

Times 31 8 83

Former Sea Lord attacks Nott's cuts

Admiral of the Fleet Sir Henry Leach, the former First Sea Lord, yesterday attacked Sir John Nott's defence review of 1981 as "ill-conceived".

Sir Henry, who retired last year after organizing the dispatch of the Falklands task force, said measures to improve the Fleet's defences against Exocet-type sea-skimming missiles had been cancelled in the cuts.

Writing in the latest issue of *Air Pictorial*, he said: "True, they could not have been in service in the Fleet by the time the Falklands crisis came to a head, but the irrational slashing of the Navy's capability (since rephrased by guilty men as "reshaping" the Navy) coupled with the declared intention to dispose of HMS *Endurance* (the ice-patrol ship) could only be interpreted as an earnest of disintention in the South Atlantic."

Sir Henry said that most newly emergent nations wanted "shiny new technology in their military weapons systems and can afford to pay for it: those responsible for UK defence need to bear this in mind."

He added that "it is a sad reflection" that it took 16 years

and "a sharp war" to convince "people who should have known better" of the importance to the Fleet of early warning planes.

● Criticism by the editor of *Jane's Fighting Ships* about the strength of the Royal Navy was rejected yesterday by Lord Trefgarne, Under-Secretary of State for the Armed Forces.

He said of Captain John Moore, the editor: "The captain is grinding an axe, complaining that we do not have enough battle-ships or destroyers. But we have to cut our cloth according to our means... The strength of the Navy is in accordance with the threat as assessed by those in the hot seat."

The Royal Navy's ships, which since the Second World War have traditionally been painted black below the water-line, are to become plum-coloured after the introduction of a new type of paint developed by International Paint of Newcastle upon Tyne.

The paint is described as being self-polishing, and it contains a compound which is toxic to marine organisms. There should be no loss of speed or range resulting from the growth of the organisms.

Guardian 31 8 83

Britain rejects junta's Falklands arms protest

By Anne McHardy

The British representative at the United Nations, Sir John Thomson, yesterday rejected Argentine accusations that Britain is militarising the Falkland Islands and maintaining a state of confrontation.

Sir John's letter replies to two letters from the Argentine government to the UN Secretary-General, Mr Javier Perez de Cuellar, earlier this month. It is published to coincide with Mr Perez de Cuellar's visit to London today.

Sir John said that Argentina's refusal to end hostilities carried the inevitable implication that some new invasion of the islands might be made. Recent incursions into the Falklands exclusion zone by

Argentine military aircraft and civilian ships showed that there was a continuing need to defend the islands.

Sir John denied that military facilities being built on the Falklands were more extensive than the Argentine threat made necessary.

Britain's position on the Falklands and the sovereignty of the islands will head the agenda later today when the Foreign Secretary, Sir Geoffrey Howe, meets Mr Perez de Cuellar. The UN secretary-general is arriving from Geneva with a mandate from the UN General Assembly to help to resolve the Falklands dispute.

Sir Geoffrey proposed today's meeting after the publication of the Argentine letters in the UN.

Times 31 8 83

UN chief in London for Falklands talks

By Henry Stanhope, Diplomatic Correspondent

Señor Javier Pèze de Cuellar, the UN Secretary General, arrived in London yesterday and will have talks with Sir Geoffrey Howe, the Foreign Secretary, on the future of the Falkland Islands when they meet today for the first time.

However Señor Pérez de Cuellar is unlikely to get any change out of Sir Geoffrey before next month's debate at the UN General Assembly in New York.

The Secretary General has been mandated by the General Assembly to help to find a solution to the issue of sovereignty. Argentina is eager for him to intervene, according to UN sources, and he is now exploring the British position.

The Foreign Office reacted coolly to Argentina's call for a resumption of talks earlier this month and is likely to make a similar response today, pointing out that no negotiations can be contemplated at least until Argentina announces a formal end to hostilities.

Officials expect no more than an exchange of views rather than an initiative from either side.

The meeting is at the suggestion of Sir Geoffrey who is anxious to hear details of the Secretary General's five-day visit to southern Africa from which he has just returned. During the visit he tried to find ways towards a settlement on the long-running dispute over Namibia.

Sun 31 8 83

THE SUN, Wednesday, August 31, 1983 3

SO THAT'S WHAT YOU DID AFTER THE WAR, DADDY

Super lovers of Task Force return to start baby boom

By LESLIE TOULSON

OH BABY! The battle for the Falklands sparked a major love campaign on the home front.

After saying a farewell to arms in the south Atlantic, British troops couldn't wait to get back into the arms of their loved ones.

And their homecoming has caused a shock baby boom in Devon—where many of the veterans are stationed.

While the birthrate in most of England and Wales rose by only 1 per cent, Devon notched up 20 per cent between April and June this year—nine months after the service-men's return.

And the experts all agree... the heroes were set on being as successful in love as they were in war.

A Defence Ministry spokesman said: "It is the only explanation—it happened after the last war when the boys came home."

Danger

Professor Philip Rhodes of Southampton University said: "When men are in danger they are starved of their normal sexual outlets and so engulf their wives when they get back."

And Meg Baxter, wife of a Falkland colonel, said: "I was a victim of this sort of thing myself, when my husband returned from quelling riots in Swaziland."

ELAINE AGAIN

Policewoman Elaine Bratt, 23, yesterday won the annual police swim between Blackpool's Central and North piers for the third year running.

Daily Telegraph
31 8 83

ARGENTINE OIL MAPS IMPOUNDED

By Our Business
Correspondent

Oil and gas maps and 4,000 brochures for an Argentine stand at the World Petroleum Congress in London this week have been impounded at Heathrow on Government orders.

The 23-strong Argentine delegation is urging the Foreign Office, through Congress officials, to lift the ban.

But the Foreign Office said the embargo will stay. "There is a total ban on imports from the Argentine and this includes literature," said a spokesman.

If the sun has to set, don't stand in the way

Our Island Story - a History of Britain for Boys and Girls and Our Empire Story are nice, big fat books, well written, in good print and full of humane patriotism. Though first published at the turn of the century, they are still used to introduce children to history, certainly in my family.

The author, H. E. Marshall, refers to Britain in a preface as "the little island in the West". Such ironic understatement relies on centuries of success and security for its effect. The last thing we have ever been is a little island. True, today some would like to cut us down to size, and edge us eastwards (into the Baltic?), sans Europe, sans defence, sans Nato, sans pretty well everything. The electorate has given its verdict on the isolationist option. But insular thinking takes many forms and is not confined to the left.

The last edition of *Our Island Story* finishes after the Second World War, before decolonization. Mercifully, the penitential breast-beating is at last subsiding.

But it is too soon for serenity, both historically and because we still have three major problems - three islands, as it happens - to deal with: the Falklands; Hongkong; and (stretching the point to a peninsula), Gibraltar.

Being disposed of continents, it would be a pity to stumble over these smaller entities and to finish the course bruised, dusty and disheartened. It is vital to take a non-insular view of the last islands of empire. And that means applying abroad the same burning sense of priorities as we are, at last, at home.

Not for the first time, wet/dry manichaeism distorts the debate. If it is dry (and in my view right) to insist with relentless realism on rectifying our economic shortcomings, can it be wet to suggest that we should keep a stern eye on what really matters overseas? The Atlantic Alliance, the construction of Europe, the Commonwealth, and the urgent exigencies of East/West diplomacy, are neither new nor exclusive concerns. But like Victorian values, they have a perennial force of compulsion and attraction. By comparison, the Falklands, Hongkong and even Gibraltar seem a little peripheral in relation to priorities and resources (especially if Spain enters the Nato military structure). To concentrate on them

to the exclusion of the broader picture is to risk analogy with the peevish provincialism which is the hallmark of the left.

Clearly, we shall never get far on the big issues if we lack principle or purpose on the small. But symbols must not outgrow substance. Islands are very symbolic, but are often appended to large countries or continents. "Every man is a piece of the continent, a part of the main" is the less quoted corollary of "No man is an island".

Hongkong symbolizes much that is best in the British colonial record (once we draw a veil over how we came by it). Theoretically, part of it is ours in perpetuity, though again the substance intrudes, China being a fairly substantial sort of place. We have clear responsibilities towards Hongkong. I lived there for two years and admire the people as much as anyone. But it would be dangerously Quixotic to inflate our obligations beyond our ultimate ability to guarantee in practice the welfare of its inhabitants.

Given realism and a sense of proportion, there is no reason why we should not reach a settlement combining British interests, rights and duties with Chinese intentions.

Hongkong will eat deeply into our diplomatic reserves. The Falklands will swallow another big slice, not to mention the troops and the cash. What more can usefully be said at this stage? It is always worth recalling that it was Mrs Thatcher herself who had the courage to put lease-back to the House of Commons in 1980. It was right to do so; it was right to fight; and it is right to sit tight now - which does not preclude some sober reflection on the long-term costs and on possible solutions. Meanwhile, beyond the Falklands, looms a whole continent with all its agonies and opportunities.

Gibraltar, too, is appended to a country of consequence. There is no need to rehearse our obligations to the people of the colony. What does need emphasis are our future relations with Madrid during this sensitive phase of its absorption into the western democratic camp. One way to avoid a choice between our responsibilities towards Gibraltar and a confrontation with renescent Spain is not to fix our sights unrealistically high in matters concerning the Rock.



The style of governments is indivisible. Our revolution of common sense at home must be applied overseas. The parallels are remorseless. Abroad, sound money means a sound Europe, a sound Alliance and stable East-West relations.

To sustain friendships and to wear down animosities overseas, you need persistence and a sense of priorities - just as you do to build up business confidence or erode inflation. And internationally, as at home, sacrifices and distasteful compromises are sometimes unavoidable in pursuit of the greater good.

Our three "island" problems are perplexing and expensive, but

soluble - unless we approach them in a spirit of insularity. If we do, we could be sucked into a centrifugal preoccupation with the periphery, with a proportionate decline in our image and influence in the wider world. Atalanta, fleet of foot, was waylaid by just three apples... So we face something of a challenge. But we have the leadership and the professionalism to ensure that this chapter of *Our Island Story* finishes with neither a bang nor whimper, but with a diplomatic grace note.

George Walden

The author is Conservative MP for Buckingham and a former private secretary to Lord Carrington.

Daily Mail
31st August 1983

Boom in 'war babies'

A BABY boom has followed the return to Britain of servicemen involved in last year's Falklands war.

The birthrate in Devon increased by 20 per cent. — 510 babies—between January and June this year, according to official figures published yesterday.

It compared with a national average increase of 2.7 per cent.

A number of Army, Navy and Air Force units are based in Devon and the Registrar General's office in London said: 'Yes, it looks as though the returning servicemen are responsible for this rise.'

McMillan-Scott Associates *Public Affairs*

Heseltine has Nato to use as a shield

By Air Cdre G. S. COOPER
Defence Staff

BRITAIN'S commitment to plan to implement in full the Nato aim of real increases in defence spending of three per cent. a year will be used by Mr Heseltine, Defence Secretary, as a shield against any attack on the size of the defence budget.

The pledge to Nato covers spending plans up to 1985-86. Mr Heseltine will try to persuade his Cabinet colleagues to extend it for at least another year.

The Government has also pledged that all the equipment lost in the Falklands conflict will be replaced and that these costs, together with the costs of the Falklands campaign and of keeping a substantial garrison in the islands, will be met out of monies in addition to the 3 per cent. annual rate of real growth.

The provision for the defence budget includes £624m in 1983-84, £684m in 1984-85 and £552m in 1985-86 to meet Falklands costs.

These costs apart, the rising allocation to defence of £15.7bn, £17.5bn, and £18.5bn during these three years provides in full for real growth of 3 per cent. a year.

Five days' worth

The Chancellor's July cut of £240 million from the defence budget was carefully judged to trim a small surplus above the level needed to achieve the 3 per cent. increase.

The savings are being made by cutting £160 million from the capital equipment programme and £80 million from general manpower costs.

The main cut of 2 per cent. in equipment represents only five days' worth of capital spending. This is not expected to affect any current Ministry contracts, nor result in another moratorium.

Re-scheduled timing

Much of the saving may be covered by unplanned under-spending.

The Ministry's customary caution in managing its huge defence equipment programme, to avoid an overspend, often leads to under-spending by one or two per cent. at the year-end. Delays in the completion of contracts can also lead to part of the budgetary allowance not being taken up.

If no underspend seems likely, the adjustment could be achieved by rescheduling the timing of delivery and payment for lesser priority equipment, leaving the top priorities unscathed.

The newly-won authority from the Treasury to roll over an underspend of up to five per cent. of the capital equipment programme—some £550m worth—will have given the Defence Ministry the flexibility it has long sought to enable the budget to be managed more effectively.

5,500 jobs

The one per cent. cut of £80m on "manpower associated spending" represents some 5,500 jobs, but Mr Heseltine is concentrating his efforts on finding the bulk of the savings by cuts in the cost of administration.

The Defence Ministry is already committed to a five year plan to reduce the overall strength of the armed forces by about 18,000-20,000 by 1986.

Mr Heseltine has pledged to keep the elements intact, so is looking for more efficient and less costly ways of undertaking non-warlike supply and support services, some of which might be suitable for private sector contracts.

The Defence Ministry considers it premature to comment on precisely how the £80m cut will be achieved, beyond saying the exercise is not seen as presenting an insuperable problem.

As to the prospect of further cuts, the Treasury appears determined to apply them to what it regards as the most profligate spending department in Whitehall. But the rise in defence spending has a long way to go before it can catch up with the long-term growth in Britain's spending on social security.

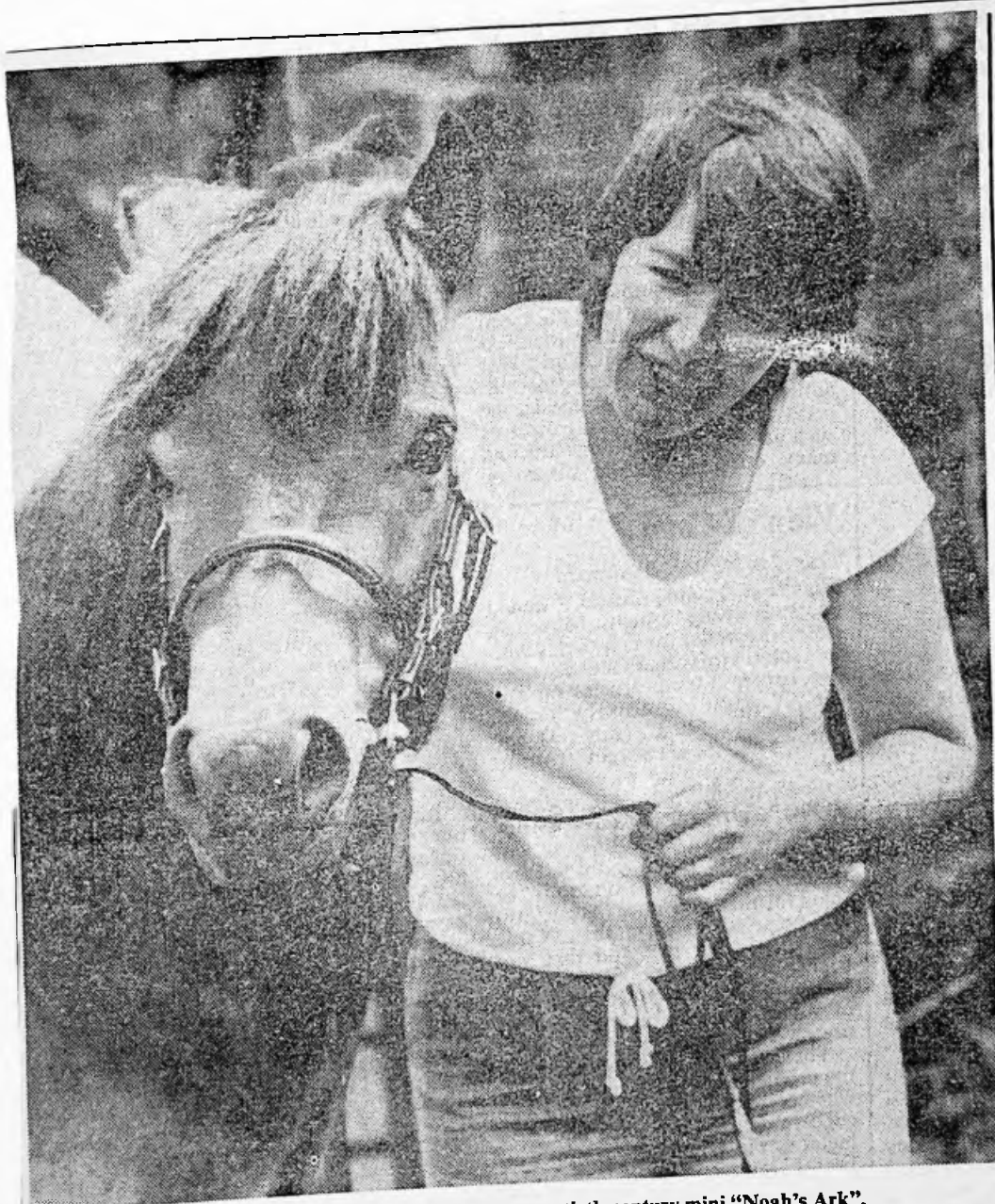
DAILY TELEGRAPH

30.8.83

McMillan-Scott Associates *Public Affairs*

THE TIMES

29.8.83



Trekking south: Knightoncombe Gold Spangle, known as Horace to friends, which is off to the Falklands.

The Exmoor stallion, a two-year-old, earlier this year won the best of breed at the Exmoor Stallion parade at Exford. Mrs Melanie Wright (above), his owner, says as far as she is concerned he is the best pony in Britain.

Horace is among a herd of Exmoor ponies, seven mares and three stallions, and other domestic animals, including sheep, pigs and cattle, which leave for the Falkland Islands next month aboard a

twentieth-century mini "Noah's Ark".

Mrs Wright says: "I will be sorry to see him go. But it will be nice to think of him founding a whole new colony on the other side of the world."

"He is going to be lucky. He will enjoy two summers, not only the good one we have just had, but he will arrive in the South Atlantic in their spring."

It is to be hoped the ponies will establish the breed on the islands, which are very like their Exmoor home.

THE TIMES

29.8.83

New fields will be smaller

British oil will last at least 10 years

By Derek Harris

British oil discoveries are by no means exhausted and self-sufficiency in natural gas should continue at least until the end of the century, Mr Alan Gregory, president of the Institute of Petroleum, told the World Petroleum Congress yesterday.

But he added that new fields would be smaller and cost more to develop.

Dr Wilhelm von Islemann, the Congress president, told its first technical session in London that rising demand would mean extracting oil in even harsher climates and deeper waters since further dramatic discoveries were unlikely. But he forecast that oil fields were unlikely to run dry in the next 30 years or so.

A joint paper by Mr Gregory and Mr Dan Ion, chairman of the British national committee of the congress, described Britain as "a country exceptionally well endowed both in actual and potential oil and gas reserves and well equipped as a source of long-standing and rapidly evolving petroleum technology."

The Government's recognition of the high costs and risks facing the industry in the North Sea gave

hope for a revival of a "high level of activity in the UK Continental shelf for many years", Mr Gregory said.

There were at least 15 areas of expertise in which British technologists were among world leaders. British companies had 70 per cent of the equipment and supply orders for North Sea, drilling, bringing work for 100,000 people.

More oil gathering in and around Britain would allow further development of British skills.

Britain was producing more oil than any country except Saudi Arabia, Mr Ion said. British production had risen from 1.6 million tonnes in 1975 to more than 100 million tonnes last year.

Revised forecasts of world energy demand in the early part of the next century were given by Dr Sven Hultin, chairman of the International Executive Committee of the World Energy Conference.

In the year 2000 it is expected to be the equivalent of no more than 12 billion tonnes of oil, compared with earlier predictions of up to 14 billion tonnes.

DAILY TELEGRAPH

29.8.83

Explosives spotters still face big task in Falklands

By PATRICK WATTS
in Port Stanley

A WEEK'S work for 49 Explosives Ordnance Disposal reveals the enormous task and danger which still confronts this skilled and brave bunch of men.

The unit, who had the misfortune to lose the services of Major Geoffrey Ward, the Commanding Officer, who stepped on an anti-personnel mine and lost his foot, diligently set about clearing battlefield areas week after week, even though the war ended 14 months ago.

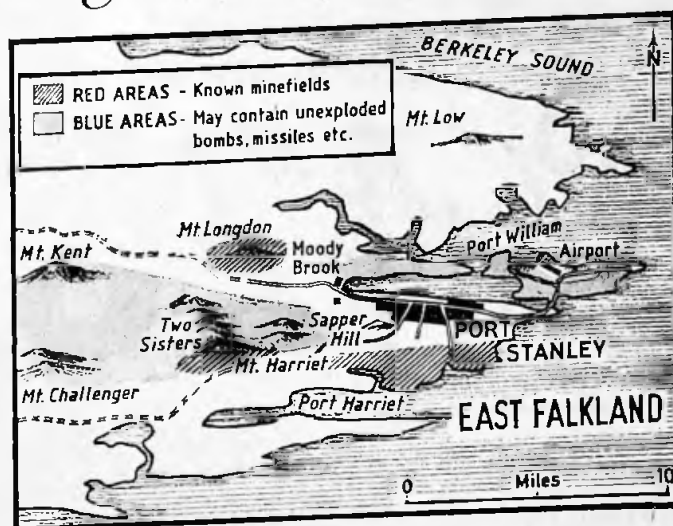
Not only are they trying to clear areas in the mountains; they continually find a challenge in the town of Stanley. This week, a sharp-eyed lance-corporal spotted two shells in a chicken yard on Ross Road, the town's main street. They turned out to be naval 6-in. solid-shot shells.

Almost in the same breath, several Argentine trenches were discovered in a garden overgrown with grass and somehow missed in earlier checks. Known minefields are referred to as red areas, and possible danger sites as blue areas.

Block of TNT

Last week, a call to the military quarry close to the main airport revealed a booby-trap wire between two posts. Two American M67 grenades were attached. A spokesman from 49 EOD said they could have been lethal to a range of 40 yards if anyone had tripped on the wire.

Engineers had happily quarried stone nearby, unaware of the danger they were in.



To the north-east of the airfield itself in an area which had been checked but not deemed safe for hikers, a 11b block of TNT plus an American igniter were found and destroyed by engineers from the unit.

A week's work in the mountains produced an amazing mixture of munitions. On the south side of Mount Harriet, two 66mm anti-tank grenades, five SMK2 Argentine grenades and 50 caps from Spanish anti-personnel mines were discovered.

Among the caps was a live detonator. Failure to check thoroughly could have resulted in another injured man.

A little further away, a complete Milan missile-firing post was dismantled and blown up. "A tragedy, as it cost

thousands of pounds, but it was in terrible condition," said Major Ward.

Another impressive haul was four 20mm anti-aircraft shells, two 81mm mortars, one M5 Argentine grenade, one M67 American grenade, one L2A2 British grenade and 5,000 assorted small arms rounds.

The work continues, often turning up an unexpected danger like the one which injured Major Ward last week. He and others had walked the route many times and considered it safe. On this occasion his sergeant-major, walking in front, missed the anti-personnel mine.

Every week, new challenges reach 49 EOD and as they respond, slowly but surely the hills and mountains are becoming safer places to walk.

ARGENTINA AND BRITAIN 'SHOULD SEEK SOLUTION'

Argentina and Britain should renew diplomatic relations with a commitment to negotiate a solution to their dispute over the sovereignty of the Falklands, Senor Carlos Ortiz de Rozas, Argentina's Ambassador to London, was quoted as saying at the weekend.

The Buenos Aires daily LA NACION said the diplomat told a university seminar in Buenos Aires that such a move would help win over British public opinion to Argentina's case.

It would also shift the responsibility for finding a solution to Britain, he added.—Reuter.

UK has hand in Argentine nuclear deal

from PETER PRINGLE in Washington

THE OUTBREAK of the Falklands war last year caught Britain in the middle of a strange and embarrassing nuclear deal with Argentina.

Under British pressure, the US was about to approve the sale to Argentina of 143 tons of heavy water for use in the ruling junta's nuclear programme. The deal, worth £75 million, was hastily shelved when war broke out.

But once the war was over, Britain continued to play a significant role in the complex deal, which was finalised by the Reagan Administration at the beginning of this month.

It has already been criticised in Washington, because Argentina refuses to open all its nuclear facilities to international inspection. It wants the heavy water to control the nuclear chain reaction in a commercial power plant, but critics say that power reactors can be used as a source of plutonium, which can be used for making bombs.

Argentina has refused to sign international conventions renouncing the building of nuclear weapons and continues to maintain its right to develop so-called 'peaceful' nuclear explosives.

For these reasons, the Carter Administration resisted sales of nuclear materials to Argentina.

The Reagan Administration has a different policy, arguing that export of some nuclear materials will improve relations between Argentina and the US, strained by the Falklands war.

After the war, Britain ostensibly withdrew from the proposed deal. The heavy water was sold to West Germany — where it was bought originally — and West Germany is now selling it to Argentina. Thus, says the Foreign Office, Britain is not included in aiding Argentina's nuclear programme. The reality of the current West German sale is somewhat different, according to State Department and diplomatic sources in Washington.

The story is typical of the intricate and often murky wheeler-dealing of the nuclear business. It begins in the late 1960's when West Germany built two reactors and needed heavy water. The Germans

bought the 143 tons from the US, but found the reactors inefficient and by the mid-1970s decommissioned them.

At the time, Britain was thinking of building reactors using heavy water and the Central Electricity Generating Board purchased, for an unknown sum, a firm option to buy the 143 tons from Germany.

Britain later abandoned its plans. By this time, Argentina was anxious to buy heavy water for its two power reactors.

In Argentina, Britain saw a possible buyer for its 143 tons, but before the deal could go ahead, US approval of the sale was required because the heavy water had been produced in America.

A joint request — from Britain and Germany because the heavy water had never physically left Germany — was received by the State Department at the end of 1981. On 24 February, 1982 — five weeks before the Argentinians invaded the Falklands — the State Department sent a memo to other US Government agencies seeking their comments.

The war interrupted the negotiations and afterwards Britain officially sold the options back to the Germans — on the unofficial understanding that the heavy water would still be sold to Argentina if and when the US gave its approval.

In a controversial move, the Reagan Administration gave that approval on 2 August but without informing the US nuclear regulatory commission. Congressional hearings will undoubtedly be held on the deal.

Britain's role in the final stages of the affair is still unclear. Some sources say that the 'pragmatic' deal with Germany was only concluded on the condition that Britain helped to facilitate Reagan Administration approval. *Nucleonics Week*, an authoritative nuclear industry journal, quotes a State Department source in its 18 August issue as saying 'foreign policy considerations' entered into the approval of the transaction. The remark is interpreted as meaning 'the US received pressure from Britain and West Germany to act.'

The Observer
28th August 1983

What doomed the Belgrano?

Your interesting account of Lord (Hugh) Thomas's role as a diplomatic link between Downing Street and the Peruvian Government (News, last week) asserts that plans for a negotiated settlement 'fell apart when the cruiser General Belgrano was sunk.'

This view of events perpetuates that persisted in by Mr Tam Dalyell and others to the point where it stands a chance of being enshrined as a fact.

It is at odds with Argentinian

accounts. The March issue of the authoritative US Navy Institute's magazine 'Proceedings' carried a long piece on the Malvinas campaign by Dr Robert L. Scheina, a Latin-American expert with known Argentinian sympathies and top-level contacts.

He wrote that at 0440 hours on 1 May the Malvinas radioed their naval task force, which had been deployed outside the TEZ awaiting the first opportunity of suitable weather to

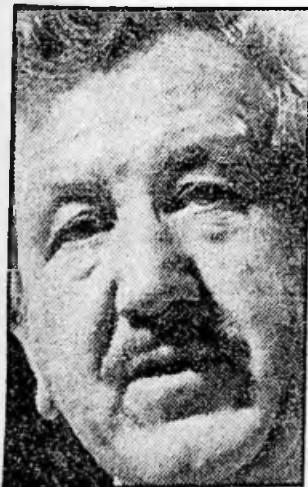
sink our aircraft carriers. This radio message informed the Argentinian high command that British aircraft had attacked the airfield at Port Stanley.

'With this attack,' Dr Scheina states, 'all hope of a negotiated settlement ended.'

The Belgrano was sunk 36 hours later, long after the intentions of the Argentinian Navy had become apparent.

John Coote
Midhurst.

HOTLINE



Falklands shipping row

SEAMEN'S leader Jim Slater (left) is considering industrial action against Cunard which has hired foreign ratings for a tanker heading for the Falklands. Crewing the 40,000-ton Lucerna with low-wage Indian seamen is 'highly provocative,' claims the National Union of Seamen chief. Action is being discussed against Cunard's QE2 when it docks at Southampton this week. The seamen's union wants all ships used in the Falklands to be British manned.

THE TIMES

26.8.83

No surrender

Where is the instrument of surrender signed by Major-General Jeremy Moore and General Menendez in the Falklands? Ian Kerr, who is marketing framed reproductions of a contemporary photocopy at £19.90 each, says no one can tell him the whereabouts of the original. It is officially denied that Moore has it, though the late Lord Montgomery certainly kept for the rest of his life the surrender signed at Lunenburg Heath. That document passed to the Imperial War Museum, with Monty's caravan and other papers, after his death. "Is the Falklands surrender on Maggie's loo door?", Kerr asks irreverently. My PHSnoop in Downing Street sneaked a look, and it's not.

'Dead' Argentine escapes captors

Buenos Aires (Reuter, AP) - Señor Patricio Kelly, a key witness in several human rights court cases who was kidnapped in Buenos Aires on Wednesday, is alive and well after escaping from his captors.

Earlier reports said he had been found dead outside the capital.

Señor Kelly told the police he got away by jumping out of a car. His wife Irma told the independent news agency Noticias Argentinas that he escaped near the Buenos Aires suburb of Ingeniero Maschwitz.

"Patricio is very hurt because he jumped out from the moving car," she said.

An eyewitness reported that Señor Kelly, running and shouting, "I'm Kelly, I'm Kelly, tell the police and Buenos Aires", appeared at an Argentine Automobile club station. A police car took him to a police station.

Señor Kelly, a maverick figure in Argentine politics, was kidnapped by a group of armed men in the capital shortly after leaving his home by car for the city centre.

A police car was on the spot but did not intervene to help him. Señor Kelly was beaten up and driven off in his own car, eye witnesses said.

A police statement said one of the kidnappers was a man dressed in the uniform of an army colonel. He told the policemen that only a minor traffic accident had taken place and they drove off.

A clandestine group calling itself "Free Argentina" claimed that it had kidnapped and killed Señor Kelly.

In a brief news conference in front of his suburban home Señor Kelly refused to say how he escaped. His face bruised



Señor Kelly: Political crusades led to jail

and cut, he said he had promised a criminal court judge "not to talk" about his experience.

But in a subsequent interview with a Buenos Aires radio station he identified his captors as a man "distinguished as an army colonel and a dozen psychopaths, old professionals from the union gangs, paid bodyguards".

At the press conference he said his abduction was designed to pressure him. He denied planning his own kidnapping to draw attention to charges he has made against former officials.

Señor Kelly once described himself as "an independent nationalist sharp shooter." He is a colourful figure who began his political career as the leader of a pro-Peronist strong-arm group in the 1950s.

Since then he has launched several political crusades against powerful Argentine political leaders which have landed him in jail on seven occasions. In 1957 he made a spectacular escape from prison disguised as a woman.

GUARDIAN

26.8.83

Argentine kidnapping victim survives to tell the tale

From Jeremy Morgan
in Buenos Aires

The escaped kidnap victim Mr Patricio Kelly said yesterday he knew the identity of several of the armed men who seized him near his Buenos Aires home on Wednesday. He declined to identify them but dismissed suggestions that they were from the security forces. He would not explain exactly how he got away, but his wife reportedly said he had thrown himself out of the kidnappers' car.

Mr Kelly was earlier reported to have been murdered by his abductors.

Covered in blood and untidy, Mr Kelly, aged 61, reappeared shortly after midnight, asking for help at a petrol station in Greater Buenos Aires.

He spent the remainder of the night answering questions at a local police station, where

he is said to have told officers he spent most of his 16 hours in captivity "face down in a car." Mr Kelly denied that the kidnapping was a stunt organised by himself.

While Mr Kelly was still missing, two associates issued a list of 20 people they said might be responsible for the kidnapping. The list was headed by a "Colonel Mateos," described as an intelligence officer working at the Casa Rosada, which houses the Interior Ministry and the office of President Bignone.

The list also named 10 alleged members of SIDE, the Interior Ministry's intelligence service, and a mysterious "Anibal Gordon," who is said to have threatened Mr Kelly by telephone some days before the kidnapping.

Apart from the motives of whoever it was that abducted Mr Kelly, the inaction of

police officers in a patrol car who saw the kidnapping has also been questioned. The abduction was apparently led by a man dressed in the uniform of an army colonel.

The failure of the police to intervene was defended as "perfectly normal" by metropolitan police chief Mr Francisco Satej. "Upon seeing a uniformed man at the scene of an apparent traffic accident, the patrolman asked the colonel if he needed any help and continued to go about his duties when he indicated he did not," said Mr Satej.

Eyewitnesses had earlier said three men jumped into Mr Kelly's car, hit him and threw him in the back and then drove off.

Elections are set for October 30 and Argentina's ruling military junta has promised to hand over power in January.

DAILY EXPRESS

26.8.83

Falkland hopes dashed

FOUR HUNDRED families who have applied to emigrate to the Falkland islands have virtually no chance of a new life there at present. There is a desperate shortage of homes on the islands and most new ones are being allocated to Service families.

David Tonge reports on a possible threat to the unique co-operation of a cosy club

Third World eyes Antarctic resources

HOW WILL the world divide the minerals on its fifth largest continent, Antarctica? A step towards resolving this problem may be taken next week when the 14 full parties to the Antarctic Treaty meet in Hobart, Tasmania, to discuss the operations of their new regime covering fish, the shrimp-like krill and other marine resources of the area.

The Antarctic Treaty has long been a unique example of international co-operation. Its provisions demilitarise one-tenth of the world's land surface and have led to nearly a quarter of a century of co-operation between countries as divided as the Soviet Union and U.S., and Argentina and Britain.

It dates back to 1959 when only scientists were interested in the world's most inhospitable waste. "Great God! This is an awful place," was Captain Robert Scott's comment when he reached the South Pole in 1912.

But, as other groups have turned their eyes south, so the delicate compromises involved in the treaty have come under threat. These compromises have allowed those whose claims to the Continent overlap to sit down with each other—and with countries such as the U.S. which refuse to recognise the claims.

The importance of the Convention on Antarctic Marine Living Resources, which came into force last year, is that it represented a successful attempt to fob off some of the problems raised by those who wished to exploit the economic potential of the area.

At one time the fishing riches seemed to promise a virtual bonanza. A decade ago catches of Antarctic cod and other fin fish rose rapidly to reach half a million tons per year, and prospects seemed glittering. But the East European and Japanese fishermen involved found they were over-

fishing. In the cold waters of the Southern Ocean the life cycle of fish is up to seven years, some three times that in the North Atlantic. The fish catch is now down to one-tenth of its peak levels.

At the same time, krill has proved less rewarding than once forecast. Annual catches total between 0.6 and 1m tons. But the cost of sailing the distances involved, the short fishing season possible in the rough seas and the rapid decomposition of krill all militate against it providing an economic harvest. It is too costly for widespread use as an animal feed and has yet to catch on with humans. Large quantities of "ocean paste" made in the Soviet Union tend to stay on shop shelves.

With no country showing any intention of building the large factory ships which could change this picture, the Hobart review of the Convention is likely to be relatively peaceful.

But many of the participants then fly on to Canberra for the 12th Antarctic Treaty consultative meeting, starting on September 13, to discuss the more contentious matter of mineral resources.

The 14 countries which are full parties in the treaty—Argentina, Australia, Belgium, Britain, Chile, France, Japan, New Zealand, Norway, Poland, South Africa, the Soviet Union, the U.S. and West Germany—see the Convention on living resources as proving they are able to deal with economic and technological developments since the 1950s.

But, as one Western delegate says: "It is one thing to deal with a renewable resource such as fish. It is quite another to deal with minerals where sovereignty is normally crucial. The potential political problems are such that they might never be solved."

The minerals issue was first discussed in 1972 and progress

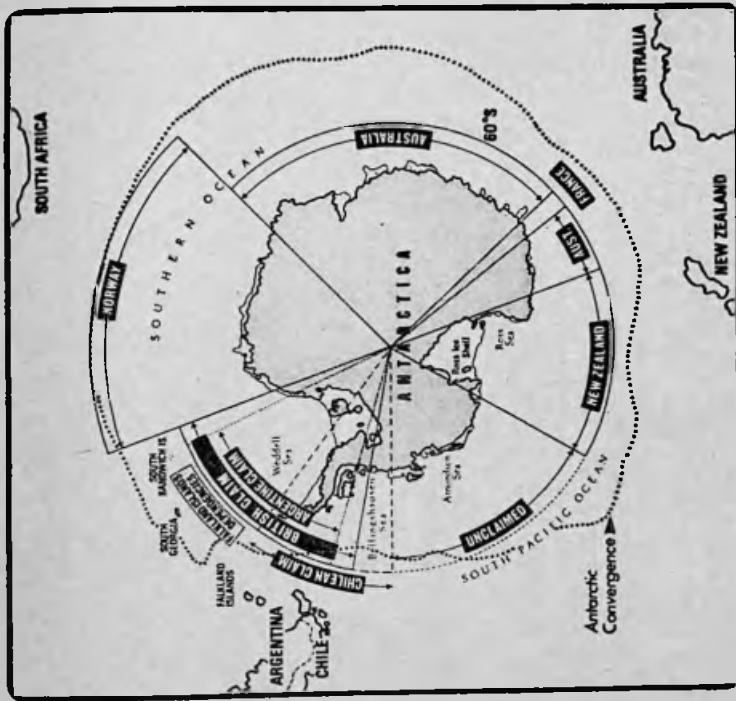
found, but, in the view of Mr Robert Rice, consulting geologist to RTZ: "The economics of Antarctica hard minerals seem utterly impossible." He cites the problems of shipping equipment and products through the icebergs off Antarctica, the difficulties for workers and equipment in average temperatures of around -60°C, and the way that mining areas can remain inaccessible.

Offshore prospects for oil and hydrocarbons also seem unattractive. At one point in 1979 an executive of Gulf Oil was suggesting there could be "another Middle East in the Antarctic." But oil companies now think that the extreme difficulties of producing oil in an area crossed by massive icebergs put it low on their list of priorities.

If pressure from commercial interests is thus limited, those who deal with Antarctica can breathe a sigh of relief. "I hope mining never happens," one European official said. But he also warned that there is a new threat to the Treaty from Third World countries who have become increasingly critical of it as a "rich men's club."

