

## CURRENT REPORTS

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1. THE FALKLAND ISLANDS CRISISA. The British Political Battle

The immediate objective for the Tory leadership is to establish its authority by quickly filling the gaps left by the resignations, minimizing the reshuffling of posts, and whipping the backbenchers into line. According to Embassy London, however, Tory moderates and the Foreign Office are concerned that Prime Minister Thatcher has been listening largely to the Ministry of Defense, especially senior naval officers, and may not adequately be considering non-military options. Meanwhile, the opposition Labor Party has charged the government with incompetence, demanded protection for the Falklanders, and backed the dispatch of the fleet, though without taking a position on the use of force. Should force thus be used and fail, Labor would be well positioned to call for Thatcher's resignation. (SECRET/EXDIS)

B. Britain Seeks Trade Sanctions

In addition to appeals to the US and the Commonwealth, Britain has asked the EC for a total ban on Argentine imports, the US Mission to the EC reports. No decision will be reached before the end of next week because of the need to consult with governments.

Embassy London Comment: The British remain skeptical about the efficacy of sanctions, but believe it necessary to try every reasonable gambit in order to enhance the prospects for a non-military outcome. In any case, the British are convinced, as the US was during the Iranian hostage crisis, that joint action by all their allies is the only effective way to bring the point home to their adversary. They therefore regard the US as a touchstone of allied support. Although they might accept a US decision to refrain from joint action in order to act as a mediator, such a decision would complicate the outlook for British cooperation on US initiatives in other areas, such as Poland, the USSR and Cuba. (CONFIDENTIAL/EXDIS)

C. Galtieri's Negotiating Room

Second thoughts are surfacing among Argentine politicians about the wisdom of President Galtieri's adventure as it becomes clear that the cheap victory so confidently expected may still elude them, Embassy Buenos Aires reports. Though sovereignty over the Falklands has been an Argentine goal for generations, the people do not want a war. Nevertheless, a frenzied nationalism is likely to eclipse the doubts as the British fleet moves closer.

Embassy Comment: British pressure has made the Argentines more disposed to negotiate than they were four days ago. As the British fleet approaches, the fear of appearing cowardly could make the Argentine's position intractable.

While concessions on the rights and privileges of the Falklanders are possible, agreement to withdraw in return for renewed negotiation on the transfer of sovereignty would be unlikely, though still conceivable. The Argentines would be unlikely to accept the US as a mediator if we participate in the British sanctions against them. (SECRET/EXDIS)