for its merchant shipping."

The battle honour boards were presented by Adml Sir John Fieldhouse, First Sea Lord, the board for the Exocet-destroyed Cunard container ship Atlantic Conveyor will go to a new ship of the same name which is due to be launched by Swan Hunter on Lyneside on Thursday.



# A lot of Argy-bargy all round

THE attack by Argentine right-wing extremists on the three British politicians who went to Buenos Aires turned out to be the least of their problems. These began as early as the plane from Heathrow. Labour MP George Foulkes found, to his horror, that the zip on his trouser flies had broken (something to do with the cabin pressure, I expect). None of the cabin staff could provide a safety pin; and that is why Mr Foulkes attended his first press conference when the plane landed wearing a dirty raincoat tightly buttoned up, looking for all the world like a molester rather than an MP.

His Conservative colleague, Cyril Townsend, was very surprised to get an invitation in Argentina to dinner from the Queen's Fan Club. Delighted that such loyalty to the Monarch should exist in a country that fired Exocets at her son, he went along to receive the tributes.

He was a little surprised to find the whole room filled with strangely dressed people. He was astonished when they then told him that they were all fans of the pop group Queen (currently number one on the Argentine hit parade), and he was bewildered when they asked him to take a letter to the lead singer, Freddie Mercury.

Times  
9 7 84Sunday Times  
8 7 84

## THE WEEK AHEAD

IS THIS the answer to Luis Palau? While the Argentine revivalist continues his mission to the English this week, courtesy of the QPR stadium, a party of 39 young British Baptists will be arriving in Buenos Aires. They will mingle with 4,000 other Baptists at a conference before separating to stay with Argentinian families. At the General Council of British Shipping, St Mary Axe, tomorrow, battle honours will be presented to merchant ships that took part in the Falklands campaign. When the Royal Tournament opens at Earl's Court Wednesday, Prince Andrew will provide a recorded account of his experience in the Falklands.

● CONCERNS THE UN

## Ex-SAS chief posted to Falklands

The Falkland Islanders are getting to know a general who, despite a distinguished career, had until recently lived in carefully cultivated obscurity (Rodney Cowton, Defence Correspondent, writes).

He is Major-General Peter de la Billiere, aged 51, who from 1977 until last year commanded the Special Air Service Regiment. Last month he succeeded Major-General Keith Spacie as Military Commissioner and Commander, British Forces, Falklands Islands.

The SAS has traditionally been at pains to avoid disclosing the identity of its members, and with his appointment to the Falklands General de la Bil-



General de la Billiere has moved from a position of careful anonymity into a job which has one of the highest public profiles in the Army.

He was the officer behind the establishment of the secret counter terrorist force which was used so effectively to break the Iranian Embassy siege in 1980. General de la Billiere has been introduced to the Falkland islanders by Sir Rex Hunt, the Civil Commissioner.

Daily Tel.  
7 7 84

## ISLANDERS GIVEN LAND-ROVERS

By Our Port Stanley  
Correspondent

Eleven vehicles have just been delivered to Falkland Islanders who helped the British Task Force during the 1982 conflict. A further gift of six Land-Rovers are due in Port Stanley before Christmas.

Six Land-Rovers, two tractors and three Honda motor cycles are gifts from the Returned Services League of Australia, which asked the British Commonwealth Ex-Services League in London to arrange for £100,000 to be used in the best possible way.

## SPECTRUM

# The 'humblest' man of Argentina

## The Times Profile: Raúl Alfonsín

Raúl Alfonsín is a man in a hurry. At the Casa Rosada, the pink presidential palace, he holds meeting after meeting starting at 8 am. At dinner at his official residence, he holds more talks with business, labour and political leaders.

He darts around the country, pleading to be heard. Everywhere his message is the same: Argentina's new democracy is under threat.

Gone is the euphoria of seven months ago when Alfonsín was inaugurated as president on the crest of an upset election victory, ending nearly eight years of bloody military rule. Though a number of former military leaders have been put on trial for the "disappearance" of more than 6,000 Argentines during an indiscriminate anti-subversion campaign, human rights groups complain that he is not moving forcibly enough to bring the guilty to justice.

The Peronist Party, still stunned by its defeat at the polls, has been blocking Alfonsín's legislative programme. The Peronist labour movement has been using the strike weapon to defeat Alfonsín's plans for union reforms.

### Great ethical and political issues dominated family conversation

More urgent still is the economic crisis. Inflation has rocketed to nearly 600 per cent since he took office. The foreign debt is the world's third largest, some \$54 billion. The international banks are demanding austerity measures. But too many could trigger a social backlash.

"The country in a certain way is still on the edge of a precipice", Alfonsín said in a recent interview. "If we accept recessive economic recipes, our democracy itself would be at stake."

In this race between democracy and chaos, the odds still favour democratic renewal. Argentina, once the intellectual mecca of Latin America, is making a cultural comeback. One of the President's first acts was to put an end to censorship. "Never again will a book be banned", he vowed, and the country's bookstores, theatres and film houses have been

brimming over with a new creativity.

Spending on education has grown and university admissions have been thrown open. Culture has moved into the streets with music festivals and art shows. Many of the two million Argentines who fled abroad in recent decades are returning. After years of fearing to attract their military's attention with the wrong kind of appearance, young people sport blue jeans and long hair.

Alfonsín likes to call himself "the humblest Argentine", his attire while campaigning for president ran to rumpled suits and a shabby trench coat. It may be a reflection of his background.

Alfonsín, who is 57, was born in the small farming town of Chascomús, 70 miles east of Buenos Aires on the flat Argentine pampas. His father, a general store owner, was a Spanish immigrant of passionate republican convictions, his mother a fervent Roman Catholic. Young Raúl was brought up in a home where the great ethical and political issues were the subjects of the day.

He attended a military academy because it was the best school in the area, and many of his classmates rose to be the generals he later opposed. But he rejected a military career and went on to study law at the University of Buenos Aires.

At the age of 18, he joined the Radicals, a middle class party founded in 1890 by the rising urban middle class of European immigrants. Alfonsín's hero is the Radical leader, Hipólito Yrigoyen, who led and won a political struggle for universal male suffrage and was elected president in 1916.

"My inspiration comes from an ethic, rather than an ideology", Alfonsín said "an ethic that believes in the freedom of man, as Yrigoyen believed".

As president, however, Yrigoyen was unable to reach a working compromise with the oligarchy that controlled the Senate.

The result was political sclerosis and, in 1930, the first military coup.

When Peronism rose in the 1940s as a right wing workers' movement manipulated by the demagogic Col Juan Domingo Perón, the Radicals were relegated to a fragmented minority.

Alfonsín, meanwhile, entered



Grim reality: after the euphoria Alfonsín says Argentina is still on a precipice

politics. After getting his degree in 1950, he returned to Chascomús and won a seat in the Buenos Aires provincial assembly at the age of 24.

He also married María Lorenza Barrenechea, a woman of Basque descent, they now have six children. His independence as legislator got him into trouble with the Peronists, and he was briefly jailed.

Perón, who had ruined the economy and turned increasingly to mob rule, was overthrown and exiled by the military in 1955. The military

took over the government, and the Peronist Party was banned. Thus it was that in 1963 Arturo Illia, a kindly old radical, won the presidency and Alfonsín won a seat in Congress on his coat tails.

But Illia was overthrown by the military three years later. Alfonsín was jailed briefly twice again for political protests.

Disillusioned by Radical cooperation with the military, he challenged the party's old guard and was swatted aside in the 1972 primary elections as an upstart. But having attracted many young people to his standard, he formed the Renovation and Change movement within party ranks.