A number of developing countries, frustrated by their failure to wring concessions from the industrialised north, are now beginning to look to the deep deep south. Malaysia, for instance, has just asked the coming session of the United Nations General Assembly to include Antarctica on its agenda. It wants "a wider international concert" to deal with the area.

Antarctic Treaty powers this spring sought to head off such pressure by allowing UN members to attend their Canberra meeting as observers. But most believe that this will not be enough to stop growing criticism of the cosy arrangements which have worked so smoothly during the past 25 years.



has been slow. In 1979 the Antarctic Treaty parties agreed to establish the "desirable features" of a regime. In 1981, they decided to launch negotiations and stipulated that the result should be acceptable to claimants and non-claimants.

Clear divisions have emerged between those, such as Britain and France, who want normal rights to minerals on the areas they claim, and those a want a regime where sovereignty over minerals does not exist. "We are a very long way from agreement," one Western participant says. But he also insists that there is limited outside pressure to reach an early agreement.

The simple fact is that few if any companies are impressed by Antarctica's economic potential. On shore, interest was once stimulated because Antarctica had formed part of

the prehistoric super-continent, Gondwana, and was then linked to mineral-rich areas such as South Africa. But the iron ore around the Prince Charles mountains to the east and the coal in the Transantarctic mountains are both of low quality.

At the same time, the icecap, which contains nine-tenths of the world's fresh water, is not only an average thickness of around 2,000 metres but is moving, so threatening to shear drilling equipment.

One of the rare areas where relatively easy access is to be had is the Dufek massif claimed by Argentina, Britain and Chile. This produces major geo-magnetic anomalies, but no exploitable minerals have yet been identified.

Some porphyry copper traces similar to South American formations, have also been

DAILY TELEGRAPH
26.8.83

KIDNAPPED WITNESS ESCAPES

By MARY SPECK
in Buenos Aires

GUILLERMO Patricio Kelly, a key witness in cases against Argentina's military leaders, reappeared yesterday looking beaten and bloody 15 hours after being kidnapped by armed men.

Kelly told reporters at his home in Buenos Aires that his abductors were "a man disguised as a colonel and a dozen psychopaths, professional bodyguards from union gangs."

He accused his kidnappers of trying to "pressure me" but refused to detail his treatment or escape, saying the judge investigating the case had ordered him to remain silent.

Kelly's wife later said her husband was "badly hurt because he threw himself out of the kidnappers' car."

'Can name assassin'

Kelly recently gained notoriety by claiming he could name the assassin of diplomat Elena Holmberg, publicist Marcelo Dupont, and businessman Fernando Branco. All three were allegedly murdered at the request of former Navy C-in-C., Emilio Massera.

The former leader of the Right-wing Nationalist Alliance also said he could name military leaders involved in the secret masonic lodge known as Propaganda 2. "Argentina is the prisoner of a Mafia," he said on radio shortly before his kidnapping.

Witnesses said Kelly had just driven from his home when two cars forced him to stop. He tried to escape but men wearing military uniforms and carrying machine guns forced him back into his car and then drove off at speed.

A police patrol in the area tried to question the kidnappers but withdrew when a man in an Army officer's uniform told them it was only "a traffic incident," the witnesses added.

JURISTS' ATTACK Amnesty for forces

The International Commission of Jurists yesterday accused Argentina's military rulers of trying to sweep under the carpet the disappearance of thousands of people by giving amnesty to members of the armed forces accused of human rights abuses.

Under the planned amnesty, which would also benefit some former guerrillas, Argentina was "seeking to preclude the investigation of torture, murder and other serious crimes committed by agents of the military junta," the commission said in Geneva.—Reuter.

665 TONS OF AMMUNITION DESTROYED

By Our Port Stanley
Correspondent

Maj.-Gen. Keith Spacie, Officer Commanding British Forces Falkland Islands, triggered off the final detonation of unwanted Argentine ammunition when 60 4.7-inch mortars and 12 high-explosive shells of 105mm were destroyed by members of the Logistics Ordnance Battalion.

This was the final ton of about 665 tons of ammunition which the Argentines took to the Falklands during their 10 weeks of occupation last year. It was enough to have kept them going for at least three years, said one British officer.

Since clearance of stockpiled Argentine ammunition began last year, more than 76,000 items have been destroyed, including guided missiles, mines, shells, mortars, rockets, grenades and pistol ammunition. Other items, considered useful, have been retained.

The Times
26.8.84

Falkland's terms for Argentine trade

By John Witherow

Falkland Islanders would be prepared to accept renewed air and trade links with Argentina provided there was no challenge to British sovereignty, two of the Islands' elected councillors said yesterday.

Mr John Cheek and Mr Anthony Blake, who were in London on their way to a United Nations debate in New York on the Falklands, said there would be some opposition but most people accepted normalization of relations was inevitable once a formal end to hostilities had been agreed.

"We are going to have to accept one or two things we are not very keen on", Mr Blake said. Before last year's conflict he and other farmers exported mutton to the mainland and there were plans to export beef. In return Argentina supplied fuel and timber, which now has to be brought in via Ascension Island.

One advantage such renewed links would be that Argentina would no longer have a monopoly of air links after building of an airfield 35 miles from Port Stanley.

Mr Cheek painted a grim picture of working conditions for the 1,500 men likely to be involved in the airfield project, likening it to the isolation of construction work in the Sahara desert.

No road links the airfield site to Port Stanley and in winter it could take a day by Land-Rover to reach the capital. As a result, Mr Cheek thought, most of the workers would remain at the site, pursuing such leisure activities as fishing and bird-watching.

The two men said water and

electricity supplies were still under strain in Port Stanley. A number of people wanting to emigrate to the Islands had been turned away because of a shortage of housing.

Concern over an Argentine attack had declined and the most people anticipated were pinprick raids or a clash between RAF Phantoms and Argentine aircraft straying into the 150-mile air zone.

The garrison of several thousand troops had caused few difficulties for the 1,800 Islanders.

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Times 26 Aug

26th August 1983

Navy gambles with flag show in Far East

By HARVEY ELLIOTT, Defence Correspondent

A BIG display of British sea power in the Far East could leave dangerous gaps in Nato's maritime defences this winter.

The Royal Navy — already stretched by having to keep a permanent force in the South Atlantic — is taking a calculated gamble by sending the carrier *Invincible* and six escort warships, plus five supply ships, on a 'show the flag' tour of the Far East and Australia.

The admiral in charge will get twice-daily intelligence briefings on Soviet activities in the North Atlantic, and is drawing up contingency plans to turn his fleet round if a crisis develops.

The 7½-month Far East tour is to prove Britain has the capacity to send a large naval task force anywhere in the world, and to show off British arms

and equipment in the hope of clinching new export deals.

But it will strip the Navy of a major part of its fleet of destroyers and frigates, leaving the defence of British sea lanes largely in the hands of the Dutch, Belgian and German navies.

Invincible will sail next week. All 12 ships will be in the Far East around Christmas.

News of the deployment comes days after a row between naval experts and the Defence Ministry over the ability of the Navy to meet its commitments at home and abroad following years of defence cuts.

At least 12 ships are constantly involved in maintaining cover around the Falkland Islands; about 15 are always in port for repairs and maintenance, three will spend much of the winter in the Caribbean on exercise, and others will be deployed in the Mediterranean and the Persian Gulf.

The pressure on the Navy, both in manpower and ships, has never been greater. It is bound to raise once again the whole argument about the future role of the Royal Navy.

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Sea Harrier to get new missile and better radar

By **DESMOND WETTERN** *Naval Correspondent*

MAJOR improvement, including the fitting of a much longer range missile to counter supersonic Backfire bombers of the Russian Navy, are being planned for the Navy's Sea Harrier fighters.

The modernisation is considered so important that it is expected to take priority even over the equipment programme for the RAF's Tornados.

The new missile is the American designed AMRAAM (Air-launched Medium Range Air-to-Air Missile).

Production is expected to begin next year and to continue into the 1990s for almost all the Nato air forces.

'Formidable weapon'

It is claimed that with the new missile, improved radar, longer range and a more powerful engine the Sea Harrier, although its performance is just subsonic, will prove a formidable weapon against Russian Backfire bombers.

The Backfire, with its ability to launch anti-ship missiles at ranges of hundreds of miles, far beyond that of ships' own defensive missiles, is regarded as one of the most serious

threats facing Allied navies today.

Few details of the AMRAAM have been released, although its speed is clearly much greater than that of sound, while its range will also be considerably more than the 15,000 yards of the AIM-9L Sidewinder air-to-air missiles with which the Sea Harriers are at present equipped.

Three British companies are competing for the contract for an improved radar for the Sea Harriers.

Sea Eagle missile

The Sea Harriers are also to get the 60-mile range Sea Eagle anti-ship missile in the late 1980s, as well as the British developed Alarm anti-radar weapon.

Sea Harrier pilots are critical of the Government's decision last month to buy Alarm in preference to the rival Anglo-American Harm weapon because they fear that it will take longer to get the British system into service, although Alarm's development was delayed for two years by indecision in Whitehall.

The obsolescent American Shrike missiles used against Argentine radars in the Falklands were not very successful and the need for a replacement is urgent.

DAILY TELEGRAPH
25.8.83

Aircraft carriers by conversion

From Sir **PATRICK WALL**, MP (Con.)

SIR — Mr Desmond Wettern (article, Aug. 19) is wholly correct in his appreciation of maritime air power. At the same time it is, as he states, impossible for economic reasons for this country to build conventional aircraft carriers.

However the Invincible class could fill this vital gap.

This will be especially so when the AV8B (the replacement of the Sea Harrier) and early air warning short range aircraft or helicopters are produced.

However two of these vessels in operation, with one in dockyard hands, is insufficient. While more of this class may prove too expensive at a time of economic stringency, at least two container ships or oil tankers (of which many are laid up), should be converted into naval manned auxiliary aircraft carriers.

However, unlike the ill-fated Atlantic Conveyor in the Falkland Islands, they must carry adequate electronic counter measures and the lightweight Sea Wolf anti-aircraft missile.

The Arapaho principle is now well established and the Falkland Islands campaign has shown what can be achieved in an emergency. Peacetime use and experiments are, however, essential.

PATRICK WALL
House of Commons.

FOR INFO

HESELTINE FOR U.S.

By Our Defence Staff

Mr Heseltine, Defence Secretary, is to visit America on Sept 12. He will meet Mr Weinberger, American Defence Secretary, and Mr Shultz, Secretary of State, before returning to London on Sept. 15.

ARMED KIDNAP IN ARGENTINA

By Our Buenos Aires Correspondent

Uniformed men carrying machine-guns yesterday kidnapped Guillermo Patricio Kelly, a Right-wing politician who has played a key role in human rights court cases against military leaders in Argentina.

Later an unidentified man called the newspaper *CRONICA* and said that "Free Argentina" had executed Señor Kelly. The caller said the next victim would be Dr Oscar Mario Salvi, the judge who ordered the imprisonment of Adml Mar Massera.

Whitehall studying 'junta for trial' claim

By Our Diplomatic Staff

Western diplomats were last night studying a report that leading members of the Argentine Government during last year's Falklands conflict are likely to face trial.

The report, in the Buenos Aires Eronist newspaper *La Voz*, said this was the main recommendation of an official military inquiry set up after the Argentine defeat.

The first reaction of diplomats in Buenos Aires was to accept the report as genuine, but there was no confirmation last night in Whitehall, whose only contact with the Buenos Aires government is through a small interests section in the Swiss Embassy.

Not only General Leopoldo Galtieri and the other two members of the military junta, but also Señor Nicanor Costa Mendez, the former Foreign Minister, and General Mario Benjamín Menéndez, who was appointed governor of the Falklands after the Argentine invasion, have been recommended for trial by the inquiry, according to the newspaper.

● **BUENOS AIRES:** Military sources said recently that the inquiry had concluded that Argentina handled the conflict badly from the start to finish (Reuter reports).

Although the alleged report placed prime responsibility for the conduct of Argentina's comedy on the junta, it severely criticized Señor Costa Mendez for being short-sighted and rigid.

He was informed of the junta's intention to use force as an option for gaining control of the Falklands when he was appointed in December 1981.

He was told on March 23, 1982, 10 days in advance, that an invasion was going ahead, and he agreed to the plan on condition that Argentina's seizure of the islands should be used as the basis for a subsequent negotiated settlement with Britain.

He did not make the junta understand that Britain might well refuse to negotiate when faced with the completed military action.

It also blamed Señor Costa Mendez for failing to see that the United States would side with Britain in the conflict and for being too rigid in his interpretation of Argentine sovereignty in negotiations to try to avert a military clash with Britain.

Man in the news

Britain to lose a Senate friend

From Nicholas Ashford
Washington

The decision by Senator John Tower (Republican, Texas) not to seek reelection next year not only removes from the Senate an outspoken conservative and an ardent campaigner for increased military spending, but will also deprive Britain of one of its leading champions in the US Congress.

During the Falklands crisis last year Senator Tower was the first prominent figure in the United States to speak up openly in support of Britain.

At a time when the US was still trying to act as a mediator between Britain and Argentina, Senator Tower reminded the Reagan Administration of its obligations towards its closest ally if American peace efforts failed. In the event, the US did come out in open support of Britain once the fighting started.

"Congress could have made life very difficult for us if it had



Mr Tower: Pinstripe suits and British cigarettes

wanted to," a British diplomat commented yesterday, referring to the military assistance the United States gave to Britain during the fighting. "Fortunately, American sentiment was heavily in our favour, thanks to the influence of people like John Tower."

Senator Tower, who is 57, looks more like an Englishman

than the son of an itinerant preacher who grew up in the lumber towns of eastern Texas. He favours pinstripe suits and British-made cigarettes and attributes his "global views" to the two years he spent as a graduate student at the London School of Economics in the early 1950s when, he notes, Britain still had an empire.

Senator Tower, who took over Lyndon Johnson's seat in the Senate 22 years ago, is the second most senior Republican in the Upper House and chairman of the Senate's key armed services committee. In this latter capacity he has fought hard to push through President Reagan's defence programme, particularly the controversial MX missile.

His decision not to stand again next year came as a surprise, although it has been noted that he faced a particularly tough fight in a state which by tradition is overwhelmingly Democratic.

TIMES
25.8.83

GUARDIAN
25.8.83

Former president 'to return from exile in two weeks'

Peron party expected to pick lawyer as leader

Buenos Aires: Mr Italy Luder, a former Senator and once provisional President of Argentina, has become the clear favourite to win the Peronist party presidential candidacy when his only significant rival for the nomination decided to pursue a lesser post.

The development left the road clear for Mr Luder, a 63-year-old lawyer, to be formally selected as the Peronist candidate at the party convention on September 3-4. The Peronists are the country's largest party.

The former Economy Minister, Mr Antonio Cafiero, who trailed Mr Luder in provincial party elections of delegates to the convention, accepted the nomination of his supporters for the candidacy of governor of the province of Buenos Aires.

The national convention is expected to name the party's vice-president, Deolindo Bittel, as Mr Luder's running mate in the general elections on October 30.

The armed forces, which took power in a coup on March, 1976, have promised to transfer power to elected authorities next year.

The Radical Party is con-

sidered the only party capable of challenging the Peronists, who have dominated Argentine politics since General Juan Peron was elected President in 1946. The Radical candidate is a lawyer, Mr Raul Alfonsin.—AP.

Reuter adds: The former Argentine President, Maria Estela Martinez de Peron, is expected to return from exile in the next two weeks to be acclaimed as the natural leader of the Peronists.

Although many Peronist leaders privately criticise her performance as Head of State from 1974 to 1976, none would dare openly to dispute her right to lead the party founded by her late husband.

Her return from exile in Spain has not been officially confirmed, but Peronist sources say it is almost certain that she will attend the party's national congress to choose the Peronists' presidential candidate.

Isabel, as she is known, is not expected to make a second bid for the presidency, but the sources say her support for the Peronists' candidate will be crucial to his success.

The 53-year-old widow is widely expected to assume only formal leadership of the Peronist movement, leaving decision-making in the hands of established party leaders.

The sources say that she will probably stay in Argentina only until mid-October, returning to Spain shortly before the elections.

The last main event on her political agenda is likely to be the traditional Loyalty Day rally on October 17, to celebrate the birth of the Peronist movement in 1945.

Despite these calculations, no one knows for sure exactly when Isabel will come to Argentina or what political attitude she will adopt on arrival.

Kidnappers hold critic of admiral

From our Correspondent in Buenos Aires

A nationalist politician who first denounced Admiral Emilio Massera, the former head of the Argentina navy, as a member of the international P-T Masonic Lodge, was kidnapped in Buenos Aires early yesterday.

Mr Guillermo Patricio Kelly was seized by heavily armed men about 300 yards from his home in the Barrio of Nunez in the north of the capital.

Witnesses said that several men involved wore green uniforms and carried submachine guns. At least two cars were used, and it was claimed that a police patrol car was nearby.

Mr Kelly has emerged as an important witness in several judicial investigations as human rights groups step up a campaign in the courts.

Regarded as one of the wilder elements on the sidelines of Argentina politicians for several years, Mr Kelly returned to prominence with an all-out attack on Admiral Massera through the pages of the magazine, Quorum.

Apart from saying the retired head of the navy belonged to the P-2 Masonic Lodge, Mr Kelly claimed that Admiral Massera also covered up the disappearance in 1977 of a business associate, Mr Fernando Branca.

The admiral is now being held by the authorities in connection with the Branca case and is also at the centre of an investigation into the disappearance of 23 people who were held at the navy's mechanic school while he commanded the force.

Admiral Massera has reportedly advised the judge leading the probe to call other senior officers who also played a big part in the regime's "dirty war" against leftwing opponents in the 1970s.

The officers, he suggested, apparently included the present head of the navy, Admiral Ruben Oscar Franco, and the chief of staff, Vice-Admiral Carlos Carpinteros.

Mr Kelly also used the pages of Quorum to level accusations against Mr Lorenzo Miguel, a powerful union leader on the rightwing of Argentina's Peronist-dominated labour movement. Mr Kelly said he was involved in the alleged murder of a union official some years ago.

Mr Kelly's wife said he had left home to make a recording at television studios. Police later said they had found three cars which might have been used in the kidnapping outside the capital.



Admiral Massera: Attacked in magazine



'Isabel' Peron: Brief visit

Tensions are increasing on the eve of Independence Day celebrations, writes Jimmy Burns in Montevideo

Uruguay 'tug of war' puts military's strength to the test

URUGUAY'S military regime and civilian opposition have reached a political impasse and everyone gets to know each other very quickly."

The population has been asked to emphasise its distance from the military, by staying off the streets between 5 pm and 8 pm. At 8 pm protestors will switch off their house lights in an attempt to leave the city in virtual darkness for a quarter of an hour.

Today's tug of war for the hearts and minds of the population is very different to the situation which existed last May. Then the armed forces and the country's two major political parties—the Colorados and the Blancos—initiated a series of talks aimed at finding a common political programme before the elections scheduled for November 1984.

The talks never got beyond the first round. The politicians withdrew from the dialogue after the military had refused to compromise on the scope and scale of the military's participation in the future political system.

The military said it should continue to have a powerful council with veto powers on government policy. It also wanted the right to detain suspects incommunicado for up to 15 days and the continuing pre-eminence of military over civilian courts in cases judged as "threats to national security."

The opposition saw this as a clear setback after two and a half years of gradual reform. In 1980, the military put the issues to a national plebiscite only to have 54 per cent of the vote against them.

It is understood the talks collapsed because a section of the military led by General Gregorio Alvarez, the current president, resisted any changes. Although moderate compared to some Latin American military rulers, Gen Alvarez is a man of considerable political ambition. He is believed to want to remain president

within a limited democratic system. His current term of office ends on March 1 1985. Gen Alvarez, however, does not have the military's unanimous support. Some of the younger officers in particular have one eye on Chile and are reluctant to continue along a course which they fear could lead them into a irrevocable confrontation with the civilian population.

According to some diplomats the regime's moderates are prepared to resume negotiations on constitutional reform and are already holding informal talks with some politicians under the auspices of a church-led mediation.

Today's protest action is the first to be coordinated by the Government's economic programme. A combination of free-market policies and tight money has restored the country's external position to reasonable health but at the expense of the domestic economy.

The International Monetary Fund left Montevideo last week apparently satisfied that the Government had met its target set in a \$400m (£261m) two-year credit agreement signed in April.

This in turn will pave the way for the disbursement of the second tranche of a \$240m loan from commercial banks. Over a quarter of Uruguay's \$4.2bn foreign debt has been rescheduled.

On the home front, however, higher interest rates and Uruguay's continuing vulnerability to the economic crises of its neighbours has plunged it into deeper recession.

In the first six months of this year gross domestic product fell by 10 per cent after a 10 per cent drop in 1982. Unemployment has risen to a record of more than 20 per cent.

In Montevideo the signs are all too visible — there are many more beggars along its narrow, old streets than there used to be, and the housewives, for the first time, have begun to bang their empty pots.



PRESIDENT ALVAREZ: led resistance to democratic reforms.

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Daily Mail
24.8.83

Falklands pool

THE largest landowner in the Falklands, the Derbyshire-based Coalite group, is to give £20,000 to a fund for a swimming pool in Port Stanley.

Daily Mail
24.8.83

In the aftermath: Two more injured

THE Falklands conflict continues to claim casualties.

The Ministry of Defence said last night that bomb disposal expert Major Geoff Ward, 36, of the Royal Engineers, had his right foot blown off when he stepped on an Argentine mine on Stanley Common near the island's airfield.

The major, who is married

with a son and lives in Glasgow, was checking fences around a minefield. Another serviceman, Sergeant Major John Devine, was also slightly injured.

The Ministry said that Major Ward, who commands the 49 Explosives Ordnance Disposal Squadron, was standing inside a British safety fence.

The mine is believed to have been a plastic type with very little metal, making it practically impossible to detect.

In January, the same squadron's commanding officer of the time, Major Stephen Hambrook, lost a foot and injured both legs in a similar accident at Fox Bay, West Falkland.

Daily Telegraph
24 8 83

NAVY MUST CHOOSE BETWEEN ROLES, SAYS NOTT

By **DESMOND WETTERN** *Naval Correspondent*

THE Navy must decide whether they want a Fleet to meet the Russian threat in the North Atlantic, or try to fulfil some of the more widespread traditional maritime tasks, Sir John Nott, former Defence Secretary, said yesterday.

The Falklands operation was included in the traditional tasks, and "if they can't decide, the decision must be made for them," he said on BBC Radio's "World at One."

SEA HARRIER ORDERING ATTACKED

DELIVERY of Sea Harriers, urgently needed by the Navy to replace Falklands losses, is "painfully slow" because of orders being placed in "penny numbers" by the Defence Ministry, according to Admiral Sir Raymond Lygo, managing director of British Aerospace.

Last December, seven Sea Harriers were ordered to make good losses in the conflict and a further seven were ordered as part of a batch of 10 which the Navy had been seeking to buy since 1979.

The first of the 14 new Sea Harriers will not be in service until 1985 and Sir Raymond said that had it not been for the Falklands the production line would have been closed.

Joint production

The Kingston, Surrey, and Brough, Yorkshire, factories of British Aerospace are now largely occupied with work on the AV8B, the Mark II Harrier, which the company is producing jointly with McDonnell Douglas of St Louis, Missouri, for the American Marines.

By the latter part of the decade the company expects to be involved in building at least 60 GR5 Harriers for the RAF.

Meanwhile, five GR3 Harriers are being produced for the RAF to replace Falklands losses and six Sea Harriers and two two-seat Harrier T2s are being completed for the Indian Navy.

By the beginning of this month only three of the Indian Sea Harriers had been delivered, though all six were supposed by then to have arrived at Yeovilton, Somerset, naval air station

He was replying to criticisms by Captain John Moore, editor of JANE'S FIGHTING SHIPS.

Capt Moore said that Sir John's 1981 Defence Review White Paper not only demonstrated "an intention to reduce the Royal Navy's capabilities in the north-east Atlantic, but also showed a lamentable failure to appreciate the role of seapower in affairs of State."

Sir John said that one of the objects of his 1981 review was to spend more money on small ships, rather than on carriers and other big ships.

Caused surprise

The Navy were spending too little on weapons and too much on ships, he claimed, and he denied that he had cut back on the nuclear-powered hunter-killer submarine programme, as Capt Moore said.

Sir John's assertion that the ships needed to counter the Russians in the Atlantic could not also perform a wider role outside the Nato area caused surprise in Naval circles since it has always been the Admiralty Board's policy to build ships to meet a worldwide task.

His comment that too little was being spent on warship equipment is regarded as curious, since planned improvements to the Sea Dart missile were cancelled and modifications to the Sea Wolf missile, to enable it to cope with sea-skimming missiles and low-flying aircraft, were seriously delayed during his tenure at the Defence Ministry.

When questioned in Parliament during the Falklands conflict about delays with Sea Wolf improvements, he said that until recently there had been no great urgency, as the Russians had not long acquired sea-skimming missiles.

But Capt Moore has pointed out that the Russians have had such weapons for 15 years.

More money was being spent in real terms on the Navy than in the 1950s, said Sir John.

The Guardian 24 8 83

Argentine report calls commanders incompetent

From Jeremy Morgan
in Buenos Aires

The special commission investigating Argentina's disaster in the Falklands last year laid the bulk of the blame with the military Junta then in power, and said its members should be court-martialled, a press report said yesterday.

Although promised several months ago, the report has not yet been published, but the Buenos Aires daily, La Voz, printed what it called an abbreviated version.

The Rattenbach Commission of six officers from the three armed forces apparently concluded that fundamental strategic, political, and diplomatic errors were primarily the responsibility of the Junta, which demonstrated incompetence in every aspect of the conflict.

The newspaper report made little distinction in apportioning the blame between the members of the Junta, General Leopoldo Galtieri who was President and head of the army, Admiral Jorge Anaya, and Brigadier Basilio Lami Dozo, commanders of the navy and air force.

Two civilian members of the Galtieri Cabinet and Argentina's Falklands commander,



● Admiral Anaya, Brigadier Lami Dozo, General Galtieri, and Dr Costa Mendez: all blamed by inquiry

General Mario Menendez, were also criticised, but few other top military officers.

La Voz claimed that the "abbreviated" document had been issued by the regime to leading politicians, but observers were divided on whether the report was genuine. The report attacked the Junta for the "disorganised" conduct of the war caused by "the lack of a clear strategic military objective from the beginning."

The Junta had only planned appointed, "not only for professional reasons, but also political, negligence and dishonouring

tics, it was logical they did not believe that the islands, 400 miles from the mainland, could principally be defended by ground forces.

The Junta should also have acted to stop the "differences and rivalries" between the armed forces that "tainted joint action from the beginning."

Recommending that the former Junta members be tried on charges that might include negligence and dishonouring

the military, the commission criticised the inadequate leadership of General Menendez, La Voz said. He had not "overcome the scruples of friendship and belonging to the same promotion as the other generals," to whom he had to give orders.

General Menendez also failed to make the position on the islands clear to his commander, General Galtieri, and did not resist pressure to send troops to Great Falkland Island in the west, where they took no part in the battle. Dr Nicanor Costa Mendez,

Argentina's foreign minister during the crisis, was blamed for "two great errors."

He had not only minimised Britain's military and diplomatic capacity, "despite his great experience," but also considered it "very sure" that the United States would remain "benevolent" towards Argentina.

The length of the attack on the other civilian target, Dr Roberto Alemann, then economy minister, fuelled suspicions about La Voz's claim to have seen the report.

Observers noted that Dr Alemann was the last architect of the regime's experiment in monetarism, a policy which frequently comes in for sharp attack in the pages of the leftwing Peronist daily.

Doubts were also raised by a reference to Reuters news agency as "an official agency of the British government."

The newspaper was considered an unlikely vehicle for an official leak, given that it is one of the regime's sharpest critics. But diplomatic sources did not dismiss suggestions that it had been shown the report by allies on the leftwing of the Peronist party, Argentina's largest political movement.

Guardian 24 8 83

Daily Telegraph 24 8 83

Falklands 'accelerated slide towards total war'

By Victor Keegan,
Economics Editor

THE FALKLANDS war accelerated the slide towards total destruction, according to Professor Kenneth Boulding, of the Institute of Behavioral Science at The University of Colorado. An economic analysis of the war revealed the very heavy burden of justification which those who made such decisions had to carry, he said.

Professor Boulding added: "War is a matter of the breaking of taboos of peace against organised destruction of life and property. Once the taboo is broken it becomes easier to break in the future. I have no doubt Mrs Thatcher acted with the best of intentions, but I think she brought the destruction of the human race a little closer. Economics by itself cannot save us, but I cannot help thinking that, compared with much ideology of all kinds, economics is a substantial asset which we can justly criticise but of which we should not be ashamed."

Economic growth has brought considerable benefits

to the working classes, often at the expense of the middle classes, according to a paper delivered by Dr J. Gershuny of Sussex University Science Policy Research Unit. Growth in expenditure on goods — in effect, equipment for self-servicing — reduced the unpaid workload on working class households, and improved their conditions. But the same set of changes lost the middle class their servants, and reduced the well-being of middle class women.

In the 1930s middle class housewives appear to have done about half the amount of housework done by the working class housewives. By 1961 the difference between the two classes was insignificant. Middle class housewives increased their housework much faster than the working class.

Between 1937 and 1961 middle class women's average daily leisure time fell from 346 to 272 minutes. There was a substantial increase between 1961 and 1975, but this still left them about half an hour less daily leisure than in 1937.

FALKLANDS WAR 'TOOK WORLD NEARER END'

An American professor claimed yesterday that Mrs Thatcher's decision to go to war over the Falklands had brought the world one step nearer to destruction.

"War breaks the taboo of peace against organised destruction of life and property. Once that taboo is broken it becomes easier to break in future," Prof. Boulding, of the University of Colorado, was giving his presidential address to the economic section of the British Association.

FALKLANDS GIFT

The Derbyshire-based Coalite group, largest landowner and employer in the Falklands Islands, is to give £20,000 to a fund for a swimming pool in Port Stanley.

Times 24 8 83

Falkland victim

Major Geoff Ward, aged 36, had a leg amputated below the knee after stepping on a mine left by Argentine troops in the Falklands. Sergeant-Major John Devine was cut and bruised

Financial
Times

24 8 83

Junta criticised

An Argentine military commission report on the Falkland Islands war found incompetence throughout and recommended that the three-man junta responsible should face courts martial.

Falklands mine blasts

A British army officer lost a foot and another was slightly injured in a mine explosion in the Falkland Islands, Defence officials said yesterday in Port Stanley.

Major Geoff Ward, aged 36, stepped on a mine left by Argentine troops during their brief occupation of the South Atlantic islands last year. He had had his lower leg amputated, the Defence Ministry said.

Sergeant-Major John Devine, aged 36, sustained cuts and bruises in the explosion, the officials said. Clearance of un-mapped mines was suspended in January after another officer, Major Steve Hambrook, lost a foot when a mine exploded. Britain says that many Argentine mines left in the Falklands were uncharted.

UN Secretary-General starts Namibia talks

INFO
ONLY

BY J. D. F. JONES IN JOHANNESBURG

DR JAVIER PEREZ DE CUELLAR, the United Nations Secretary-General, yesterday opened two days of talks with the South African Government over the future of Namibia (South-West Africa).

The UN party met Mr P. W. Botha, the South African Prime Minister, and held talks with Mr Pik Botha, the Foreign Minister, and General Magnus Malan, the Defence Minister. Earlier Dr Perez de Cuellar spoke of the "inordinate delay" in reaching a settlement on the independence of Namibia. Tomorrow he is due to fly to Windhoek, where he will probably meet some of the "internal" party leaders in the territory. He then moves on to the Angola capital of Luanda where he is expected to meet Mr Sam Nujoma, the leader of the South-West African People's Organisation (Swapo).

Although Dr Perez de Cuellar referred on Monday night to "a few outstanding issues" obstructing the progress of Namibia to independence elections, there is considerable scepticism that he will find an easy success where the contact group of five Western nations has so far failed.

Part of the Secretary-General's problem is that the basic obstacle to a settlement remains the insistence of the South African Government (supported by the U.S. Administration) that a settlement be "linked" to the withdrawal of Cuban troops from Angola.

This is not a subject which technically falls within Dr Perez de Cuellar's brief, though it is hardly possible for it not to be mentioned in Cape Town in the course of these talks.

WEST NEW FOREST: ROMSEY
SOUTH WILTSHIRE

SOUTHERN EVENING

ECHO

— Southampton — 97th year — No. 29218 —

WEDNESDAY, AUGUST 24, 1983

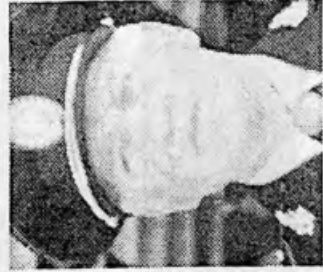
PRICE 14p



ACCUSED: Lami Dozo



ACCUSED: Anaya



ACCUSED: Galtieri

Incompetent Junta blamed

THE RULING three-man junta that started last year's Falkland Islands war demonstrated incompetence in virtually every aspect of the conflict, from the diplomatic to the military, and should face courts martial, according to an Argentine military investigation commission report.

An abbreviated version of the so-called Rattenbach report was published by the Buenos Aires daily La Voz (The Voice).

Last December, the current ruling junta formed a commission of six retired generals and admirals — two each from the army, navy and air force — to determine "political and strategic responsibilities".

Britain sent a powerful task force and reconquered the islands at a cost of 712 Argentine and 255 British lives.

All the junta members at the time of the invasion — President and Army Commander General Leopoldo Galtieri, Admiral Jorge Anaya and air force General Basilio Lami Dozo, were removed from their posts following the Argentine surrender.

According to La Voz, the panel concluded that the invasion was extremely ill-advised.

Falklands junta may face trial

Mail Correspondent in Buenos Aires

Argentina's war inquiry puts blame on leaders

THE RULING junta who led Argentina into war over the Falklands should be court martialled for incompetence, says a military commission.

It claims that the invasion of the islands was ill-advised, with a series of diplomatic and military blunders.

The Supreme Council of the country's armed forces are now being urged to formulate charges under military justice against the deposed three-man junta of the time—President and Army commander General Leopoldo Galtieri, Admiral Jorge Anaya and Air Force General Basilio Lami Dozo.

All were removed from their posts following the Argentine surrender to Britain.

An abbreviated version of the investigative commission report published yesterday by the Buenos Aires newspaper La Voz — The Voice — also says that there should be punishment for high-ranking civilians such as former Foreign Minister Nicanor Costa Mendez.

Argentina is now ruled by President General Reynaldo Bignone, who has scheduled elections for October.

There was a wave of national popularity for the Galtieri regime when Argentine forces invaded and occupied the islands in April 1982.

Britain's task force reconquered them 74 days later.

Last December, the current ruling junta formed a commission of six retired generals and admirals—two each from the army, navy and air force — to determine 'political and strategic responsibilities' for the war. The panel is headed by retired army general Benjamin Rattenbach.

According to the version pub-

lished by La Voz, Argentina lost out diplomatically because of a reputation for widespread human rights abuses, and because Britain is a permanent member of the UN Security Council, which was bound to consider the outbreak of hostilities.

The commission also recalled that, as signatory to the UN Charter, Argentina was committed to abstain from the use of force in resolving territorial disputes.

Condemns

The Commission reportedly chastises the junta and Costa Mendez for under-estimating British determination to retake the islands, and for assuming that the United States would remain neutral in the conflict.

The U.S. threw its moral and material support behind Britain after failing to negotiate peace.

In the section of the report titled 'strategic responsibilities,' the commission condemns the junta for its 'disordered and improvised' leadership.

The panel said logistical incom-

petence made for 'hardship and suffering' among Argentine troops on the islands. It also said inter-branch rivalries hindered professional performance.

Operational faults included the virtual withdrawal of the Argentine surface fleet from the conflict for fear of British submarines, and squabbling among generals commanding land forces in the islands.

The panel reportedly criticises the junta for mistakes in its 'psychological action' toward the Argentine people. The major fault was the encouragement of a 'triumphal' attitude that made any eventual softening of the Argentine position in negotiations virtually impossible.

The report said the Supreme Council of the Armed Forces, a tribunal comprised of retired generals and admirals, should consider the commission's report a legal brief for the formulation of specific charges.

La Voz said the current junta is studying the Rattenbach commission's report, which has been distributed to various civilian political leaders.



ACCUSED : Galtieri



ACCUSED : Lami Dozo



ACCUSED : Anaya

UK satisfied with safeguards on heavy water for Argentina

BY DAVID FISHLOCK, SCIENCE EDITOR

THE British Government is satisfied with the safeguards placed on the sale to Argentina of 143 tons of heavy water, a nuclear material which can be used both in power plants and in the manufacture of nuclear weapons, even though Buenos Aires has refused to sign the Non-Proliferation Treaty forswearing nuclear weapons.

The heavy water, worth \$100m (£66m) was made in the U.S. but is owned by West Germany. Until recently, an option to buy it was held by the British Central Electricity Generating Board.

The U.S. Government has a veto on the transfer of the heavy water to countries which refuse to accept international nuclear safeguards, but approved the sale to Argentina early this month. The deal is under bilateral safeguards between West Germany and Argentina, which the U.S. Government believes will discourage Argentina from diverting it into a nuclear weapons programme. U.S. officials say that President Ronald Reagan has received personal assurances that the heavy water will not be misused.

Britain's involvement came about because, in the mid-1970s, when government policy was to

build a series of heavy water reactors, the CEBG took an option to buy 100 tonnes of heavy water, then in a German research reactor. The reactor was scheduled to be decommissioned by the time the CEBG expected to need it.

Britain abandoned its plans for heavy water reactors in the late 1970s but the CEBG retained its option until early last year when it was asked to relinquish it. British Ministers agreed that the CEBG should relinquish the option but formal approval was delayed by the Falkland Islands conflict between Britain and Argentina.

Since the German reactor, at Karlsruhe, is now to be dismantled, the options for Britain were either to approve the sale or to take up the option itself, which would require construction of a special store for a material for which Britain had no use in such quantities in the foreseeable future.

The Foreign Office said it was satisfied with the safeguards terms signed by the U.S., West Germany and Argentina, despite the fact that the recipient is not a signatory of the NPT.

Argentina requires the heavy water as the moderator in a new nuclear power plant under construction with West German help.

Financial Times 20 8 83

Guardian 22 8 83

'Betrayal' protest on the Falklands

The general secretary of the National Union of Seamen has written to Mr Michael Heseltine, the Defence Secretary, to protest "in the strongest possible terms" at the gross betrayal of British seamen who volunteered for the Falklands conflict.

Mr Jim Slater said that those now home from the South Atlantic had complained bitterly that Port Stanley was full of foreign vessels — Danish, Dutch and Norwegian — chartered by the British Government. They were particularly angry because it is only a year since their contribution

to the Falklands campaign was praised by the task force commander, Admiral Sir John Fieldhouse.

A Ministry of Defence spokesman later confirmed that they had chartered foreign vessels for the transport of goods to the Falklands garrison. But he said it would not be proper to comment further until Mr Heseltine had read and considered the letter.

