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FM BERNE 241110Z

To IMMEDIATE FCO

TELNO 29 OF 24 JANUARY

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MY TELNO 20 (NOT REPEATED TO ALL): FALKLANDS

1 I SENT TO AMBASSADOR MUHEIM ON 21 JANUARY THE TEXT OF THE PRIME MINISTER'S STATEMENT IN YOUR GUIDANCE NO 11, RELATING TO CONVERSATION REPORTED IN MY TUR. ON 24 JANUARY MUHEIM ASKED ME TO CALL URGENTLY. A TELEGRAM HAD BEEN RECEIVED FROM THE SWISS AMBASSADOR IN BUENOS AIRES WHICH HE WOULD NOT HANDOVER BECAUSE IT CONCERNED MILITARY MATTERS BUT WOULD GIVE ME ORALLY. THE FOLLOWING IS AMBASSADOR KEUSCH'S RESPONSE TO THE FDFA'S REPORT OF MY DISCUSSION WITH MUHEIM OF 17 JANUARY (PARA 3 OF TUR).

2. THE SWISS EMBASSY FOLLOWED VERY CLOSELY THE STATEMENTS BY LEADING ARGENTINE PERSONALITIES INCLUDING THOSE OF THE SORT GIVEN IN YOUR TELNO 66 TO WASHINGTON AND ANALYSED THEM IN CONJUNCTION WITH BISBA STAFF. THE SWISS EMBASSY DID NOT CONSIDER THAT SUCH STATEMENTS HAVE BECOME MORE NUMEROUS OR MORE AGGRESSIVE OF LATE. A GREAT NUMBER OF DECLARATIONS BY ARGENTINE MILITARY AND POLITICAL PERSONALITIES WERE REPORTED IN THE LOCAL PRESS. THEIR TENDENCIES VARIED BUT BELLICOSE STATEMENTS WERE RELATIVELY RARE.

3. AMBASSADOR KEUSCH HAD DISCUSSED THE SITUATION WITH HIS UNITED STATES COLLEAGUE WHO DID NOT THINK THAT THERE WAS AN INCREASE OF TENSION. NEITHER OF THE TWO AMBASSADORS BELIEVED THAT ANY KIND OF MILITARY ACTION ON A LARGE SCALE WAS AT PRESENT CONCEIVABLE.

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4. AMBASSADOR KEUSCH HAS NO REASON TO BELIEVE THAT COMMANDO RAIDS ARE ENVISAGED BY THE MILITARY HIGH COMMAND. NICOLAIDES AND OTHER SENIOR OFFICERS OF THE ARMY GAVE THE IMPRESSION OF HAVING MODERATE VIEWS AND SEARCHING FOR DIPLOMATIC SOLUTIONS. IT WAS HOWEVER ALSO CLEAR THAT THE ARGENTINE AIR FORCE AND NAVY HAVE A DIFFERENT APPROACH BECAUSE THEY DO NOT FEEL THEMSELVES TO HAVE BEEN DEFEATED IN THE FALKLANDS CONFLICT. SINCE THERE IS RIVALRY BETWEEN THE SERVICES AND THE EXACT LOCALISATION OF POWER IN BUENOS AIRES IS DIFFICULT TO DEFINE THERE REMAINED REASONS TO BE CONCERNED AND IT WAS NOT INCONCEIVABLE THAT LIMITED MILITARY ACTIONS COULD BE LAUNCHED EVEN BY LOWER-RANKING PERSONALITIES.

5. KEUSCH AND HIS US COLLEAGUE AGREED THEREFORE THAT THERE IS A RISK OF COMMANDO RAIDS OR SOMETHING SIMILAR GIVEN THE INTERNAL POLITICAL SITUATION. BOTH EMPHASISED HOWEVER THAT THEY DID NOT HAVE ENOUGH ELEMENTS OF INFORMATION TO SAY THAT SUCH RAIDS ARE BEING PREPARED. THE CBS REPORT (YOUR GUIDANCE 11) HAD BEEN DENIED BY HIGH MILITARY SOURCES ACCORDING TO THE ARGENTINE PRESS.

6. AMBASSADOR KEUSCH REPORTED THAT HE ALSO SPOKE TO AMBASSADOR PEREZ THOMAS, HEAD OF THE WESTERN EUROPEAN DIVISION IN THE MINISTRY OF FOREIGN AFFAIRS, WHO HAD QUALIFIED THE RUMOURS OF NEW ARGENTINE ATTACKS AS IRRESONSIBLE. KEUSCH HAD ALSO DRAWN THE ATTENTION OF PEREZ THOMAS TO THE REACTION WHICH SHOULD BE EXPECTED BY THE ARGENTINES BY THE BRITISH SIDE INCLUDING THE QUESTION OF RADIO AMATEURS (YOUR TELNO 08 TO BERNE). PEREZ THOMAS HAD REPLIED THAT HE WAS NOT INFORMED ON THIS LAST POINT. HE HAD ALSO SAID THAT ARGENTINA DESIRED NEGOTIATIONS BUT THESE HAD BEEN REFUSED BY THE UNITED KINGDOM.

7. KEUSCH'S REPORT WENT TO NOTE THAT ON THE DIPLOMATIC LEVEL THE STATEMENT BY AGUIRRE LANARI IN MANAGUA SHOWED A CERTAIN HARDENING IN THE ARGENTINE ATTITUDE TOWARDS GREAT BRITAIN COMPARED WITH PREVIOUS STATEMENTS AT THE UNITED NATIONS OR OAS. THE MANAGUAN STATEMENT ALSO CONFIRMED THAT ARGENTINE RAPPROCHMENT WITH NON-ALIGNED COUNTRIES HAS RECEIVED MORE EMPHASIS. KEUSCH ATTRIBUTED THIS HARDENING TO THE PRIME MINISTER'S VISIT TO THE

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FALKLANDS HAVING COINCIDED UNFORTUNATELY WITH THE MANAGUAN MEETING THE MINISTRY OF DEFENCE HAD ISSUED A PUBLIC STATEMENT THAT NO DECLARATION OF THE CESSATION OF HOSTILITIES WOULD BE MADE BY ARGENTINA AS LONG AS THE UK WAS NOT READY TO NEGOTIATE ALONG THE LINES PROPOSED BY THE UNITED NATIONS.

8 KEUSCH'S CONCLUSION WAS THAT ONE SHOULD NOT DRAMATISE THE RUMOURS OF A POSSIBLE COMMANDO RAID, A CONCLUSION WHICH HE SAID WAS SHARED BY HIS BRITISH COLLEAGUE IN BISBA.

9 MUHEIM PARTICULARLY REQUESTED THAT KEUTSCH'S REPORT SHOULD BE TREATED VERY CONFIDENTIALLY. HE ALSO SAID THAT THE DUAL ROLE OF THE SWISS EMBASSY IN BUENOS AIRES ARISING FROM THEIR RESPONSIBILITY FOR THE PROTECTION OF BRITISH INTERESTS WAS WELL UNDERSTOOD BY THE ARGENTINES (UNLIKE THE IRANIANS IN RESPECT OF SWISS PROTECTION OF AMERICAN INTERESTS IN TEHRAN WHICH HAD PROVOKED SERIOUS DIFFICULTIES FOR SWITZERLAND).

POWELL-JONES

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