In 1973, Argentina began the

wild roller coaster ride of the past decade. Brought back from exile in Spain, Perón was elected President once more. He died a year later, however, to be succeeded by Isabel Martínez de Perón, his third wife and a former chorusline dancer. She in turn was overthrown by the military amid rampant left-wing terrorism and economic chaos.

Then came the counter terror, the humiliation of the Falklands conflict was the worst economic crisis in the nation's history.

As a founder of the Permanent Assembly for Human Rights, Alfonsín was one of the

Freedom's choice: man with Argentina's future in his hands

1927: Born Chascomús, Buenos Aires  
1950: Gained law degree  
1953: Imprisoned by Peronist Government for political protest  
1955: Became municipal councillor  
1958: Became provincial deputy



testimony of torture and murder from more than 1,000 witnesses.

Sabato's investigation is part of an attempt to come to grips with the nation's past. Alfonsín ordered the court martial of nine former junta members for spreading "terror, pain and death". Among the nine were three generals who had served as president.

"The past gravitates darkly over our future", Alfonsín said. These "extremely aberrant violations" of human rights had to be punished to deter repetition. He pushed a law through Congress that makes commanders who ordered atrocities — and underlings who carried them out — responsible for their actions.

Breaking with the Latin tradition overlooking leftist terrorism as a product of youthful excess, Alfonsín ordered the arrest and trial of seven former Montonero leaders.

Alfonsín has been trying to get the military out of politics. He has cashiered more than half the generals and admirals, appointed civilian secretaries over the armed forces, slashed arms spending and sought to break the military's control of *Fabricaciones Militares*, the military-industrial conglomerate that produces everything from ploughshares to tanks and is the nation's largest employer. The military, surprisingly, has offered little resistance. The main reason, according to one colonel in the top army command, is that the officers have come to respect Alfonsín's "sense of fair play".

The military, on its own, is court-martialing the trio that led the nation on to the disastrous Falklands conflict — General Gallieri, Admiral Jorge Isaac Anaya and Brigadier Basilio Lami Dozo.

Yet there is uneasiness within the armed forces. Some officers feel that, on the issue of the disappeared, the civilian courts are exceeding the demands of justice.

The danger of another military push, however, is remote. The military's legacy includes the ruined economy, the lost Falklands conflict and the roster of the disappeared. Despised and demoralized, the military

could hardly launch a successful coup even if it wanted to.

Alfonsín faces more opposition from human rights groups than from the military. He has complained that his former colleagues in the rights movement are seeking vengeance, not justice. They are against his use of military courts and against any forgiveness.

And he has set about trying to reform the Peronist tradition of unions. Arguing that "without democracy in the unions there can be no democracy in the country", Alfonsín has set out to wean unions away from the Peronists.

The top leaders have faced elections in a decade, and they have increased their power during this last year, virtually taking over the Peronist Party. Alfonsín has sacked a labour minister and called for national unity talks with the Peronist and other parties on the periphery of power. And, in a bold gamble, he has sought the help of Isabel Perón.

Except for a brief visit for Alfonsín's inauguration, Mrs Perón had been living quietly in Madrid. Her second trip back was undertaken at Alfonsín's encouragement, apparently with the intention of helping him to solve the nation's crisis.

Few events in Argentina's recent history can equal the irony of her being called in as an arbiter of the nation's fate. Her presidency was marked by such incompetence that even Peronist unions went on strike and party leaders encouraged her to resign.

The embarrassment seems to have returned with her arrival at the Buenos Aires airport. A diminutive, 53-year-old woman with dyed reddish-brown hair, she admonished the waiting delegation of Peronist leaders to "behave yourselves." As her confessor at private rights masses, she called in for his wing bishop notorious for defence of military repression. Alfonsín cannot be unaware of Mrs Perón's shortcomings. Yet, as her party's president, is the only available "interlocutor", as he puts it, between him and the Peronists.

Edward Schumacher

The Times  
6.7.84

### **Argentine alarm**

Army tanks were seen moving towards Buenos Aires after leading generals were forced to resign. Argentine politicians were alarmed by the news

Earlier report, page 6

Daily Mail  
9.7.84

### **HMS 'Freedom'**

THE frigate Yarmouth, nicknamed 'Crazy Y' in the Falklands war, was given the Freedom of Great Yarmouth.



# Army generals go as Alfonsín reasserts civilian control

From Douglas Tweedale  
Buenos Aires

President Raul Alfonsín of Argentina, facing his first crisis of military discipline since he took office last December, accepted the resignation of his army chief of staff and ordered at least one other top general into retirement late on Wednesday night.

General Jorge Arguindegui, the chief of staff, resigned after being caught up in persistent rumours of military unrest among top and middle-ranking officers. He will be replaced by General Gustavo Pianta.

President Alfonsín also ordered into retirement General Pedro Mansilla, the commander of the powerful Third Army Corps who was reportedly in conflict with General Arguindegui.

Political sources said that President Alfonsín had requested General Arguindegui's resignation in an effort to preserve military discipline and reassert civilian control over the armed forces.

According to unconfirmed reports, Señor Alfonsín took his decision to dismiss the army chief of staff, whom he had selected, after General Mansilla refused to comply with General Arguindegui's request to resign his commission.

Although unrest in the military has been an open secret for months, the rumours of discontent became a crisis only when General Arguindegui complained publicly during a radio interview last weekend

On June 27, President Alfonsín announced a dramatic shift in his government's economic policy and said it would set the strictest example of austerity from then on. The Government adjusts wages and utility prices monthly to keep pace with inflation, but the latest announcements of 25 per cent increases for transport and 37 per cent for petrol far exceeded the estimated June inflation of 17.8 per cent. The 12 per cent increase announced for July private sector wages, on the other hand is expected to be far below this month's cost of living increase. Public sector wage increases were not announced.

that there was a plot to remove him.

Officers in all three armed forces are unhappy about several issues, including low salaries, investigations of human rights abuses by the military, and the Alfonsín Administration's efforts to reorganize the armed forces and to bring them under stricter civilian control.

Few political observers believe however that there is any danger of a military uprising against the seven-month old Government.

Señor Adolfo Gass, President of the Senate foreign relations committee, said yesterday that the affair "is already over" and that the forced resignation of the two generals would have "a positive effect, because it would

reinforce the President's authority over the military".

Other reports indicated that dissatisfaction in military ranks increased sharply after a controversial television programme on Wednesday about the military's role in human rights abuses under the military government.

The programme, produced without government approval by the presidential commission investigating more than 8,800 disappearances, showed relatives of people kidnapped by military forces telling their version of the abductions.

During the programme a small bomb was thrown at the television station which carried the broadcast, and unidentified men fired shots at the navy mechanics school in Buenos Aires, reputed to have been the site of a secret torture centre from 1976 to 1979.

President Alfonsín and leading Cabinet Ministers were shown the programme for the first time on Wednesday morning, and several ministers reportedly suggested cancelling the broadcast for fear of increasing tension.

Instead, several scenes including a reconstruction of a military kidnapping, were reportedly cut from the programme at the last minute.

These events came at the moment when the Government has begun to implement controversial austerity measures to combat inflation and clear the way for financial help from the country's foreign creditors.

Daily Mail  
6th July 1984

## **Falklands agreement is near**

By Diplomatic Correspondent

**SECRET NEGOTIATIONS** between Britain and Argentina are going so well that normal relations could be re-established by the end of the month.

Two moves are expected—Argentina will formally end the state of hostilities between the countries and Britain will lift the 150 mile protection zone around the Falklands.

An all-party team just returned from Buenos Aires has also called for confidence-building measures such as a war graves visit for Argentine relatives and a fishing agreement.