Mr Slater says in his letter: "Our information is that at least 12 such foreign vessels are currently on charter to the Ministry of Defence." Meanwhile 1,600 seamen were without work on the merchant navy shipping register, many of whom served as volunteers with the Falklands task force last year.

"In addition, according to the latest figures produced by the General Council of British Shipping, there are no fewer than 74 British ships laid up."

Mr Slater says that 74 British ships — 19 per cent of the total fleet tonnage — are laid up: "I can only assume that crudely expedient considerations are overriding the wider national interest, or the interests of unemployed British seamen, many of them task force veterans."



Mr Jim Slater :

Daily Telegraph 20 8 83

Taking stock

TWENTY budgerigars are to travel to the Falklands, courtesy of the Ministry of Defence, in the comfort of the wardroom of the Andalusia Star which leaves Portsmouth on Monday.

Elsewhere on the same boat will be five tabby cats, chosen for their pretty faces and reared for life on the islands by the Cats Protection League at Crawley Down in Sussex.

Destined, apparently, for private homes and a life of breeding, they are vanguard of a veritable army of animals being sent by the Falklands Appeal to boost stock and replace those lost in last year's conflict.

As the Andalusia Star docks in three weeks' time, a "Noah's Ark" will be leaving Southampton with 300 cows, pigs, sheep and dogs, and four goats.

Jimmy Burns in Buenos Aires looks at the state of the parties before October's general election

Argentina's Peronists ponder the Isabelita enigma



Peron and Evita . . . they live on in the Argentine consciousness

"IN THIS mad, surrealistic country of ours, anything can happen," Sr Ernesto Sabato, one of Argentina's most eminent writers, commented recently. Few issues smack more of surrealism than the rumoured return to Argentina before the end of this month of "Isabelita" Peron, third wife of the late Gen. Juan Peron, and the country's last civilian President. Two years ago, not many Argentines were crying for Isabelita. Only a handful of middle-aged women in fur coats bid an emotional farewell to the woman whose brief reign between 1974 and 1976 had plunged Argentina into political and financial chaos. When, in 1981, she was sent into exile in Madrid after five years of leisurely house detention, no one expected to see her back for a long time.

Today, posters of her face made to look as revolutionary as that of the legendary Evita, have been pasted up around Buenos Aires with the caption "Isabelita returns and will win." Her current Spanish holiday has been monitored as if the destiny of the country rested on her thin shoulders.

Isabelita's fortunes have been greatly helped in recent weeks by the apparent inability of her party to agree on a Presidential candidate. The elections due on October 30 will be the first since the death of the party's founder, Gen Peron. The Peronist movement has yet to forge a sense of identity and common leadership.

The difficulties are partly the result of Gen Peron's pragmatic attitude towards politics and his inability or unwillingness to build his party around a clearly defined ideology. Peronism is today a pot-pourri of diverging interest groups ranging from neo-Fascists to Marxist revolutionaries. It has a working-class base, but its leadership has traditionally crushed the more militant exponents of class struggle. Gen Peron's system of patronage also left little room for an orderly succession.

His legendary will—"my only inheritors are the people"—meant all things to all people. It condemned his party to pining endlessly after its dead leader and his second wife Evita, who died of cancer in 1955. "Peron and Evita live," is still the party's most popular slogan.

Although all camps in the Peronist party are publicly confident, they admit privately

that their future is inextricably linked with the plays of La Senora, as Isabelita is now called. She is still the titular president of the party and fount of the Peron mystique. Isabelita has made no public pronouncements about her political intentions, nor confirmed her alleged plans to return before the Peronist congress at the beginning of next month. Some Peronists have threatened to boycott the congress because of the Supreme Court's continuing refusal to drop several pending court cases because of her alleged embezzlement of public funds.

The Isabelita enigma has contributed to denying the Peronists the edge in the run-up to the elections. Their main rivals, the Radicals, rallied as early as last December round the charismatic figure of Sr Raul Alfonsin, formally endorsing him as their Presidential candidate last month. A lawyer with a

reputation as an outspoken defender of human rights, Sr Alfonsin has established himself in recent opinion polls as the country's most popular candidate, and a serious challenger to the Peronists' traditional political hegemony.

Sr Alfonsin's campaign posters profess that his victory will signify a "victory for Argentina"—a clear attempt to exploit the deeply entrenched nationalist feelings in the community after the Falklands conflict. He has proclaimed his intention of negotiating the return of "the Malvinas" to Argentine hands and has ruled out a cessation of hostilities as long as Britain refuses to get round the negotiating table.

Sr Alfonsin, however, denies accusations of demagoguery and has made the democratisation of the armed forces and the trade unions the key points of his manifesto. "There are some military

officers who would like to interrupt the democratic process and stage a coup," Sr Alfonsin said recently, "but a coup would provoke widespread civilian disorder and wouldn't succeed. The elections are irreversible."

For over two months, the Peronists have been locked in internal party elections to prepare the ground for the election or endorsement of the Presidential candidate at the national congress.

Peronists officials have tried to focus the media's attention on thousands of militants casting their votes without guns or bombs, but while it is true that the campaign has so far been peaceful, the Peronists are still a long way from destroying their violent, Fascist image.

One example of the Peronists' divisions was the major row that blew up recently over a statement made by Sr Leopoldo Teltamanti over the Falklands. Sr Teltamanti is a former Undersecretary for Foreign Affairs, widely tipped as a future Peronist Foreign Minister.

His public support for a formal cessation of hostilities as a first step towards restarting negotiations with Britain earned him condemnation as a virtual traitor to his country from the Peronist trade unions.

Until recently the strongest Peronist contender for the Presidential nomination was Sr Italo Luder, a former leader of the Senate, whose public image is the antithesis of that of the late Gen Peron. A soft-spoken public speaker, Sr Luder has



Isabelita . . . no one expected her back.

opted for a moderate, vaguely social democratic platform. Since his failure to secure a clear lead in the Buenos Aires local elections last week, he has engaged in private negotiations over the governorship of the capital, majorships, and the running of the trade unions with his main rivals, including Sr Antonio Cafiero, the former Economy Minister, and Sr Lorenzo Miguel, leader of the powerful metal workers' union.

The Radical Party came a poor second in the last Presidential elections held in 1973, winning only 24 per cent of the vote against the Peronists' 62. Most political commentators now predict however that this gap will narrow thanks to the new impetus that Sr Alfonsin has given his party.

Daily Telegraph

23 8 83

FALKLAND FORESTRY PROJECT

By GODFREY BROWN
Agriculture Correspondent

TOP timber expert is to leave Britain for the Falklands early next month to advise on the prospects for growing trees on the chilly and wind-swept islands.

Dr Alan Low, principal silviculturist at the Forestry Commission's northern research station, at Roslin, near Edinburgh, is expected to spend three weeks on the islands visiting existing small plantations.

The Falklands have no native tree species, and sporadic attempts at planting over the last 140 years have frequently failed, due to the windy climate, poor soils and faulty techniques, the Forestry Commission said yesterday.

They hoped the expertise developed in establishing forests in the difficult terrain of the Scottish Highlands and islands would help in setting up a tree planting programme for the South Atlantic islands.

Investigation stage

"This is very much the investigation stage," a Forestry Commission spokesman said yesterday. Dr Low would presumably make recommendations on his return as to the kind of action needed.

Dr Low will try to determine the sites, and species of trees, which in the long term would provide shelter, belts, amenity, and even small-scale timber production.

His visit has been arranged by the Overseas Development Administration, and follows a request from the Falklands Islands Government.

Dr Low said yesterday that after 20 years in forestry marketing and research, this was a new experience for him.

"But I hope our experience, particularly in the west of Scotland, will help lay down guidelines for an offorestation programme that could eventually benefit the island's economy, and the amenities of those who live there."

Union names foreign ships in Falklands

By JOHN PETTY
Shipping Correspondent

MR HESELTINE, Defence Secretary, is to look into the number of foreign ships being used on Government service in the Falklands after a complaint that it is "a spit in the eye to the Merchant Navy."

The complaint comes from Mr Jim Slater, general secretary of the National Union of Seamen, in a follow-up to a protest letter sent to Mr Heseltine. Port Stanley, said a union spokesman, is "full of foreign ships."

The union detailed a dozen foreign vessels which it said are currently on charter to the Government for use in the Falklands. Seven are Danish, four Dutch and one Norwegian.

This is about half of the merchant ships currently being used to supply the Falklands. The Defence Department and the Transport Department maintain they always try to hire British ships, but sometimes it is a question of making use of a foreign ship that is in the right spot or which has specialised equipment.

All small

Two of the foreign-flag ships, for instance, are currently carrying water from New Zealand to Port Stanley.

The union said all the foreign ships are small ones. The Danish are all general cargo ships including five of only 499 gross tons each: The Sigrid S, the Kraka, the Bravo Sif, the Annette S, and the AEs. The other Danish ships are the Ann Sif, 599 tons, and the Erik Sif, 1,279 tons.

The Dutch vessels, four of 1,599 gross tons each, are the Marinus Smits, the Kirsten Smits, the Ida Smits and the Herman Bodewes.

Single voyage

All were apparently booked for a single voyage. The only foreign ship on regular service to the Falklands is the Norwegian roll-on-roll-off vessel Sand Shore, 2,847 tons.

The Defence Department said it is still awaiting delivery of the formal protest posted to it by the seamen's union. Mr Heseltine will study it and make a reply.

Some foreign ships were used even during the sailing of the Task Force to the Falklands.

TRAINS HALTED IN ARGENTINA

An estimated 100,000 Argentine railway workers began a 24-hour strike yesterday demanding wage increases and halting trains throughout the country.

The unions demand that the current minimum monthly wage be raised from around £80 to £125. The strike was called following a breakdown in talks and the men said they would walk out again if no agreement was reached.—A.P.

Guardian 23 8 83

MoD keeps quiet over 'betrayal' claim

By Patrick Wintour,
Labour Staff

The Ministry of Defence has refused to comment on an accusation by Mr Jim Slater, the General Secretary of the National Union of Seamen, that the British Government is using 12 foreign-flag cargo ships in the South Atlantic. Mr Slater's accusation came in a letter to Mr Michael Heseltine, the Secretary of State for Defence. But the MoD said yesterday that it had not yet received the letter, which was posted on Friday.

The NUS claimed that foreign ships on charter in the South Atlantic comprised seven Danish, four Dutch and one Norwegian vessel. Mr Slater's attention was drawn to the issue by members of his union back from the Falklands, who had been compiling lists of foreign ships they had seen in the South Atlantic. In Mr Slater's letter to Mr Heseltine he claimed: "It is a gross act of betrayal of the 5,000 seafarers who served as volunteers in the South Atlantic."

Most of the 12 ships named by Mr Slater have quite small tonnage and the NUS admitted that the number of jobs lost by the MoD's chartering policy

in the South Atlantic might not be much more than 100. However, the NUS feels that the controversy highlights what it sees as the Government's general lackadaisical attitude toward the merchant fleet.

The number of ratings among the federated merchant navy has fallen from 26,535 in June 1982 to 23,573 a year later. In June 1975 the figure was 39,501. The NUS has repeatedly called for greater protection of the merchant navy fleet and feels that the Government is not giving a lead at a time when 1,600 seamen on the merchant navy shipping register are without work.

Mr Slater claimed that the Government's attitude was shocking. He said that there were 74 British ships laid up, 19 per cent of the total fleet tonnage. Since the Conservatives came to power in 1979 the British fleet has fallen in size by a third to a few more than 800 ships. Britain has also fallen from fourth to seventh in the world league table.

It is thought that when ministers have had a chance to consider Mr Slater's letter they will argue that there were insufficient suitable British ships available to deal with the cargo in the South Atlantic.

The Times 23 8 83

Defence cuts 'have left Navy weak'

By Rodney Cowton, Defence Correspondent

The Royal Navy has been so badly cut back that it no longer has the balance needed for general maritime operations, it is claimed today.

The damage done by the 1981 review of defence spending was so great that "even with the recantations forced on the Government" by the Falklands conflict, the fleet shows severe defects in many kinds of operation.

Because of the Navy's weakness, only two major ports could be kept open in the face of a sustained minelaying campaign by an enemy country. Present policies might mean that the UK could not meet its commitments to the North Atlantic alliance.

These claims are made by the editor of *Jane's Fighting Ships* in the forward to the latest edition of the definitive study of world navies, published today.

Captain John Moore, in a wide-ranging attack on the policies imposed on the Navy in recent years says that the 1981 Defence Review conducted by Sir John Nott showed "a lamentable failure to appreciate the role of seapower in affairs of state". He accused the Government of "the emasculation of the Royal Navy's ships and support".

Among the specific points made by Captain Moore in the foreword to the 1983-84 edition are:

(1) The effectiveness of the nuclear-powered submarine force may be inhibited in the future by lack of numbers and by limited refitting capacity.

(2) The design of the planned new diesel-powered submarine, the 2400, "lags behind those of other European builders".

(3) There is a lack of airborne early warning based on board ships "although ingenuity in the use of a helicopter with long-range radar may help

(4) There are insufficient "flat-decks" which can provide Harrier aircraft with effective take-off.

(5) The continuance of orders for large frigates may be necessary, but is an expensive approach and may mean that the numbers needed may never be achieved. He notes that the Type 22 frigate costs £135m, and the planned new, "cheap", Type 23 will be between £110m and £120m. He adds "perhaps the adoption of new designs which could provide very nearly two ships for the price of one may one day come to pass".

(6) Perhaps the largest gap in British defence lies in the same area as that of the United States, namely the capacity to deal with mines laid at sea. "It still remains unlikely that more than two major ports could be kept open during a determined mining campaign.

Captain Moore elaborated on some of these criticisms to *The Times*. He said that the reduction in the planned number of nuclear-powered fleet submarines from 20 to 17 would probably mean that in time of war only about seven could be maintained on station for a protracted period.

He did not think Britain could afford more aircraft carriers, but there were designs available for adapting basically merchant ship hulls, such as tankers and container ships, to provide platforms for Harrier aircraft.

Jane's Fighting Ships, 1983-84, (Jane's Publishing Company, £55).

SEAMEN 'BETRAYED AS FOREIGNERS GET FALKLANDS TRADE'

B RITISH seamen who served as volunteers in the Falklands have been grossly betrayed by the Government in its use of foreign vessels to supply the islands, their leader Mr Jim Slater said yesterday.

He said men now home from the South Atlantic had complained bitterly that Port Stanley is full of foreign ships — Danish, Dutch and Norwegian — chartered by the British Government.

They were particularly angry because it is only a year since their contribution to the Falklands campaign was praised by the Task Force commander, Admiral Sir John Fieldhouse.

Mr Slater, general secretary of the National Union of Seamen, who met returning merchant navy men at South Shields, Tyneside, said: "It is shocking, absolutely shocking." He has written to the Defence Secretary, Mr Michael Heseltine, calling it "a gross act of betrayal" of the 5,000 men who volunteered for service in the South Atlantic.

1,600 jobless

He protested to Mr Heseltine "in the strongest possible terms at the chartering of foreign fleet merchant ships to carry supplies and equipment to the Falklands garrison."

"Our information is that at least 12 such foreign vessels are currently on charter to the Ministry of Defence."

"Meanwhile 1,600 seamen are without work on the Merchant Navy shipping register, many of whom served as volunteers with the Falklands Task Force."

"In addition, according to the latest figures produced by the General Council of British Shipping, there are no fewer than 74 British ships laid up."

Mr Eric Nevin, general secretary of the Merchant Navy and Airline Officers' Association, said last night that the British merchant fleet was declining by three ships a week, and any use of foreign ships by the Government was a cause of concern.

'Scrap frigates' to save Hermes

By DESMOND WETTERN
Naval Correspondent

THE Admiralty Board's proposal to Mr Heseltine, Defence Secretary, to mothball the carrier *Hermes*, 28,500 tons, at the end of the year, two years earlier than planned, is arousing sharp controversy in the Navy.

It is being widely argued that carriers proved again last year that they were the key ships in the Fleet, and to ease the present manpower problems some frigates should be paid off instead.

But the Board, having convinced Mr Heseltine of the need to keep more frigates in commission, is reluctant to seek a further round of tough talks to reduce the number now.

At the same time it is recognised that with a crew of nearly 1,500, half as many again as in the *Invincible*, the *Hermes* is manpower intensive, particularly for engineering staff as she is powered by steam instead of gas turbines.

JUNTA FREEZE GOES ON

By MARY SPECK
in Buenos Aires

B RITISH executives in Buenos Aires say it is still far from business as usual in Argentina despite the junta's decision last week to lift the freeze on assets and end the financial sanctions against British firms.

While British businessmen said they would be happy to begin remitting profits accumulated since last year's war with Argentina over the Falkland Islands, "Sanctions are as firmly in place today as they were a year ago," said a British banker.

"Anything we want to do with our assets is still subject to the approval of the government's oversight commission. To sell a car, we've got to ask permission."

Under heavy pressure from the international banking community, the Argentine government informed British companies this month that they could begin to remit all pending dividends, profits or royalties.

Go-ahead for loan

Satisfied that Argentina had effectively lifted economic sanctions against British firms, the International Monetary Fund returned the favour last week by approving a \$1.5 billion (£988 million) loan to help refinance the country's \$39 billion (£25.7 billion) foreign debt.

But British businessmen say their activities are still governed by a decree imposed at the height of the Falkland's war. Government-appointed overseers in about 130 British-controlled companies have the final word on the remittance of profits abroad, or the sale of assets in Argentina.

"We just don't know if the sanctions have really been lifted or not," said one businessman. "We can remit profits for now, but we have no guarantees for the future."

The junta allowed British firms to begin remitting funds under a modification of the sanctions published in June—shortly before Senor Jorge

Continued on Back P, Col 5

Wehbe, Economics Minister, began a tour of the United States and Europe to press for approval of the \$1.5 billion loan.

The June regulations allowed the government's oversight committee to repeal restrictions temporarily, "taking into account the general interest and equal treatment given to the Argentine Republic" by Britain.

To appease international creditors, Argentina began allowing British banks to repatriate funds, but all other British companies were still held under the Junta's restrictions.

"They thought all they had to do was keep us happy and they'd have no trouble getting the loan," said a banker. "but, of course, the other companies went up in arms."

On Aug. 10, all other British firms were finally informed they could begin remitting funds accumulated since the Falklands war. Although the sanctions and overseers were still in place, international creditors decided Argentina had shown enough "good faith" to deserve the loan.

British businessmen in Buenos Aires say that for the most part overseers have played a "benign" role in their companies, avoiding any interference in day-to-day activities.

Files scoured

But in a few cases, the overseers have scoured company files, obtaining information that could be valuable to Argentine State enterprises.

"They were delighted to see how the factory worked," said one businessman. "They went into every drawer, cupboard and safe, obtaining records for the past 30 years."

The presence of overseers is an annoyance that the British business community is resigned to face for some time. No-one believes that the junta, or their civilian successors, will lift sanctions completely while memories of the Falklands War are still fresh.

"Anyone who stood up and suggested that the sanctions be lifted would be immediately branded a traitor," said a businessman. "I'm afraid we're going to have to live with the overseers for some months to come."

IMF ruling

OUR NEW YORK STAFF writes: When the IMF agreed last week to release an additional \$300 million (£198 million) of Argentina's standby credit, the Fund's board imposed the condition that there must be no further interference by Buenos Aires in the repatriation of profits and dividends by British subsidiaries in Argentina.

McMillan-Scott Associates Public Affairs

Guardian/Financial 19 8 83



SATURDAY NOTEBOOK

THE British government, the Argentinian government and the denizens of the International Monetary Fund have indulged in a well-staged political charade over the past 10 days. Olivier would be envious and even Saatchi & Saatchi could not have done much better.

The outcome is that UK public opinion is appeased, Argentinian public opinion is appeased and the international monetary authorities, not to mention the Reagan Administration, can breathe easily again.

Ten days ago, Mrs Thatcher, casting a watchful eye on possible impact on public sentiment, told the UK clearing banks — with,

of course, a first considerable word in the ear of the IMF and the US State Department — that she could not allow the UK clearing banks to participate in a new \$1.5 billion loan for Argentina.

First, the lady insisted, discriminatory economic sanctions against UK companies must be renounced by the Bignone regime.

The Prime Minister is not oblivious to the public outcry which burst at the turn of the year when it was revealed that the UK banks were putting up 10 per cent of an emergency \$1.1 billion short-term loan to Argentina, not to mention preparing themselves to participate in the new \$1.5 billion five-year loan.

Public opinion, not to mention those areas of the media so strongly supportive of the Conservatives' policies, was quick to question British banks funding a regime which has not abandoned its claims to the Falklands, or indeed, possibly funding Argentinian purchases of Exocet missiles and Super Etendards.

Last December, the clearing banks, faced with this criticism, effectively said "nuts to this," phrased of course in the appropriate City terms.

"We're getting all this public stick for fulfilling our international financial responsibilities," they told the

Treasury. "You know damn well that the US would come down on you like a ton of bricks if we pulled out of these loans, so you can jolly well stand up in public and be counted."

With reluctance, the Government took the unique step of giving its formal blessing to the clearers and the \$1.1 billion bridging loan went through as the preliminary to the larger \$1.5 billion medium-term credit.

Matters rumbled on but the Conservative government's perception of public reaction to further Argentinian loans was noticeably keener. On June 6, three days before the election, the Bignone junta introduced a new decree, 228/20.

At the time, this was interpreted as a relaxation of Argentinian economic sanctions against the UK and to some degree, this was true.

The form economic sanctions have taken in a simple freeze on assets held by UK companies, or the Crown, in Argentina. The June 6 decree opened the way for British banks to repatriate Argentinian held assets which they were duly allowed to do, and with this barrier removed, the paper work for the \$1.5 billion loan was able to proceed.

But the ban on remitting assets continued. It had little

effect. With the banks' moneys cleared, it is estimated that some 80 UK companies have assets worth a fairly meagre \$10 million still in Argentina, a drop in the ocean in real terms, even should the companies concerned wish to remit their funds.

As the new Parliament sat and the summer wore on, the question of British financial backing for a country still employing some form of economic sanctions against the UK refused to go away.

Thus, 10 days ago, just 48 hours before the new Argentinian loan was scheduled for signing, Mrs Thatcher dug her heels in. Inevitably, there was panic at the IMF and the US State Department, not to mention in the breast of Argentina's economic minister, Mr Jorge Wehbe.

But politicians are politicians and a solution was quickly found. The IMF, itself lending \$1.5 billion to Argentina, was called upon to point out that its code insisted that one member country could not operate discriminatory economic sanctions against another as Argentina was doing.

Late on Thursday August 11, the vice-president of the Argentinian central bank Mr Luis Rey, let it be known with the minimum of fanfare

that all sanctions against the UK would be lifted.

Mrs Thatcher, having learned a lesson from the clearing banks, was now quickly able to claim credit for having forced Argentina to rescind sanctions while at the same time passing the buck to the IMF.

A special board meeting of the fund met last Monday with the Argentinian assurances on the table and was able to tell the world that it was satisfied no sanctions were to be deployed against the UK. If new sanctions were ever imposed the IMF added then it would reconsider its ruling.

Armed with the IMF backing, the UK government was able to give the go-ahead to British banks' participation in the five-year loan. Of course, Mrs Thatcher retained the wonderful fallback of having the right to claim, should anything go amiss, that she had accepted the judgment of the IMF. It is difficult to call the most influential monetary authority in the world a liar.

Window-dressing is one of the most skilful art forms of the 20th Century and over the past 10 days, the UK, US and Argentinian governments, not to mention the IMF, have all shown themselves to be dab hands at it.

Once the UK block had been withdrawn, the new

\$1.5 billion commercial banking loan was quickly signed. Only then did the Argentinian government, conscious of its own domestic needs, gently leak the fact that sanctions against the UK are still firmly in place.

While the June 6 decree has been lifted, a far tougher decree, introduced on May 19, 1982 at the height of the Falklands war, is still very much in existence. This formally bans the transfer of assets owned by the UK Crown, companies or residents although exceptions can be made at the discretion of the Argentinian National Vigilance Committee.

The Bignone regime, after all, is more sensitive to its local equivalent of MORI and Marplan than is even Mrs T. If the UK economy is in a mess, Argentina's is 20 times worse, and one of the few props the junta retains to unite public opinion behind it is its unwavering claim to sovereign rights over the Falklands.

In the same breath, the last thing the US State Department wants is revolution in a stable corner of South America, and there is little reason to think that the UK government differs with this viewpoint.

So sanctions remain, although it is unlikely they will be enforced, and those

UK corporations which so desire, will be able to remit Argentina-based assets without problem. But it must be said that our politicians practised a rather unacceptable deception when they claimed that formal sanctions had been scrapped.

And it was most definitely a deception, for both the IMF and the UK government, when they approved the Argentinian loans on Monday, were completely aware of the true state of play. The results may be the same but the facts, as projected to the world, were far wide of the truth.

Why then, should it be so vital for the UK to participate in loans to Argentina? Well, in the first place, if British banks want to be repaid loans already due by Argentina, new loans must be made.

Of the British banks contribution to the \$1.5 billion five-year loan, some 65 per cent of the \$150 million the clearing banks are putting up will be used to repay their part of the \$1.1 billion emergency bridging loan made earlier this year. In other words, the UK banks — or indeed the Americans or Germans — are not so much putting up new cash as restructuring loans which have already been made.

Secondly, on the above basis, it would be too much

to expect that had the British banks withdrawn from the loan, American, German or Japanese banks, untroubled by similar political nuances, would have stepped forward to take their place.

Why, after all, should other international banks put up hard cash just to allow outstanding debts to British banks to be paid off?

But if the British banks were not paid, the dreadful spectre of default, the 1982 flavour of hoary chestnut, would loom large. And an awful lot of Western bankers and governments would be rather cross indeed with the UK government.

In the end, the IMF manoeuvres consisted of a great deal of hot air expelled purely to provide a handy smokescreen for the Conservative Government. There was never any real danger of a British refusal to join the Argentinian loan.

After all, Mrs Thatcher has just as great an interest in preserving the international capitalist structure, not to mention export benefits, as Ronald Reagan or Helmut Kohl, and providing finance or not for Argentinian arms purchases pales into insignificance in comparison. But if you can pick up a few personal political points in the process, so much the better.

David Simpson

Seamen protest at foreign 'ark'

Sunday Telegraph

21 8 83

THE CHOICE of a 26-year-old cattle boat from Qatar, in the Gulf, as a "Noah's Ark" to carry animals from Britain to the Falklands to replace losses during the war with Argentina has brought strong protests from the National Union of Seamen.

The Dina Khalaf (357 tons), which is lying in the port of Suez, has been picked by the Crown Agents because they could not find a suitable British vessel.

Mr Jim Slater, general secretary of the union, will protest formally to Mr Heseltine, Defence Secretary, on Wednesday of the use of foreign ships by Britain in the Falklands. The union said yesterday: "The ark sounds like another example.

Crown Agents

"More than 5,000 British seamen volunteered for service during the Falklands crisis. Now, with many of our members out of work, we feel that the Government and other organisations are not looking hard enough for British ships and crews.

"We know of several ships from a number of countries which are out in the Falklands."

The animals shipment is being handled by the Crown Agents on behalf of the Falklands Appeal Fund which has raised £640,000 to help to restore life to normal for the islanders. More than £100,000 is being spent on the "ark."

The Crown Agents said: "It

By **DAVID BROWN**
Agriculture Correspondent

is all a matter of size, capacity and cost. We could have hired some marvellous ships at huge expense, but we simply could not get a better ship of that size for the price in Britain. The budget is very tight."

The Dina Khalaf is due to sail from Poole Harbour, Dorset, on September 20 with a cargo of horses, ponies, cattle, sheep, pigs, goats and, possibly dogs if the vessel passes strict checks by the Ministry of Agriculture.

Unusual step

The Ministry has taken the unusual step of flying Captain J. Collin, its senior marine superintendent, to Suez tomorrow to inspect the Dina Khalaf.

He will check that the ship complies with British regulations safeguarding the health and safety of all livestock exported from Britain. Every-

thing possible is being done to speed up the process so that the animals can leave on schedule.

The ship was built in Germany in 1957 and was known until last year as the Iris Clausen. She is run by a joint Danish-Arab venture, flies the Qatar flag and is managed by the C. Clausen shipping company in Denmark.

She is a specially refitted livestock carrier which has been strengthened to cope with ice and normally carries a Danish captain and nine crew. When she sails from Poole she will also carry two British vets and several animal handlers.

The ship has been operating south of Suez and the owners have been asked not to discuss the Falklands venture.

The Navy has come to the aid of the "Noah's Ark" project. It has agreed to carry five cats and 20 budgerigars free of charge in a support ship leaving Portsmouth this week.

The cats will be used to increase the Falklands cat population.

Argentines used Russian missiles

By **DESMOND WETTERN**, Naval Correspondent

RUSSIAN-MADE anti-aircraft missiles are now known to have the same Russian weapons.

The SA-7 missiles, which have the Nato code-name Grail, were evidently quite new to the Argentine troops who had to be instructed in their use when the missiles arrived in the Falklands, according to an Argentine account received in London last week.

They appear to have been fired in conflict for the first time on May 27 last year against either Royal Navy Sea Harriers or RAF Harriers attacking targets to the north-east of Port Stanley but results were not known.

They also formed part of the defences of the airstrip at Goose Green and at Darwin but there is no indication if they were used then, although on another occasion one provided anti-aircraft cover for the patrol boat Rio Iguaçu which was being used to ferry field artillery weapons around the islands.

It is likely that the six-mile-range missiles were among weapons supplied to Argentina by Israel from equipment captured from the Syrians in the Middle East whose forces are known

Falklands secret revealed

By our Political Staff

LORD THOMAS, Hugh Thomas the historian, acted as a secret diplomatic link between Mrs Thatcher and the Peruvian Government at a vital stage of the Falklands war, according to Peruvian sources.

He is said to have had lengthy telephone conversations with key figures in Lima about the Peruvian peace proposals—the plan for a negotiated settlement which fell apart when the cruiser General Belgrano was sunk on 2 May, 1982.

The role of Lord Thomas is said to have infuriated Mr Francis Pym, the then Foreign Secretary, who was engaged in delicate diplomacy at official level in co-operation with Mr Alexander Haig, the then US Secretary of State. Mr Pym and Lord Thomas, who is in Italy, were not available for comment yesterday.

Downing Street sources would not confirm that the historian, who is close to Mrs Thatcher and frequently acts as an unofficial adviser, was involved in the Peruvian discussions. The Prime Minister has denied knowledge of a viable peace plan when the decision to sink the Belgrano was taken at Chequers.

She told the Commons on 12 May: 'News of Peruvian proposals did not reach London until after the attack.'

However, in a recent interview in Lima, the former Peruvian Prime Minister Manuel Ulloa revealed that the Peruvians were so confident of agreement on their peace plan on Sunday 2 May that they were planning 'a solemn ceremony' to announce it that evening in the Salon de la Paz in the capital.

He claims that during the discussions on the plan, drawn up by President Fernando Belaunde Terry, Lord Thomas was among those acting as a link with Downing Street. 'I assumed we were talking with responsible people,' he said.

Mrs Thatcher has always denied that the Peruvian plan for a settlement with Argentina offered a realistic opportunity for peace. Earlier this year, Mr Pym said it amounted to 'the barest outline' and there was no question of a final agreement. The Peruvians have insisted, however, that they were confident of a settlement.

Mr Haig told *The Observer* in

Observer 21 8 83

June that he believed peace was possible on the weekend of 1/2 May. 'We did think we had a formulation that provided hope that settlement could be reached,' he said.

It now appears that in addition to conventional diplomatic channels and the link between Mr Pym and Mr Haig, Mrs Thatcher established her own source of information which, according to one Whitehall spokesman, was not immediately available to the Foreign Office.

Lord Thomas, chairman of the Centre for Policy Studies, has been close to Mrs Thatcher since he declared himself a Tory convert in 1977. Her well-known suspicion of Foreign Office advice has led her to rely on external advice, and she has turned to Lord Thomas on many occasions.

His role has aroused suspicions among Mrs Thatcher's critics before. With the growing posse of special advisers in Downing Street—now numbering eight—and the strong influence of outside figures like Lord Thomas her opponents inside the Government as well as in the Opposition have accused her of bypassing the Whitehall machine.

● Argentine forces failed to hand over all maps of Falkland minefields after their defeat and some were found months later among other documents, British defence officials said yesterday.

They were commenting on a report that Buenos Aires blame current mine-clearing difficulties on the British having lost maps received from an Argentine officer.

Secret police unit bea

Daily Telegraph 20 8 83

Times 22 8 83

ARGENTINE REACTOR ASSURANCE

By DAVID ADAMSON
Diplomatic Correspondent

BRITISH. West German and American officials expressed confidence yesterday that heavy water being sold to Argentina would not be used in the manufacture of nuclear weapons.

It is believed to be intended for the Atucha 11 reactor, built by West Germany, which should be on stream by the middle of the decade.

This, like the Atucha 1 reactor and the Canadian-built Embalse reactor (which also uses heavy water) is covered by safeguards agreements administered by the inspectorate of the International Atomic Energy Agency.

The only Argentine nuclear establishment not covered by safeguards is the Ezeiza reprocessing plant built domestically with Argentine resources. It does not use heavy water.

Subject to agreement

The West German sale of heavy water is subject to agreement by the United States, the producer of the material.

Concern about the sale has arisen because Argentina has signed neither the Nuclear Non-Proliferation Treaty nor the 1967 Treaty of Tlatelolco, a Latin-American regional non-proliferation pact.

The transaction would not have been possible under the Carter Administration, which barred all sales to countries which had not signed the Nuclear Non-Proliferation Treaty.

Under an International Atomic Energy Agency safeguards agreement plants which use nuclear materials are checked at regular intervals to ensure there has been no diversion to military uses. Sealed monitoring devices including cameras are left in place.

Where danger lies

The safeguards themselves are satisfactory. The danger lies in a country breaking the agreements when its industry is

sufficiently sophisticated to enable it to make explosives with plutonium or weapons-grade uranium.

The CIA estimates that Argentina will have the capacity to make nuclear weapons by the second half of this decade. Whether it will actually do so is another matter.

The Israelis, who have their own secret supply of nuclear weapons, claimed that they were justified in bombing Iraq's Tamuz reactor in 1981 because it had flouted an International Atomic Energy Agency safeguards agreement.

There was never any evidence that the claim was true and the Israeli action appears to have been pre-emptive. Israel wanted to be certain that Iraq never had the capacity to become a nuclear threat.

Sunday Telegraph
21 8 83

Mines still litter islands

Sunday Telegraph Reporter

The Royal Engineers are still striving to clear the Falkland Islands of mines after indiscriminate mine-laying by Argentine troops. Their hazardous task may well continue for many years to come.

The Ministry of Defence has denied attempts by Argentine military sources in Buenos Aires to shuffle the blame off with claims that the British lost minefield maps they were given. The Ministry pointed out that, far from handing over maps, Argentine officers left a number of them mixed up with other documents, to be found by chance months later. As a result several soldiers were blown up long after hostilities ended.

So far about 70 per cent of the danger areas have been cleared of mines, live ammunition and booby traps. But the most dangerous tasks, clearing mines from shifting sands and peat bogs, still lie ahead, and clearance is at present being slowed down by the Antarctic winter.

Falklands "ark," P3

Falklands sailors betrayed, union says

British seamen who served as volunteers in the Falklands conflict have been grossly betrayed by the Government, Mr Jim Slater, leader of their trade union, said yesterday.

He said that those now home from the South Atlantic had complained bitterly that Port Stanley was full of foreign vessels - Danish, Dutch and Norwegian - chartered by the British Government.

They were particularly angry because it is only a year since their contribution to the Falklands campaign was praised by Admiral Sir John Fieldhouse, then Commander-in-Chief, Fleet, now Chief of Naval Staff.

Mr Slater, who met returning seamen at South Shields, Tyneside, said he has written to Mr Michael Heseltine, Secretary of State for Defence, calling the Government's action "a gross act of betrayal" of the 5,000 seafarers who served as volunteers in the South Atlantic.

Mr Slater said in his letter that he protested "in the strongest possible terms at the chartering of foreign flag merchant ships to carry supplies and equipment to the Falklands garrison."

"Our information is that at least 12 such foreign vessels are on charter to the Ministry of Defence. Meanwhile, 1,600 seamen were without work on the merchant navy shipping register, many of whom served as volunteers with the Falklands Task Force last year.

"In addition, according to the latest figures produced by the General Council of British Shipping, there are no fewer than 74 British ships laid up."

He told Mr Heseltine that since the Conservatives came to power in 1979 the British merchant fleet had shrunk from 1,200 to 820 ships, and slipped from fourth to seventh in the world "league table".

He quoted Admiral Sir John Fieldhouse as saying: "I cannot say too often or too clearly how important has been the merchant navy's contribution to our efforts. Without the ships

taken up from trade the operation could not have been undertaken, and I hope this message is clearly understood by the British nation."

Mr Slater said in his letter: "I must therefore demand an assurance that in future your ministry will abide by the principle which was followed during the Falklands campaign, that only British ships manned by British seamen should be chartered for the South Atlantic."

The Ministry of Defence confirmed that the ministry was chartering foreign vessels for the transport of goods to the Falklands garrison. But he said it would not be proper to comment further until Mr Heseltine had read and considered Mr Slater's letter.

Observer
21 8 83

Noodle boodle

THE Argies are up to their tricks again. Having failed to wrest the Falklands from us they are now fixing their gaze on Hong Kong. I can reveal that the Argentine Government has recently set up two bureaux in the Crown Colony offering a tempting deal to 'Chinese' residents who are unable to settle in the UK when our lease runs out in 1997 because they don't have the £150,000 that the immigration authorities deem necessary to stop them sponging off the state.

For £7,000 however they can settle on the pampas. The Government will set them up with a plot of land and after five years they will be guaranteed the full rights of citizenship. The offer that is being made to professionals is even more attractive.

Nevertheless the Chinese should look into this properly before doing anything hasty. Presumably citizenship brings with it the honour of serving with the country's armed forces. It could just be that the generals have plans for a new, Oriental battalion. Something to deal with the Gurkhas.

EVENING STANDARD

18 August 1983

BIG FOUR LOANS FOR SHAREHOLDERS TO CRY OVER

\$100m more down the Argie drain

THE British banks are throwing good shareholders money after bad loans with their contributions to the 1,500 million dollar deal to bail out Argentina.

Between them the Big Four clearers are putting up over 100 million dollars for the Argie jumbo—money which they have precious little hope of ever seeing back. Even with charging interest of 24% over their benchmark cost of money, no banker could, with his hand on his heart, claim this was a commercially sensible loan.

So what are each of the Big Four letting themselves in for?

DESTROY

I can reveal that Midland are top of this sorry league, thanks to their creeping ownership of Crocker Bank of the U.S. Midland put up 19 million dollars, but Crocker's own share takes their total to 46 million.

Next comes Lloyds, through LBI, who are in for 35 million, and Barclays with 31 million. NatWest complete the quartet with a 21 million dollar contribution. Other British banks are involved, and the next biggest lump comes from Grindlays, putting up 7,000,000 dollars.

These are quite hefty sums, even by the standards of the

big banks, and represent only the latest in a long line of advances to Argentina, whose total external debt is now over 30 billion dollars. The chances of repayment of a serious part of that sum are tiny.

If the UK banks are worried about default then they can cheer themselves up only by looking at the plight of the U.S. banks. Manufacturers Hanover have put up 74 million dollars towards the Argie jumbo, followed by Citicorp with 68 million, Chase Manhattan with 58 million and Morgan Guaranty with 47 million.

It is impossible to check these figures, but I am confident they are near the mark.

Quite apart from the uses to which this money will be put by the Argentinians (even if none of it goes to replace the ships and planes we destroyed last year, it will

release other funds to be used instead) this is only one of the banks' problem countries in South America likely to cost their shareholders dear.

Worst of the bunch seems to be Brazil. Brazil needs to borrow 3000 million dollars by the end of this year simply to pay the interest on the debt already outstanding.

SHAM

It is a hopeless task, and the experts can see no prospect of them finding the money. A technical default seems unavoidable, and a full-blooded formal default probable.

With the debt continuing to rise despite the government's attempts to impose austerity, there's a limit to how long the poor of Brazil will put up with working

solely for the rich Western bankers. The point where default seems the easier option is not far away, and the thought of it should liven up next month's IMF meeting in Washington considerably.

Default will expose the sham of the banks' loans to Brazil. They will never get their money back, and the more far-sighted among them know it.

Some modest provisions have already been made against the bad debts, but if there was a free market in them, I doubt whether they would stand far above 50 cents on the dollar.

The banks have been remarkably lucky in getting so little stick from their shareholders for these ill-judged investments, which are on a scale to make the secondary banking crisis seem like a little local difficulty. I wonder how long their luck will hold.

McMillan-Scott Associates Public Affairs

Financial Times
19 August 1983

Argentini- ans angered by amnesty for military

By Jimmy Burns in Buenos Aires

THOUSANDS OF Argentini-
ans are expected to take
to the streets of Buenos
Aires today to protest against
a planned amnesty law for
military officers guilty of
human rights violations.

The law was being dis-
cussed at the junta's weekly
meeting yesterday, after
weeks of intense argument
within the armed forces.

The army has let it be
known that it is broadly in
favour of extending the first
amnesty in Argentina since
May 1973 to some political
prisoners and exiles in ex-
change for letting hundreds
of military officers and their
commanders off the hook.

The navy, however, which
under Gen Emilio Massera,
the former junta member,
was at the forefront of the
repression before and after
the 1976 military coup,
believes an amnesty would
be tantamount to admitting
publicly the military's
responsibility in human
rights violations.

Many young junior and
middle-ranking naval officers
involved in the kidnapping,
torture and summary execu-
tion of the bulk of the esti-
mated 15,000 to 30,000
Argentini-ans who disappeared
after the coup believe their
actions were carried out in
the line of military duty and
were perfectly legitimate.

Some members of the
military also believe that an
amnesty for political
prisoners could lead to a
fresh outbreak of terrorist
activity similar to that which
occurred during the last
period of Peronist rule (1973-
76). The last amnesty law was
passed by Sr Hector Campora,
the Peronist President, a few
weeks before the return to
Argentina from exile of
General Juan Peron.

The new law would not
cover pending cases of
financial corruption and con-
spiracy, such as the activities
in Argentina of the outlawed
Masonic Lodge Propaganda
Due (P2).

Today's march has the
backing of eight local human
rights organisations and
representatives of the major
political parties. It is
expected to be one of the
largest in a series of demon-
strations which have taken
place over the last year.

Guardian
19 August 1983

Nuclear sale to Argentina

From our Correspondent
in Washington

The Reagan Administration
has cleared the way for the
sale of 143 tons of "heavy
water" to Argentina for use in
electricity generating reactors
— a decision bound to anger
London.

The Administration approved
the \$100 million sale of the
water from West Germany to
Argentina. Although the water
is West German property, US
approval was needed because
the material was produced in
the US.

Because Argentina has re-
fused to allow international in-
spection of its atomic facilities,
has not signed the Nuclear
Nonproliferation Treaty, and
has reserved the right to stage
"peaceful" nuclear explosions,
the Carter Administration
attempted to block transfers of
nuclear-related items.

Reagan Administration offi-
cials said that the deal was
approved after Argentina
assured the US that the water
would be used in safeguarded
electric power reactors and
"there would be no use of any
items exported to Argentina in
nuclear explosives." Nuclear
Regulatory Commission offi-
cials agreed that the heavy
water "has no use in a nuclear
weapon," but they were un-
happy that the Administration
did not seek their advice
before approving the sale.

Since the sale was not a
"direct export" from the US
to another country, an NRC
licence was not required, but
officials said the NRC had been
consulted on previous third
party transfers and should
have been consulted on the
Argentinian matter as well.

"Some people here feel
something didn't go quite
right," said one NRC official,
noting that the commission is
studying the manner in which
the sale was approved. "We're
going to take a good hard look
at the deal."

⊕ An Argentine naval patrol
launch briefly landed troops on
a Chilean-controlled island in
the Beagle Channel on Tues-
day, but withdrew them after
Chilean helicopters flew over
the area, diplomatic sources
said yesterday in Buenos Aires.

Several Argentine troops
landed on the small uninha-
bitated islet of Hermanos,
separated from the Chilean-
controlled island of Picton by
only 30 yards of water, they
added. Shortly afterwards, Chi-
lean military helicopters began
overflying the area and the

Argentini-ans withdrew.

Chile and Argentina both
claim sovereignty over Picton
and the neighbouring islands
of Lennox and Nueva, which
are at the centre of a dispute
about territorial rights at the
eastern entrance to the Beagle
Channel. In addition to the
possibility of oil, the channel,
to the south of Tierra del
Fuego, provides a sheltered
waterway between the Pacific
and Atlantic oceans at the tip
of South America.—Reuter.

Daily Telegraph
19 August 1983

ARGENTINE MOVE IN BEAGLE

By Our Santiago Correspondent

An Argentinian navy launch
put a group of militia on a
Chilean island in the Beagle
Channel on Tuesday but with-
drew after 20 minutes when a
Chilean helicopter arrived.
Chile's Defence Ministry said
yesterday.

The incident occurred on the
uninhabited island of Los Her-
manos, near the disputed
islands of Picton Lennox and
Nueva over which Chile and
Argentina almost went to war
in 1978.

The Times
19 August 1983

UK workforce

The workforce for the Falk-
lands airport project would be
recruited entirely from the
British labour market, the joint
contractors Laing/Mowlem/Arc
stated. A local cook and adviser
were being employed by the
advance party of surveyors and
geologists but this would be for
only about four weeks until the
main construction party arrived
on October 1.

Islanders vote

Wellington (Reuter) — Sir
Gaven Donne, the Queen's
representative in the Cook
Islands, has dissolved the
assembly and set November 2
as the date for the second
election this year in the self-
governing Pacific islands.

US approves nuclear sale to Argentina

From Nicholas Ashford, Washington

The Reagan Administration
has approved the sale of 143
tons of "heavy water" to
Argentina for its nuclear reac-
tors despite the fact that the
Buenos Aires Government has
not signed the nuclear non-pro-
liferation treaty and refuses to
open its atomic facilities to
international inspection.

Although American officials
insist the heavy water could not
be used for the production of
nuclear weapons, the decision
coincides with growing specu-
lation in the US and Western
Europe that Argentina may
soon be in a position to explode
a nuclear device.

The heavy water is owned by
West Germany, but US ap-
proval of the \$100m (£66m)
sale was necessary because it
was produced by the United
States. Until recently West
Germany owned the water
jointly with Britain, but Britain
sold its share to Germany

before the present deal was
approved.

According to US officials, no
attempt was made to obtain
approval for the sale by the
Nuclear Regulatory Com-
mission (NRC) as has generally
been the case in the past. NCR's
approval was not required
under US law because the heavy
water is owned by another
country. However, NRC offi-
cials have privately expressed
concern about the deal.

Argentina has one of the
most advanced nuclear indus-
tries in the Third World and has
insisted on its right to stage
peaceful nuclear explosions,
although it has consistently
denied any intention of produc-
ing nuclear weapons.

It is currently in the process
of building an unsafeguarded
reprocessing plant that could
produce weapons-grade plu-
tonium, but that plant will not
use heavy water.

Loans to Argentina

Peppered with politics

For only the second time in 20 years, the board of the International Monetary Fund (IMF) was recalled from its short summer recess this week. Had some dreadful monetary crisis blown up to blight the directors' holiday a week before it was due to end? No, it had not. The IMF was being used as a pawn in the political games between Britain and Argentina, 14 months after the end of the Falklands war.

Ostensibly the IMF board met to review Argentina's "exchange system" and to consider whether Argentina qualified for the next tranche (worth about \$315m) of its SDR1.5 billion (\$1.6 billion) standby loan approved in January. The meeting had been scheduled to take place later this month. It was brought forward a few days because, as so often with troubled debtors, IMF approval is the kindling that sets other things alight. Those other things, it seems, could not wait.

Top of the list was the signing of a \$1.5 billion five-year loan to Argentina from more than 300 international banks. Of these, 33 were British who were going to fork out about \$150m between them.

The loan was already long overdue. Intended to be signed in May, it had been held up for a variety of reasons: some were technical ones like what to do about Argentina's existing payments arrears; others were non-technical, like the insistence that Argentina remove sanctions on

the remittance of British companies' profits and dividends. Economic sanctions were supposed to have been lifted last September.

After much haggling, the loan was due to be signed on Friday, August 12th, in New York. Argentina's arrears were to be met out of the last \$300m dollop of a \$1.1 billion one-year bridging loan that international banks (including the big four British clearing banks) had granted Argentina last winter. The banks (and the IMF) had an assurance from the respected Argentine central bank governor, Mr Gonzalez del Solar, that British companies would not be discriminated against in remitting profits. The banks

were not concerned that they were jumping the IMF's green light, since the first of the three equal \$500m instalments of the loan would not be paid over until after the IMF's scheduled meeting.

All was going smoothly until the politicians came in. Just before the signing, Mr William Rhodes of Citibank, the coordinator of the deal, sent a telex to all the banks saying that Lloyds Bank, the British representative on the small negotiating committee, could not sign "until it has been established that such action would have the support of the British government: currently such support is being withheld".

The big British banks, stung by press reports earlier in the year that they were

financing Argentina's purchases of Exocet missiles, decided then that they would not join in any more Argentine loans without political support from the Thatcher government. They got political support to participate in the \$1.1 billion bridging loan. When they looked for support for the \$1.5 billion five-year loan, all they saw was flashing red lights. The British government, concerned about Argentine fishing-boat manoeuvres in the south Atlantic, saw a way to retaliate. It found a financial reason for British banks to stall: discrimination against British companies' remittances was against the IMF rules.

The story then moves to Buenos Aires, where Argentina's economy minister, Mr Jorge Wehbe, had an ultimatum from the country's hardliners: get us the new money soon or else we'll think again about a debt moratorium and about your future. In desperation he asked for the special IMF board meeting.

On Monday, the IMF approved Argentina's exchange system—ie, the measures Argentina had already taken to stop discriminating against British companies' remittances. Soon after, Mr Rhodes telexed the banks again, this time saying "we have been advised by competent British government authorities that as far as they are concerned the way is now clear for UK banks to sign the \$1.5 billion loan agreement". On Tuesday, in New York, Mr Wehbe and Mr Rhodes signed the loan. Lloyds Bank's Mr Guy Huntrods joined them.

What did the three days' delay and the



Wehbe had to rush

interruption of the IMF directors' holidays achieve? A lot of cold international irritation with Britain, but in financial terms apparently nought:

- Disbursement of the loans from the IMF and the banks still depends on the report of an IMF mission now in Buenos Aires. It will report back to Washington on whether the country is meeting its economic-performance targets, but not until next week at the earliest.

- There is little evidence that British companies were complaining about non-remittance of profits from Argentina. If any were, then nothing happened between the middle of last week and the signing of the loan to indicate to them that their complaints were now no longer justified.

- Big British banks are left committed to lending Argentina money which they have already lent. Their share of the \$1.1 billion bridging loan will simply be rolled over to become their share of the \$1.5 billion medium-term loan. Did they really need government approval when there was hardly any new money involved in granting the new loan?

In May, a bunch of banks rolled over a \$250m loan to the Banco de la Provincia de Buenos Aires for a further three years. That was the only other big Euroloan to Argentina since the Falklands crisis. Among the bunch of banks were National Westminster (Britain's biggest), its wholly-owned American subsidiary (National Bank of North America) and Midland Bank's wholly-owned Scottish subsidiary (Clydesdale Bank). Did they ask the British government's permission to make profits out of lending non-British depositors' dollars to Argentina? No, they did not. Wise guys.

Sun special on the concert party bringing fun to the Falklands

IT AIN'T HALF COLD MUM!

Telly troupers . . . the cast of *It Ain't Half Hot, Mum*, hit team who brought concert party laughs from a warmer part of the world

Our boys don frills to beat the chills

By SHAN LANCASTER

HOTTEST July for 300 years?
Tell that to the penguins.

Eight thousand miles from these shores, in Britain's bleakest Army base, it is South Atlantic winter time. Sub-zero temperatures, 70mph winds straight off the South Pole and freezing rain.

And for the lads on duty in the Falkland Islands, there is only one message to put on postcards home—it ain't half cold, Mum!

But their spirits are being kept high with the same kind of camped-up concert parties that delighted audiences in the hilarious TV comedy series, *It Ain't Half Hot, Mum*.

Parties

The squad on active concert party service in the South Atlantic are men of the 266 Signals Squadron.

Their act would bring tears to the eyes of Windsor Davies, who played TV's bullying Sergeant-Major Williams.

But their very own Sergeant-Major Gary Mason gave new recruits a briefing even Davies would appreciate.

"Right, you 'orrible little men," he bawled. "The only birds on these 'ere Islands are penguins. There are no women. We have to make our own."

"You will array yourself in female attire. I will not ask where you find it. You will be discreet."

Ladies

"Once thus dressed you are our new secret weapon I want to see ladies, not a hairy shower like you."

"Now, my lovely lads, present arms, knees and booms-a-daisy!"

After a ragged rehearsal on a muddy hillside, Sgt-Major Mason gave his silly squad their due.

"They are great lads who boost their own morale and everyone else's," he said.

Star of the silly squad is Lofty—all five-foot and half-an-inch of him and a dead ringer for Don Estelle, the little star of *It Ain't Half Hot, Mum*.

His real title is Staff-Sgt Peter Braithwaite. "But I've been Lofty for 20 years or more," he said. "I'm the smallest soldier on the Falklands—and getting smaller all the time in this weather."

At the other end of the size scale is the fearsome bulk of Staff-Sgt Tim Crook, 6ft 4in and 16½ stone.

"I can't get a frock to fit me," he said sadly. "I've had to run myself up a little number from the mesa curtains."



EXCLUSIVE PICTURE:
ROGER BAMBER

CAMP CAPERS . . . from the boys of the Falklands concert party (left to right) Dave Leaming, Stephen Stevenson, Gus Hayes, Tim Crook, Burt Lancaster, Key Jones, Denis Clancey and "Lofty" Braithwaite, with Sgt-Major Gary Mason giving the orders and "Nibbs" Hastie manning the gun.

McMillan-Scott Associates *Public Affairs*

Construction News 18 8 83

Falklands order means 30 new Goodwin Barsby jobs

A £1.7 million order to supply plant for the Falkland Airport project has led to 30 new jobs at Goodwin Barsby's Leicester factory. The total workforce is now more than 200.

The contract represents one of the biggest ever for the company, which recently returned to private ownership after a management buy-out from BL.

But finding the right tradesmen for the job — platers — has proved difficult. The order for six, high capacity mobile crushing and screening plants, has meant recruiting men from as far afield as the North

East and Scotland.

They will now be working around the clock — the main plants have to be shipped out by the end of this month and the rest by the end of November.

Another company winning a valuable order is CompAir. The firm has taken a £1 million order for compressors and drilling equipment needed for site clearance, aggregate quarrying and construction of new runway and airport buildings.

The first shipment will leave for Port Stanley this week to be followed by further consignments in the next two months.

Daily Telegraph 18 8 83

Row looms over labour for Falklands project

By PATRICK WATTS in Port Stanley

A ROW is brewing in the Falklands over the employment of local labour when construction of the new £215 million airport at Mount Pleasant gets under way.

Five representatives of the consortium which will build the airport arrive in the islands today. Their first task will be to quell the dispute between Mr Fred Clarke, their agent in Stanley, and local employers who fear that the high rates of pay being offered will entice many shepherds to the airport site.

Overtime rates

Sir Rex Hunt, Falklands Civil Commissioner, has spoken of the damage to the islands' economy if large numbers of farm workers desert their present employment for the more lucrative salaries offered by the consortium of Mowlem, Laing and Amy Roadstone.

A recent advertisement on local radio by Mr Clarke, asking for drivers with knowledge of local tracks, mechanics and laundry workers, brought al-

most 30 applications within 48 hours. This represents 10 per cent. of the farming community and Mr Clarke said he was expecting further enquiries.

He opposed employers' criticism, saying it would be one of the few opportunities for any of the £215 million to stay in the colony and that local government would benefit through taxation. He also felt that the working population should have a free choice of employment.

Compared with the local salary of £1.37 an hour, Mr Clarke said he was offering "about £2.30 an hour, with the opportunity of attractive overtime rates." He stressed, however, that locals would have to be prepared to work for 21-day periods non-stop before returning to their homes for a few days' break.

Several employees of construction firms already operating in the Falklands are reported to have applied for work at the airfield.

The representatives who arrive today will supervise the unloading in Stanley of vehicles expected by sea next week.

The Times 18 8 83

Falklanders 'unfriendly'

Royal Marines who returned from a five-months tour of the Falklands yesterday criticized islanders for being "arrogant and unfriendly".

The 113 men of the 40 Commando Delta Company returned to HMS Ranelagh in Plymouth. Some said the Falkland islanders had made them feel unwelcome. "The islanders are arrogant and not very nice people at all. They did not appreciate us being there", one marine said.

Daily Mail
18th August 1983

Falklands airport jobs row

PORT STANLEY: A row has flared in the Falklands over the employment of local labour when construction of the new £215 million airport gets underway.

Representatives of the consortium who will build the airport arrive in the islands today and their first task will be to quell the dispute between their agent in Stanley and local employers who fear that the high rates of pay being offered will entice shepherds from farms.

An advert on local radio asking for drivers, mechanics and laundry workers brought almost 30 applications in 48 hours—representing 10 per cent. of the farming community.

McMillan-Scott Associates Public Affairs

Financial Times 17 8 83

Sea change at Chatham House

Strong nautical hands will grasp the wheel at Chatham House next year. Admiral Sir James Eberle, 56, once tipped as a possible First Sea Lord, will take over as director of the Royal Institute of International Affairs next January from journalist David Watt.

Eberle, who lists his out-of-uniform activities as tennis, squash and hunting, was seen as a surprise choice by some observers of Chatham House, which has never been headed by a military person before. Previous directors have been academics and writers.

How much intellectual fire power will he bring to the post? Lord Harlech, chairman of the Council at Chatham House, described him as "a very trovert personality." He is also an effective administrator and "a number of people said to us that among military people he was one of the most academic and intellectual they had come across."

Eberle retired from the Navy this year as Commander-in-Chief naval home command. Much of his early career was spent in the Far East. In 1970-71 he spent a year at Oxford on a defence fellowship and has co-authored a book on defence management.

Whatever his intellectual qualities, his back-slapping abilities will also be much needed. The new job will be as much about fund-raising as administration and research, since the institute needs to net some £400,000 a year to keep itself going.

Eberle's Washington connections will come in useful here. Next year, Chatham House goes on a funding drive in the U.S. where it now has a charitable status. Among its U.S. trustees are Averell Harriman and Elliot Richardson, both inter-

nationally known figures.

Harlech says the institute needs its own money to pursue its own research ideas and not those of financial contributors. A research fellowship for Americans at Chatham House might also be established at a possible cost of some \$500,000.

As for Eberle's plans for the institute, "we shall wait and see what he does in the saddle," comments Harlech. But he does not foresee extra emphasis on defence. Economic issues have come to the fore recently and "we probably ought to concentrate more on the Far East."

Argentina signs \$1.5bn loan

ARGENTINA signed a \$1.5bn commercial bank loan. Citibank, the agent for the loan, said yesterday. Reuter reports from New York.

The signing follows formal approval of Argentina's economic policies on Monday by the International Monetary Fund's executive board.

The IMF's approval, which included ratification that Argentina has lifted financial sanctions against the UK, paved the way for British banks to participate in the much-delayed loan and for the credit to be signed, banking officials said.

The Times 17 8 83

Navy ships may be taken out of service

The Royal Navy may have to take a number of ships out of service because of shortage of manpower (our Defence Correspondent writes).

Among the possibilities understood to be under consideration are putting the carrier, *Hermes*, into mothballs, or alternatively taking two or more escort ships out of service.

The difficulty has arisen partly because of the experience of the Falklands conflict. More ships have been retained in service than were planned in Sir John Nott's defence review of June, 1981.

The projected cut in naval manpower of between 8,000 and 10,000 by 1986 will not be accomplished, but, nevertheless, a mismatch has arisen between the number of ships and the men available.

I see from the Royal Engineers' Journal that recent additions to the RE Museum include an "RAF inflight/transit meal offered during flight from Falklands", presented by Major S. C. L. Hobden. I suppose he did not fancy it.

Peking gives Hongkong breather until 1997

Peking (Reuters) - Mr Hu Yaobang, the Communist Party leader, has made it clear that China is prepared to wait until 1997 to recover sovereignty over Hongkong.

He told a Japanese newspaper delegation yesterday that China did not recognize the treaties under which Britain governs the territory, but he said Peking intended to recover sovereignty on July 1, 1997, the day after one of the Anglo-Chinese agreements expires.

"The recovery will be no sooner or later than that date, a day after the 1898 treaty will expire. (This is the treaty under which Britain leased Hongkong's New Territories for 99 years).

"We simply respect consequences of history, although we cannot approve the unfair treaty."

Western diplomats said this was the strongest sign so far that Peking does not propose to

regain control of Hongkong before 1997.

The delegation was from the Japanese daily *Mainichi Shimbun*, which quoted Mr Hu as saying the Sino-British talks on the future of the colony were "confined to the ways of preserving Hongkong's prosperity and stability after 1997 and what should be done from now to 1997."

Referring to the Shenzhen special economic zone on the Hongkong border, Mr Hu said: "We will build up experiences to achieve a model prosperity in the zone in the next 14 years so that we can maintain Hongkong's prosperity."

However, many Western businessmen regard Shenzhen as only a qualified success. Mr Hu also said that "local and foreign residents in Hongkong should feel at ease because China had a systematic policy to maintain Hongkong's prosperity."

Daily Telegraph 17 8 83

Sands of time

A MAN whose memories extend from the relief of Mafeking to last year's Falklands campaign, cut a birthday cake with 95 candles on it last night, at a dinner given him by his colleagues.

Percy Bradley, oldest member of the Sand and Gravel Association, spent the day failing to see "what all the fuss was about" at his London office.

His quarry, near Colchester, produces the special sand recently sent to Port Stanley for a water filtration plant. For the same purpose, regular shipments go to Saudi Arabia!

THE GUARDIAN

17 8 83

Stuck on a one-way escalator

"Argentina yields to Britain," proclaims the Daily Telegraph in its largest type. Oh rapture; oh frabjous joy; oh, come on. . . . The yielding — in the smaller type of all newspapers — is something less than a triumph. Buenos Aires will be getting another \$1.5 billion loan from the International Monetary Fund. Britain, after a little footstamping, has secured the lifting of sanctions against British-owned assets in Argentina. But the total sum involved — mousetrap bits, perhaps totalling \$10 million — is relatively trivial. And General Bignone, pocketing his billion-and-a-half, can afford a wee grin. Of course the cash, by sacred undertaking, will not go on the dramatic rebuilding of Argentina's military arsenal. But it certainly helps — at the very, unsacred least — to free other funds for the task. And that build-up proceeds apace: new submarines, new missiles, new jets.

That does not mean that any Argentinian resumption of hostilities may be anticipated. Almost certainly not. To the contrary, there will be endless toing-and-froing at the UN. The General Assembly will once more this autumn call for negotiations. America, on present indications, will once more land up on the Argentine side. Mrs Thatcher will once again throw a fit. And the long, long trail will go a'winding at even greater cost to the British Exchequer. The bill, on current estimates, looks somewhere in the region of £6 to £7 billion over 10 years; but that estimate is based on an already frail assessment of the weaponry Argentina can command. Every time, over the coming decade, the generals buy something better so, every time, the necessary British defence response will rise. The Falklands are a one-way escalator.

Two events in recent days, meanwhile, help shape the context. One is the growing rumble of Treasury discontent and Mr Nigel Lawson's entirely logical conclusion that he is never going to get public spending under control until he can take an axe to the Defence budget. Mr Michael Heseltine, it is said, prepares himself for bruising conflict

this autumn — but already the options for cuts are under review. The trouble, of course, given Mrs Thatcher's personal attachment to Falklands' victory, is that the millions will come from our European sector land, air and sea capability. But if the MoD and the Treasury are in a damaging bind about Port Stanley, surely it's time to call for the diplomats?

By chance the junior Foreign Office minister minding the talking shop this August is Mr Ray Whitney; the same Mr Whitney who, from the backbenches, produced a memorably wet and worried speech on the Saturday when the Task Force was ordered to sail south. The new, ministerial Mr Whitney has been sounding duly Churchillian about trawler or aircraft incursions within the Total Exclusion Zone. But the old Mr Whitney knew a thing or two too; particularly since he'd served as an FO official in Buenos Aires, handling the then peaceful Falklands issue, and had a bad conscience about the endless obfuscations and failures of nerve in London (so graphically documented in the pages of Franks). We'd strung along the Argentinians for far too long. The matter—pre-invasion—was exceedingly negotiable if Britain had the courage to negotiate. And now, Minister?

The problem, of course, is that there is nothing to negotiate about. Britain won't talk until Buenos Aires declares an end to undeclared hostilities. Buenos Aires—whether led by a general or any of the likely politicians — has absolutely no vested interest in tossing out that meaningless promise when the reward is talks in which Britain declares Falklands' sovereignty utterly un-negotiable. Better by far, on any calculation, to let the cost escalator buzz away—especially since trade between the countries, sanctions or no sanctions, has become infinitesimally irrelevant.

If there is any escape from the escalator, it will have to be one of Britain's own contriving. In fact just such an opening was promised in clear terms by Mr Pym and Mrs Thatcher last year—a full blown consultation with the islanders when they'd recovered from their ordeal; a proper referendum within twelve months. We are fourteen months on now and the inertia is deadening. Bulldozers may be flattening tracts of moorland, pouring more millions into roads and runways. But the promised referendum—the freedom of future choice which was the point of the whole exercise—has faded into the peat bogs. The point about a referendum is that the country that pays the bills—this country—has first to de-

cide what options it can tolerably put to the islanders. To frame an Argentinian option, it must first find a way of talking to the Argentinians. To frame a UN option, it must talk to Mr Perez de Cuellar. And to offer the Fortress and the endless expenditure it must ask the House of Commons. After fourteen months it is not the islanders who have failed to recover their nerve: it is the British government. Perhaps the ebullient Mr Lawson, posing nasty choices, is the last, best hope of an end to the mindless, hopeless Whitehall trance.

Heroine at the ironing board



Her husband is still that of a normal loving wife. Fond and good humoured—not melodramatic. Yet, in the very understatement of her sorrow lay the depths of Elaine Evans's heroism. And not a word of bitterness, either, towards the adversary.

WHEN the ships came home in victory from the Falklands last year, the accent was on the successful outcome of that conflict.

Red-white-and-blue balloons soared into the sky as the Canberra sailed into Portsmouth harbour with 2,000 celebrating Marines on board.

Elaine Evans, whose husband Ken had been killed in action in the South Atlantic, watched it all on television, feeling a sense of hurt and exclusion that the celebrations could not be for her. Then a knock came on the door, and she was handed a bunch of flowers—from a friend, just to say that Elaine was in her thoughts. It made all the difference. Somebody remembered.

The past 15 months of Elaine Evans's life were recorded with sensitivity in *A Widow's Story* (World in Action, ITV). How ambivalent she felt when Ken had to go to war—for him and for everyone else. She was sorry for the Argentines too, because their enlisted men seemed so very young.

How distressed she was when she and Ken

parted—because they had parted on only half food terms after an everyday marital difference over the car's windscreen wipers. How ordinary and domestic was the setting when the news came that he had fallen. She was ironing at the time. The children heard the news and ran back out to play.

How her feelings of grief and sorrow were partly mixed with anger at losing him. And how practical, yet honourable, her thoughts are now towards the whole event. It was sad that battle was engaged, she said, but once it started the men had to do their duty.

Chris Kelly's film was—without being in any way heavy-handed—a genuine tear-jerker.

The importance of expressing grief came over strikingly. The simple ceremony at the church in Portsmouth for the men who had lost their lives meant a lot to Elaine. The journey to the Falklands earlier this year to visit her husband's grave was the final healing catharsis.

When World in Action first filmed Elaine, Ken had just left for the South Atlantic. Hoping for the best, she said then: 'Like a bad penny, he will probably turn up again.'

On his grave she inscribed 'Darling, you must have been a good penny,' and she doesn't regret her bantering joke of the moment because her relationship with the memory of

A softer line on Argentina

By JOHN DICKIE
Diplomatic Correspondent

A SUDDEN softening of British Government policy towards Argentina caught international bankers by surprise yesterday.

Treasury advice has consistently discouraged British banks from signing into a £1,000 million IMF loan to Argentina at this stage.

The rest of the international banks decided to go ahead with their commitment regardless of the British ones stalling over their 10 per cent. share—£100 million.

But as the IMF board met yesterday there was a surprise switch in Treasury advice. The banks were told that it was up to them to decide whether to go ahead with their part of the loan.

In the City there were sighs of relief, for the banks are eager to be seen taking part in the IMF rescue operation if only to strengthen their hand for getting some repayment of outstanding debts one day.

Daily Mail
16th August 1983

IMF says key restriction lifted

UK banks clear Argentine loan

By Peter Wilson-Smith
Banking Correspondent

The Government gave British banks the all-clear to sign a \$1.5bn commercial bank loan for Argentina yesterday after the International Monetary Fund board confirmed that Argentina was complying with the terms of its loan programme.

The loan was due to be signed last Friday. But the Government made it clear to British banks that it would not approve it until there was firm evidence that Argentina was no longer discriminating financially against British companies.

The IMF had told Argentina that it had to end such discrimination by the end of last month as a condition for receiving further loans.

The favourable verdict from the IMF executive board has satisfied the British Government. The Treasury said that proceeding with the loan was a commercial decision for the banks.

The loan signing is due to

Argentine debt repayments* (\$bn) at end 1982

Up to 1 year	13.94
Between 1 and 2 years	1.51
Over 2 years	9.23
Unallocated	1.01
Total	25.69

*loans due to banks in Group of Ten countries, Switzerland Austria, Denmark and Ireland.
Source: Bank for International Settlements.

start in New York today and continue tomorrow if necessary.

Although Argentina's lifting of financial discrimination means British companies can now remit dividends from the country, other restrictions remain on British companies.

These include having to have an Argentine overseer and being forbidden to sell assets or property. Shell, one of the British companies recently given permission to take money out of Argentina, said yesterday

that there was no real indication that such restrictions would be lifted in the short term.

These restrictions were not a concern of the IMF, which considers them domestic matters.

Argentina is still in arrears on interest payments on its debts although, bankers say, it is not desperate for the money.

Argentina owes \$25.69bn to banks in the Group of Ten countries and to Switzerland, Denmark and Ireland, but its total hard-currency debts are estimated at \$39m.

The IMF verdict means that the country can now draw the next tranche of its \$2.2bn IMF loan package, due towards the end of this month.

It should also be able to draw the rest of a \$1.1bn commercial bank bridging loan needed to bring arrears up-to-date.

Commercial bankers are now far more concerned with the plight of Brazil, which recently completed another round of negotiations with the IMF.

Coconut men leave quietly

The Foreign Office said that a group of Mauritian coconut-pickers who landed illegally on a British island dependency in the Indian Ocean last month had left without provoking a confrontation (Reuter reports).

The incident on an atoll in the Chagos islands had been watched closely by Britain, because Mauritius claims the Chagos, and by the United States, which has a military base in the group on the island of Diego Garcia, leased from Britain.

Ex-BL firm wins Falklands order

A £1.7m order for stone-crushing and screening plants for the Falklands has created 30 new jobs at Goodwin Barsby, the Leicester construction plant manufacturers. Bringing the workforce to just over 200. The order is one of the biggest received by Goodwin Barsby, which recently returned to private ownership after the management bought it from BL.

Party awaits Isabel's return

Peronist battle for power

From Our Correspondent, Buenos Aires

The return of Señora Isabel Perón to Argentina, which is expected later this month or early in September in time for the Peronist Party congress, is likely to have important implications for the battle for the Peronist Party's presidential nomination.

Señora Perón, is the former Argentine President and widow of General Juan Perón. Repeated rumours of her plans to return have been supported by the fact that the Peronist Party leadership has formally demanded that the Government lift the remaining legal obstacles preventing her from exercising her political rights and by the action of Señora Deolindo Bittel, the party's first vice-president, in holding talks in Paraguay with President Alfredo Stroessner.

General Stroessner was a personal friend of the late General Perón, and many observers believe that Señora Perón could make Asuncion her first port of call on her way back to Buenos Aires.

Last April the ruling military junta restored Señora Perón's political rights, which had been removed by an institutional Act after the 1976 coup which deposed her government. However, as a result of court sentences arising out of accusations of misappropriation of public funds, the former President's legal position is still unclear.

The Peronist Party, which has always rejected the charges against Señora Perón, has said that if her political rights are not fully restored the planned

general election in October this year cannot be considered free.

Speculation about her political role in Argentina revolves around the current battle within the party for the presidential nomination. In the past, candidacies within the party were decided "from on top", and some Peronists suggest that the former President's endorsement will be vital to clinch the battle among the candidates.

Many of these reports have come from sectors of the party which have been doing badly in the primaries so far. The front runners, who include Señor Italo Luder and Señor Antonio Cafiero, however, say that the former President wants internal democracy to run its course, and will simply ratify the decisions taken by the party congress.

IMF approves Argentine policies

BY ANATOLE KALETSKY IN WASHINGTON AND ALAN FRIEDMAN IN LONDON

THE International Monetary Fund (IMF) yesterday approved Argentina's economic programme, including a key provision which effectively means the lifting of all financial sanctions against British companies.

The fund's decision, at an unusual board meeting which had been hastily summoned in the middle of the IMF's summer holiday, also clears the way for British banks to participate in a \$1.5bn (£1bn) commercial bank loan which Argentina sorely needs. It also means the IMF will probably release next month the third tranche of its \$1.5bn stand-by credit for Argentina (part of a \$2.15bn loan package), this should mean a disbursement of about \$300m.

The British Government, which told British banks last Thursday not to sign up for the \$1.5bn bank credit, said last night it was satisfied that financial sanctions against UK companies would be lifted. The Treasury said there were no further objections to British

banks taking part in the loan. Their participation will amount to about £100m.

The \$1.5bn commercial bank loan is to be signed in New York today and tomorrow. Mr Guy Huntrods, of UK-agent bank Lloyds Bank International, is in New York.

The IMF board meeting was to have been held later this month but was convened specially as a result of the decision by Mrs Margaret Thatcher, the British Prime Minister, to delay clearance for UK banks to participate in the \$1.5bn loan until the IMF had formally approved at board level of Argentina's economic policies.

Argentina had come up against the IMF's long-standing insistence that no member shall discriminate against another. In this case, that meant that Argentina could not receive fund approval until that country had ended its ban on British companies remitting funds from Argentina, or had applied that

ban universally. The IMF told banks around the world last week of its satisfaction that Argentina was no longer discriminating against UK companies but that was not enough for Mrs Thatcher.

Now that the IMF board has given formal approval to the Argentine economic adjustment programme, the only remaining pre-conditions for disbursement of the fund's next \$300m tranche are that Argentina clear up its existing arrears and continue to satisfy the numerical criteria on domestic credit and other economic indicators.

The approval of the IMF and signature of the \$1.5bn bank loan will be welcome news to Sr Jorge Whebe, the Argentine Economy Minister, who was told last week privately by the ruling Argentine military junta that he had eight days in which to return to Buenos Aires with loan assurances. If Sr Whebe had been unsuccessful, his position in the Government would

have been in jeopardy.

David Tonge, our Diplomatic Correspondent writes: In London, British officials were pessimistic last night about relations with Argentina. They pointed out that Buenos Aires had taken a year to live up to its agreement to end financial restrictions vis-à-vis London. It had only done so after pressure from the IMF forced it to allow the transfer of blocked funds. Argentina was responding this week to British approaches through the EEC to put trade relations on a normal footing, by demanding that Britain accept United Nations resolutions which recognise Argentine sovereignty over the Falkland Islands. It had failed to respond to British offers to renew the air landing agreement between the countries which expired on July 30, the British officials say.

Argentina wins breathing space, Page 4

Imports slip through Falklands embargo

BY CHRISTIAN TYLER, WORLD TRADE EDITOR

GOVERNMENT departments were yesterday trying to discover how £241,000 worth of Argentine goods got into Britain at a time when all imports from that country were officially banned.

According to Department of Trade figures, Britain took delivery of £69,000 worth of office and data processing equipment, £116,000 worth of machinery and transport equipment and £30,000 worth of textile yarns in the first six months of this year.

At the start of the Falklands conflict in April 1982, the Government banned all imports from Argentina. The only exceptions were goods in transit and personal effects.

The Department of Trade said yesterday there might have

been "a clerical error" and seemed to point a finger at the Department of Customs and Excise. A spokesman for the latter said: "There is no explanation we can offer at the moment. We are looking into it."

Britain's ban on Argentine exports is still in force and is likely to remain so until Argentina decides formally to declare an end to hostilities.

In the January to June period this year, Britain exported goods worth £2.6m to Argentina. The total included drinks, machinery and transport equipment, chemicals and scientific instruments.

Although Argentina reciprocated with a ban on shipments from Britain, that ban was never complete. UK firms were,

and are, free to export to Argentina, provided no military equipment is involved.

One explanation offered yesterday was that Customs and Excise had wrongly listed as imports from Argentina goods originating in Brazil, Paraguay, and Uruguay.

There might have been "further clerical errors" in the compilation of the official statistics published by the Department of Trade.

Alternatively—or perhaps additionally—the goods might have been destined for onward shipment to other European destinations, in which case they would not have been affected by the UK embargo.