## Private firm wins Tristram contract

By our Business  
Correspondent

The Government has awarded a lucrative contract to repair the Royal Fleet Auxiliary vessel Sir Tristram, badly damaged in the Falklands war, to a company which was returned to the private sector only four months ago.

The £10 million plus contract has been given by the Ministry of Defence to Tyne Shiprepair, which was bought out by its management for a relatively modest sum in February.

The contract was won against competing bids from British Shipbuilders' Swan Hunter yard, which tendered independently and in a consortium with the Redheads co-operative. The other bidder is thought to have also been the private Smith Shiprepairers firm, which is again based on the Tyne.

The MoD refused to say yesterday whether the tender from Tyne Shiprepair was the lowest, and pointed out that it

had no obligation to accept the cheapest bid. The Defence Secretary, Mr Michael Heseltine, recently stated that the MoD's guiding criterion in awarding contracts would be to seek value for money.

The contract for the Sir Tristram has been lumped with a contract to refit a second Fleet Auxiliary vessel, the Reliant. Together the order's value is believed to be £12-£13 million.

The firm said yesterday that the Sir Tristram contract would guarantee a year's work for 250 existing employees and provide work for up to 250 sub-contractors.

Tyne Shiprepair was sold to its management without orders at either of its operational yards, Wallsend Drydocks and Middle Dock, but has won contracts for 6 ship repairs, and increased its labour force from 500 to 800.

The Sir Tristram work consists of lengthening the vessel by adding a 29-foot section and rebuilding its superstructure to include new accommodation and a helicopter deck.



## Two Marine bands to go as economy measure

### DEFENCE

The decision by the Government to disband two of the Royal Marine bands for reasons of economy brought criticism from all sides and a plea to think again when it was raised in the House of Lords during question time.

Lord Trefgarne, Under Secretary of State for the Armed Forces, answering a request by Lady Vickers (C) for a statement on future Government policy to the bands of the Royal Marines, said: The policy of the Government is to maintain the bands service of the Royal Marines in the size and shape which best meet the needs of the naval service, taking account of the need to shift resources from support areas to the front line.

Thus, two out of the nine existing Royal Marine bands are being disbanded, the Band of Commando Forces in 1985 and the Band of Flag Officer 3rd Flotilla in 1987. The seven remaining bands are planned to continue.

Lady Vickers: I am not very pleased with that reply. In wartime the bandsmen are very efficient especially in casualty work, as was shown in the Falklands campaign.

The intimate relationship between the Royal Marines and the Commandos in training is considerable; the bands are also a powerful recruiting agency and a tourist attraction.

Lord Trefgarne: Bandsmen do act as stretcher bearers and nursing auxiliaries in time of war, but there will be more than sufficient bandsmen remaining in the Royal

Marines to fulfill this important role.

Lord Boston of Faversham (Lab): It is a matter of regret that these bands are being disbanded and will be greeted as such throughout the country. They have a wider role to play in the public relations service and would he at least confirm that particular role will be borne in mind? Would he reconsider the position of the bands as a whole?

Lord Trefgarne: I agree that the role to which he refers is important and is one we have taken into account in reaching this decision.

Lord Mayhew (L): What is the cost of the Royal Marine bands?

Lord Trefgarne: The total cost of the Royal Marine bands service is £8.1m a year and the Band of the Commando Forces costs about £900,000 a year.

Lord Dean of Beswick (Lab): The loss of these bands causes as much dismay on the Labour side of the House as on his own. Why is the Government going to pursue this policy of dismantling two bands that have become household names and are the envy of the world? Would he reconsider the decision?

Lord Trefgarne: The defence budget is finite and it is necessary to ensure we get the best value for money out of it. We intend the maximum proportion of resources we can make available are devoted to the front line.

Later Lord Trefgarne said: We have decided there should be a single Defence School of Music covering musical training of all three Services and at present we are considering where this should be.

The Times 5/7/84

## Bluff Cove ship to be repaired

The logistics support ship Sir Tristram, which was severely damaged by Argentine aircraft at Bluff Cove during the Falklands conflict, is to be repaired and brought back into service.

The attack on the 5,600-ton Sir Tristram and her sister ship, Sir Galahad, in the closing stages of the conflict cost many lives. Sir Galahad was so badly damaged that she was sunk and designated as a war grave.

The Times 5/7/84

## Alfonsín acts over Army rumours

From Douglas Tweedale, Buenos Aires

A wave of rumours of unrest in Argentina's armed forces has swept up to the top levels of President Raul Alfonsín's civilian government.

President Alfonsín met Señor Raul Borras, the Defence Minister, on Monday night to discuss a reported plot to remove the Army Chief of Staff, and other Government spokesmen have been denying that a purge of the supposed plotters is under way in the Army.

Rumours of "serious unrest" in the Army as a result of the civilian Government's organizational shakeup and of court investigations into alleged human rights abuses by military officers began to be reported.

When a report of an alleged plot by five generals to overthrow General Jorge Arguindegui, the Army Chief of Staff, surfaced last weekend, Señor Borras was called in by President Alfonsín.

Military sources at first denied there was unrest, then admitted it was possible that some generals could be removed soon because of attempts to "destabilize" General Arguindegui. A Government official on Monday was quoted as saying: "There have been no removals yet, but that doesn't mean there won't be any soon."

Alfonsín profile, page 10

Daily Telegraph  
4th July 1984

## DIRECTOR OF PUBLIC WORKS

### FALKLAND ISLANDS

The Government of the Falkland Islands requires a Director of Public Works who will have responsibility for all functions of the Department of Public Works.

**Duties:** Include roads, utilities, construction of new buildings and maintenance of existing government property. It will be necessary to liaise with the PSA/Military Authorities on engineering and allied aspects of projects such as roads, water supply and electricity.

**Qualifications:** Applicants should be British citizens, over 40 years of age, with a wide and extensive experience of civil engineering generally and be chartered civil or municipal engineers, preferably Fellows of the Institution. They should also preferably have completed some military service with the Royal Engineers.

**Appointment:** 2-3 years with the possibility of extension. Local salary £10,788 per annum plus an allowance normally tax free in the range £10,998-£12,768 per annum. A terminal gratuity of 15% of local salary is payable. Other benefits include free family passages, children's education allowances and subsidised accommodation. An appointment grant of up to £300 and an interest free loan of up to £2,700 may be payable in certain circumstances.

Intending applicants should send a detailed curriculum vitae quoting ref AH310/CB/A (closing date for application is 17th July 1984) to:

Appointments Officer,  
Overseas Development  
Administration, Room AH351,  
Abercrombie House,  
Eaglesham Road,  
EAST KILBRIDE,  
Glasgow G75 8EA.



## OVERSEAS DEVELOPMENT

BRITAIN HELPING NATIONS  
TO HELP THEMSELVES

Daily Mail  
4th July 1984

## **SOLDIERS ACCUSED**

FIVE soldiers accused of drug offences faced a court martial yesterday.

Two sappers serving with the Royal Engineers are alleged to have taken LSD during a tour of duty in the Falklands last year. One is also accused of smoking cannabis on board the troopship Uganda in the South Atlantic.

The others, all from 38 Engineer Regiment based at Clare Barracks, Ripon, North Yorkshire, deny offences involving cannabis.

The hearing continues at Catterick today.

Daily Mail  
4th July 1984

## **Spoils of war**

TWO Argentine helicopters captured in the Falklands are soon going into service with the SAS. The £1 million Italian Agusta 109s have been completely refitted.

Daily Mail  
3rd July 1984

## 24-hour plan for peace

A BRITISH Parliamentary delegation has come back from Buenos Aires with a new plan for ending the deadlock between Britain and Argentina.