Another possibility is that the goods were brought in illegally, with Customs officers

forgetting the Government's edict of April 6 1982. In that case importers, if traced, would be liable to prosecution and penalties.

Offenders could face sentences of up to two years imprisonment and/or fines which could include forfeiture of the ship or lorry in which the illegal imports had been carried.

Trade between the two countries was worth nearly £300m in 1980. Last year the figure dropped below £100m, with £37m exported from Britain and £59m imported. All but £1m of that two-way trade was conducted in the first six months of 1982 — and presumably most of it before the invasion of the Falklands at the beginning of April.

Jimmy Burns in Buenos Aires explains how the Finance Minister's skill was tested to the limit

Argentina wins breathing space in bitter debt battle

BARRING a last-minute upset, Argentina should this week take a major step towards a temporary solution to its \$39bn (£26bn) foreign debt problem by finalising a series of agreements with foreign creditors.

The agreements are part of a rescheduling programme ironed out under the auspices of the International Monetary Fund (IMF) last December and focus on the following interrelated aspects:

- A \$1.5bn commercial bank loan from a group of 263 foreign banks, \$500m of which will be drawn down in a first tranche.
- The final \$300m tranche of a \$1.1bn bridging loan which is to be used to bring interest payments on public debt up to date.
- The next tranche of the \$1.5bn IMF standby credit, of which \$625m has already been disbursed in two tranches.
- The refinancing of \$250m of debt with the state airline Aerolineas Argentinas, which is expected to act as a model for the settlement of a total of about \$500m of state and state-guaranteed debt falling due in 1983. The Aerolineas deal should pave the way for the refinancing by the end of September of debts of the state oil company Yacimientos Petroliferos Fiscales (YPF) and the two state electricity companies, SEGBA and Agua Y Energia del Estado.

Few men in Argentina are as widely caricatured and criticised as Sr Jorge Wiehe, the Economy Minister, and Sr Julio Gonzalez del Solar, the central bank Governor. Yet the break-

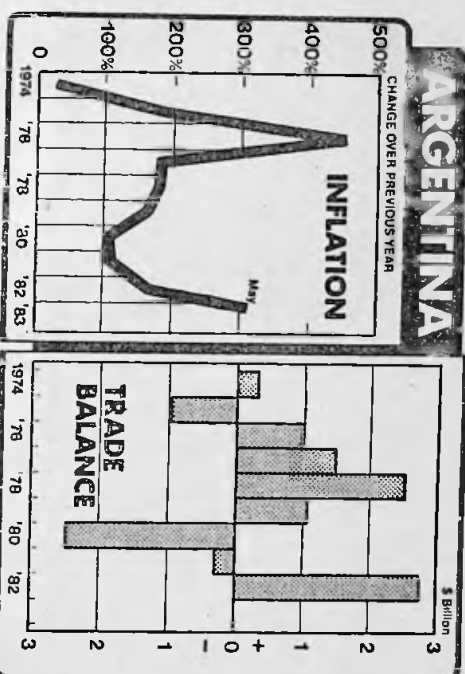
through in Argentina's debt negotiations must in large measure be put down to the skill of these two personalities against enormous odds.

Apart from the reluctance of foreign bankers to deal lightly with Argentina in the aftermath of the Falklands debacle, both men have had to manoeuvre through a morass of political pressures both at home and abroad.

At home, the main opposition has come from hardline nationalists, both inside and outside the armed forces, who do not want to bend to the demands of the United States and Europe—particularly Britain—after a war which cost the lives of over 1,000 young Argentines. These people have favoured drastic retaliation, such as a debt moratorium and the confiscation of all British assets in Argentina.

Abroad, Argentina's debt negotiators have not been helped by the attitude taken by Mrs Margaret Thatcher, the UK Prime Minister. Officials at the Economy Ministry last week found it hard to contain their anger at what they regarded as counterproductive. Mrs Thatcher insisted that the British banks' signature on the \$1.5bn commercial banks' loan agreement should be conditional on Argentina first getting the green light from the IMF.

Earlier, after weeks of delicate pushing and shoving with military officials, Argentina's economic team had managed to secure changes in one of the matters of most concern to the British Government—the lifting

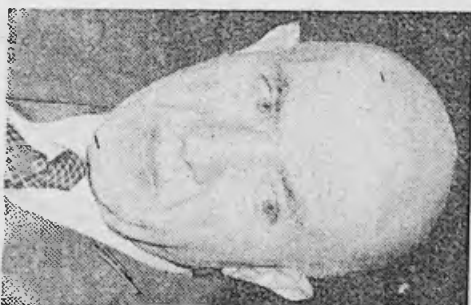


of the most important of the financial sanctions still operating against British companies. Risking a backlash from the nationalists, the Government on Wednesday leaked that it had approved an estimated \$10m worth of profit remittances which had been frozen at the outbreak of the Falklands crisis.

Mrs Thatcher's action was apparently influenced by what she regards as renewed Argentine provocation over the Falklands. The Argentine Ministry has started a major diplomatic offensive aimed at securing international support for the upcoming debate on the Falklands issue in the United Nations General Assembly. Moreover, British troops on the islands have been harassed by Argentine fishing vessels and a naval patrol air-

craft. Nevertheless, Argentine economic officials insist that to bring such developments into the debt negotiations violates the pragmatic attitudes adopted by both sides over a year ago and which have prevailed over nationalist prejudice.

The pragmatic approach, as opposed to a potentially dangerous ideological one, saw its first fruits following the IMF conference in Toronto last September, this argument goes. At the time, anxiety about Argentina's ability to service its foreign debt had persuaded Buenos Aires and the City of London to make mutual concessions, in spite of Mrs Thatcher's earlier insistence that the unfreezing of Argentine assets held in Britain should only take place as part of a general resumption of normal relations, including the lifting of trade embargoes



Sr Jorge Wiehe

and the resumption of commercial flying rights.

Recently the prospect of a major Argentine foreign debt crisis has retreated into the background, thanks largely to the traditional versatility of the country's balance of payments. The good fortune of not having an oil bill—Argentina is self-sufficient in energy—and a likely bumper grain harvest mean that Argentina has chalked up an estimated trade surplus of \$2bn in the first half of this year.

The country's underlying resources have injected a stable element into the still tortuous debt negotiations compared with the potential disasters threatened in Brazil and Mexico. It is Argentina's built-in security—"God must be Argentine," the popular joke goes—that makes the attitude

taken by Mrs Thatcher and the more inflexible foreign banks so hard to swallow in Buenos Aires.

Agreement with Argentina's foreign creditors will provide Sr Wiehe with a much-needed breathing space, although the country's foreign debt problem has been far from conclusively banished. An IMF mission is due in Buenos Aires later this week to check the country's economic performance in the first six months of the year.

More importantly it will also be looking towards next year when Argentina will again need support from the financial community to help with over \$8bn of payments falling due. The IMF is likely to expand its talks to include members of the current civilian opposition.

Leading economists of Argentina's two major political groupings fighting the October 30 elections—the Peronists and the Radicals—insist privately that if they won power they would not renege on Argentina's obligations. They warn, however, that attitudes may harden if the banks and the IMF do not adopt a more flexible attitude, in future debt negotiations.

The Argentines are closely watching developments in neighbouring Brazil, with the view that if Brasilia ever takes the plunge and declares a moratorium, Buenos Aires will have little choice but to follow. "We don't want to be the first. But for political reasons we won't want to be seen to be left behind either," said one Peronist economic adviser last week.

Harvesting hope is all that's left for Argentina

**Jeremy Morgan
reports from
Buenos Aires on
the problems over
falling revenues
from grain exports**

IT HAS been a long, hard winter for Argentina and its overseas creditors and it promises to get worse. Nobody is at all sure what will happen when grain exports slow sharply as spring beckons in September.

Faced with mountainous foreign debts now estimated at close to \$40 billion, Argentina needs the revenue from its main source of foreign exchange as never before. Despite a gathering air of crisis, the government seems almost as far away as ever from reaching agreement on rescheduling a large part of the \$18 billion debt falling due for repayment before the end of this year.

But grain sales next month start falling to about a quarter of the level seen for most of the year, and will not even start to recover until the new wheat crop gets under way in mid-December. Officials conceded some time ago that the second half of this year would be "difficult" on the debt front. As the 1983 shipments season reaches its peak, several ominous signs loom on the horizon.

As the world's third largest grain-exporting nation, Argentina had high hopes that a record crop approaching 40 million tonnes would fuel huge grain sales to cover a good portion of the debt.

A forecast trade surplus of \$3.4 billion and international credits worth \$3.8 billion was expected to cover \$4.6 billion in interest charges, wipe out arrears totalling \$2.4 billion, and encourage relieved creditors to reschedule other obligations over five or seven years.

But although the harvest materialised, the export orders have not, in a highly competitive world market offering buyers the sort of credit terms Argentina cannot meet. Sales totalling 15 million tonnes in the first

half of this year fell far short of the projections drawn up in official circles in late 1982, when debt renegotiations began in earnest.

Instead, the forecast trade surplus has been slashed to between \$2.5 billion and \$2 billion. Some private sector bankers think Argentina will be lucky to achieve much over the lower figure.

Failure to hit trade targets implies more of the debt will necessarily have to be refinanced by ever more reluctant banks. More worrying still for them are signs that the government is missing crucial "guidelines" attached to the \$2.18 billion standby credit agreement with the International Monetary Fund.

Dr Jorge Wehbe, Argentina's economy minister, warned early last month that the 160 per cent inflation goal set for this year was not going to be met. The official index shows a 12.5 per cent rise in July alone, taking the increase on a year before to 325 per cent. Private estimates put the figure nearer 500 per cent.

Bankers dismiss endemic inflation as "an Argentinian problem," but statistics also suggest things are awry in fiscal and monetary policy, subjects much closer to their heart. According to one analysis, the full 1983 budget deficit allowance may have been used up by the end of June. Since the government says tax revenue has dropped 18 per cent on a year ago, the fear is that perhaps no more than 50 per cent of state spending is being met from "real resources."

The third \$324.5 million standby tranche, and hence the final \$300 million of last year's \$1.1 billion "bridge loan" from the banks, are expected to go through since Argentina appears to have kept more or less to the guidelines up to the middle of the year.

But bankers warn that the Government may now be "marching in the opposite direction" of the IMF accord, particularly after a big jump in the monetary base in July and a package of economic measures last week that included official ceilings on interest rates and tough price controls.

Seen as an attempt to present a "fait accompli" to

IMF officials due in Buenos Aires later this month, the package prompted suggestions that the Government would seek a virtual renegotiation of the 15-month agreement with the Fund before the next tranche falls due in December.

The IMF has already turned a blind eye to Argentina's failure to eliminate all debt arrears by mid-year, and not all bankers here believe later official claims that delayed debts have been cleared up to July 10.

The scope for further austerity to reinforce the original accord is severely limited by the extent of Argentina's worst-ever economic crisis. Gross domestic product suffered a cumulative fall of over 10 per cent in 1981 and 1982 and now seems to be stagnating, with many companies working at little more than half capacity.

It has been a long time since the government updated a claim that unemployment dropped to 400,000 late last year. Other estimates suggest a jobless total near one million out of an 8.5 million workforce. Wages dropped a real 9 per cent in the last year on the official index and by around 20 per cent on other estimates.

Gathering gloom reflects not only the delay over the long-awaited \$1.5 billion five-year syndicated loan from Argentina's 236 international bank creditors.

Even with that credit, without which Argentina cannot meet all the obligations it still hopes to repay this year, neither side will be out of the woods.

Terms have not yet been reached on more than \$1 billion in outstanding foreign exchange forward contracts originally raised as 180-day "swaps."

Worse, there is no accord on rescheduling over \$5 billion in debts foolishly given an official exchange rate guarantee when they were first rolled over two years ago, just as the peso's massive devaluation got under way.

The details of refinancing public sector debts accounting for about half of this year's scheduled obligations continues to make painfully slow progress at negotiations in New York.

MANNING PROBLEMS HIT NAVY

By DESMOND WETTERN
Naval Correspondent

THE mothballing of several Royal Navy ships because of manpower problems is to be announced by Mr Heseltine, Defence Secretary, shortly after Parliament resumes in October.

Admiral Sir John Fieldhouse, First Sea Lord, presented the Naval Staff's proposals to him just before the House rose for the summer recess.

But Mr Heseltine refused to order their implementation until MPs had had a chance to study and question them.

The three-month delay will inevitably exacerbate manpower problems. These have arisen not so much because of a shortage of men, but because of the "harmony rules" under which each sailor is guaranteed a period ashore with his family after a long spell of sea service.

Last year's Falklands conflict and the need to maintain five or six more frigates overseas in the South Atlantic than had been planned two years ago have all but eliminated the "pool" of men ashore.

The manpower planners now face problems arising both from a deliberate reduction in recruiting over the past two years, because of uncertainties about the size of the future fleet, and doubts about the number of men who can be recruited—and, more importantly, retained, particularly if the economy begins to improve.

This spring the planners had trouble finding 1,000 men to man four old frigates for a further year's service. It had originally been intended that

they would be commissioned only for a year when they were brought forward for operational service.

Hermes 'to go'

The Navy's largest warship, the 28,500-ton carrier Hermes, is high on the list of ships which Admiral Fieldhouse proposes to pay off into reserve this year.

While this would add her crew of 1,350 to the manpower "pool," there are many in the Navy who argue that since the carriers are the most important ships in the surface fleet three or four frigates should be paid off instead.

In recruiting, officers have been particularly hard hit, with only 259 joining between April and December last year compared with 685 for a full year in 1980-81.

The reason is largely a lack of confidence among would-be candidates in the light of the plan of Sir John Nott, Mr Heseltine's predecessor, to cut the Navy's manpower by almost a third from 64,000 to about 45,000 by 1992. The first 500 redundancy notices had already been handed out before the start of the Falklands conflict.

Similarly, only 1,406 sailors joined between April and December last year compared with 7,445 in 1980-81, while the total of officers and men leaving the Service last year was 3,018.

Rugby Union

ARGENTINE BAN ON NZ TOUR

NEW ZEALAND'S rugby Union tour of Argentina, planned for October and November, has been postponed indefinitely.

The Argentine Government refuse to issue visas to the team. Relations between New Zealand and Argentina have been strained since New Zealand broke diplomatic ties during the Falklands crisis.

Negotiations for a replacement tour are taking place and an announcement is likely in about a week.

The Argentine RU expressed regret that the tour could not go ahead and Ces Blazey, the New Zealand RU chairman, said: "Although the decision was not unexpected, it was very disappointing that because of the decision by the Government of Argentina a tour to which both the New Zealand and Argentine Rugby Unions and their players had looked forward to with keen anticipation could not take place for reasons which were completely beyond the control of both Rugby Unions."

LANDING SHIP FOR FALKLANDS

The landing ship Sir Bedivere, sister ship to the ill-fated Sir Tristram and Sir Galahad, sailed to the Falklands yesterday fully equipped to counter air attack, unlike the vessels caught at Bluff Cove.

Daily Telegraph 15 8 83

IMF TO RULE ON LOAN FOR ARGENTINA

By IAN BALL in New York

THE INTERNATIONAL Monetary Fund is to decide today whether Argentina should be allowed more than \$300 million (£202 million) of the stand-by credit the Junta obtained from the IMF last January.

At an earlier-than-expected meeting the fund's executive committee will be looking at Argentina's second - quarter economic performance to check that Buenos Aires has been adhering to the austerity programme drawn up by the IMF.

The gathering of the IMF board to review Argentina's debt problems, and its latest efforts to solve them, is directly linked to the Thatcher Government's tough stand last week on the question of participation by British banks in a \$1.5 billion (£1.01 billion) five-year commercial loan.

Since October, Buenos Aires has been discussing this vast borrowing operation with 263 British, American, Canadian, European and Japanese commercial banks.

Señor Jorge Wehbe, Argentine Economy Minister, flew to New York on Thursday expecting to participate in the loan signing ceremony the next day.

His Ministry was in the process of sending written messages to all British companies operating in Argentina, assuring them that all financial sanctions against them had been lifted.

Unexpected setback

The Argentines had assumed that this would remove the objections raised by British banks participating in the international loan consortium. The proposed British share is \$147 million (about £100 million), or 9.8 per cent. of the total loan.

But despite these assurances from the Argentine régime — a step not widely publicised in Argentina itself for obvious political reasons—the Thatcher Government "advised" British banks that they should not sign the loan documents until Buenos Aires had lived up to its word.

Whitehall was saying, in effect, that it wanted to see convertible cash actually turned over to such firms as Shell, ICI and British American Tobacco before more private British loan money was pledged to Argentina.

WORLD TRADE NEWS

Christian Tyler, World Trade editor, analyses the prospects for frozen British profits

Doubts over lifting of Argentine sanctions

BRITISH COMPANIES with business in Argentina will today be trying to discover the true extent of Argentina's relaxation of commercial sanctions imposed during the Falklands war.

When hostilities broke out in April, 1982 (formally, they are not yet ended), UK companies in Argentina were forbidden to remit profits and dividends or to dispose of their local assets. At the same time supervisors, variously described as *cededores* and *interventores*, were put in their offices to make sure the ban was obeyed.

The two belligerents banned each other's imports. But whereas the British ban has been total—at least in theory—Argentina's has been only partial. Britain is unlikely to lift its restriction until Argentina officially declares the Falklands war over.

Even before the war Argentina had introduced a system of exchange controls affecting all foreign companies. Remittances destined for overseas parent companies had to be invested in U.S. dollar-denominated external bonds called Bonex. The bonds pay a market rate of interest and are cashable for dollars with the Central Bank of Argentina up to five years.

Companies who wanted their money immediately could, however, sell Bonex at a discount on the secondary market in New York. From April last year, British companies were forbidden to sell their bonds.

This and other measures against Britain, taken under a law called Decree 22591, were eased by a further decree in June this year giving the central bank discretion as to whose funds could be repatriated.

Among those to benefit has been Lloyds Bank International, whose Buenos Aires subsidiary, the Bank of London and South

It is not clear how much has been frozen, but \$10m has been mentioned

money has been frozen but a figure of \$10m has been mentioned. Big companies do not normally publish the value of their Argentine profits or dividends and now seem doubly cautious for fear of upsetting the authorities.

But on Friday British American Tobacco confirmed that it had been given permission to cash in Bonex bonds accumulated by Nobleza Piccardo, the cigarette factory at San Martin in which it has a 70 per cent stake and which claims 58 per cent of the Argentine market. BAT says its Argentine subsidiary accounts for about 1 per cent of group profits.

A spokesman was enthusiastic about the latest move and said the company had co-operated fully with the sanctions. "We think they have been extraordinarily reasonable and this latest development is a positive undertaking on their part to improve relationships," he said. He described the official put in to supervise the factory as "a most delightful man who has caused us no problem at all."

Imperial Chemical Industries has a wholly-owned and long-established subsidiary, Duperial, with a turnover of some \$80m. It manufactures and supplies agrochemicals and dyestuffs, plastics and pharmaceuticals. ICI expects to be able now to

declare a dividend for Duperial in December which would probably include the 1982 remittance which was not made.

Shell Transport is awaiting payments of dividends and other fees from its subsidiary Shell Compagnia Argentina de Petroleo SA, a \$66m investment with turnover of \$80m. Operations include a refinery producing 115,000 barrels a day, a distribution network and a few oil tankers. Shell would reveal only that the biggest of the remittances due is under \$1m.

UK interest in the Argentine market was waning even before the conflict

extent. But British interest in the Argentine market was waning even before the Falklands conflict because of the country's domestic economic crisis and external payments problem.

For example, Perkins, the diesel engine company, has not received royalties since late 1981 from its licensee Perkins Argentina.

Like other Argentine businesses, Perkins Argentina was forced to seek court protection from its creditors even before the South Atlantic war and the turmoil caused by rupture of links with the UK. Perkins in the UK had also stopped shipping specialised castings and forgings to its licensee several months before the conflict.

For some British companies, therefore, the latest improvement in commercial relations may prove to be more of technical than financial interest.

Today the International Monetary Fund holds a special board meeting to review Britain's temporary refusal to join in a \$1.5bn rescue loan to Argentina. British companies and the British Government may have welcomed the easing of sanctions. But until the laws themselves and the supervisors on the ground are removed they can argue that discrimination continues.

IMF to give UK banks green light, Page 15

Ex-MPs join the dole queue

MORE than two months after the general election many of the MPs, almost 80 in number, who lost their seats at the polls or because of the new constituency boundaries are still without jobs. Some are drawing unemployment pay.

Mr ERIC OGDEN, former Social Democrat MP for Liverpool West Derby, said grimly: "There's nobody more ex than an ex-MP."

Mr Ogden is drawing £40.30 a week in unemployment pay—£25 for myself, £15 for my wife and 30p for my 17-year-old 6ft 3in son."

A "reasonably good" amateur photographer, he is hoping to attract commissions to photograph houses, cottages and the like. He has also set up a small consultancy to provide information about the Falkland Islands and the South Atlantic generally.

He has visited the Falklands twice on fact-finding missions and hopes the knowledge he acquired may be useful to others. "At the moment, we are surviving," he said.

Mr Ogden is in exalted company. LORD CARMICHAEL, former Labour MP for Glasgow Grove, who was peerage in Honour

Falkland pen friends marry

Two servicemen who served in the Falklands married their pen friends yesterday. Ian Barnett, 24, of the Royal Engineers,

who received letters for six months from Karen Woods, also 24, of Leyton, East London, married her at St Mary's, Chigwell, Essex.

But the couple may have to be pen friends again. Ian returns to the islands for another five months stint in January.

The second romance stemmed from the friendship of two mothers in Rochester, Kent. Haigh Ashover, 22, a sailor on the Invincible began writing to 19-year-old Adele Neeves at the instigation of their respective mothers. They married yesterday at St Paul's, Lymsted, Kent.

Scandal

IT is beyond belief that naval pilots who risked their lives fighting in the Falklands war should now be out of pocket because of bureaucratic penny-pinching at the Ministry of Defence.

The three pilots involved in this appalling case were on exchange postings abroad when the Falklands crisis erupted.

Naturally the men were ordered home immediately. Trained pilots in those grim days were beyond price.

Nobody at the time quibbled about money. What mattered was the skill and bravery of our fighting men.

But the fighting is over now. And the bureaucrats are back in command.

The Ministry of Defence is now refusing to pay more than a mere fraction of the expenses incurred by those three pilots when they dashed back to Britain.

Those expenses involve overseas rents, removal costs, and the price of air tickets home for the men's wives. Each of the pilots could be out of pocket by more than £1,000.

Ministers are now said to be studying the case. Not before time.

Their first duty is to ensure that the pilots get every penny of their expenses paid. This week.

Their second duty is to find out the names of the smug little pen-pushers who brought about this scandal. And kick their pinstriped posteriors from here to Port Stanley.

Falklands visit

Sunday Telegraph Reporter

YOUNG British explorers chosen to take part in Operation Raleigh will stop off at the Falkland Islands to seek out sunken trading ships off Goose Green and Port Stanley.

Operation Raleigh begins in November next year and will be the longest scientific expedition ever mounted around the world.

The World Ship Trust, an international conservation organisation based in London, is backing the project's work in the Falklands which will involve restoring some of the

ancient British and American vessels lying wrecked or abandoned off the island.

Operation Raleigh will take 4,000 young people, including 1,500 from Britain, to 51 countries in three-month phases to perform research and community work in destinations as varied as Antarctica and the Australian desert.

The £8 million project sponsored by industrialists and companies worldwide, will commemorate Sir Walter Raleigh's achievements and the 400th anniversary of the founding of Virginia.

Mail on Sunday
14 8 83

TAM DALYELL, the Labour MP who would be sunk without the Belgrano, has found a new hobby horse. Metal detectors, he writes passionately in the New Scientist, must be licensed. Expect long speeches on them in the next Parliamentary session.

Sunday Times 14.8.83 'Atticus' column

Robert Maxwell buys a Penguin

IT has always seemed inevitable that Robert Maxwell would sooner or later become a press baron. His strong character, his fascination for politics and his success in the printing industry make him one of the country's natural newspaper proprietors.

I am therefore pleased to announce that Mr Maxwell has fulfilled all our expectations by acquiring a newspaper. Admittedly, it is not a very big newspaper. In fact the Penguin News, the Falkland Islanders' Thunderer, is jolly small. It has a circulation of 800, is lavishly printed on a cyclo-styling machine, and is currently being edited by a schoolmaster, Mr Derek Evans, who finds it difficult to produce the paper regularly.

Details of the negotiation between Maxwell and Mr Graham Bound, the energetic soul who has been writing and editing Penguin News all by himself for many years, are not yet clear. However, I understand that Mr Maxwell has promised investment and new equipment.

Mail on Sunday 14.8.83: Business section FOR INFORMATION



WATSON: Battle for support

BUCCANEERING publisher Robert Maxwell has got more than he bargained for in his £17 million bid for John Waddington.

Now a major unit trust group has joined in the fray. M & G Group has been buying shares in the games-to-packaging combine with both hands. It now holds 400,000, worth around £1 million and representing 6.4 per cent of the Leeds-based Waddington group's ordinary capital.

Battle

And it could hold out to blitz the take-over prospects of Maxwell's British Printing and Communications Corporation.

News of this key stake came as a surprise to BPCC's merchant bank advisers Henry

New snag hits Maxwell £17m take-over bid

By RICHARD MILNER

Ansbacher & Co on Friday. With the 13 per cent held by Britannic Assurance, it could leave Waddington chairman Victor Watson almost level-pegging in terms of investor support.

What may raise eyebrows in the City is that M & G is 42.5 per cent owned by merchant bankers Kleinwort Benson, which just happens to be advising Waddington in its defence. For this could raise questions of potential conflict of interest.

M & G is the only unit trust group to have pitched into the Waddington bid battle in a big way. According to the company register, it held 90,000

shares on May 23 and 240,000 on July 25.

Managing director David Hopkinson rejects any suggestion that M & G is helping out Kleinwort Benson. 'There is no relationship, there never has been and there never will be,' he insists.

Reject

M & G fund manager Gordon Craig also denies any connection between the investment buying and the bid defence. 'Even before the first bid (£11 million from Norton Opax on May 17), we already had just over 250,000 shares in Waddington,' he said.

'The others were bought in a



MAXWELL: Faces a blitz bid

bid, which is the correct way to make money on the Stock Exchange.

'We bought some in March at 70p. We haven't bought any since June 3, when the price was 170p.

Kleinwort Benson executive Christopher Kirkness, who is handling the Waddington defence, seemed disconcerted by the size of the M & G stake — holdings of five per cent or more in any quoted company should be reported to the Stock Exchange.

Whether M & G will reject the BPCC bid before the 250p-a-share cash offer expires on August 23 remains to be seen.

Acceptance would throw up hefty speculative profits for its unit holders, but could prompt some embarrassment for its associated merchant bank.

IMF calls Argentina meeting

BY ALAN FRIEDMAN AND MARGARET HUGHES IN LONDON AND JIMMY BURNS IN BUENOS AIRES

THE International Monetary Fund will convene a special board meeting on Monday morning to discuss Argentina's economic programme and debt problems.

The meeting, called yesterday, is seen by bankers as a reaction to the British Government's temporary ban on UK bank participation in a \$1.5bn (£1bn) international loan for Argentina.

The Thatcher Government told banks on Thursday it did not want them to sign the loan until the IMF board had met and approved Argentina's IMF-agreed programme. Britain is also concerned that Argentina should stop discriminating against UK companies.

Downing Street, the Foreign Office, the Treasury and the Bank of England have heard from Argentina over the past 48 hours that financial sanctions against British companies were being lifted. Whitehall said it regards this development as a

"helpful move" towards normalisation but still requires evidence that removal of the curbs is "generalised and permanent" before it is convinced Argentina has indeed lifted sanctions.

Mr Bill Rhodes, Citibank head of the Argentine bank advisory group, said last night that remittance of profits to British companies had been made this week.

It is thought likely the IMF board will approve the Argentine programme on Monday, removing the British Government's main objection to the commercial bank loan. Whitehall officials said last night they would expect the Government to give banks the green light once the IMF board has given its approval. British bank participation in the loan amounts to \$100m.

Participants in the Argentine loan have been told that the formal signing is scheduled for Tuesday and Wednesday in New

York. The loan books will be kept open until August 25. If British banks receive permission they would have about ten days to sign the loan.

In Buenos Aires, government officials said Mrs Thatcher had clearly taken a political position, which was a breach of a "gentleman's agreement" under which UK banks had agreed to sign the \$1.5bn loan once Argentina had moved to lift its sanctions against UK companies.

On Thursday, UK companies received written messages from the Argentine Government, allowing them to remit funds. The method for transferring funds out of Argentina for all foreign companies is to export government-issued dollar bonds, known as Bonex, which can be cashed in the secondary market in New York.

Argentine government officials said yesterday that Britain's intransigence threatened to pro-

voke hardline sectors of the armed forces which have opposed the lifting of sanctions.

They said the survival of Sr Jorge Wehbe as the Argentine's Economy Minister was linked to the outcome of the loan negotiations.

The Argentine junta has privately told Sr Wehbe that he has until the end of next week to return to Buenos Aires with assurances that the \$1.5bn loan will be signed by all parties. If he is unsuccessful, it is thought his position in the Government will be in jeopardy.

● Christian Tyler, World Trade Editor, adds: British American Tobacco said yesterday it had been advised officially it could now repatriate earnings from its majority-owned Nobleza-Piccardo cigarette plant. Among major UK companies with dividends or profits to be released are ICI and Shell. In most cases the sums are very small in relation to total profits.

Daily Telegraph 13 8 83

17 KILLED IN CHILE CLASHES

By TONY ALLEN-MILLS
in Santiago

AT least 17 people were killed and more than 60 wounded when a national protest against Chile's military dictatorship erupted into one of the worst nights of violence seen here since the days of the 1973 coup against Marxist President Salvador Allende.

Thousands of Chileans demanding the return of democracy, defied a dusk-to-dawn curfew to clash with troops in a series of bloody confrontations that raged into the early hours yesterday.

Most of the victims of the countrywide violence were shot by soldiers who had been under orders from President Augustus Pinochet to "act tough."

Three children were among those killed. One of them, an eight-year-old girl, was hit in the head by a ricocheting

bullet as she lay asleep in her bed.

A woman watching television was killed when a bullet flew through her living room window, and a nine-year-old boy was blown to pieces when he stepped on an explosive device left in a street.

Chilling brutality

According to a report given to Gen. Pinochet, the shootings were "the result of what happened when our troops were violently attacked by subversives."

But eye-witness reports from Santiago suburbs indicated that the Chilean troops had behaved with chilling brutality.

Thousands of young soldiers poured into working class quarters to enforce the curfew, and their gunfire rattled across the city during most of the night.

Thursday's day of protest was the fourth organised by opposition leaders and trade unionists to pressurise the military into speeding up the return of democracy, not due until 1989.

ARGENTINIAN EVANGELIST TO VISIT LONDON

By Our Churches Correspondent

Luis Palau, the Argentine-born evangelist now resident in Portland, Oregon, is to hold a mission to London beginning with a public rally in Trafalgar Square on Sept. 3.

The 10-month mission will culminate in a series of nightly meetings at Queen's Park Rangers soccer stadium in June next year.

At rallies in Wembley arena on Oct. 21 and 22 Senor Palau will be supported by James Irwin, the astronaut, who landed on the Moon during the Apollo space flight.

WAR SHOWPIECE

A helicopter captured during the Falklands campaign is to go on show at the war museum at Duxford, near Cambridge. The machine, an American Bell Huey, operated from Port Stanley racecourse as an Argentine field ambulance.

FALKLANDS PLAY GETS STATE AID

The controversial play "Falkland Sound," which the management of the Plymouth Theatre Royal banned earlier this month because of possible "sensitivity" of local people who had participated in the South Atlantic war, is to be seen in the city after all.

Plymouth's smaller Serenade Theatre offered to stage the play, and now the Arts Council has agreed a grant.

ARGENTINA YIELDS TO BRITAIN

Concessions wrung by loan delay

By IAN BALL in New York

ARGENTINA bowed to British pressure yesterday and agreed to free British assets frozen because of the Falklands conflict. The climb-down is the price of a commercial deal vital to repayment of Argentina's vast international debt.

But Mrs Thatcher's Government, wary of Argentina's behaviour during diplomatic negotiations before the South Atlantic fighting, is understood to be holding out for evidence of "deeds, not words" before any agreement is signed.

At stake is a five-year £1,001 million loan which the Argentine junta has been negotiating for the past 10 months with a syndicate of 263 British, American, Canadian, European and Japanese banks.

The loan is crucial to Argentina's efforts to re-schedule its £26,300 million foreign debt, exceeded only by advances extended to Brazil and Mexico.

Unless Buenos Aires obtains the new loan soon, it will not be able to re-finance all the principal falling due this year on its cumulative debts. Technically, Argentina would be in default.

Sr Jorge Wehbe, the Argentine Economy Minister, has

arrived in New York for a much-delayed loan signing ceremony with representatives of the banks involved.

American bankers have suggested privately that the British banks participating consortium would have signed the final document days or weeks ago if matters had been left entirely in their hands.

But there were unmistakable signs yesterday that the Government had been offering some tough "guidance" to the British banks as to how they should proceed in the closing stages of the loan talks.

Some 11 months after Britain lifted its financial sanctions against Argentina, British banks in Buenos Aires have been able to resume repatriating funds to London, but other British subsidiaries in Argentina have so far been unable to move money abroad.

Tense atmosphere

The atmosphere surrounding the New York negotiations between the loan consortium's advisory committee and Argentine representatives turned suddenly sensitive yesterday.

Mr Guy Huntrods, a director of Lloyds Bank International, who had been a key figure in the talks, took the night flight back to London on Thursday. His bank is the British representative on the consortium's advisory committee.

In a number of last-minute commitments, some politically embarrassing from the viewpoint of domestic public opinion, the Argentine junta has been trying this week to remove all grounds for the lingering objections by the British banks.

The final move came yesterday when Sr Luis Mey, vice-president of Argentina's Central Bank, announced that all restrictions on the remittance of profits and dividends by British companies based in Argentina had been lifted.

The response in Whitehall, evidently communicated forcefully to the British banks, was that Britain wanted to see the cash.

'We need time'

In London, the Foreign Office said it welcomed the removal of the remaining restrictions on British companies. But a spokesman said: "We will obviously need time to establish whether this, in fact, is happening and will continue."

Earlier this summer, clearly worried about the delay in the completion of its credit arrangement, the Argentine authorities pledged they would adopt a more "flexible" approach in dealing with British banks and

companies with blocked funds.

Lloyds Bank International received permission to transfer money back to London and Barclays was advised that restrictions were being lifted. But British trading companies and other subsidiaries were still being frustrated.

For its part, Britain had lifted by the end of last year all financial sanctions against Argentina,

enabling Buenos Aires to withdraw more than £600 million held on deposit in the City.

While it seeks to keep alive the "Malvinas Issue"—at the United Nations, in the Organisation of American States at home, the Argentine government would have to swallow a great amount of pride in making a public announcement that all sanctions and financial restrictions against Britain had been lifted.

In the loan negotiations, the British stand has been receiving a good deal of sympathy from non-British banks.

The International Monetary Fund, which extended a separate credit to Argentina in January, has also taken up Britain's case. The justification here is that it is against IMF rules for member-countries to engage in discriminatory practices.

The proposed contribution by British banks is a substantial part of the proposed loan—9.8 per cent. of the total. The loan has been bitterly criticised in Britain since it was first revealed.

Britain might now want to delay the final loan instrument until Aug. 24, when the IMF board is expected to meet to review Argentina's economic performance.

The Times 13 8 83

IMF calls talks on Argentine crisis

By Our Banking Correspondent

The International Monetary Fund has scheduled an emergency board meeting for Monday to review Argentine compliance with its programme, in an attempt to break the log jam over British banks participating in a \$1.5bn (£1bn) commercial bank loan for Argentina.

The British Government has told British banks not to sign the loan until there is firm evidence that discriminatory financial sanctions against British companies in Argentina have been lifted.

Non-discrimination is also an IMF condition and the board will review this issue. Government sources have said unofficially that once the IMF gives the all clear the Government will withdraw its objections to banks signing.

There was strong indications yesterday that Argentina is now allowing British companies to take money out of the country, in line with the statement from the central bank vice-president, Señor Luis Mey, that all restriction on lifting profits and dividends had been removed.

Government sources confirmed privately that there was firm evidence of this and that some had already removed money. About 80 companies are involved, but until this week only Lloyds Bank International had been able to take money out of the country.

However, there was no official confirmation of this and

doubts remain whether Mrs Thatcher, the Prime Minister, who has taken a close interest in the matter, will be satisfied even if the IMF gives its approval.

Other restrictions on British companies in Argentina are still in force. These include having an Argentine overseer and being forbidden to sell assets or property. These restrictions are not a concern of the IMF, which considers them domestic issues.

Whitehall sources said yesterday they understood that once it was clear the IMF was satisfied British companies were now able to remit profits from Argentina, the British Government would also be satisfied.

However government departments could not confirm this.

In some quarters doubts were being expressed whether approval from the IMF would be sufficient to make the Government change its mind on allowing British banks to sign the \$1.5bn loan.

It was pointed out that there was no guarantee that Mrs Thatcher would not want further concessions from the Argentinians.

The IMF board is being recalled from recess in an unprecedented move to convene Monday's meeting.

● The IMF, which was counting on a \$4bn loan from Saudi Arabia to help close a funding gap this year, now expects only about half that amount, monetary sources said in Washington.

British give cool welcome to Argentine move

By Rodney Cowton
Defence Correspondent

The Foreign Office yesterday welcomed the announcement from the Central Bank of Argentina that discriminatory financial restrictions on British companies had been lifted.

A spokesman for the Foreign office said, however, that time would be needed to establish whether the restrictions actually were lifted.

Britain sees this as a useful step towards normal relations with Argentina, but its welcome for the Argentine move is qualified because it was the British understanding that these restrictions were to have been lifted as long ago as last September when Britain lifted financial restrictions.

This move, and also the recent call for an early resumption of negotiations on the future of the Falkland Islands, are seen in Whitehall as part of a process on the part of Argentina to prepare the ground for a debate on the Falklands in the United Nations General Assembly.

Business news, page 11

EVENING STANDARD (City Prices)

12 August 1983

Dawn patrols

THE WELL-liked chief Press officer to the British Embassy in Washington, Peter Hall, is returning to London this month to take up a post in the Foreign Office Research Department.

Hall, it is said only partly in jest, was worn out by his 4 am starts during the Falklands crisis when he had to accompany the then British ambassador, Sir Nicko Henderson, to TV studios. Sir Nicko suddenly acquired the taste for early morning television and appeared over 50 times on breakfast shows during the hostilities.

He is to be replaced by Andrew Burns, whose wife Sarah was sacked from her advertising job on Private Eye, at the height of the Eye's quarrel with Gordon Kirby, because of her husband's Foreign Office connection.