They believe that if Mrs Thatcher lifts the 150-mile protection zone around the Falklands, Argentine President Alfonsín will immediately respond by declaring a formal end to hostilities.

The delegates, members of the South Atlantic Council set up last December to improve relations between the two countries, will present their recommendations to the Foreign Secretary, Sir Geoffrey Howe.

Mr Cyril Townsend, Tory MP for Bexleyheath, one of the delegates,

By AMIT ROY

yesterday outlined the plan which he thought might win acceptance from Argentina.

He said: 'The Argentine would, under a suitable form of words, declare a cessation of hostilities. There have been no hostilities for two years and they have also said they are not going to use military means in the future. At the same time Britain would unilaterally lift the protection zone.

'There would be no strings. To the astonished world those two

things would happen within a 24-hour period.'

The delegation, which received a generally warm reception, has returned resolved that Britain should do everything possible to help President Alfonsín establish democratic rule in Argentina.

On the question of sovereignty of the Falklands, the delegation felt there could be no negotiations unless Britain agreed to include this topic on the agenda. But having done so, the topic could be put to one side with both countries agreeing to disagree.

Then, progress could be made on the subjects Britain is keen to discuss — re-establishing commercial, cultural and diplomatic links.

## MPs' PLAN FOR DEAL ON FALKLANDS

ONE of the three British politicians who returned last night from Buenos Aires said he believed they had the outline of a plan that could end the Falklands deadlock.

He is Mr George Foulkes, Labour MP for Carrick, Cumnock, and Doon Valley, who visited Argentina with Mr Cyril Townsend, Tory MP for Bexleyheath, and Lord Kennet, and SDP Peer.

Mr Foulkes said the plan was in three stages:

Confidence-building to try to improve relations and contacts between the two sides.

A simultaneous declaration of an end to hostilities by Argentina.

Lifting of Britain's Falklands exclusion zone with "no strings attached."

### Sovereignty question

Then it would be a question of "getting down to the negotiations," said Mr Foulkes.

He went on: "We have to find a formula which satisfies Mrs Thatcher, who does not want sovereignty discussed, and Argentina, which says it must be. That seems impossible, but we think we have a way."

It would involve sovereignty being a long way down on the agenda, and an advance understanding of what was meant by sovereignty.

Talks were not starting at the moment because of the word "sovereignty." They thought that "if we spell it out a bit more, it could be acceptable."

## Visit to Argentina raises hope of peace

By John Ezard

A hopeful first step towards breaking the deadlock between Britain and Argentina was thought yesterday to have emerged after the first talks between parliamentarians of the two countries since the 1982 Falklands conflict.

It would involve a long-awaited unconditional cessation of hostilities by Argentina and a simultaneous declaration by Britain lifting the 150 miles military protection zone around the Falklands.

The hope was raised that for Britain, this could bring the important short-term benefit of an end to the ban on landings in Brazil and Uruguay by planes using the garrison's costly 8,000 "air bridge" between Britain and the Falklands, currently routed through Ascension. It would also be welcomed by the Argentinian fishing industry.

The proposal arose in discussions in Buenos Aires with an all-party group of British parliamentarians, who were the first to go there since the conflict.

The group, MPs Mr Cyril Townsend (Conservative) and Mr George Foulkes (Labour), and Lord Kennet, an SDP spokesman on foreign affairs in the Lords, returned to London yesterday.

Lord Kennet said that the idea of simultaneous statements was "quite a live front runner."

The British group detected "no sign of a shift at present" in the two countries' conflicting views over negotiations on Falklands sovereignty. But they found "a bursting wish among Argentinians of all views to resume talking to Britain."

The Guardian  
2/7/84

Our political staff adds: Labour's shadow cabinet is to urge the Parliamentary Labour Party not to press its front bench spokesmen to demand an immediate inquiry into the sinking of the Argentine cruiser General Belgrano.

The PLP is to debate a motion at its weekly meeting on Wednesday which expresses support for an inquiry. It urges the shadow cabinet to force a vote in the Commons on the issue.

Last week the shadow cabinet, on the advice of Mr Denis Healey and others, agreed that the opposition ought to concentrate on the wider issue of future relations with the newly-elected government of Argentina, as well as the mounting cost of Britain's so-called "Fortress Falklands" policy.

The PLP will be urged on Wednesday to defer a decision on pressing for a Belgrano inquiry and to focus the party's attack on why the Prime Minister is still refusing to resume negotiations on the islands' future.



## Visitors to Argentina see glimmer of hope

From Douglas Tweedale, Buenos Aires

Two British MPs, Mr Cyril Townsend, Mr George Foulkes, and a peer, Lord Kennet, left Argentina on Saturday saying they had "more than accomplished" the purpose of their five-day visit despite isolated unpleasantnesses. They spent their last day in Buenos Aires under tight security after being attacked by nationalist extremists who burst into the Plaza hotel on Friday.

Argentine bodyguards with pistols drawn escorted them from the hotel on Saturday. The security guards also made a last-minute change of airport and sent the Britons home via Uruguay to avoid possible demonstrations on their departure.

Nevertheless, the three left in high spirits after five days of talks in which they sounded out the receptivity of President Raúl Alfonsín's Government to some specific possible initiatives for normalizing relations.

"We have found positive signs that people very close to the Government are interested in breaking the current deadlock in talks", Mr Foulkes, Labour MP for Carrick Cumnock said.

Mr Foulkes, Mr Townsend, Conservative MP for Bexleyheath and Lord Kennet said they were acting as representatives of the South Atlantic Council, a private lobby, and not the Foreign Office.

# Deadlock over the Falklands

THE VISIT to Argentina last week by three British politicians is the first real gesture of reconciliation since the Falklands conflict two years ago. The MPs, members of the South Atlantic Council formed to foster understanding between Britain and Argentina in the wake of the war, were invited by the Argentine Senate. Thus, while the visit was in no sense official, as the invitation did not come from President Alfonsín, it did provide a welcome opportunity to try to break the deadlock between the two countries over normalising their diplomatic and commercial relations.

## Reluctance

Since Argentina was the aggressor, it is appropriate that the gesture to invite the MPs came from Buenos Aires. Argentina still theoretically maintains a state of belligerency. However, President Alfonsín is on record as renouncing the use of force to settle the dispute with Britain over possession of the Falklands. This signals that civilised dialogue, albeit unofficial, can prevail between two nations which have a common interest in mutual understanding.

Britain, for its part, has quietly dropped insistence on an end to the state of belligerency as a pre-condition for negotiations. But the laborious contacts through the protecting powers, Brazil and Switzerland, have progressed little since they were initiated last December.

The deadlock hinges on the heart of the historic dispute with Argentina—sovereignty over the islands. President Alfonsín recognises the present British Government's reluctance to discuss sovereignty in the aftermath of the war, and has proposed that the issue be put on one side. This is about as far as he can go: formal waiver of the claim would be political suicide for him.

The British Government meanwhile refuses to negotiate the normalisation of relations with Argentina on any under-

standing that might involve a commitment to discuss sovereignty at a later stage. Mrs Thatcher, the Prime Minister, is adamant that the war fundamentally altered the situation and she is committed to respect the wishes of the 1,400 islanders.

## High cost

However, the present policy is enormously costly to the British taxpayer and its longer term aims require increasing justification—especially the drain on the defence budget and its consequent diversion of Britain's military capacity from NATO.

The moment is approaching when one should distinguish between the raw aftermath of battle and the longer-term fact that the islands' future is inextricably linked to Argentine good will and to normal relations between the two countries. Sovereignty was discussed for more than a decade before the fighting, even when a military junta ran Argentina. To rule out discussion of sovereignty at a future date defies the logic of geography and ignores the economic cost of "Fortress Falklands" and the political consequences of deadlock with Argentina.

There are already signs of some ambiguity in the British stance. The islanders are pressing Britain to declare a 200-mile territorial zone to protect the valuable fisheries and ensure some income from fishing licences. Their wishes are being resisted because the Foreign Office knows such an initiative would signal an intention for a permanent presence in the South Atlantic, prejudicing dialogue with Argentina and probably alienating much of Latin America.

How much of a compromise is it then for Britain to accept that one day it will again discuss sovereignty over the Falklands with Argentina? The answer is that it would be a recognition of reality. The choice is between recognising it now, when circumstances may be ripe, or postponing it for an indefinite future. The Falklands, factor in British politics will not last for ever.

The Financial Times 2/7/84

## 'Chance of Falklands peace'

MR GEORGE FOULKES, Labour MP for Carrick, Cumnock and Doon Valley, said on his return last night from Buenos Aires that he believed he and two other British parliamentarians had the outline of a plan which could end the deadlock over the Falkland Islands.

Mr Cyril Townsend, Conservative MP for Bexleyheath, Lord Kennet of the SDP and Mr Foulkes talked with more than 60 influential people during their time in Argentina.

The plan was in three stages:

- Confidence-building to try to improve relations and contacts between both sides.
- A simultaneous declaration of an end to hostilities by Argentina
- The lifting of Britain's exclusion zone around the Falklands with "no strings attached."

Then it would be a matter of "getting down to the negotiations."

# The Falkland islanders cannot have an indefinite veto

**David  
Montgomery**

THE VISIT to Argentina in June by a small group from the South Atlantic Council, comprising two members of Parliament and one peer (all from different political parties); is an appropriate opportunity not just to review the vexed problem of the dispute between Britain and Argentina, but to consider some possible solutions. One must presume that this trio of legislators, once they have acquired first-hand knowledge and established direct contact with fellow parliamentarians in Buenos Aires, will be keen to influence events upon their return to London.

It seems incredible that more than two years have now elapsed since the cessation of hostilities and that there is still no sign of any break in the logjam over the resumption of relations or the renewal of negotiations.

During that time much has changed in Argentina. The discredited military government has been replaced by a democratic elected administration. The parliamentary process is now re-established — although it must be considered a delicate plant. It will need nurturing and encouragement to survive in the hyperactive and traditionally super critical political climate of Buenos Aires.

Like other South American countries, Argentina has a large foreign debt, and a precarious economic position. This will ultimately be resolved, not just because it is in the best interests of the industrialised countries, but because the resources of the countries concerned, particularly Argentina, will accelerate recovery once the necessary internal disciplines are imposed, and world trade starts to pick up again.

When President Alfonsín took office he proposed open agenda discussions with Britain, although it was implicit that this would include the subject of sovereignty amongst the other issues. Informal contacts show that there are many other

bilateral problems — visas, commercial exchanges, air traffic and trading arrangements — which could be solved quickly by direct diplomatic exchanges.

But the key issue, and the only one on which there is no agreement whatsoever, is sovereignty. This must be faced sooner or later. It will not go away. Unfortunately the Conservative Government view, stated firmly and repeatedly by Margaret Thatcher, is that sovereignty is not negotiable, and that the wishes of the islanders are paramount.

Although the problems in Hong Kong, Gibraltar, and the Falklands, are very different, there is one common thread — namely that another power considers that the status quo must alter. What is strange is that only in the case of the Falklands are the wishes of the people given absolute paramouncy. It is hard to believe that the wishes of such a very small minority group, albeit supported by a strong parliamentary lobby, have been allowed to override indefinitely the main national interest.

Argentina may not have declared a formal end to hostilities, but neither was there a formal beginning — any more than there were formalities for the beginning or end at Suez, or indeed in many other conflicts that have occurred around the world since 1945. President

Alfonsín has stated on numerous public occasions that Argentina will pursue the claim, which it has sustained more or less continuously for nearly 150 years, by peaceful means. As a result we can expect an increase in diplomatic activity, such as took place recently in Spain, and adverse resolutions will undoubtedly be repeated at the UN General Assembly later this year — to our disadvantage and embarrassment.

Of course the Argentine invasion was a catastrophic error. At the time one hoped that reason would prevail, but one must now accept that Britain had no alternative but to take a stand against unprovoked aggression. Indeed the rapid action attracted considerable admiration from around the world, including from many

Latin American countries who at the same time continued supporting the Argentine claim to the islands by negotiation. The speedy conclusion and success of the military operation made the point of principle — which has now been more than satisfied. It also inadvertently brought about the collapse of the bankrupt military government which facilitated the return to democracy — a fact which even the most ardently nationalistic Argentines appreciate very much indeed.

The return to normality should start with the re-establishment of direct diplomatic relations. The process of indirect communication is laborious, and it is difficult to see how we can progress very far until diplomatic links are restored — enabling both governments to communicate with each other rapidly and directly. A further problem is that the present exchanges are essentially secretive, with inevitable leaks and speculation. This, coupled with periodic outbursts of megaphone diplomacy, to use a phrase so appositely introduced by

Lord Carrington, will get nowhere.

It is sometimes argued that any negotiations with Argentina would blemish the memory of those whose lives were sacrificed, and weaken the principle for which the war was fought. In this context dubious and irrelevant comparisons are sometimes made between the South Atlantic war and the long hard struggle from 1939 to 1945.

The fact is that Britain and Argentina had been negotiating about the islands for many years, and successive governments, both Labour and Conservative, had tried to solve the problem. Most solutions involved persuading the islanders that change was inevitable — an argument which they were unwilling to accept, and indeed did not need to accept, given the powerful parliamentary lobby and the dominance by the Falkland Islands Company of both the land tenure system and the main economic activity of the islands.

There can be no future for the inhabitants of the Falkland Islands in the long run without involving Argentina.

Fortress Falklands is an expensive distraction from British commitments in Nato, and presents an imagined, but widely believed, threat to the adjacent countries in South America. It is also a sterile policy, and manifests an intransigence hardly in keeping with the Churchillian tradition of magnanimity in victory.

Nowhere and at no time have so few people exercised so much influence in the affairs of our nation. Of course the Falkland islanders' views must be taken into consideration, and of course they must be involved with any dialogue that may develop, but they cannot, any more than any other minority group (especially since they now have British nationality), have indefinite power of veto.

There are several alternative plans, some of which — such as leaseback — were in the pipeline, and no doubt new solutions would be added as fresh dialogue developed. It is even possible, although it may be wishful thinking, that some islanders might find that Argentine sovereignty with

British administration was less aggravating than might have appeared at first sight. In any event, in the last analysis, it should not be difficult to devise a system of compensation for any Falkland islanders who found the alternatives intolerable, and felt disposed to leave their beloved islands.

In the end, as in all matters, economic reality and commonsense must prevail. There was, and still is, an opportunity for Britain and Argentina to develop the South Atlantic together. The Shackleton Report proposals, some wholly admirable, can never be developed by Britain unilaterally. Co-operation between Britain and Argentina is vital, as indeed is the need to develop new positive relationships with the republics of Latin America who are firmly in the western economic system, and are therefore our spiritual allies in the cause of freedom and justice.

*Lord Montgomery of Alamein is a backbench parliamentarian and businessman specialising in Latin American affairs*

# WAS THE SACRIFICE IN VAIN?



**PROUD:** Wounded Denzil with his Cookie Coach

Pictures by Ian Spratt

## NO! says maimed para

IT'S been a hard road back for 27-year-old Denzil Connick, but he reckons he's been lucky.