12 August 1983

ARGENTINE LOAN TALKS 'NEAR END'

By IAN BALL in New York

TEN months of negotiations on a \$1.5 billion (£1.01 billion) commercial loan to Argentina by 250 British, American, Canadian, European and Japanese banks were moving towards a successful conclusion in New York yesterday, according to bankers involved in the talks.

While they denied reports that Senor Jorge Wehbe, Argentine Economy Minister, was expected to sign the final document in New York today, they said that a signing ceremony early next week was possible.

The five-year loan is in addition to the substantial credits the International Monetary Fund extended to Argentina in January. The consortium of international banks that has been negotiating with Buenos Aires made a bridging loan to the Argentine Government last Dec. 31.

'British objections'

Objections by British banks participating in the consortium were offered yesterday as the reason for some last-minute uncertainty over the fate of the loan.

The British banks had imposed as a pre-condition for the loan the lifting by Argentina of the sanctions and financial restrictions she imposed on British companies at the time of the Falklands war.

Senor Wehbe reportedly has informed the British companies that these sanctions have now been lifted. But the attitude among the British representatives on the Argentine-loan consortium's advisory committee is that Buenos Aires must offer hard evidence of this before it can hope to receive its \$1.5 billion.

Obtaining the new international credits is a key element in the new economic measures announced in Buenos Aires on Wednesday.

SHIP BLAST CLAIM

An Argentine ultra-nationalist group claimed responsibility yesterday for causing explosions which damaged a ship in Port Stanley last week. The ship was unloading granite for a war memorial to British servicemen who died in the Falklands conflict.—Reuter.

NAVY ALERT AT COCONUT ISLE

The Royal Navy frigate Andromeda, 2,450 tons, was put on stand-by last night to enforce the departure of Mauritian coconut hunters from an uninhabited Indian Ocean island 130 miles from British-owned Diego Garcia, site of an American nuclear base.

Diego Garcia is part of the Chagos Archipelago, claimed by Mauritius. A Mauritian ship, the Romoya, is anchored off the island and the crew asked permission to look for coconuts. This was refused.

ARGENTINA TO CONTROL ALL INTEREST

Argentina's military Government yesterday announced tighter state controls on the economy aimed at dampening inflation and bringing relief to the country's debt-ridden industry.

The measures, which include total state control of interest rates and tighter restrictions on prices and wages, were announced in a Government statement after a Cabinet meeting.

It said the new measures were designed to ensure Argentina's smooth transition to democracy by next January, following elections on Oct. 30.

—Reuter.

12 August 1983

Thatcher delays banks signing Argentine loan

BY ALAN FRIEDMAN AND MARGARET HUGHES IN LONDON
AND JIMMY BURNS IN BUENOS AIRES

THE BRITISH Government yesterday told the major clearing banks not to sign a \$1.5bn (£1bn) loan for Argentina. The decision came in spite of Treasury awareness that the International Monetary Fund was satisfied that the Argentine Government was in the process of lifting financial sanctions against Britain.

The loan was due to be signed in New York today. Downing Street said last night that "it is the Prime Minister's view that it would be premature at this stage for the banks to sign the loan."

British government officials at three departments confirmed that they had been informed through "appropriate official channels" that some sanctions were being lifted. In Buenos Aires the government informed British companies that they could make remittances abroad with immediate effect.

In New York, where bankers were holding a crisis meeting, it is understood that the \$1.5bn Argentine loan need not be stopped by the British boycott. It might be possible for British banks to sign at a later date. The UK banks were to have contributed a total of £100m to the loan.

In London, one British banker who asked not to be named said: "The Government has ordered us not to sign. They don't call it an order. They are simply saying that we should not sign until the IMF board has met and approved the Argentine economic adjustment programme."

This IMF meeting cannot take place until the board reconvenes after its summer recess in a fortnight. At this meeting the Argentine government has to satisfy the IMF that it has met its economic targets and is not discriminating against Britain or any other member of the IMF. This would allow the IMF to disburse the third tranche of its \$2.15bn standby credit to Argentina. It is understood that the IMF is reviewing the date of the meeting.

Several British bankers as well as some government officials commented privately that the decision to urge British banks not to sign the Argentine loan was not a matter of commercial logic but rather a political manoeuvre by the Thatcher Government. One broker commented that Mrs Thatcher appeared to want to make the Argentines "sweat some more."

Although the IMF has informed the commercial banks that it is satisfied with the Argentine assurances that it was lifting sanctions against Britain

—the major factor delaying signing of the loan—the British Government considers this IMF action as "somewhat precipitate." One Whitehall official said: "We need first to be satisfied that this is the beginning of a normalisation in relations which will be maintained."

The \$1.5bn commercial bank loan is part of an international package designed to help Argentina to avoid defaulting on its \$39bn of foreign debt. The Bank of England has expressed its support for the loan as a means of preserving the stability of the international financial system.

There appear to have been a number of schools of thought within the Government on what action to take in regard to the loans. Some favoured going ahead on the basis of the Argentine assurances that sanctions are being lifted. Others felt it premature for British banks to sign at this stage while a third group hoped that the banks would decide to delay the signing for a few days until there was firm evidence of the lifting of sanctions.

In Buenos Aires an official of the Bank of London and South America said yesterday that all British companies had received written messages from the Argentine government authorising them to remit their profits for 1982. He pointed out, however, that the Argentine government had not withdrawn all controls, such as the overseers who are still in place in all UK-owned companies in the country.

Argentine government officials said that the lifting of sanctions was a significant concession, given what is seen in Buenos Aires as Mrs Thatcher's intransigence in refusing to negotiate on the Falklands issue. Sr Jorge Wehbe, the Argentine Economy Minister, left for New York yesterday having expressed confidence that the five-year loan would be signed by next Tuesday at the latest.

Both the Argentine Economy Ministry and the central bank want to avoid giving major publicity to the partial lifting of the sanctions so as not to provoke nationalist feelings.



Letters that led to love . . . Tim Miller and fiancée Elaine

THE BEST MAN WHOSE BOMBING RAID EXPLODED WITH ROMANCE

FALKLANDS farmer Tim Miller has asked the Harrier pilot whose bomb accidentally blinded him in one eye to be best man at his wedding.

Flight Lieutenant Mark Hare will be at his side when he marries his British pen friend Elaine Hood in Manchester next month.

Mr Miller, 34, lost the sight in his left eye when the RAF dropped 1,000lb bombs on the air strip at Dunnose Head, West Falkland, after intelligence suggested the Argentines were landing there.

It was three weeks before he was able to receive proper medical attention on the hospital ship Uganda and it was while aboard that he started writing to Elaine. When he had to come to England for further treatment he met her, they fell in love and decided to marry.

The two men met ten days after the war ended when the pilots who carried out the raid visited Mr Miller's farm to help clear up the wrecked buildings.



Mark Hare . . . best man

married I rang him up and said: 'I haven't got any brothers over here so you are going to have to be my best man and he was delighted.

Now Mr Miller, Elaine and her children by her first marriage, Samantha, 12, and Darren, 11, are planning a farming life in the Falklands.

And they hope to see a lot of their best man, Flt. Lieut. Hare, presently stationed at RAF Wittering, Oxford, may be sent to the South Atlantic again soon.

Elaine said last night: 'If it hadn't been for the bombing, Tim would not have come to England and we would not have met. You could say that it was Mark who brought us together.'

And she added: 'I don't know much about farming but I'm looking forward to starting a new life.'

Brothers

Last night he said: 'Mark was one of them and immediately owned up saying it was one of his bombs which injured me.

'He was very upset when he arrived and it took me a full day to persuade him it was not his fault. I do not blame him or the RAF at all.

'It took a lot of guts to come to see us because they didn't know how we were going to react. After all someone could have been killed in the raid.

'I kept in touch with Mark and when I decided to get

12 August 1983

Maggie blocks international loan to Argentina

MRS Thatcher last night intervened to block a £1,000 million international loan to Argentina.

British banks were to have contributed £100 million to the loan being made through the IMF which should have been signed in New York today, but they have been told not to go ahead until all controls on British funds in the Argentine are lifted.

Argentine banking sources claimed last night that all restrictions on British companies were lifted.

They were free to send money out of Argentina, said Central Bank official Luis Mey, clearing the way for the signing of the loan.

Protests

But in Britain, Treasury officials said the restrictions had not been removed although financial controls involving banks were eased some months ago.

The loan has already brought protests from Opposition MPs at Westminster who warned that the cash could be used to buy more arms for use against British forces in the Falklands.

The Government have al-

By Daily Mail Reporter

ways denied that but last night's decision is a clear warning to the Argentine government that Britain is keeping a close watch on its handling of the economy.

Banks from all the main industrialised countries are reported to be among those ready to lend money to Argentina.

It was not immediately clear how the British banks would respond to the Government's move.

● An Argentine nationalist group has claimed it planted bombs on the freighter *Kraka*, causing a fire as granite blocks were being unloaded from the ship in Port Stanley for a war memorial to British servicemen.

The Defence Ministry said last night there was no evidence sabotage was involved.

12 August 1983

Banks told not to sign Argentine loan

By Peter Wilson-Smith, Banking Correspondent

The big British banks will not go ahead with today's planned signing of a \$1.5bn loan for Argentina, in line with the wishes of the British Government, a spokesman for Lloyds Bank International said yesterday.

However, other international banks are likely to proceed with the loan signing early next week in the hope that British banks will sign later.

The Government is concerned that Buenos Aires is still restricting British companies from remitting dividends from Argentina. It wants British banks, which are due to contribute about \$150m of the \$1.5bn, to hold off until the International Monetary Fund confirms financial discrimination has ended.

IMF loans to Argentina are conditional on no discrimination and the \$1.5bn commercial bank loan is in turn subject to Argentina meeting IMF conditions.

However, the IMF is understood to be broadly happy that Argentina is no longer discriminating financially against the British. There is, however, some confusion in Britain over whether bureaucratic delays, rather than political decisions, may be blocking payments.

The Bank of England is believed to be monitoring progress of British companies trying to remit dividends. But it was not clear last night what progress was being made.

Lloyds Bank International has already managed to take money out. Shell, with interest in Argentina, said yesterday that some restrictions had been lifted but it was still being hampered by general laws from getting foreign exchange.

ICI has not tried recently to remit dividends from its Argentine subsidiary but it believes consent would be forthcoming.

The \$1.5bn loan was due to be signed in May but there have been numerous delays. Now Argentina has agreed to waive a sovereign immunity clause in the loan document and amend domestic bankruptcy laws.

● Buenos Aires (Reuter) - Argentina has lifted all restriction on British companies in the country remitting profits and dividends abroad, according to Central Bank vice-president Señor Luis Mey.

Señor Mey said the restriction had been lifted by a decision of Argentina's ruling military junta last week, clearing the way for Argentina to sign the \$1.5bn loan.

Argentina puts on the brakes

Buenos Aires (Reuter) - Argentina's military Government has announced tighter state controls on the economy to curb inflation and help industrial debts.

The measures, which include total state control of interest rates and tighter restrictions on prices and wages, were announced in a government statement after a Cabinet meeting yesterday.

12 August 1983

Pilots' claim inquiry

The Armed Forces Minister, Mr John Stanley, is to investigate the case of three Sea Harrier pilots who say that the Defence Ministry is refusing to pay their expenses for returning to Britain to fight in the Falklands War.

The pilots are said to have been based in America and Australia on exchange postings. Their expenses could total £1,500 each, involving overseas

rents, removals, and the cost of flying their wives home.

The Ministry said yesterday that there was a formal procedure for sorting out grievances about pay and conditions.

Although the Ministry paid for wives to accompany their husbands on the two-year overseas tours it is said to be refusing to repay the cost of flying them back.

Falklands 'sabotage'

AN ARGENTINE ultra-nationalist group has claimed that it caused an explosion aboard a ship in the Falklands.

But the Ministry of Defence said last night they had no evidence that a fire on board the Danish freighter *Kraka* last week was a deliberate act of sabotage.

The sabotage claim came in a communique to Reuters yesterday from an organisation calling itself the Artigas Giachino Commando. It claimed the group had placed bombs on board the ship which were detonated as the vessel lay at anchor in Port Stanley.

A spokesman for the Ministry of Defence said: "As far as we are concerned there was a fire on board the ship which was put out." The fire happened as the *Kraka* was unloading granite blocks for a war memorial.

Junta will release British funds but UK banks must await IMF green light

Thatcher bans loans to Argentina

By Peter Rodgers in London and Jeremy Morgan in Buenos Aires

British banks have been forbidden by Mrs Thatcher to sign a \$1.5 billion loan to Argentina until after an IMF board meeting later this month gives formal approval to the Argentinian promise not to discriminate financially against British companies.

Argentina last night lifted all financial restrictions imposed on British companies during the Falklands crisis last year. The decision allows an estimated 180 or more British companies working in Argentina to send profits, dividends, royalties and other funds back to Britain for the first time since the assets freeze was announced on May 19 last year, according to initial reports.

The vice-president of Argentina's Central Bank, Luis Mey,

said yesterday that the restriction had been lifted by a decision of Argentina's ruling military junta last week, clearing the way for Argentina to sign the \$1.5 billion loan to help reschedule its \$39 billion foreign debt.

Despite Britain's decision to wait for evidence that the money is actually being handed over, American and other non-British banks involved in the loan are being invited to sign the formal documents today and during next week.

A telex from the leading bank in the negotiation, Citibank of New York, was going out last night with an invitation from the chief negotiator Mr Bill Rhodes to sign, saying that the books will be kept open next week for those who do not manage it today.

The decision to go ahead without the British does not

mean that the loan will be handed over, because British signature is a condition. The haste is based partly on the fact that many bank executives are going to New York to sign and plan holidays soon after, so do not want a delay, and partly on Argentina's growing need for assurances that the money will eventually arrive.

However the decision to invite the other banks to sign implies that assurances from the Argentinian economy minister Dr Jorge Wehbe to the IMF deputy managing director Mr William B. Dale have been broadly accepted. Dr Wehbe is understood to have said that discrimination against British firms is being ended.

In London the Treasury said it had heard reports that restrictions were being lifted but added "We are waiting for verification." The Department of Trade and Industry said

"We have informed certain UK companies that have for some time wished to remit dividends."

The British Government wants to be assured that the restriction will not be put back after Argentina gets its money, which is why there is a strong feeling that British signature must await a formal IMF confirmation. The next executive board meeting is on August 24 but an IMF committee could meet earlier.

Before the ban was lifted, the Commission of National Vigilance overseeing British companies in Argentina had approved outstanding applications for permission to repatriate profits and other funds. Government officials privately confirmed that British companies who had earlier been issued with Argentinian treasury bonds denominated in

hard currency in order to make payments were authorised on Wednesday to transfer the bonds abroad.

For the first time since the freeze was imposed on May 19 last year, the Commission allowed British non-banking companies to remit funds. Sources said that "almost all" of the 80 or more British companies had sent in applications, and it appeared none had been rejected.

● The Bank for International Settlements is expected reluctantly to agree to delay repayment of another \$400 million instalment of a \$1.45 billion bridging loan made to Brazil, according to United States officials. The first \$400 million instalment was due on May 31 and the BIS threatened last month to refuse an extension on that after granting several previous delays.

EXCLUSIVE: Navy alert over 'invaders'

Frigate is heading for atom base island

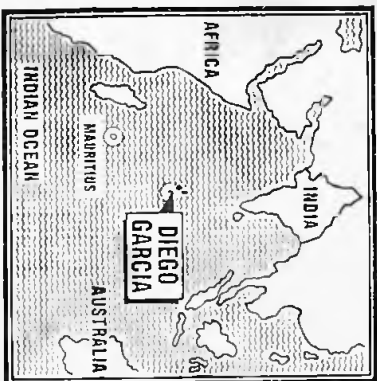
By HARVEY ELLIOTT
Defence Correspondent

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The remote, uninhabited island is 130 miles from British-owned Diego Garcia, where there is a highly-sensitive U.S. nuclear base.

The Royal Navy's decision to send HMS Andromeda was taken because the Mauritian ship Romaya is still anchored off the island, nearly a month after she put in there claiming to be having trouble with two lifeboats.

Andromeda, armed with Seacat



missiles and 4.5 in guns, could be off the islands by the weekend. She left Jeddah in Saudi Arabia on Monday, leaving a New Zealand ship, Walkaro, to maintain patrol off the Persian Gulf.

At present, there is no intention



HMS Andromeda: Orders to stay on alert

that Andromeda should try to enforce the order to quit. Instead, her orders are simply to become available in the area and to report back.

Diplomats hope that the Mauritians will leave before the frigate gets to the islands. But if they still refuse to move, she may be ordered to ensure that the Romaya leaves, with or without her lifeboats intact.

Diego Garcia is part of the Chagos Archipelago, a chain of islands thousands of miles from any mainland. They are administered by Britain but leased to America, who have built up one of the biggest military bases in the world there.

Mauritius, which has claimed the islands as their own, is in the run up to general elections on August 21.

And fears are growing that they may be trying to turn the incident into a political *cause celebre* at home. The Foreign Office is anxious to play down its significance, especially as it has so many obvious parallels with the Falklands build-up.

Last night, the Foreign Office said:

"They have accepted that they are acting illegally and we expect them to leave."

The ship, which normally looks for coconuts in the Indian Ocean, radioed that they were in difficulties because of a storm.

Earlier, the crew had formally asked for permission to go to the island to look for coconuts but was refused.

When the ship remained at anchor, it was decided to send a British Lt. Commander to ask them to leave.

When he got there he found the Romaya was still at anchor and work was apparently continuing on its lifeboats.

In Whitehall, there was intense diplomatic activity as Ministers and senior civil servants decided to maintain a low profile on the whole matter.

But they are determined that, should the situation worsen and the men refuse to go, they will not be caught unprepared, as they were when the Argentine scrap metal dealers landed on South Georgia.

Daily Mail
12th August 1983

Argentine loan is blocked

MRS Thatcher last night intervened to block a £1,000 million international loan to Argentina.

British banks were to have contributed £100 million to the loan being made through the IMF which should have been signed in New York today, but they have been told not to go ahead until all controls on British funds in the Argentine are lifted.

The loan has already brought protests from Opposition MPs at Westminster who warned that the cash could be used to buy more arms for use against British forces in the Falklands.

The Government have always denied that but last night's decision is a clear warning to the Argentine government that Britain is keeping a close watch on its handling of the economy.

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Argentine ski town recovers from the doldrums

By TONY ALLEN-MILLS in Buenos Aires

AFTER a vigorous day on some of the finest ski slopes of the Southern Andes, a glass of mulled wine and a few choice morsels of smoked deer help one forget about Argentina's economic crisis and political turmoil.

That seems to be the view of thousands of Argentines who this year have been flooding south to Bariloche, a picturesque ski resort on the shores of a beautiful lake.

Just over a year ago, Bariloche was in the doldrums, its ski slopes deserted as the South Atlantic war kept winter holidaymakers at home.

The months of May and June 1982 were the worst in Bariloche's history — just 7,000 visitors in each, compared to a monthly average of 30,000 during 1981.

Forget defeat

But when the conflict ended, to the surprise of some tourist officials, business recovered. In July 1982, 70,000 holidaymakers packed the slopes of Cerro Catedral, Bariloche's principal skiing mountain.

"After the war it seemed to

us that everyone wanted to go on holiday to forget the defeat," a local tourist official said last weekend.

Business has been steady since then despite the 300 per cent. annual inflation rate that has sliced into Argentine's living standards.

During the peak winter school holiday season just ended, most hotels were displaying "No Vacancies" signs and Bariloche was on course for a record year of around 500,000 visitors.

The Argentine resort's success is surprising because its tourist facilities are among the most expensive in South America.

A week's ski pass on Cerro Catedral costs £40—two weeks wages for a bank clerk—while a double room at a hotel on the shores of Lake Nahuel Huapi can cost up to £100 per night.

Many of Bariloche's visitors this year have been wealthy Argentines.

The collapse of the peso and the difficulty of obtaining dollars have now put foreign travel beyond the reach of all but the richest families—and Bariloche is benefiting as the former globetrotters are obliged to seek domestic holidays.

Small firm wins £13m Falklands airport contract

By JOHN PETTY *Shipping Correspondent*

A SMALL private company yesterday beat leading shipping groups to win the biggest contract so far to move equipment from Britain to the Falklands.

Cencargo, based at Grosvenor Place, Westminster, will ship all the materials needed to build the new £215 million strategic airport for the islands.

It beat off intense competition from other British firms to win the £13 million deal from the Laing Mowlem consortium, which is to build the airfield.

The deal has been approved by the Property Services Agency, the Government body handling the project.

Cencargo was formed in 1979 by Mr Mike Hendrey, whose previous experience was in specialist marine engineering and later in shipbroking.

British crews

One of its ships is the Sir Lamorak, about 2,500 tons, the Royal Fleet Auxiliary vessel which replaced the Sir Tristram lost in the Falklands fighting. Another is the roll-on ship Merchant Navigator, of about the same size, which has also carried cargo to the Falklands.

All the ships used in the contract will be British-registered and British-crewed, said Mr Hendrey. "We intend to use Avonmouth as the British loading port on a trial basis."

A 14,000-ton ship, whose name is not yet being released, will be used to take pioneer camp equipment to Mount Pleasant. It will remain at the islands for two-and-a-half years to act as a floating terminal at which other ships will unload.

It will have 150-ton derricks and a Bailey bridge ramp so that lorries can be driven on board. Its holds will be used for storage.

The contract includes moving 250,000 tons of materials from Britain to the Falklands.

OFFICERS IN JUNTA ON TRIAL

By MARY SPECK
In Buenos Aires

SOME of Argentina's senior military brass are getting a bitter taste of democracy as they begin marching through the courts to account for seven years of summary arrests and disappearances.

Judges, emboldened by the elections scheduled for Oct. 30, are ordering into court members of the military high command accused of flouting the constitution to dispose of their political opponents.

Until the debacle of last year's war over the Falkland Islands, the judiciary was held firmly under the thumb of the military administration. But now judges and prosecutors are taking their cue from politicians who want the military to begin atoning for crimes committed during the war against subversion of the 1970s.

Illegal arrests

"The judges know their appointments will have to be approved by the Parliament after elections," said Senor Alfredo Bravo, president of the Permanent Assembly for Human Rights. "They can't afford to ignore cases against the military any more."

Senior military officials have not yet been accused in civilian courts of direct participation in thousands of cases of kidnapping, murder and torture, allegedly committed during the "dirty war."

Instead, judges are nabbing the Army and Navy's most senior officers for illegal arrests, abuse of power and obstruction of justice.

Falklands orders: UK has lion's share says consortium

ALLEGATIONS that non-UK manufacturers were set to get the lion's share of construction equipment orders for the Falkland Islands airfield contract have been sharply refuted by the consortium preparing to build it.

A statement from Laing-Mowlem-ARC joint venture implies that the vast majority of plant and equipment for the job will come from UK sources and other plants will have a high UK content.

It gives the following list for plant of total UK origin;

Road trucks and Land Rovers, British Leyland; crushers, Goodwin Barsby; compressors and allied equipment, Compair; generating sets, Petbow and Tripower; compaction equipment, Aveling Barford; fork lift trucks, JCB; pumps, Sykes; dumpers and concrete equipment, Benford; and tractors and trailers, Fords.

Off highway trucks are to come from Volvo BM (UK) and the bulk of other earthmoving

equipment from Caterpillar.

The consortium's statement goes to great lengths to stress that both these firms employ a high UK workforce and obtain a high proportion of components from British manufacturers.

Volvo's BM861 dump trucks, for example, are rated to have a UK manufactured content of some 40 per cent. The company employs around 10,000 people in the UK and more than 300 British companies manufacture components for the company as a whole.

The UK-manufactured proportion of Caterpillar equipment purchased for the Falklands amounts to some 18 per cent, the statement says, with 61 per cent obtained from EEC countries. The remainder is of US origin and is "unobtainable in Britain or the EEC" the statement concludes.

The consortium was reacting swiftly to a statement issued last week by the Federation of Manufacturers of Construction Equipment and Cranes, which complained that a high proportion of orders was likely to go overseas.

11 August 1983

WAR 'NOT FALKLAND SOLUTION'

By FRANK TAYLOR
in Washington

THE chief of the Argentine Air Defence Command, which includes a majority of the country's combat aircraft, says another war will not solve the Falklands dispute.

Brigadier David Giosa said in an interview with the American magazine *AVIATION WEEK AND SPACE TECHNOLOGY*: "We are not structuring our Air Force to fight over the Malvinas (Falklands) again."

He believed war has no solution to the dispute. It was "up to the United Nations." Much the same sentiment was expressed by pilots, said the magazine.

Still short of planes

A visit to Argentine air bases by an editor of the magazine showed there was still a need for aircraft to replace the ones lost in the Falklands war last year.

At the Moreno base near Buenos Aires there were only 12 instead of 24 Mirage 3EA jets.

One pilot is quoted as saying: "We were really mad at some international Press reports that Argentine pilots were flying suicide missions against the British."

"We were fighting against a better-equipped enemy, and we had to improvise at times."

Gaps in flypast as Argentines pay homage to dead

By TONY ALLEN-MILLS in Buenos Aires

SIX French-built Super-Etendard fighter-bombers flew low over Buenos Aires at midday yesterday to pay homage to pilots who lost their lives in the Falklands conflict last year.

The occasion was Argentina's Air Force Day.

The six aircraft flew in formation with a gap between the two leading planes as a symbol of those shot down by British forces.

Similar gaps were left in formations of transport aircraft and helicopters that joined the flypast.

In a speech, Brig. Augusto Hughes, Air Force Commander-in-Chief, said that despite the losses suffered during the war, Argentina's air force had not embarked on a massive re-equipment programme.

Cash limit on arms

He said the Air Force had imposed a "maximum limit" on its purchases to avoid increasing Argentina's foreign debt—currently running at £26 billion.

Western diplomats say Argentina's purchases of arms since the Falklands conflict have been small-scale and low quality.

"They have been buying a lot

of stuff, but by British standards most of it being junk—second-hand planes from Peru, Israeli cast-offs: nothing that is going to help them conquer the Falklands," one diplomat observed last week.

The Air Force's main addition since the Falklands war has been nine Super-Etendard aircraft ordered from France before the invasion, but not delivered in time.

Exocets fitted

Each plane is assumed to have been supplied with an Exocet missile of the type that proved Argentina's most dangerous weapon during the war, but reports of how many more missiles the Junta managed to purchase since then have been wildly conflicting.

It was recently reliably reported that Argentina was now in possession of more than 100 Exocets, but that figure included the sea-launched version which is far less of a danger to Britain's defence forces because no Argentine warship stands much of a chance of getting within firing range of the Falklands.

11 August 1983

UK banks to block loan for Argentina

By ANNE SEGALL

BRITISH BANKS will block tomorrow's planned signing of a controversial \$1.5 billion (£1 billion) international loan for Argentina unless the Argentine authorities take concrete steps to lift sanctions against British companies, first imposed during the Falklands conflict.

The banks are believed to be acting under instructions from the British Government which has moved towards a noticeably tougher stance on new money for the junta in recent weeks. They are also being supported by other international banks.

Meetings were being held in New York yesterday between British and other international bank representatives, the International Monetary Fund and Argentina's economy minister, Dr Jorge Wehbe, in a last-minute attempt to resolve the issue.

It is against IMF rules for member countries to engage in discriminatory practices and the fund has taken up Britain's case forcibly.

The IMF has effectively threatened to call a halt to its own lending programme in Argentina unless discrimination against British companies stops.

British banks would not be drawn yesterday on the extent of British Government guidance on whether they should sign tomorrow's loan. The issue was described as "extremely sensitive."

Mr Guy Hunsford, a director of LBI in charge of the Latin American division, was in New York yesterday for the talks with Dr Wehbe and the IMF.

The proposed loan for Argentina has been fiercely criticised in Britain since it was first announced last December. British banks are expected to

contribute roughly \$150 million (£100 million), one-tenth of the total.

Until recently, the loan has been given the full public backing of Mrs Thatcher and the Bank of England on the ground that it was needed to save Argentina from default and hence preserve confidence in the international financial system.

But there are signs that the Government has become increasingly frustrated with Argentina's failure to lift sanctions against British companies. Britain, for its part, removed all financial sanctions last September, thereby allowing the Argentines to withdraw nearly \$1 billion (£650 million) held on deposit in London.

Under Argentine sanctions, British companies have been prevented from repatriating funds and have been subjected to special scrutiny by teams of inspectors appointed by the Junta.

In June, the Argentine authorities promised to adopt a more "flexible" approach but in practice has done very little.

So far, only Lloyds Bank has been given specific permission to transfer money back to Britain while an application for Barclays to do the same is believed to be close to success. Non-banking companies, however, have so far drawn a complete blank.

It is not clear what kind of face-saving compromise for the Argentines might be acceptable to the British Government and the International Monetary Fund.

It is generally accepted that the Argentine junta might find it politically difficult to openly repeal the sanctions legislation, but the British Government is likely to insist that individual applications to transfer funds are met in full.

Desperate Doings

NOT long ago a group of coconut merchants were reported to have landed illegally on a remote atoll near the highly secret American military base on Diego Garcia in the Indian Ocean, which is still under British rule. The authorities, when last heard of were proposing to evict these merchants, whose nationality was not known. Since then we have heard nothing.

Haven't we been here before? Are these coconut merchants Argentine, belonging to the same group of general dealers, members of whose Scrap-metal Division, by landing on South Georgia, made the first move in the Falklands War?

Is dauntless Señor Davidoff, former chief executive manager of the firm's Scrap-metal Division in the South Atlantic, now in charge of the Coconut Division in the Indian Ocean? When last heard of, this enterprising businessman was thought to be making a last stand for Argen-



tine scrap-metal marketing ideals amid fearful and inhospitable glaciers of no commercial value.

Did he escape and is he now running another business operation thousands of miles away in an even more "sensitive" area? His adventures would provide material for a rumbustious yarn from the gifted, brine-caked pen of Capt. Colin Legum, popular author of "The Beira Patrol," "On the Trail of the Sanctions-Busters" and other rumbustious tales of the Seven Seas.

It is far too long since his countless readers heard from his storm-tossed inkwell.

ARGENTINA OFFER

By Our Staff Correspondent in Buenos Aires

Argentina has told the United Nations it is willing to resume direct negotiations with Britain on the Falkland Islands "without prior conditions which may hamper or delay the resumption of talks."

11 August 1983

Pilots in Falklands scramble lose cash

By **DESMOND WETTERN** *Naval Correspondent*

THREE naval pilots, rushed home last year from exchange postings in America and Australia to fly Sea Harriers in the Falklands conflict, are now heavily out of pocket because of the Defence Ministry's continuing refusal to repay more than a small fraction of their expenses.

These expenses, which at a conservative estimate total some £1,500, involve overseas rents, removals, and the cost of flying the men's wives home.

In addition, although the Ministry paid for the wives to accompany the pilots on their two-year overseas exchange tours, it will not reimburse the cost of flying them back to the original postings to which their husbands have now returned.

A year ago, with the first complaints about the slow repayment of expenses incurred by men brought home in a hurry, the Ministry said that the matter was "being sorted out." Nobody would be out of pocket because of his Service commitments.

Paid only £300

One of the three pilots, who is unwilling to be named because of Service rules forbidding public comment on internal matters, was flying with an American naval fighter squadron in California when he was recalled.

He was given a verbal assurance by a British admiral in Washington that the cost of bringing his wife home would be paid. "If not I'll pay the bill myself," the admiral told him.

Despite this assurance and protests to the Ministry by the Flag Officer Naval Air Command, Vice Admiral Sir John

Cox, the officer said he had so far received only some £300. This was to cover the rental of his house in America during his absence of four to five months; two-way air tickets for his wife, and removal expenses.

"We were told that the war might last a year and in such circumstances I wasn't going to leave my wife alone thousands of miles away beyond reach of any help from the family or the Service here.

"Her position would have been very difficult if I had been killed or seriously injured — particularly as we learned later that it was officially anticipated losses among Sea Harrier pilots might be as high as 75 per cent."

The officer who is in his thirties and has been flying jet fighters at sea since 1965, said he was luckier than one of the other two pilots in similar circumstances.

"My father gave me a loan of £1,000 and if it hadn't been for that I'd now be heavily in debt—as I know is the case with one of the other two."

He himself is having to repay £580 to the Ministry, which is deducting it monthly from his pay because he allowed friends to live in his house in England while he was in America.

He received no rent. But the Ministry calculated the amount he might have received and adjusted upwards the terms of a £3,000 loan made to him by the Navy in 1978 as part of the down payment on the house.

The officer has not had a single letter from the Ministry's Naval Pay and Pensions Department. All correspondence has been addressed through either his Commanding Officer or the Naval Pay and Records Centre at Gosport.

Disputed claim

In one letter forwarded to him, the Pay Department's General Finance Branch One stated that he had "made arrangements for his wife's flight home before there was any proposal let alone certainty that its cost would be met from public funds, yet he did not opt for a standby flight for her."

The officer points out: "Initially I was given six hours to pack and fly home and even though this was later extended to 24 hours it didn't give much time to make such detailed arrangements."

What has particularly annoyed him is that in one letter the Pay Department virtually accuses him of dishonesty.

The letter said: "He appears to have substantially to have overstated his claim for residual housing costs in the United States during his absence. He evidently based his claim on the ceiling rental figure for the United States and not on his actual rental, which British Defence Staff in Washington has stated as being \$755 a month, including water and sewerage, and not \$875, excluding water and sewerage, as he states."

The officer said: "I feel like consulting a solicitor but I doubt it would do much good as it seems even the Second Sea Lord's office in charge of naval personnel is powerless to shift the Civil Service."

"Regardless of what they said was the rent, in fact I undercharged for the amount I was paying when I submitted my claim."

A Defence Ministry spokesman said last night: "We cannot comment on individual cases which are a private matter."

"But there are well-oiled lines of communication by which any officer or man can take a complaint to the highest level of the Admiralty Board

II August 1983

Junta ready to push on with 'dirty war' amnesty

From Jeremy Morgan
in Buenos Aires

Argentina's military regime appears ready to confront opposition to its planned amnesty for crimes during the "dirty war" of the 1970s.

Independent observers detected several signs that the regime was steeling itself to press ahead with earlier plans to impose the pardon during the first half of this month, despite mounting civilian criticism and division within the armed forces.

In a move apparently designed to bolster the army commander, General Cristino Nicolaides, at yesterday's meeting of the ruling military junta, sources said top generals would "ratify" their support for the controversial measures.

The amnesty, which would cover offences during a bitter confrontation with leftwing

opponents in which thousands of people disappeared, has largely become the army's project because of growing doubts in the other two services.

General Nicolaides is under pressure within the army to produce results and may even have been given something of an ultimatum when he met other senior officers on Tuesday night.

Unconfirmed reports say General Juan Carlos Trimarco, commander of the First Corps based outside the capital, told his chief that the amnesty would have to be decided "within 48 hours."

Sources in the navy, which has opposed the amnesty on the grounds that it should not include some of the terrorists the armed forces fought during the "dirty war," said it was prepared to modify its position.

It was suggested that the

navy was prepared "in the last instance" to accept the planned law to preserve the junta and the promised transition to democracy next January.

Spokesmen for President Bignone warned that the state of siege, imposed over eight years ago to give the authorities wide powers of arrest and detention without trial, would not be lifted unless the amnesty was in force.

But given that the regime has insisted that, at most, the state of siege might be lifted for one day, when elections are held on October 30, this appeared less of a threat than a last-ditch attempt to garner non-military support for the pardon.

Establishing the amnesty, without provoking a public furor whose consequences might be unforeseeable, appears to be getting more difficult with each day.

Junta's UN bid for talks

By Patrick Keatley,
Diplomatic Correspondent

ARGENTINA has sent a letter to the Secretary-General of the United Nations proposing a fresh round of negotiations over the future of the Falkland Islands. But last night in Whitehall, on the personal authority of the Prime Minister, officials said that Britain will not enter negotiations of any kind in present conditions.

Mrs Thatcher's rebuff to the junta will be put into more formal language later this month, when the Foreign Secretary, Sir Geoffrey Howe, will be sending a letter to Mr Perez de Cuellar at the UN. But the message then, as now, will be the same: We cannot negotiate with people who are continuing a state of undeclared hostilities against us by sea and air, and we will not enter negotiations with people who declare that they hold absolute sovereignty.

Anticipating the British argument that Argentina has a bad human rights record the letter to the UN says: "Argentina is prepared to pay special attention and just respect to the traditions and life style of the inhabitants of the islands."

Asserting a "readiness to resume negotiations" aimed at "a just and lasting solution," the letter says that the UN resolution—an advisory one—known as GA 37/9 "in no way allows for the imposition of pre-conditions which might obstruct or delay the resumption of negotiations."

Argentina says loan ready for signing

By Peter Rodgers,

The Argentine economy minister, Mr Jorge Wehbe, claimed to widespread scepticism yesterday that a \$1.5 billion loan from international banks would be signed by Tuesday at the latest.

But there is no sign that the British Government is yet satisfied that Argentina is moving to lift all financial sanctions against British companies. One possibility is that signing by the British

banks involved could be postponed until after the next IMF board meeting in a fortnight's time. The British banks will not sign without a signal from the Government that they can go ahead.

Mr Wehbe confirmed in Buenos Aires that he is leaving for New York today, saying that the trip is to sign the agreement. One possibility is that other banks, which have sent staff to New York, could to save future journeys sign

without the British. The loan could still not be implemented. However, officially it is regarded as more likely that everything will have to wait for the IMF board meeting.

The IMF is responsible for checking that Argentina has dropped financial sanctions against Britain, one of the conditions for a separate IMF loan to go ahead, to which the international bank loan is tied.

The Bank of England is the key contact point between gov-

ernment and the banks but the Treasury and the Foreign Office are deeply involved.

The message yesterday from the Argentine Government saying that it is willing to resume negotiations over the Falklands with Britain is a new factor in this. Mrs Thatcher has turned down the proposal but some banking sources believe that the refusal of the proposal will be used by Argentina to justify retaining discrimination against British firms.

FINANCIAL TIMES

11 August 1983

'No' to Argentina

Britain rejected an Argentine call for talks over the Falklands in the framework of a UN General Assembly resolution passed last November.

THE TIMES

11 August 1983

Whitehall cool to junta's Falklands plea

By Rodney Cowton
Defence Correspondent

The Foreign Office yesterday reacted coolly to an Argentine call for an early resumption of negotiations about the future of the Falkland Islands.

The demand, in a letter to Señor Javier Pérez de Cuéllar, UN Secretary-General, said that the sooner negotiations were resumed, the better would be the chances of a "just and lasting solution".

A spokesman for the Foreign Office said it had not seen a full text, but the letter had to be considered in the context of recent incidents around the Falklands.

Generally, the Argentine letter is seen as preparing the ground for this autumn's meeting of the UN General Assembly.

10 August 1983

Argentina blocks UK payments

From Jeremy Morgan
in Buenos Aires

The Argentine military regime has authorised few payments, to British companies and banks since it announced in early June that the Special Commission of National Vigilance overseeing British companies in Argentina could lift the restrictions imposed during the Falklands crisis last year.