Denzil was blown up by an Argentine shell which wiped out two of his mates in 3 Para the day before the surrender.

Two years later he is just taking his first faltering steps as a business man in civvy street. And they are faltering steps indeed.

Denzil had one leg blown off and muscle on the other torn away by shrapnel.

He spent five months in hospital and his weight dropped from 14 stone to 7

stone—"a lot even allowing for the missing bits."

But several good things came out of the horror, he says, including his wife Theresa and baby son Matthew.

He knew Theresa, a nurse, before the war. She started visiting him in hospital and a year ago they married.

Denzil left the Army only recently, turning down the offer of an

administrative job with his regiment.

His rehabilitation by the Army was "first-class," he says, and his move into civilian life cushioned by a payment from the South Atlantic Fund.

Three weeks ago he bought a franchise in the Cookie Coach Company.

Now he is becoming a familiar sight around Chepstow in his bright red reproduction of a 1922 baker's van selling sweets and biscuits to shops.

"Yes," he said, "it's a soldier's job to do or die and not to question why."

"The Falklanders were British and needed help. That's a good enough reason."

## YES! says grieving father

AFTER two years, John Nicholson's grief is still just as bad. But as an old soldier it is mingled with quiet patriotic pride.

John's only son Gareth was killed at Bluff Cove. He was a tall, smiling boy of 19 who had been in the Welsh Guards since his 16th birthday. All Gareth ever wanted was to be a soldier like his dad.

Fifty-year-old John sat in the lounge of his neat little house in Bridgend beneath a photograph of Gareth's wedding showing his mates forming a guard of honour in their bearskins and scarlet tunics.

The room is a living memorial to his son with photos and an official plaque recording that he was killed in action.

If you had another son, John, would you let him be a soldier?

"Certainly, yes. My son loved the service, and I had the time of my life there."

Was Gareth's sacrifice in vain?

### Angry

"In the long term, probably. I don't know how many years it will take but I think the Falklands will eventually go to Argentina."

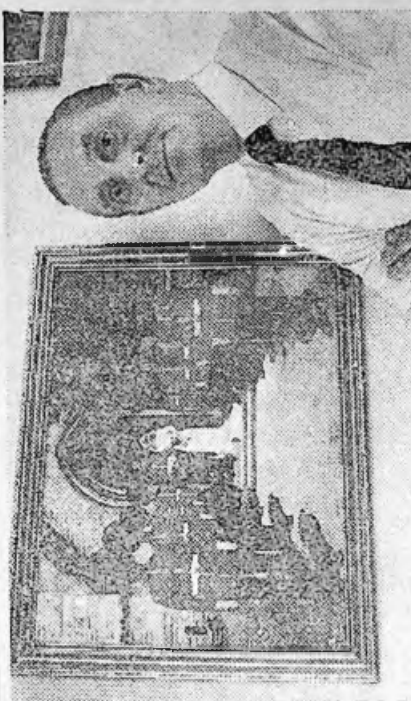
"And that makes me very angry."

"It's toughest for those left behind," he said. "Oh yes, particularly the women."

"For many parents it's worse now than it was at the beginning. Some are very, very bitter."

"I'm a soldier at heart. I find it easier to come to terms with death."

"But not a night goes by that I don't think about my son."



**PROUD:** John Nicholson and his son's wedding picture

The Sunday People 1/7/84



# ● FORTRESS FALKLANDS TWO YEARS AFTER OUR VICTORY



**AFTER their traditional roast mutton lunch, Donald Betts and his sons put on their wellies and went down to the seaside. Everyone who saw TV remembers the horror there just over two years ago.**

The screams and flames and explosions and the frantic chatter of helicopters. The place where 56 fighting men died. Bluff Cove. A name seared on Britain's memory during the battle for the Falklands.

Now it was so different. Even the name. A mistake in the confusion of war gave the wrong place. This was really Pleasant Bay. Bluff Cove was the next one along.

A track led across the peat bogs to the deserted sandy horseshoe cove and a granite monument to the Welsh Guards stood on the headland.

"Yn angof ni chant fod," said a brass plaque. We will remember them. It listed 42 names.

Donald stood with his boys, Sammy, seven, and

two-year-old Steven, and pointed 300 yards offshore. There the Sir Galahad burned. Over there, the Sir Tristram, he said.

On the beach where the survivors staggered ashore after the Argentine Air Force attack, black plastic 105 mm shell containers still lay along the tideline.

## **Reason**

"It happened so we could stay here," Donald told his children.

The feeling in Britain seems to be that at £3



**FROM—  
BARRY  
WIGMORE  
In Port Stanley**

# The freedom costing £3m a day

million a day the Falklands are costing too much.

That the 1,800 islanders should be given a quarter of a million each, flown home and the great pile of Penguin droppings handed to Argentina.

That Fortress Falklands is just a feuding fiasco between locals and servicemen. In fact it wasn't like that at all.

Jimmy Ford stood in sunshine halfway up Philomel Hill with his son Michael and his grandson Simon. From there the bells of weather could be seen lin-

ing up to attack. As he spoke there was rain then sunshine, then snow sweeping in.

Jimmy, 39, was born in the Falklands. It was all so BRITISH — that was the most surprising thing. It could have been Wales or Scotland.

## **Complaints**

"If the military left, the Argies would be back like a shot," said Jimmy in his slightly Somerset accent. "You won't find any complaints here about the

troops. And if they weren't here they'd be somewhere else and that would cost money."

Civil Commissioner Rex Hunt said: "Do you think the French or Americans would give this place up? With its oil, gas and fish reserves?"

David Betts put it simply at the Bluff Cove memorial. "We could move," he said, "but why should we? These islands are our home. He nodded at his boys: "They'll remember the war. And we'll always be grateful."



**PROUD: Youngsters Sammy and Steven Betts**



# Falklands fire blamed on cigarette

by JOHN SHIRLEY

**THE FALKLAND ISLAND** hospital fire which killed eight people — including Barbara Chick, a 35-year-old nurse — was probably started by an off-duty soldier who accidentally left a lighted cigarette burning in a storeroom full of mattresses.

This is the private conclusion of the four-man investigation team, whose findings are currently circulating in Whitehall.

The report, which is likely to be published next month, is certain to provoke controversy. It castigates the Falkland Islands Government's public works department in Port Stanley for 'unfortunate lapses in administration' over inadequate fire precautions, but concludes that even if full safety measures had been taken, the blaze could not have been controlled.

The fire destroyed the two-storey corrugated-iron and wood hospital building last April. The report concludes that:

- Despite appeals from both military and civilian doctors since 1982, the public works department failed to order special fire-doors for the hospital. Had these been installed, lives could have been saved.

- Despite written requests from hospital staff, the department failed to connect emergency fire hoses to town's water supply. However, even if they were connected, the water pressure would have been inadequate to fight the blaze.

- The hospital wiring system — widely criticised by electrical specialists from Overseas Development Administration before the blaze — was not responsible for the fire.

- An electric heater, thought at one stage to have been the cause, could not have generated sufficient heat to start the fire.

Formally, the report concludes that no satisfactory cause can be established. However, it highlights a ground-floor storeroom next to the hospital bathroom as the starting point.

The inquiry heard evidence that soldiers working in the military wing — a 23-bed Portakabin structure adjacent to the main 27-bed hospital building — used to relax in the storeroom after visiting the bathroom. There were no lavatory facilities in the hospital's military wing.

The private view of the investigation team, led by Mr David Calcutt, QC, is that this probably explains the fire. The use of the storeroom was not authorised and no military personnel have been identified as having been there immediately before the blaze.

Last Thursday, Mr Michael Stern, Conservative MP for Bristol North-West, asked Mr Timothy Raison, Minister for Overseas Development, when the fire report is to be published. Mr Stern, whose constituents include the Chick family, fears the Government may try to minimise the report's impact by delaying publication until after the parliamentary recess.

Mr Stern is concerned that vital evidence and key witnesses were not available. Within 24 hours of the blaze, bulldozers cleared away the charred ruins of the hospital, built in 1914 to house casualties from the First World War naval battle of the Falklands.

Two weeks ago, the Foreign Office admitted that no British government officials had been invited to appear before the tribunal in Port Stanley. This was despite a five-year catalogue of warnings about inadequate safety precautions.



**BARBARA CHICK :  
Blaze victim.**

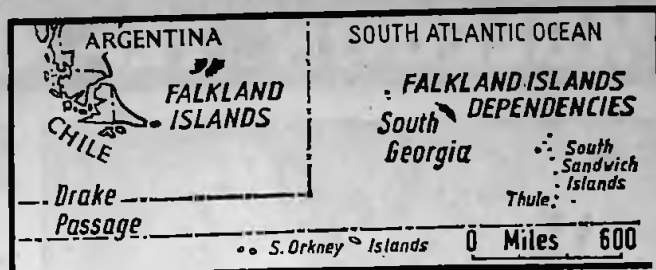
In 1979, fire experts warned that emergency doors were kept locked and that fire hoses were not connected. Within days of the liberation of Port Stanley in June 1982, Mr John Briderick, island public works director, wrote a confidential memo to Whitehall urging improvements in the water supply and boiler system. He estimated that if fire broke out, it would become uncontrollable within three minutes.

Since the fire, civilian casualties have been treated in a 13-bed unit set up in a hostel for labourers erecting the notorious Brewster houses, which as *The Observer* revealed last year, will cost £133,000 each. There are no operating facilities and emergency cases have to be flown to England or driven five miles over bumpy roads to the military hospital at The Canache, near Stanley Airport.

There are serious fire risks at other buildings. Stanley House, a three-storey brick building serving as a school-boys' hostel has no fire hydrants and is equipped with rubber-cased electrical wiring reported to be in a dangerous condition.

McMillan-Scott Associates Public Affairs

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# New Falklands plan prepared

By NORMAN KIRKHAM, Diplomatic Correspondent

A SECRET plan put forward by the Foreign Office for constitutional changes in the Falkland Islands proposes that the colony should be separated from its extensive dependencies stretching into the South Atlantic above Antarctica.

Leaks of the proposals drawn up by advisers in Whitehall as Britain moves towards talks with Argentina are alarming prominent islanders, who fear that the administration in Port Stanley would be weakened drastically.

The Whitehall package is now being studied by Sir Rex Hunt, Civil Commissioner in the Falklands, who flew to London unexpectedly for consultations at the start of June.

The plan suggests that East and West Falklands should be ruled in future by a strengthened Legislative Council with an Executive Committee and envisages that a British Resident Commissioner would stay on the islands.

But the dependencies, South Georgia and the South Sandwich Islands, would be administered directly from London as colonial territories instead of from Port Stanley as at present.

Any changes in the present rule of the Falklands will be submitted to the Legislative Council in Port Stanley and Mrs Thatcher has promised that the islanders will be consulted about their own future.

Yet many of the 1,800 islanders

are still suspicious and doubtful of the kind of advice offered by British diplomats, remembering the years before the Falklands war when the Foreign Office tried to forge links between Port Stanley and Buenos Aires.

The islanders are concerned over the huge tax burden to Britain of defending their colony and have not been reassured by stalling in Whitehall in answer to their appeals for 200-mile fishing limits around the Falklands instead of the present three miles.

## MPs flee from eggs

By Our Buenos Aires Correspondent

Three British MPs returned to London yesterday insisting that they had enjoyed a "constructive" visit in Buenos Aires, although their final Press conference had been broken up by protesters who threw eggs at them.

The three visitors, Mr Cyril Townsend, Conservative MP, Mr George Foulkes, Labour MP, and Lord Kennet of the Social-Democrat party, had to race down a hall of the hotel fleeing from about 30 demonstrators.

The demonstrators described themselves as "patriotic militant Argentines." They had forced their way into the meeting, denouncing the British as "our enemies."

# The heart of the Falklands matter

From Sir Rex Hunt,

Civil Commissioner,

Falkland Islands

I ENJOYED reading Peregrine Worsthorne's account of his three-week visit to Argentina and congratulate him on his entertaining brand of journalism.

I was amused by some of the mis-information that the Argentines fed him (for example, that Rozee [Derek Rozee, a 25-year-old Falklands sheep-shearer] went to Argentina from the Falkland Islands for better job opportunities. He actually fled from Stanley to avoid a criminal prosecution).

I was also amused to see that Colonel Balmace, an Argentine Foreign Office official, played the same old record to Mr Worsthorne that he used to play to me in my sitting room here in Government House before his compatriots invaded the Falkland Islands. The only difference is that he has dropped the "Colonel" from his style of address. Ever the survivor!

I was pleased to see that [General] Hussey and [Admiral] Bloomer-Reeve had been promoted. Islanders who remained in Stanley during the occupation acknowledged that these two gentlemen [liaison officers] did their best for them in impossible circumstances, and I am glad to see that they have been duly rewarded by their own authorities.

I cannot, however, let Mr Worsthorne's conclusions pass without speaking up for the Falkland Islanders. He said that the facts of geography and economic sense pointed to the Kelpers accepting association with Argentina. If one used facts of geography to determine nationality, the Channel Islands would be French. The Falkland Islands have never had substantial trade with Argentina. Our only export is wool, which the Argentines do not want. This goes to Bradford via Gravesend. The ship taking it brings back over 90 per cent of the Islands' requirements.

Why should the islands become Argentine? They never belonged to them. The inhabitants are British, many of them fourth or fifth generation, which is more than most Argentines



Sir Rex: Kelpers' rights

can claim. Mr Worsthorne has fallen for the Goebbels-type propaganda of the Argentines: if you shout long and loud enough for something that is not yours, you will get it.

Let us not beat about the bush. When Mr Worsthorne says, "So long as Britain refuses to negotiate about sovereignty, the Falkland Islands issue will fester," he means not "negotiate about" but *surrender* sovereignty. By negotiations, the Argentines do not mean negotiations in the English sense of sitting around a table and finding some common ground. They mean, purely and simply the transfer of sovereignty. If we agreed to negotiate about sovereignty, the Argentines would take this as acceptance of their claim to sovereignty and the "negotiations" would be concerned merely with the modalities of the transfer of sovereignty. That is why we cannot agree to negotiate about sovereignty.

It is true that Falkland Islanders played a large part in opening up Patagonia. Like other Anglo-Argentines who went to Argentina to seek their fortunes, they voluntarily chose to take up Argentine citizenship. But the Islanders who chose to stay here preferred to remain under the British flag

than to seek their fortunes on the mainland.

Britain does not insist on holding the Falkland Islands forever, as Mr Worsthorne states. If the Islanders now volunteered to become Argentine citizens, Britain would be happy to hand over the Falkland Islands to Argentina, as we are obliged to uphold the principle of self-determination. By the same token, however, if the Islanders wish to remain British, we should uphold their right to do so.

It is clear that Mr Worsthorne has fallen under the influence of the smooth-talking Balmace and his plausible colleagues. To redress the balance, I suggest that he should now pay a three-week visit to the Falkland Islands. The Kelpers will make him most welcome and I shall be delighted to have him as my guest.—Sir REX HUNT, Civil Commissioner, Port Stanley.