British companies have been issued Argentine treasury bonds denominated in hard currency, but the commission has not allowed these to be transferred overseas, blocking actual payment.

Banco de Londres y Sud America, the local subsidiary of Lloyd's International, a key bank in the loan negotiations, was permitted to remit \$3.2 million last month. But bankers say most other applications from an estimated 180 British companies have been "buried in bureaucracy."

Leaders of the 263 banks scheduled to take part in a proposed £1.5 billion loan, have already warned that agreement cannot be reached unless the Argentine government fulfils

its pledge to improve the position of British companies.

Creditors are pressing the regime to annul the laws blocking British companies from remitting profits, dividends, royalties and other funds.

President Reynaldo Bignone was empowered in June to repeal the law imposed in May last year, provided the move

York tomorrow. Although there are reports that the loan agreement will be signed on Friday, sceptical bankers noted several earlier confident forecasts had failed to materialise in an accord.

Although creditors have dropped demands for changes in Argentina's bankruptcy law, disagreement persists over the

But there has so far been no presidential decree putting the pledge into practice, and US banks have demanded "something in writing" before they sign the agreement.

The Argentines have warned that they will not be able to meet this year's debt payments unless they receive the proposed \$1.5 billion five-year syndicated loan, which has been supposedly "imminent" here for at least two months.

THE COMBINED debtor nations of South America have agreed to meet in Caracas, Venezuela, early in September with US government and financial officials in what looks ominously like the first formal session of a South American debtors' club. The combined South American nations have a foreign debt of over \$400 billion. The prospect of these countries getting together to force a mass renegotiation of their combined debt is perhaps the most nightmarish prospect the Western banking system could face.

was considered "in the interests of the Argentine republic." But the regime also retained the right to reintroduce the ban if it saw fit.

Hopes that a compromise was near were renewed yesterday after government officials confirmed that Argentina's economy minister, Dr Jorge Wehbe, was flying to New

refinancing of \$5 billion in debts.

The government promised some time ago to alter the terms of the special five-year bonds and promissory notes it plans to use to cover these rescheduled debts, so that they would also carry interest charged at United States "prime rate."

10 August 1983

Buenos Aires warned against ship and plane intrusions

Exclusion zone 'fire' orders for Falklands forces

By Patrick Keatley,
Diplomatic Correspondent

British forces in the Falklands have been told to use live ammunition if necessary to ward off further intrusions into the exclusion zone by Argentinian planes and ships.

The Argentine government has been warned of the danger through third parties because the British Government refuses to have direct contact with Buenos Aires until it declares an end to hostilities.

There were two incidents last week involving intrusions by Argentinian fishing vessels and a military jet amid speculation that the junta was trying to provoke a British reaction which would give it a propaganda bonus for the forthcoming UN debate on the Falklands.

Mr Ray Whitney, the junior minister at the Foreign Office who deals with Falklands affairs, said during a BBC interview yesterday that British land, sea and air units had been given orders to shoot, if necessary.

He declared: "At the end of the day, we are determined to protect the Falkland Islands. The Argentinians are aware of that. If necessary we shall take military action. That is why this sort of thing is very dangerous."

The FO and the Ministry of Defence officials are acutely aware that Argentina may be staging provocative intrusions into the 150-mile zone in order to bring about the kind of shooting incident which can be used to create sympathy for Argentina at the UN.

The debate on the future of the Falklands, initiated by Argentina, is scheduled to take place in a few weeks' time. For this reason it is unlikely

that British units would shoot to kill or even to cause damage to Argentine ships or aircraft. Warning shots are more likely.

In Port Stanley last night, the Civil Commissioner, Sir Rex Hunt, confirmed that granite blocks for a much-delayed Falklands war memorial had been damaged by a shipboard fire in Stanley harbour.

The monument is a tribute by the 1,800 islanders to British servicemen who died recapturing the Falklands last year. The islanders originally planned to unveil it in June.

⊙ An RAF medical officer has received special recognition for his work during the Falklands campaign in combating air crew fatigue during the long flights from the UK to the South Atlantic.

Wing Commander John Baird, aged 46, received the Richard Fox-Linton Memorial Prize yesterday from the Air Officer Commanding-in-Chief, RAF Strike Command, Air Chief Marshal Sir David Craig.



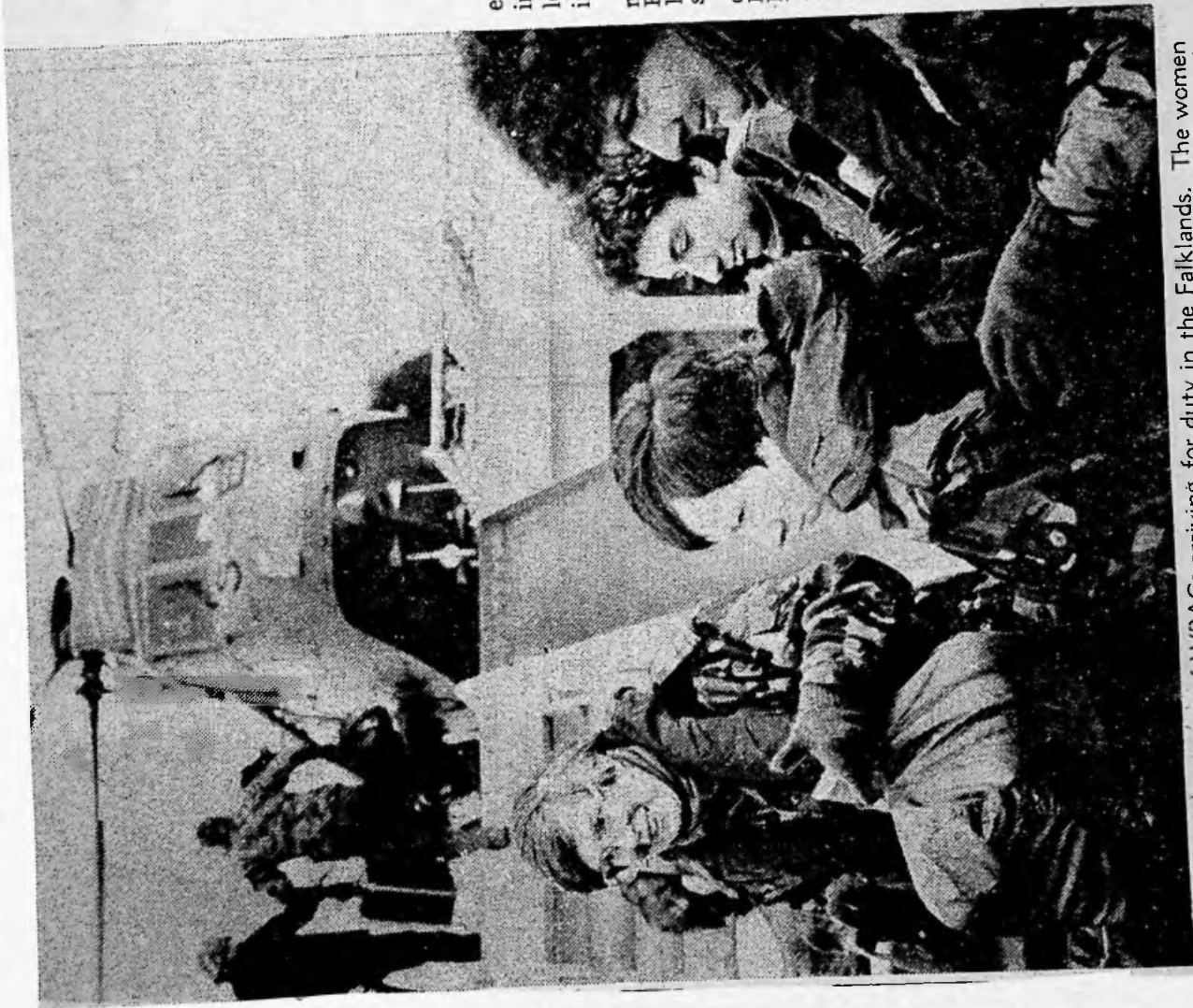
Mr Ray Whitney—blunt warning of danger

THE TIMES

10 August 1983



Falklands duty: WRACS arriving in the islands get their first glimpse of Port Stanley. They are (from front): Privates Fiona Garvock, Marie Ferris, Lorraine Ewing, and Lance-Corporals Lorraine Sanderson and Anne Burman.



The first contingent of WRACs arriving for duty in the Falklands. The women (from left) Capt Dia Foster (Taunton), Sgt Jill Rich (Cheltenham), Corporals Sarah Hickson (Doncaster) and Sonya Steinert (Sheffield), were flown ashore from the motor vessel Keren by helicopter.

Britain rules out diplomatic protest to Argentina

By DAVID ADAMSON *Diplomatic Correspondent*

BRITAIN considers Argentina's testing of the Falklands' exclusion zone as "provocative and dangerous" but it does not intend dignifying it with a diplomatic protest.

A diplomatic channel exists in the Swiss Embassy in Buenos Aires, which looks after British interests.

But Foreign Office officials made it clear yesterday that British reactions were being limited to interceptions at sea and in the air.

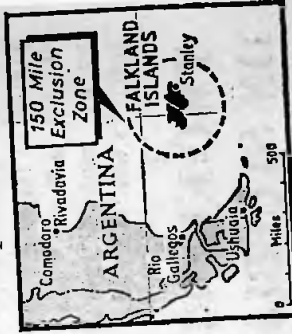
"At the end of the day we are determined to protect the Falkland Islands," said Mr Ray Whitney, Parliamentary Under-Secretary of State at the Foreign Office, on the BBC's "Today" programme yesterday.

"The Argentines are aware of that. If it is really necessary, we shall of course take military action."

Trawlers intercepted

Within the past 10 days two trawlers and an Electra aircraft have been intercepted and turned away. The aircraft carried a camera crew which took film of the interception by two RAF Phantoms from Port Stanley.

The incidents are seen by the Foreign Office as part of the prelude to the U.N. General Assembly debate on the Falklands this autumn. The Argentines are depicting



the British force in the islands as a threat to the peace and normal commerce of the region. The British point out that the Argentines started the war and have not yet agreed to a formal cessation of hostilities.

Argentina expect to rally Latin American and United States backing for a call for negotiations on the islands.

ISLANDERS' VIEW

More air patrols

PATRICK WATTS in Port Stanley writes: The Falkland Islanders appear resigned to the latest incidents of Argentine intrusions into the exclusion zone.

There has been a noticeable increase in air activity from Stanley Airport as Phantoms and Harriers undertake patrol duties.

FALKLANDS CALL FOR GRANITE

By Our Correspondent in Port Stanley

More granite from Merryvale Quarry in Devon will be needed to replace parts of the Falklands Liberation Monument damaged by a fire last week aboard the Danish cargo ship, Kraka. 500 tons, in Port Stanley harbour.

Several blocks among the 70 tons of stone are charred and lettering has been damaged.

Junta to seek international support for Falkland claims

BY JAMES BURNS IN BUENOS AIRES

ARGENTINA is preparing to redouble its efforts to draw international attention to its claims to the Falklands after the latest outbreak of tension in the South Atlantic, according to senior Argentine officials.

Sr Juan Ramon Aguirre Lanari, the Argentine Foreign Minister, said on Monday that his Government was "considering all the additional means it had at its disposal to defend the national interests which are at play."

He was referring to the British interception last week of Argentine fishing boats and an Argentine naval patrol plane inside the British exclusion

zone. British troops on the island and Argentine air bases in southern Argentina were put on temporary red alert following the incidents.

Officials here have virtually ruled out any major Argentine military move against the islands, in the near future. However, there is some concern that incidents similar to last week's could develop into something more serious and provoke hard line nationalists in the regime.

Privately some Argentine officials have admitted that they favour a policy of limited harassment of the islands so as to revive the Falklands issue,

once the United Nations General Assembly returns from its summer recess next month.

An Argentine motion repeating a UN call for a resumption of negotiations with Britain over the future of the islands has been put on the agenda.

The Argentine Foreign Ministry is preparing to fire its opening diplomatic salvo later this week. A protest note describing last week's incidents as a "provocation" and reaffirming Argentina's sovereignty claims will be delivered to the UN Secretary General Javier Perez de Cuellar.

In a leading article the diplomatic correspondent of the

usually well informed Buenos Aires newspaper Clarin yesterday warned that military incidents within the exclusion zone would become a common feature of the Falklands dispute because of what he termed a "disproportionate" British military presence on the islands, and Argentina's reluctance to declare a formal cessation of hostilities as long as Britain refuses to consider Argentine claims.

The Argentine media has given considerable coverage to an interview published in the Madrid Daily El Pais earlier this week, in which Sir Geoffrey Howe, the British

Foreign Secretary, ruled out an early solution to the dispute as long as Argentina insisted on making sovereignty an essential issue in future negotiations.

David Tonge adds: Britain considers Argentine probing of its 150-mile protection zone around the Falklands could be a "public relations venture" intended to influence this autumn's debate on the islands at the United Nations General Assembly. Mr Ray Whitney, Junior Minister at the Foreign Office, said yesterday.

He described the recent incidents, the first this year, as "provocative and dangerous."

Speaking

10 August 1983

Falklands war helps to boost Ordnance profits by £56m

BY PETER RIDDELL

THE PROFITS of the Royal Ordnance Factories soared in the year to last March. This reflected a sharp increase in demand which was partly accounted for by the Falklands war.

The trading fund accounts of the factories, published yesterday, show a surplus after interest of £68.2m in the 12 months to the end of March compared with £12.1m in the previous year.

The factories supply munitions and equipment mainly to the Ministry of Defence but also to some overseas customers. They already operate on the basis of a trading fund receiving payments for supplies to other Government departments.

The improvement is of wider than usual significance this year because legislation will be brought forward in this parliamentary session to put their operations on to a more commercial basis under the Companies Act.

The Government will initially continue to own the factories but intends in due course to involve private capital directly, either through sale to the private sector, joint ventures or flotation of shares.

The factories had had an indifferent commercial record in the early 1980s, with a below-target rate of return on capital. This was the result of the loss of the Iranian market and a reduction in demand. The report does not mention the Falklands but notes that during the 1982-83 financial year there was "a return to a much more stable environment." The results "reflect the full benefits of cost reduction exercises, the absence of serious disruption to production and deliveries against orders secured following the cancellation of certain overseas contracts."

A return of 18.5 per cent on average net assets employed at current values was achieved in 1982-83. This boosted the aver-

age for the four years to March 1983 to 8.3 per cent compared with the financial objective of 5 per cent.

The report expects that the improved financial results for the last financial year will be maintained in 1983-84 "when a number of new major projects will be moving from the development to the production phase."

Total sales rose by 28.8 per cent to £448.5m in 1982-83 compared with the previous year. The current cost surplus after interest was £54.9m in the year.

As part of the moves towards a more commercially based organisation, Mr F. Clarke, formerly a director of IBM (UK), was appointed chairman and chief executive of the factories last November. He was charged with "planning and supervising the development of the factories into a free-standing commercial organisation, and for directing and expanding the business of the factories both within the UK and abroad."

Airport group defends foreign purchases

By Ivo Dawney

THE FALKLANDS AIRPORT consortium yesterday defended its decision to buy some construction equipment from foreign-owned companies.

A state was released to avert possible criticism of the Laing-Mowlem-ARC group for its decision to buy off-highway articulated dump trucks from Volvo BM (UK), the British arm of the Swedish automotive group, and other equipment from Caterpillar, the U.S.-owned earthmoving equipment company.

The consortium said that 40 per cent of the contents of the 14 Volvo articulated dumper trucks, worth about £1m, commissioned for the work are British-supplied. Caterpillar was the only company with the appropriate range of earthmoving equipment.

Of this 18 per cent would be provided by the company's British division.

The consortium said that it was impossible to provide all equipment needed for the airport from British companies.

10 August 1983

Lord Carrington and the problem of Fortress Falklands



Lord Carrington: Candid

By JOHN DICKIE, Diplomatic Correspondent

FORMER Foreign Secretary Lord Carrington last night described the Government's £400 million-a-year Fortress Falklands policy as something 'which for 20 years we've been trying to avoid.'

In a candid television interview, he admitted for the first time that the way last year's South Atlantic crisis escalated took the Government by surprise.

Lord Carrington said in the interview with TVS—shown on Channel Four—that he felt the withdrawal of the Endurance from the South Atlantic just before the conflict as part of a defence cuts package was the 'wrong thing to do'.

He added: 'The reason for that was that they did not think at the time that the Falklands Islands were in the front line in the sense that there was any immediacy and immediate danger in the Falkland Islands.'

Lord Carrington, who resigned after the Argentine invasion went on: 'The Foreign Office were always saying and pointing out that you had to reach a solution which was acceptable unless you were going to have a sort of Fortress Falklands policy.'

● November's unveiling of the Falklands Liberation Monument may be postponed for the second time after a blaze on the ship taking it to the islands.

DAILY MAIL
10th August 1983

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Daily Mail
10th August 1983

Falkland gift

A FLOCK of 150 hardy Romney Marsh sheep costing £5,200 will be shipped to the Falklands next month as a gift from the National Farmers' Union in Kent.

EVENING STANDARD (City Prices)

9 August 1983

Falklands threat

by Frank Draper

INCURSIONS by Argentinian aircraft and trawlers in the 150 - mile exclusion zone around the Falkland Islands were described in London today as provocative and dangerous.

Mr Ray Whitney, Parliamentary Under-Secretary of State at the Foreign Office, said on BBC Radio 4: "They

are likely to make the situation worse rather than better."

Two trawlers have been ordered out of the zone by the Royal Navy, and an Argentinian Electra aircraft was intercepted by RAF Phantom fighters at the weekend.

Mr Whitney said he thought the Argentinian action was a public relation exercise by the military junta

THE TIMES

9 August 1983

Caterpillar wins new airport deal

Falklands contract for US firm

By Our Business Staff

Two of the contracts for building the new £215m Falklands Islands airport have been awarded to non-British companies.

The contracts, thought to be substantial, have been won by the United States Caterpillar company and Volvo of Sweden.

The consortium which won the overall project contract a month ago, Laing-Mowlem-Amey Roadstone, announced the contracts yesterday and emphasized British participation.

It said that 18 per cent of the Caterpillar contract for earth-moving equipment will go to the company's factories in Britain; and that the off-highway dump trucks to be supplied by Volvo have a British-manufactured content of 40 per cent.

The consortium lists the British suppliers of equipment, saying that orders are being placed "largely with British firms". An official would not say how much was being spent on each purchase or what percentage of the total purchases each contract represented.



In the case of Caterpillar, the statement says that its equipment was chosen "as it is the only single manufacturer able to supply the range of equipment".

Caterpillar has two factories in Britain, at Glasgow and Newcastle, which generated sales worth £149m last year. Its EEC and US Plants will fulfil the rest of its contract.

The consortium says of the Volvo trucks, ordered through the British office: "While this is essentially a Swedish company, the equipment in question ... have a British manufactured content of some 40 per cent".

Contracts awarded to British suppliers are: road trucks and Land Rovers - British Leyland; crushers - Goodwin-Barsby; compressors - Compair; generating sets - Petbow and Tripower; compaction equipment - Aveling Barford; forklift trucks - JCB; pumps - Sykes; dumpers and concrete equipment - Benford; tractors and trailers - Ford.

● The British Government is concerned that Argentina is deliberately provoking confrontation around the Falklands, official sources said yesterday (Reuter reports).

The Ministry of Defence has reported four incidents in the past week in which Argentine fishing trawlers and an aircraft ventured into the 150-mile exclusion zone around the Falklands.

Argentine split, page 5

THE TIMES

9 August 1983

Post-Falklands Argentina: Part 2

Split on relations with Britain

In the second of two articles on Argentine thinking on the Falklands, ANDREW THOMPSON, our Buenos Aires correspondent, reports politicians' views on the future of negotiations.

There is divided counsel among Argentina's politicians over whether the country should sign a formal cessation of hostilities with Britain. No one is thinking of renewing hostilities: the argument is over the best way to advance the diplomatic claim to sovereignty over the Falklands.

Señor Oscar Camilion, a former foreign minister and now one of the key foreign policy specialists in the Movement for Integration and Development, a small but influential political party, is decidedly in favour of signing a formal cessation of hostilities. "The hostilities have ended and we should recognize it", he says, arguing that in the absence of a formal treaty the British Government can justify its "Fortress Falklands" policy. While members of the Argentine Government believe that a high level of British expenditure on the island will become increasingly unpopular with the taxpayers, Señor Camilion draws the opposite conclusion. "Whenever you spend a large amount of money in one place, you create vested interest", he comments. "We should support anything which reduces, rather than increases the number of British troops on the Malvinas (Falklands)."

A similar, although slightly



Señor Camilion: 'Fortress Falklands' justified

different position, is taken by Señor Leopoldo Tettamanti of the Peronists. He would like to see an Argentine decision to sign a formal cessation of hostilities linked to British troop withdrawals and a promise to negotiate the future of the islands.

Like other politicians, Señor Tettamanti rejects the argument that the Falkland Islanders have a right to self-determination. He says the islanders are "a sector of the British people, living on land which is not their own". A future Argentine Government would have to invite Britain to negotiate within the framework of the United Nations. "This negotiation will have to be on the basis of a recognition of Argentine sovereignty and of the legal security of the islanders, whose customs and future must be guaranteed", he said.

Señor Tettamanti visualizes an interim United Nations administration during negotiations and to supervise the transition. His ideas are not entirely shared by other leading Peronists, who tend to argue that Britain should make the first move towards a thaw in relations.

"That resolution recognized that hostilities had ended, and called for peaceful negotiations on the sovereignty dispute. Peaceful negotiations mean peaceful negotiations: that is what we want," she said.

Señora Elsa Kelly of the Radicals is sceptical about the need for a formal cessation of hostilities. She fears that Britain is seeking such a declaration as a way of closing the whole sovereignty debate.

She argues that if Britain is really interested in peace in the South Atlantic, it should have accepted Resolution 37/9 of the United Nations General Assembly, voted last November.

Diplomats in Buenos Aires agree that the advent of a civilian government will change the current deadlock between Britain and Argentina.

"I don't think anything will change immediately", one said. "because no one is sure of the stability of the next civilian government. But assuming it is able to consolidate its position internally, I expect it to launch a major diplomatic initiative over the Falklands around this time next year. We might see some movement then."

Concluded

THE GUARDIAN

9 August 1983

Britain's bill for clearing islands £15.2m, says report

US has paid no rent for base on Diego Garcia

By Julia Langdon
Political Correspondent

The US Government has not paid Britain in rent, or any other form, for using the Indian Ocean island of Diego Garcia which is being developed as an American military base.

A Commons report, published yesterday, reveals that Britain has spent £15.2 million clearing the way for a base on the Chagos Archipelago. It recalls that, in 1966, the US contributed £5 million by offsetting defence contracts.

But the report goes on: "No other rents or payments have been made to Her Majesty's Government by the US Government, or offset arrangements made."

The £15.2 million has been spent on compensation grants to countries and individuals with interests in the islands.

Mauritius was paid £4 million for the resettlement of the inhabitants of Diego Garcia and its surrounding islands and £3 million for the loss of the territory.

Britain also paid £6.5 million to the Seychelles Isles for the construction of a new airport to compensate for the loss of three islands and another £1.13 million was paid to freeholders, £100,000 was paid for a cargo vessel to service Copra plantations.

Britain has been criticised for secrecy over the development of Diego Garcia, its treatment of the original

inhabitants and the possible future use of the base.

The British presence on the island is supervised by a junior Royal Navy officer and about 30 sailors who are responsible for all legal and administrative affairs on the base.

There are several thousand US workers and service personnel working on development of Diego Garcia — reputedly as a base for the projected Rapid Deployment Force, the report reveals.

It says that expansion of the US naval facility on the island is extremely broad and includes development of the existing airfield; development of a small harbour, including the construction of deep water quays; facilities for power generation and water distribution, boring wells and the construction of communication facilities.

Accommodation and recreation buildings costing about \$300 million are also being constructed.

The only money that Britain has made to offset its costs has been from the sale of copra (dried coconut kernels) and stamps. There has been no income at all since the 1979-80 financial year.

The Foreign Affairs committee has also revealed that so far just over £2 million has been paid to settle 451 claims for compensation for civil losses in the Falkland Islands. The Foreign Office is expected to have to find a total of between £3.5 million and £4 million.

9 August 1983



Toaster was used to repair radar in Falklands ship

DAILY TELEGRAPH
9th August 1983

U.S. WINS ORDER

Caterpillar, the American company has won the contract to supply earth-moving equipment to build the £215 million Falklands airport. Eighty-two per cent. of work on the contract will be done in the United States or Continental Europe.

By **DESMOND WETTERN** *Naval Correspondent*

TOASTERS, swivel chairs and kitchen cling film were among some of the commonplace domestic items pressed into service on board ships of the Navy's task force in the South Atlantic last year to keep vital equipment functioning.

Vice-Adml Sir Ted Horlick, the Chief Naval Engineer Officer, in a paper published by the Fellowship of Engineering on his private lecture to members, said that on two occasions in the Falklands conflict domestic toasters provided spares to keep radar sets running.

In another instance kitchen cling film was used to cover aircraft cockpit instruments and control panels because for long periods there was 100 per cent. relative humidity in the atmosphere.

The crew of a Lynx anti-submarine helicopter wanted to mount a machine gun for an operation but lacked the instructions or the equipment needed to fit one.

After some thought it was found that the upturned swivel section of a revolving chair made an ideal mounting allowing the gun to be installed in the aircraft's door.

'Jury rig' cable

Adml Horlick points out that in many instances ships operated far in excess of the intervals laid down for maintaining much of their equipment.

When the carrier *Invincible* returned home she had spent 155 days at sea, thus beating the peacetime record established some two years previously by the American nuclear powered carrier *Dwight D. Eisenhower* off the Gulf of Oman.

Other examples of adaptations included converting an electric motor with a defective commutator into a radio communications jammer to upset Argentine forces' links with their bases.

After the *Sea Wolf* missile frigate *Brilliant* was hit by aircraft cannon fire it was found that vital power and control cables for the missile had been severed.

Despite the problem of identifying the many wires within the multi-core cable the crew, after 72 hours, had localised the damage and were able to make a "jury rig" using twin core telephone cable.

After a bomb had passed through the engine room of the

destroyer *Glasgow* without exploding the essential air ducts for her gas turbines were rebuilt using plywood.

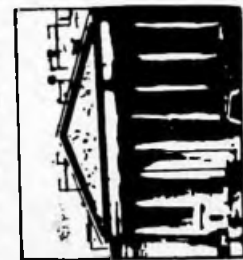
But perhaps the most remarkable repair of all was that by naval divers from the oil rig support ship *Stena Seaspread*, being used as a fleet repair ship, who replaced a frigate's broken propeller blade underwater, a job that previously has always required a ship to be drydocked.

In a recorded message to the meeting Rear Adml Jeremy Black, who commanded the *Invincible* during the conflict, said that a replacement cooling condenser for the ship's *Sea Dart* missile system was parachuted into the water for collection by the ship in the exclusion zone.

From the time the ship sent an urgent signal for the spare until its arrival on board he calculated it had been travelling "at the equivalent of a speed of more than 100 miles an hour."

But, he added, he was relieved that not too much reliance had been placed on the new policy of maintaining ships by replacing equipment from shore stocks.

If Argentina refuses to keep the IMF rules, British banks should pull out



NOTEBOOK

Peter Rodgers

IT LOOKED last December as if Mrs Thatcher was backing British bank loans to Argentina, though somewhat reluctantly, and that was that. Only the details had to be signed and sealed. Eight months and several postponed signing dates later, the \$1.5 billion loan to which British banks are subscribing over \$100 million, is still waiting a go ahead. Banks were supposed again to be

signing in New York this coming Friday, but that looks almost certain to be postponed.

The interesting question is whether this is yet another of the technical, political and communications hitches for which the junta is famous in its dealings with banks, or whether the Argentinian loan show is about to come off the road.

The banks have already taken so much political beating for joining in the first place that it must be a tempting idea to pull out altogether, at least for those banks which are not as deeply involved in the country as Lloyds, with its network of branches. The key problem is that Argentina is not sticking by the rules of the International Monetary Fund loans, which are that there is no discrimination between different lenders. The banks' own new loans will depend on all the IMF conditions being met, including this one.

Lloyds has had payments from Argentina, but others— notably Barclays— have still

found their transfers of funds from the country blocked. Hence the signals from the International Monetary Fund that Argentina must lift all remaining financial discrimination against Britain.

The fund itself is being prodded by the British Government, and the commercial banks lined up behind their British colleagues at a meeting in New York last week.

Buenos Aires is notoriously faction-ridden, and the seriousness of this stand does not yet appear to have sunk in. There could be rapid agreement, but alternatively the pressure to fully comply with the terms in Britain's case could be seized on for the Falklands war of words. What is clear is that the British Government is piling itself up to disown its original backing for British bank participation in the loan, if there is no end to discrimination.

The banks, arguably, ought to be grown up enough to make up their own minds whether they want to lend to

Argentina, but in the real world it does not work that way. They covered themselves by demanding government backing before they would join the loan in the first place.

There are indeed genuine risks that a British defection from the package could encourage other unwilling lenders to bail out too. Argentina— self-sufficient in oil, and economically more resilient than Brazil— is probably the likeliest country in Latin America to make a first stand against the banks by refusing to pay any of its debts, which bankers argue could encourage the rest to do the same. If the loan package fails, it might push Buenos Aires that way.

So in practical terms, the London banks may not want to reverse last December's decisions to participate without a signal from the government that it also has changed its mind, and wants them out.

The argument is technically between Argentina and the IMF, which if it makes the point forcefully may

persuade the Argentinians to cave in. If they don't the damage from withdrawing British banks could in practice be a lot less than the government thought it would be eight months ago, before everybody got used to cliff hanging reschedulings.

If the loans do go ahead, it does not mean that Argentina will get the money anyway. There are signs of a growing rift with the IMF over inflation and money supply targets, and a team of fund officials is in Argentina now. It could be that even if the bank loans are signed payment is held up because this depends on meeting IMF terms and conditions— just the sort of problem that has dogged Brazil.

UK NEWS

Government studies plans for Port Stanley project

BY IVO DAWNAY

GOVERNMENT OFFICIALS yesterday began examining a series of confidential proposals for new ordnance storage and jetty facilities at Port Stanley harbour in the Falkland Islands.

The final decision among the six tenders submitted before last week's deadline will be analysed by politicians as an indicator of the level of the Government's commitment to the islands' defence.

The Port Stanley harbour project is the latest of several contracts commissioned by the Government following the Falklands war.

Work has started on a series of infrastructural improvements, housing projects and road repairs while construction is expected to begin shortly on the Stanley-Darwin road and the

£215m second airport, at Mount Pleasant.

Details of the port plan tenders are subject to rigorous Official Secrets Act controls. However, it was thought earlier this year that the proposed spending on the new dock facility would range between £5m and £7m.

A more sophisticated plan, submitted by the specially-formed Stanport consortium led by United Towing, the Hull-based offshore maritime group, offers a £13m floating dock development.

If this is chosen, defence analysts are certain to interpret the decision as further evidence of the Government's long-term commitment to maintaining a high military presence on the islands.

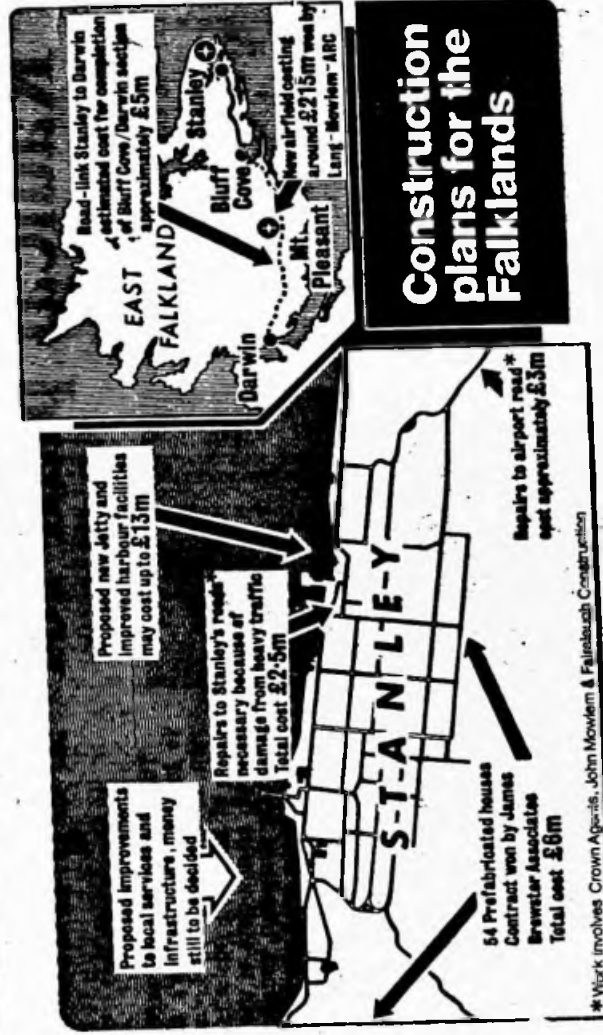
Other groups tendering for the contract include Sea Con-

tainers, SP Offshore, Neptune International, Transport Management and the St Helena Shipping Company.

The Stanport group—United Towing/Scruttons/North Venture Shipping Agencies/ and Samuel Montagu puts the case for a floating dock based on linked steel barges, strengthened with walled cellular concrete.

Construction of the barges would be sub-contracted to Monk and John Laing who would build the dock at Graythorpe in North East England. United Towing would then float the structure to the south Atlantic.

Though the project is certain to be more expensive than other proposals, the consortium is confident that the Government's £5m to £7m figure is a serious underestimate. It will



also argue that about 300 jobs would be created in the north-east of England if Stanport gets the go-ahead.

Details of other tenders are yet to be disclosed. However, it is thought that projects include schemes to use moored cargo vessels, or semi-sunk container ships with their super-

structures replaced with concrete loading platforms.

A decision on the most viable tender is expected within weeks. The Defence Ministry is anxious that construction should go ahead soon in order to reap maximum benefit from the Falkland Islands' short summer.

Preparatory work for the second Falklands airport, details of which were announced at the end of June, are well under way. The Laing/Mowlem/ARC consortium have been inundated with more than 6,000 applications from building workers for the 1,400 jobs on the £215m scheme.

Daily Mail
9.8.83

Provocation fear over Falklands

THE Foreign Office said last night that it was concerned over incursions by an Argentine jet and trawlers into the Falklands 150-mile exclusion zone.

It was difficult to say whether deliberate attempts to provoke were being carried out, said a spokesman.

He said the Government had not made any official protest to Argentina over the incidents—four in the past week.

He refused to comment on reports that the Government suspected they were part of an Argentine campaign to win sympathy for their claims

to the Falklands before an autumn debate in the United Nations on the future of the islands.

In potentially the most dangerous incident, two RAF Phantom fighters intercepted an Electra patrol aircraft as soon as it entered the western edge of the zone, and turned it back.

The Defence Ministry said: 'The standard international signals were given to the Argentine plane and it was instructed to leave. It complied without delay.'

The incident was filmed by an Argentine camera crew on board the Electra,

RICHARD GARDNER reports from the Falklands on the return of the war veterans 97 Field Battery whose guns are firing . . .

THE SOLDIER

August 8-21, 1983

THIRTEEN months after the Argentine forces surrendered on the Falkland Islands the 105mm guns of the Royal Artillery have been firing again — this time on exercise, but always ready for action at short notice.

Veterans of the Falklands conflict, 97 Field Battery Royal Artillery (Lawson's Company), are back in the islands providing artillery support for the resident battalion, currently 1st battalion, The Royal Irish Rangers. The battery home base is North camp, Hants, and they are due to return in the autumn before moving out to Germany.

The light guns used by 97 have been in the Falklands since the war and were in action right through the land campaign, ending up covering Stanley itself from positions near Sapper Hill.

The 105mm guns have shown themselves to be excellent weapons, capable of being air-lifted into position with a minimum of preparation.

They maintained high rates of fire for protracted periods and undoubtedly were a major contribution to the collapse of Argentinian morale in the final days.

During the recent exercises live ammunition was used and the guns were flown into the



YET THIS TIME NOT IN ANGER

chosen locations by Chinook heavy-lift helicopters of the RAF. The Chinooks can carry several gun crews in the cabin with guns and ammunition slung externally at the same time.

This has revolutionised the mobility of the Royal Artillery field regiments, especially in the Falklands where the local terrain prevents the cross country use of conventional gun tractors.

Once in position the guns can be towed locally by a fleet of new

tracked vehicles ideally suited for use in boggy ground. The Hagglund BV206 is a Swedish successor to the Snowcat and it consists of a pair of tracked cabins.

It can carry up to 17 personnel in warm and dry conditions and has wide rubber tracks with a very low track pressure to weight ratio, akin to that of a skier! It operates in boggy ground and deep snow and can swim rivers and streams with ease.

The artillery units in the field

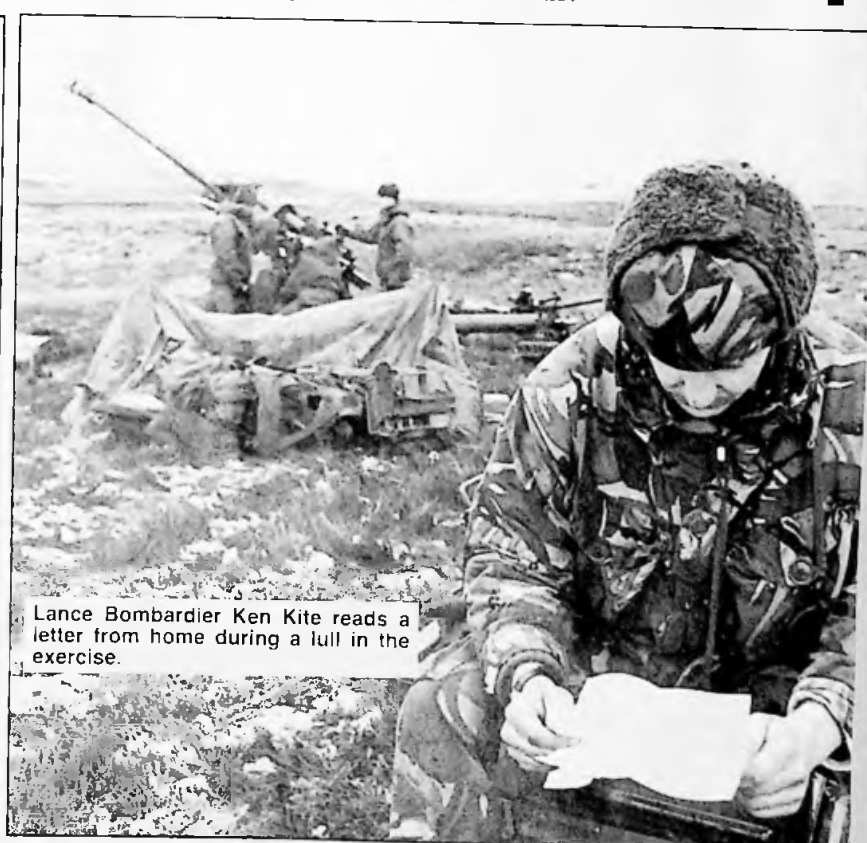
are self-contained and can be made ready for a rapid redeployment within minutes. All the ammunition and support equipment is packaged for easy heli-lift, tents and other items being stowed on the guns themselves.