THE suggestion in Peregrine Worsthorne's series on Argentina that President Alfonsín was somehow "conned" into giving an interview to the *Daily Mail* is totally without foundation.

I made a formal application on behalf of the *Daily Mail*, supported by a persuasive letter from my editor, Sir David English.

At the end of our interview, all of which is tape-recorded, President Alfonsín passed on his regards to Sir David and made sure his words were being transmitted to the *Daily Mail*. Later, one of his Ministers read out the *Daily Mail* interview to the President who, I was told, was pleased.

I found President Alfonsín warm, generous and with an infectious sense of humour and said so in my piece.—AMIT ROY, *Daily Mail*, London EC4.

# The Falklands surface even in the rainforest

THE most powerful impression I have after eight crowded days in Argentina is that this is at heart an Anglophile country. I happened to arrive in Argentina on the second anniversary of the fall of Puerto Argentino (we think of it, of course, as the recapture of Port Stanley) — hardly the most auspicious occasion for pro-British sentiments to emerge.

I was invited that night to a huge dinner-dance being given at the German Embassy to raise funds for the Fundación Nacional Silvestre Argentina, a national conservation organisation. The room was full of men and women in evening dress, apparently the cream of Argentine society, whose sons and daughters had been at school in England. One copiously bejewelled lady with whom I danced explained that her husband wasn't present that evening because he was 'taking the boat over to Cowes.'

The natural historic ties between Britain and Argentina are strong. It was a British Foreign Secretary, George Canning, who in Verona in 1822 refused to lend the British fleet to the Spaniards to help them reconquer their River Plate colonies. British money helped build the railroads, the electric light companies, and expand the cattle industry. Even today 50,000 Argentine citizens have a British grandparent; 20,000 still hold a British passport.

If the underlying current of friendliness is not hard to detect, it is also impossible to deny that the Falklands episode has thrown a largish spanner in the works. The Swiss flag now

flies outside the palatial residence of the British Ambassador in Buenos Aires. Inside, surrounded by life-size portraits of British royalty, Mr David Joy — a Foreign Office official who arrived just before hostilities started and who has been here ever since, carrying on the show virtually single-handed — rejoices formally in the title Head of the British Interests Section. Can relations between Britain and Argentina return to 'normal' without some settlement of the Falklands dispute?

One of the questions any visitor must ask of his Argentine hosts — and I asked it on many occasions — is: 'But do you sincerely care about the Malvinas?' After all, many Argentines seem ready to recognise that the Falklands adventure was cooked up by an Italian general to divert attention, in the classic manner, from pressing domestic problems. They also seem to recognise that, if democracy has returned to Argentina, it is in large part due to Mrs Thatcher's intransigence. But are they ready to call it quits and to forget about those windswept islands the other side of the Patagonian sea? There is, after all, quite a lot else for the new Alfonsín Government to concern itself with — for example, inflation running at a rate of 500 per cent and a foreign debt of \$44 billion. 'Meatless' days have just been proclaimed for Tuesdays and Thursdays, a measure not quite as austere as it sounds because meat here means beef; pork, lamb and chicken are still readily available in fashionable

**STANLEY JOHNSON** returned from Argentina last week, where he attended an International Whaling Conference. He suggests that fishing policy could yet provide the key to unlock relations with the Alfonsín Government.

restaurants like the London Grill.

Whatever the rights and wrongs of the Argentine claim to the Falklands, the Argentines will continue to believe — today more than ever because blood has been shed — that their cause is just. Last weekend I flew over 1,000 kilometres to Puerto Iguazu, a small town situated at the confluence of the Iguazu and Parana rivers, in that remote corner of the sub-tropical rain-forest where Brazil, Paraguay and Argentina meet. A few miles outside the town, where the road cuts through the dense canopy of trees, I came across a large sign newly-erected and freshly painted which showed the outline of the Falkland Islands down to the last creek and islet and which bore the legend in bold white letters: LAS MALVINAS SON ARGENTINAS. To my mind, that sign — as incongruous as it is conspicuous — says it all. They *do* care. Sovereignty is non-negotiable.

## Colossal cost

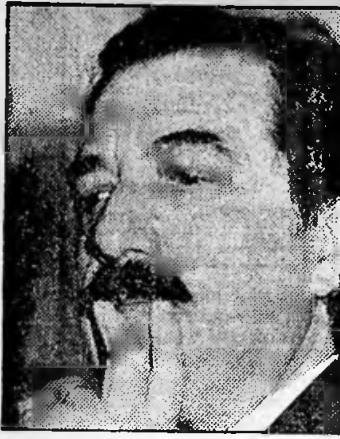
To do them justice, all the Argentines with whom I talked seemed ready to appreciate that sovereignty is just as non-negotiable on our side as it is on theirs. Some of them speculated about what a change of Government in Britain might do for our Falklands posture, but I

explained that the Conservatives would stay in power for several more years yet.

The dilemma then is this. Both sides are aware of the colossal cost, political and economic, of a failure to agree. Both sides, in my view, want a settlement. But as long as the Argentines want to talk about sovereignty and we don't, it is hard to see a way out of the impasse.

I was in Buenos Aires to attend the 36th Annual Conference of the International Whaling Commission. The gathering — ably chaired by a senior Argentine diplomat — voted for further restrictions in whale catch quotas before next year's moratorium comes into force. The conservationist character of the occasion led to special interest being expressed in the ecological situation of the Falklands and the Patagonian shelf.

In particular, concern was voiced at the extent of uncontrolled fishing around the Falklands — up to 500,000 tonnes of fish a year are being taken by Soviet and East European trawlers — and the damage that this might be causing not just to the fishery itself but also to the extraordinarily abundant and varied marine life — whales, seals, penguins, albatross etc — which depends on the sea in those



**Raul Alfonsín : Sovereignty is non-negotiable.**

parts. The numerous Argentines at the meeting, including non-governmental participants, recognised that Britain's failure to regulate the Falklands fishery is damaging their own interests as much as ours since, biologically speaking, this is a shared resource.

Government Ministers in London have indicated recently that the question of declaring a 200-mile fishing limit around the Falklands—a course being urged upon them by the Falkland Islanders themselves, by Lord Shackleton and by conservationists—was under 'urgent consideration.' Undoubtedly one cause for hesitation in Whitehall is the feeling that declaring such a limit could exacerbate the delicate political situation. An alternative approach, canvassed in the margin of last week's meeting, would be the setting up of a Joint Fisheries Commission between Britain and Argentina, advised by scientific experts from the two countries

and based on administrative zones which would be mutually agreed. The signing of such a Joint Fisheries agreement might be specially attractive to Buenos Aires if it was linked at the same time to a dismantling of the so-called Exclusion Zone.

Could the sovereignty issue, as perceived on both sides, stand in the way of even this kind of limited and highly necessary accord? The politics of both countries being what they are, the answer is undoubtedly 'Yes.' But there are precedents, even between Britain and Argentina, for 'shelving' claims to sovereignty in the interests of practical co-operation.

Earlier this year, I had the chance to visit Antarctica as well as the Falklands. The Antarctic Peninsula, which juts up towards Cape Horn, is claimed by Britain and Argentina as well as Chile. In the 1950s shots were fired in anger there as countries pressed their point. At the end of that decade, the three nations concerned—and others with Antarctic interests—recognised the danger of conflict in the region, signed the Antarctic Treaty and agreed to 'freeze' all territorial claims for the duration. Today scientific collaboration between Britain and Argentina still continues, both in the disputed territories of Antarctica and more generally within the Antarctic Treaty framework. Perhaps there is a lesson here for our negotiators.

*Stanley Johnson was until last month Conservative MEP for Wight and Hants East.*