The BV206 vehicles can also be 'Chinooked' if required, though in this most recent deployment they travelled back to base independently, and there are few hills that are too steep to climb.



Arriving through the winter skies, a Chinook lifted in a towed gun plus ammunition, with the gun crew inside the cabin.

Pictures: BOB ROUSHER



Lance Bombardier Ken Kite reads a letter from home during a lull in the exercise.

Strikes hit Argentina as democracy nears

By TONY ALLEN-MILLS in Buenos Aires

IT used to be known as the "English disease," but the problem of widespread industrial unrest and disruptive strikes is fast turning into the "Argentine affliction."

As the Argentine military junta prepares for democratic elections, trade union leaders flex their muscles in a more relaxed political climate.

During the past few months the country has been rocked by an avalanche of strikes affecting every sector of society from forestry workers to football players.

A headline in one Buenos Aires newspaper last week read: "Strikes Galore". Industrial disputes have become so common that some papers just run lists of the previous day's stoppages.

Fanning the flames of shop-floor discontent is Argentina's drastic inflation rate, currently running at an annual rate of about 300 per cent.

Rapid decline

The rapid decline in the standard of living of most Argentine workers is now being matched by a sharp increase in union militancy that even the military junta has been powerless to curb.

Last week alone there were more than 20 strikes affecting a wide range of businesses and industries. Among recent incidents were:

3,000 construction workers marched on the Interior Ministry wearing overalls and safety hats to demand better pay.

1,500 policemen occupied their headquarters in Tucuman province to demand pay increases and warmer winter uniforms.

400 television journalists struck for 48 hours over pay, blacking out news programmes.

20,000 dockworkers paralysed shipping activity during a 24-hour strike.

A contract row between management and players of the River Plate Football Club led to a players' walkout.

The management responded by fielding a reserve team in

first division matches, leading to threats of a players' general strike and government intervention to protect the money-spinning weekly state football pools.

Others on strike or threatening to stop work include teachers, civil servants, bakers, sewerage workers and the owners of petrol stations who demonstrated in front of the Energy Ministry to demand an increase in their profit margins on the government-fixed price of fuel.

A general strike call earlier in the week was widely supported, bringing the country to almost a standstill for 24 hours.

The Peronist-dominated trade union leadership is well on the way to building up a power base and could cause serious problems for the new civilian government due to be elected on Oct. 30.

Conflict casts a shadow on Rolls

By TONY ALLEN-MILLS in Buenos Aires

THE most unwanted Rolls-Royce in the world is sitting in a Buenos Aires showroom where a smart young salesman sadly admitted yesterday that post Falklands Argentina was not the place to be promoting the virtues of British technology and craftsmanship.

Even before last year's war Rolls-Royces were the rarest of cars in Argentina. Shipping costs and crippling import duties put them well beyond the pocket of all but millionaires.

Today the only Rolls to be seen on the streets of Buenos Aires belongs to the British Embassy—and that was only recently taken out of the garage where it was stored for security reasons after the invasion of the Falklands.

The privately owned 1978 Silver Shadow, that is now on sale for £65,000, has been parked in the window of the showroom in the chic Buenos Aires suburb of Recoleta for more than six months.

The salesman diplomatically declined to identify the Argentine who is selling the metallic-silver, leather-upholstered car, registration number C 0500, nor would he give reasons for the sale.

But he conceded that it would take a brave Argentine to invest in so ostentatious a British product in the present atmosphere of hostility.

THE TIMES

8 August 1983

Post-Falklands Argentina: Part 1:

Public prefers the peaceful path

In the first of two articles on Argentine thinking on the Falklands, our Buenos Aires correspondent, ANDREW THOMPSON, examines the mood of politicians and the public

On current form, the forthcoming elections here will begin to change attitudes over the Falkland Islands dispute. The polls will be held on October 30, and a new civilian government will be in place by the end of January, 1984.

Argentine politicians are convinced that the return to constitutional rule is a vital precondition for the formulation of credible foreign policy. "After seven years of military rule, we are going to have to rebuild our international relations at all levels," said Señora Elsa Kelly, a foreign relations expert of the Radical Party.

Señora Kelly recognizes that the country's chronic political instability, with its history of coups and foreign policy U-turns, has damaged its ability to act seriously in the international arena.

She flatly rejects the familiar argument of successive military governments: "In my party, we don't believe that our country's bad international image is caused by an anti-Argentine campaign", she insists. The first priority, she says, is to reestablish the rule of law within the country, and

thereafter formulate domestic and foreign policies which are democratic, in that they will reflect the desires of the majority of Argentines.

When it comes to analysing last year's war, the politicians are at a disadvantage, because there has still been no full domestic post-mortem. The Argentine version of the Franks Commission report has yet to be produced. The inter-forces commission, presided over by retired General Benjamin Rattenbach, is completing its investigations, but it is doubtful if it will be published in full. Most politicians are convinced, in any case, that the next congress will organize its own investigation.

Despite this, there is a willingness to reexamine and reinterpret the historical record. Señor Leopoldo Tettamanti, a former ambassador and Foreign Ministry official belonging to the Peronist Party, is convinced that "both the Argentine and the British people saw last year's war, which cut short so many young lives, with horror. It is not yet the right moment to analyse the responsibilities of both governments, but certainly, none of them is free from blame."

In Señor Tettamanti's view, the Galtieri

regime was guilty of "taking the country into an imprudent war, in both political and military terms". Britain, on the other hand, was guilty of "insisting on maintaining control of part of our territory". Now, he says, "It is time to think of the future."

One of the key factors in determining Argentina's position in the future is public opinion, which the politicians say has been ignored or manipulated by military regimes. Surprisingly, there have been few opinion polls on the issue of the South Atlantic. Nevertheless, the indications are that the majority of the population continues to demand sovereignty over the Falkland Islands, and wants it achieved by peaceful negotiations.

The next government, the politicians are convinced, needs to demonstrate to Argentine public opinion – and not least to the armed forces – that democracy and peaceful diplomacy can achieve successes in the South Atlantic where the Galtieri brand of militarism could not. The focus of the current debate is therefore how to get the British Government to agree to serious negotiations.

Tomorrow: A formal cessation
of hostilities

THE TIMES

8 August 1983

Twenty miles out in a black Mediterranean night north-west of Crete the aircraft begins its approach. The guide-lights line-up and at 140 miles an hour the aircraft touches down. It does so with an impact that sends a shudder through the ship and with a noise which wakes visitors in their bunks below decks.

As the aircraft catches the arrestor wire the pilot pushes his engines to full power, ready for a rapid take-off should the landing fail. Despite this sudden surge of power, the wire brings the Phantom to a standstill in not much more than 300 feet. On land, without benefit of arrestor wires, it would take anywhere between 5,000 and 8,000 feet to stop.

On deck, even through ear muffs, the entire world seems composed of engine roar and the smell of aviation fuel.

A deck landing at night is one of the trickiest feats of aviation, but it is daily routine on the United States ship Coral Sea, which has seen

Rodney Cowton examines the view that there would have been no South Atlantic battle had the British had this ship

By catapult into the next decade

more than 300,000 landings, by day and night, using the arrestor wires, since it was commissioned in 1947.

This ship is among the smaller members of the American fleet of aircraft carriers. The 51,820 tons displacement and 65 aircraft compare with the 83,000 tons and 100 aircraft of the huge Nimitz class, but it nevertheless packs more airborne punch than the entire armada which Britain sent to the Falklands 15 months ago.

After much anguish a decade and more ago, Britain decided that it could no longer afford to build and operate conventional carriers with

their arrestor wires and steam catapults which can hurl a modern aircraft into the air, accelerating it from standstill to 180 miles per hour in a couple of seconds.

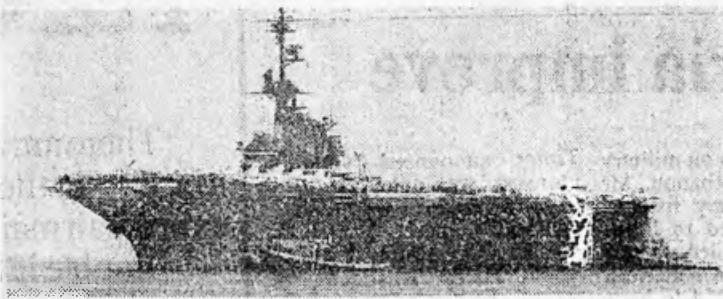
Britain's Invincible class carriers with a displacement of 19,500 tons do not have steam catapults, and can operate only helicopters and vertical take-off and short-take-off and landing Harrier aircraft. The Harriers performed prodigies in the Falklands and there are many who think that V/STOL is the way forward for naval flying, but at the moment it cannot match the

blest shall be exalted, and the Hawkeye is a wow. It sits there on the deck, its wings peaceably folded, a gigantic dinner plate carried above its fuselage. And this, above all else, is what Britain did not have in the South Atlantic.

For that ungainly disc is chock full of electronic goodies. Put up two Hawkeyes and you have a 180 degree view of any aircraft coming at you from a distance of some 400 miles.

The steam-catapult carrier remains the centrepiece of the American surface fleet, and even at 36 years old they are not yet ready to let the Coral Sea go.

This autumn, having completed a round-the-world cruise and the exercises off Nicaragua, the Coral Sea will go in for a \$200m refit. After 15 months she will reemerge, carrying the US Navy's latest aircraft, the F/A 18 Hornet, which is capable of nearly twice the speed of sound. At 36, it will have another 10 years of life in it.



abilities of the catapult-launched American aircraft.

Rear-Admiral Kendall E. Moranville, aboard the Coral Sea, said: "if you (the British) had had a ship like this in the South Atlantic, you would not have lost a single ship. There probably would not have been a battle."

Carriers are the most potent surface fighting ships in the world, but there are voices which say that they are also the most vulnerable.

When a conventional carrier is launching or recovering aircraft it has to sail into the wind, and has to

make a steady speed of roughly 28-30 knots. This makes it relatively easy for a marauding submarine to plan an attack.

Not that the carriers are innocents afloat. On that black Mediterranean night, a Russian nuclear-powered submarine has already been located perhaps 200 miles away off Libya, and was being carefully plotted.

In terms of speed, agility and striking power, the least of the aircraft on the Coral Sea is the Grumman E2-B Hawkeye. But in this high-technology age the hum-

Parsons in resignation mystery

Officials at 10 Downing Street were puzzled last night by a report that Sir Anthony Parsons, Mrs Margaret Thatcher's special adviser on foreign affairs, was resigning.

Sir Anthony is understood to be abroad and out of touch with



Sir Anthony Parsons.

the office. The Prime Minister's staff said that they could neither confirm nor deny the report, which appeared in one Sunday newspaper, that Sir Anthony would give up his part-time post in the autumn.

Mrs Thatcher appointed Sir Anthony last November, soon after his retirement from the Diplomatic Service.

DAILY TELEGRAPH

8 August 1983

R A F INTERCEPT ARGENTINE FISHING BOAT

By Our Buenos Aires
Correspondent

For the second time in a week British aircraft on Saturday intercepted an Argentine fishing vessel in the disputed waters around the Falklands, news agencies in Buenos Aires said yesterday.

The confrontations coincide with Argentina's plans to bring its claims to the South Atlantic islands before the United Nations General Assembly next month.

In the latest incident Roberto Denna, a fishing skipper, said his boat was "buzzed three times" by the R A F. On Friday two Phantoms intercepted an Argentine patrol plane in the 150-mile exclusion zone and another fishing vessel was "buzzed".

Another colony is 'lost' to Britain

A LITTLE-PUBLICISED move last week by Hongkong's legislative council may help alleviate the Foreign and Commonwealth Office's continuing embarrassment over the future status of the territory known in Chinese as "Fragrant Harbour."

From now on, decided the council, Hongkong is not to be known officially as a Crown Colony—I gather it will simply be called the Territory.

Councillors agreed amendments to standing orders which, among other things, remove all references to "colony." Attorney-General Michael Thomas said that they simply brought the orders into line with current legislative practice.

The changes were based on the report of a working party set up last year by the Governor, Sir Edward Youde. He has just returned to the "colony" from talks in Peking on Hongkong's future.

OBSERVER

7 August 1983

Falklands: US to back Argentina

HUGH O'SHAUGHNESSY says Britain faces another UN defeat

AMERICA will vote against Britain on the Falklands issue when it is debated in the United Nations in the autumn.

The decision by the Reagan Administration last November to support an Argentine-backed resolution calling for negotiations between Britain and Argentina on the future of the islands, caused a fury in Whitehall.

Despite intensive diplomatic efforts in New York last year, Britain secured only a handful of votes against the resolution, which was seen as a major political defeat for the Thatcher Government. Britain seems to be heading for similar defeat this year.

The British Government is carefully watching the run-up to the Argentine elections, scheduled for 30 October.

This weekend Dr Ronald Crosby, a wealthy rancher and veterinary expert who is seeking the presidential nomination for a small group of splinter right-wing Argentine parties, has been given a visa to enter Britain and is in London with his family seeking a meeting with the Prime

Minister, which he claims has been arranged for Tuesday.

Whitehall denies all knowledge of the appointment but officials do not rule out informal contacts with him during his stay in Britain.

The principal Argentine parties, the Peronistas and the Radicals, are both critical, in varying degrees, of the conduct of General Galtieri in launching an invasion of the Falklands last year.

But both parties demand that Britain should come to the negotiating table to discuss the handover of sovereignty to a civilian Government in Argentina, which is due to take office on 30 January.

JIMMY BURNS reports from Buenos Aires: Britain could face further Argentine harassment of the Falklands over the next few weeks.

On Friday an Argentine aircraft and a ship were forced out of the 150-mile protection zone around the islands by British forces, according to the British Ministry of Defence.

Two British Phantom fighters intercepted an Argentine Electra patrol plane when it entered the western edge of the protection zone and one of

the Argentine trawlers found in the protection zone earlier in the week was detected re-entering the zone.

The Argentine Foreign Ministry moved swiftly to make diplomatic capital out of the incident involving the two fishing boats on Monday.

The ministry announced that it was studying the terms of a formal protest it plans to deliver.

Little firm evidence has emerged that the boats were acting under direct orders from the Argentine Government.

Indeed, a military spokesman said that the incident clearly embarrassed the navy high command by exposing its inability to offer protection to Argentine vessels venturing into waters publicly claimed by Argentina.

However, there are some Argentine officials who favour a less cautious stand over the Falklands. The fishing boats are believed to have been in touch with some members of the Argentine Navy. And the captain of one of the vessels is believed to have privately expressed his wish to reach the islands 'flying the Argentine flag.'

Fleet St gets call-up

THE Ministry of Defence is offering to train a new generation of journalists as war correspondents.

Fleet Street editors last week received a letter from Brigadier David Ramsbotham the Army's director of public relations, inviting them to nominate a journalist to join a NATO exercise in Germany in late October.

The journalistic programme will be supervised by the brigadier and Mr David Chipp, editor-in-chief of the Press Association.

The letter says: 'We will be going through the whole accreditation procedure, which includes obtaining editorial endorsement for the various conditions such as indemnification and the conditions of

reporting that might apply.'

A nominated candidate, it says, should be sufficiently fit to be able to carry his equipment, including journalistic equipment, for five to 10 miles across country; not so arthritic that he cannot sleep on the ground in a sleeping bag in October; and not so asthmatic that he cannot remain for up to six hours in a gas mask.

Daily Mail
6.8.83

— Stanley ship ablaze

PORT STANLEY:
Two explosions
aboard a blazing
freighter shook this
Falklands harbour
last night.

Crews from British war-
ships helped to control the
fire in which eight men in
the Danish vessel Kraka
were overcome by fumes.

Kraka, on charter to
the Defence Ministry, was
unloading paint, tyres and
granite for a monument
to the war dead. A statue
of Britannia was on board.

Mail on Sunday
7.8.83

Argentina in huge new arms build-up

ARGENTINA has begun
a huge rearmament pro-
gramme that has taken
British defence experts
by surprise.

Now Britain may be
forced to respond by sending
more planes and ships to the
Falklands.

News of the Argentine
arms build-up came as the
Defence Ministry yesterday
confirmed that an Argentina
patrol plane and a ship were
on Friday forced out of the
150-mile protection zone
around the Falklands.

The build-up involves a 50
per cent increase in Argen-
tina's pre-invasion air
strength of Israeli-built
Dagger jets and American-
built Skyhawk bombers.

The Argentines have also
developed — it is thought
with Israeli help — a sophis-
ticated new air refuelling
system that would enable
the planes to stay in the air
over the Falklands for up to
an hour.

Worrying

Last night, the Defence
Ministry conceded it could
have important implications,
but insisted that British
defences are under continu-
ous review.

In another worrying devel-
opment, the Argentines have
converted their only aircraft
carrier so it can fly the
Super Etendard jets capable
of launching the Otomat
super missile.

The Mail on Sunday dis-
closed last month that
Argentina has been seeking
the missile, which has a
longer range than the
deadly Exocet.

The build-up does not
necessarily mean the Argen-
tines are planning a new
war. But Britain will be
forced to increase its Falk-
lands defences. They are
already budgeted to cost
£624 million this year.



THE GUARDIAN

August 8, 1983

Ships 'test' Falklands zone

From Jeremy Morgan
in Buenos Aires

Speculation that the Argentine military might be seeking to provoke incidents with British forces in the Falklands mounted yesterday after an unconfirmed report saying several Argentine fishing vessels were near the islands.

Nine Argentine trawlers were working near Britain's 150-mile zone of exclusion around

the islands, said the Peronist daily, La Voz, although it did not specify which side of the boundary.

The report coincided with a claim by Captain Roberto Denna, skipper of one of the two trawlers escorted out of the zone by a British frigate last week, that he had been overflown by British aircraft since that incident while fishing 120 miles south west of the islands.

Captain Denna claimed that his trawler, the Ribera Vasca, fished within 10 miles of the Falklands before it was intercepted by the frigate.

There was no official comment on the later incidents, or the possibility that other Argentine vessels might have entered the zone. Diplomatic sources noted growing official irritation at Britain giving permission to ships of several nations to fish around the islands.

It was also suggested that increased tension in the South Atlantic might be seen as one way of distracting attention from domestic difficulties and the boats may have been encouraged to enter the zone to revive publicity over the Falklands, due to be discussed by the UN General Assembly next month.



EVESHAM ADMAG

6 August 1983

Bredon parent's fight on **Couple probe Falklands fund**

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**'We
want
whats
just'**

A BREDON couple whose son was killed in the Falklands war are fighting for a full-scale probe into the South Atlantic Fund.

Mrs Janet Stuart and her husband Raymond of Oak Lane, Bredon say the £15 million fund is veiled in secrecy and they want its administration fully investigated.

The Stuart's - whose son Matthew was killed aboard HMS Argonaut at San Carlos Bay on his 18th birthday - are spearheading a campaign which could lead

By Admag Reporter

to legal action in the High Court.

Mrs Stuart, who has two other children, Alison 17, and Douglas 12, said: Our boys died for a principle and we are fighting for a principle and for justice."

"The fund was raised by public donations; it was a gift from the British people and they should know where the money is going."

Mrs Stuart is secretary of an organisation of parents who lost sons in last year's war. The organisation, the Association of Parents of Unmarried Sons Killed in the Falklands Campaign, was established aboard the Cunard Countess after a pilgrimage to the islands in April.

Guidelines

"We feel the fund is not being run properly or in accordance with the guidelines laid down by the former Attorney General, Lord Goodman, for administering such a fund", said Mrs Stuart, who has received £2,500 - the sum given to all families of single men.

"Families of single men have been put through a means test. My son died with a married man; the fund put a value on him but thought my son worthless."

"People did not give money according to rank or status."

"We got as far as we could on our own, then we had to take legal advice", said Mrs Stuart.

"There are a number of options open to us. We are not doing this for the money - it's the principle of the thing; we are trying to find out how the fund is being administered."

"If we can save other people in a similar situation in the future from the distress we have been through it will be worthwhile."

The Association's solicitor has made an analysis of the Fund's Deed of Trust and the letters received by Mrs Stuart since she began her enquiries.

He has written to the Ministry of Defence, who are responsible for the South Atlantic Fund, asking for information and is waiting for a reply.

Falklands poem wins crown for Eluned

A Cernarth woman has been chosen as the National Eisteddfod Crown Poet—for the second time.

Eluned Phillips, who also won the crown in Bala in 1967, is only the second woman ever to win the National Eisteddfod Crown.

Miss Phillips' poem "Knots"—based on the Falklands/Malvinas conflict—beat another 21 competitors to win the crown at the Eisteddfod in Ynys Mon.

The theme of the poem was the recent conflict, but the ties of the 'knot' were the Welsh and Patagonian connection.

The three adjudicators were unanimous in their decision and praised the ingenuity of the poem.

Miss Phillips calls herself a "flabby competitor", although she has won several prizes in major and small eisteddfodau, including the crown at Gwyl Fawr, Aber-teifi, in 1965 for a poem based on

the life of Dewi Emrys.

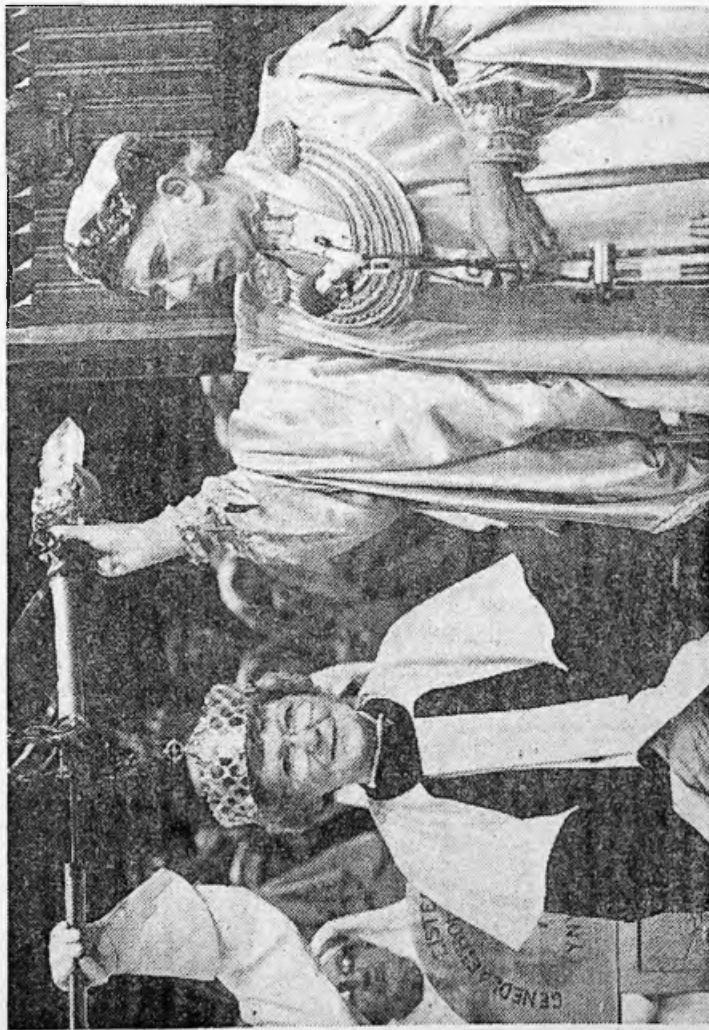
A popular member of the community in Cernarth and Ceredigion Bardic circles, Miss Phillips' lifelong ambition has been to be a professional writer.

Educated at Abercych Primary School, Cardigan Grammar School and Bethreben School in London, Miss Phillips then entered college.

But when war broke out, she returned to Wales as Assistant Clerk to the Magistrates at New-castle Emlyn, Llandysul and Pen-cader.

After the war, Miss Phillips was busy with radio serials, documentaries and plays, in both Welsh and English.

She published a biography of Dewi Emrys in 1971 and is now battling with time to finish three novels, sometimes letting a poem or two "slip through the net".



Eluned Phillips after being crowned by Archdruid James Nicholas.

Guardian 4.8.83

Euro-MP barred by Argentina

From Derek Brown
in Brussels

The British Labour Euro-MP Mr Alf Lomas has been refused a visa to enter Argentina in a European Parliament delegation investigating disappearances of political prisoners.

The other nine delegation members, including Communists and Christian Democrats, are already in Buenos Aires.

No reason for refusing the visa was given to Mr Lomas, MEP for London North-east, the only British member of the group. He believes that it resulted from hostility to Britain and his past criticism of the regime.

"If it is to do with the Falklands, it would be a bit ironic in that I was always for a negotiated settlement," he said, adding that the refusal would only make him more determined "to oppose and expose the cruelty of the dictatorship."

MoD says Argentine trawlers were not in Falkland Sound

By David Fairhall,
Defence Correspondent

The two Argentinian trawlers found inside the Falklands protection zone did not reach San Carlos Water or the Falkland Sound, as earlier reports suggested, the Ministry of Defence said yesterday. The two factory trawlers, the Ribera Vasca and the Arcos, were sighted on Monday by a Sea King helicopter some miles south of Cape Meredith, in West Falkland, fishing alongside Polish vessels. They were intercepted by a British destroyer and escorted out of the

150-nautical mile Falklands Protection Zone "without incident."

Apart from the Royal Navy's characteristic delay in producing its own account after reports from Buenos Aires, the Defence Ministry presented the encounter more as fishing initiative than an attempt to test the islands' defences.

Argentina took a different line. It was "a new example of Britain's provocative conduct, which endangers peace and security in this sector of the Argentine sea," its foreign ministry said.

The Ribera Vasca's skipper, interviewed by a Buenos Aires radio station, gave his position when intercepted as 10 miles offshore. "We made our little contribution to Argentine sovereignty," he said.

The 150-nautical mile Falklands Protection Zone now maintained is different from the wartime 200 nautical mile Total Exclusion Zone, as only military vessels and aircraft are completely excluded. Civilian craft flying the Argentine flag which asked for permission might be allowed, although no such requests have been received.

'High risk' project for Western Isles

By Peter Hetherington

The government-backed Highlands and Islands Development Board has decided to stake its reputation on another high risk fisheries project in the Western Isles.

It has won the approval of the Secretary for Scotland, Mr George Younger, for a £4.2 million fish meal and oil plant at Ardevenish on the Isle of Barra (population: 1200). The go-ahead comes a year after the collapse of a similar board venture, at Breasleat on the island of Lewis. The board, which lost well over £3 million on that project—its largest single investment—was criticised by the Commons Public Accounts Committee.

The new venture—into which the board will sink another £2.4 million—is said to be more financially sound because guarantees have been received from 30 fishermen that they will land at Ardevenish, which already has a new fishing pier and an existing fish processing factory.

But if the project fails—and the board acknowledges it is a high risk—the government would certainly ask more searching questions about its management, and overall policy. But the chairman, former Hong Kong management consultant Mr Robert Cowan, believes it is a risk worth taking, because of the fishing potential in the area, although he warned yesterday of the "dangers of complacency."

The plant will create 30 full-

time and five part-time jobs. It will be established by the North Shields Fish Meal and Oil Company, a wholly owned subsidiary of the Hull Fish Meal and Oil Company, which will invest £1.75 million in the project.

The board will provide a 23,000 square ft factory costing around £2 million while investing a further £400,000, and the company will qualify for a regional development grant of £32,000.

Significantly, much of the necessary equipment will be moved from Hull to the Western Isles, although some new plant will be introduced. The plans for the venture have stemmed from the considerable resources of so-called industrial fish species—pout, sandeel, and blue whiting—available around the Western Isles.

Racal wins big Navy contract

By David Fairhall,
Defence Correspondent

The £30 million contract to supply an electronic warfare system for the Royal Navy's new Type 23 frigate has been won by Racal Radar Defence Systems.

The firm was delighted to make the announcement yesterday, because with its equipment already fitted in submarines and naval helicopters—but not hitherto in surface vessels—it felt able to claim it was now the UK's leading supplier of naval electronic warfare systems.

The equipment in question is a development of Racal's Cutlass ESM (Electronic Support Measures) system. Its job is to analyse incoming radar signals, identify them from its

puter memory—for example, as belonging to an enemy radar-homing cruise missile—and either alert the ship's crew or trigger her defences automatically into action.

It is a system that would have been extremely useful in the Falklands operation and may yet see service in the South Atlantic. There, it would have to take account of the added complication that some submarines and radars, including the Exocet, are used by both the Royal Navy and the Argentinians.

Racal has been asked to supply 12 Cutlass systems with spares, training and maintenance back-up. The contract was awarded under the Royal Navy's new "cardinal point specification" bidding procedure, which is intended to give manufacturers more flexibility in meeting requirements, and in particular more scope to match British requirements with the needs of export customers.

The work will be done in RRDs factories at Hershaw, New Malden and Chessington in Surrey, and at Linlithgow near Edinburgh.

Operating against a near-supersonic radar homing missile, the Cutlass system may have only 20 or 30 seconds to identify the threat and alert the ship's defences—jammers, radar chaff launchers to decoy the missile, or an anti-missile missile like SeaWolf. Its computer memory can store the signatures of up to 2,000 radars, both friendly and hos-

FALKLANDS TEAM TO FLY OUT

By Maj-Gen Edward Fursdon
Defence Correspondent

THE first major shipment of men, engineer plant and materials for the £215 million strategic airfield for the Falklands is due to leave Britain in two ships in early September, the end of the South Atlantic winter.

An advance party of geologists and surveyors is flying there this month to undertake preliminary site work.

The joint venture consortium of Laing-Mowlem-Amey Roadstone was awarded the contract for the construction of runways, taxiways and aircraft hardstanding.

The contract also includes fuel installations, hangars, and accommodation for the RAF at the Mount Pleasant site.

One of the first tasks for the workforce is to provide access to the site. This will be done by building a rock-filled causeway stretching out towards a jetty head formed from an anchored vessel.

The gap between the ship and the causeway is to be spanned by a Bailey bridge.

ARGENTINE PROTEST

By Our Staff Correspondent
in Buenos Aires

Argentina intends to protest to the United Nations about the expulsion of two factory fishing vessels from the 150-mile exclusion zone round the Falkland Islands earlier this week, the Foreign Ministry in Buenos Aires said yesterday.

Times 4/8/83

Falklands intrusion confirmed

By Rodney Cowton
Defence Correspondent

Two Argentine trawlers have been escorted out of the 150-mile exclusion zone around the Falkland Islands by a British destroyer, the Ministry of Defence confirmed yesterday.

The trawlers were detected fishing in the zone at about midday on Monday in company with trawlers of other nationalities south of Cape Meredith in West Falkland.

The crew of the destroyer told the trawlermen that they should get permission from the British Government before entering the zone. They were then escorted out without incident.

Reports from Buenos Aires quote the Argentine Foreign Ministry as describing the British action as "a new example of Britain's provocative conduct". Argentina would denounce the incident at the United Nations.

Although Argentina has never signed a formal ceasefire, the Foreign Ministry said it would maintain "the *de facto* cessation of hostilities which exists".

D Mail 4/8/83

Landing near atom base

Daily Mail Reporter

BRITAIN is seeking to evict a group of men who have landed illegally on a remote Indian Ocean island near a top-secret American nuclear base on Diego Garcia.

The Foreign Office confirmed last night that a



ship had landed the men — coconut fibre merchants — on a small atoll in the Chagos group.

But though the incident seems similar to the Argentine 'invasion' of South Georgia by scrap metal merchants, who triggered off the Falklands war, no gunboat diplomacy is envisaged in the Indian Ocean.

Diego Garcia was for-

merly linked with Left-Wing governed island of Mauritius, 1,500 miles away.

Shortly before Mauritian independence in 1968, it was detached but remained under British rule.

There is still a British presence on the island of a 39-strong Royal Marine party, although it is leased to the United States as a military base. A listening post, bigger even than the British communication HQ at Cheltenham, operates from the island.

A Foreign Office spokesman said the merchants had been told to leave.

'It seems that a couple of their small boats have been damaged and they need to repair them.'

Embassy protests after coach parties turn back

French blame policy on blacks on Britain's Nationality Act

Construction News 4.8.83

Falklands: Germans to supply plant

FEARS are growing that the UK construction equipment industry may lose out on the supply of plant to the lucrative Falklands Islands airfield project. British truck makers are already expressing concern that the bulk of anticipated requirements will be bought from German manufacturers.

A Federation of Manufacturers of Construction Equipment and Cranes statement says its members believe much of the equipment will be bought overseas.

It is pointed out, however, that such is the nature of the contract and the terrain in the Falklands that the most suitable equipment for the job would naturally be made in countries other than the UK.

The FMCEC's statement says: "Despite hopeful noises from some sectors of the UK economy there is still no sign of any reliable and sustainable upturn in heavy construction work in the UK and demand for construction equipment remains subdued and bitterly competed for in overseas markets.

"In these circumstances it is a matter for concern that money spent on behalf of UK taxpayers in the development of resources in one of the few remaining areas of the world which still look to the UK for protection and their future prospects is likely to benefit foreign manufacturers rather than British".

By Angela Slinger

Black British day-trippers on 60-hour identity cards are being turned away from France because of Britain's Nationality Act, the French Consulate in London said yesterday. The British Embassy in Paris yesterday delivered a note to the Ministry of the Interior over the series of incidents.

Last night a spokesman for the French Embassy in London said: "The French government for its part proposed to the British government in May 1983, that talks be started with a view to updating the agreement in the light of the new British nationality legislation."

Under the Act, which came into force on January 1 this year, British citizens are divided into three categories: British citizens, born in the UK or to UK parents; citizens of dependencies, like the Falkland Islands; and British overseas citizens, born in former colonies and who chose to remain British when their countries became independent.

Only the first category, British citizens, have automatic right

spirit of the EEC Convention signed between England and France in 1971 British passport holders should come and go freely."

According to sources within the immigration service, hundreds of black tourists from Britain have been turned away from Calais and Boulogne this year. Coach-loads of day trippers have been segregated into blacks and whites, and a thick file of people who have been refused entry to France has been compiled by the British immigration authorities, the sources said.

It was the practice until the end of June after day trippers had been refused entry to France and returned to Britain for a British immigration officer to call France to ask why the holder of the 60-hour identity card had been turned back.

The routine answer would be that the person or persons appeared not to be British, and unless they could prove they had a right of abode in Britain they would be presumed not to be British. At the end of June, immigration officers in Kent were told to stop this practice.

Mrs Viola Henry, a health visitor from Enfield, Middlesex, who organised a coachtrip last weekend which came back because 10 black people were refused entry to France, said yesterday that she thought the Nationality Act had changed French attitudes.

"Last year we went to Le Touquet in France without any trouble," she said. "The majority of people were black and most took identity cards.

"This time, when we got to Calais, the immigration officer examined our passports and started asking where people had been born. He took away all the identity cards and asked who had organised the trip. He said I would be prosecuted for bringing in illegal immigrants and so would the coach driver, and he took our passports.

"Eventually he gave our passports back and said he'd overlook it this time, but 10 people born in the West Indies would be refused entry." The party returned home.

The British Embassy in Paris said yesterday that a complaint had been made to the French external affairs ministry concerning Mrs Henry's coach party. French officials at the ministry had said the group were Jamaicans who were not carrying British passports.

The embassy said the protest also covered other incidents in June at Boulogne and Calais involving black British citizens.

THE CANADIAN Government is refusing entry visas to British Overseas Citizens on the ground that their passports are meaningless. Under new immigration regulations, visas will be issued only to people whose passports guarantee readmission to the country of issue. Visas have been issued only to those British Overseas Citizens who had the right of readmission stamped in their passports.

of entry to the UK and right of abode and freedom of movement for admission to EEC countries, Overseas citizens need a visa for admission to EEC countries, such as France. Yesterday a spokeswoman at the French Consulate in London said: "They are not full British citizens and they are subject to immigration control in the UK as well."

The Home Office in London said yesterday that the Nationality Act should have made no difference because there had been British passport holders without right of abode since 1968. But the spokesman agreed that the French authorities were using the Act, which makes the separate categories easier to define, as a basis for tightening up.

"If they are going to follow the letter of the law they are quite justified," he said. "But if they were to follow the

The Standard
3.8.83

Navy sees off Argentine ships

by Lynda Murdin

ARGENTINA today accused Britain of provocative conduct and endangering peace and security around the Falkland Islands.

The claim was made after a Royal Navy vessel escorted two Argentinian factory fishing boats outside the 150-mile exclusion zone. The skipper of one of them said in a radio interview they had been stopped ten miles south-west of the islands.

The Argentinian Foreign Ministry said Argentina would denounce the incident in the United Nations which is due to discuss the Falklands conflict at next month's General Assembly.

Protection

In London today the Ministry of Defence confirmed two fishing vessels had been escorted out of the protection zone and said the act had been carried out by "a British warship".

"The situation is that the Argentinian fishing vessels were within the Falkland Islands' protection zone which stretches 150 miles around the Falkland Islands and excludes Argentinian vessels. They were escorted out of the area by a British warship," a spokesman said.

According to the Argentinian Foreign Ministry the two vessels were fishing alongside several Polish boats when they were buzzed by two British military helicopters and ordered to leave the area.

Daily Mail
3.8.83

Falklands catch

BUENOS AIRES: The captain of an Argentine trawler reported that his ship and another fishing in the Falklands exclusion zone had been ordered away by a British Navy frigate.

Daily Telegraph
3.8.83

ARGENTINE FISH SHIPS STRAY NEAR ISLANDS

By **TONY ALLEN-MILLS**
in Buenos Aires

Two Argentine factory fishing boats have been escorted from Falklands waters by a Royal Navy frigate after straying to within 10 miles of the islands.

The skipper of one of the boats, the Ribera Vasca, said by radio yesterday that a British type A22 frigate intercepted his ship on Sunday as it was loading fish to the north of San Carlos Waters.

A recording of the instructions received from the British vessel said in part: "You have entered a prohibited zone. You should have obtained prior permission from the British Government. Stop fishing and leave the prohibited zone. We will escort you out of the zone."

Daily Telegraph
3.8.83

Isabel Peron plans return to Argentina

By **TONY ALLEN-MILLS**
in Buenos Aires

SENORA Isabel Peron, former President of Argentina who was ousted by a military coup in 1976, is planning to return to Buenos Aires from exile in Spain.

According to reports from Madrid yesterday, she is planning to return in time for the Peronist party's crucial election congress later this month.

Senora Peron, 53, who succeeded the legendary Evita as wife of the late Argentine dictator Juan Peron, has been living in Spain since she was allowed by the Junta to leave Argentina in 1981.

She was freed from house arrest on condition that she took no further part in Argentina's domestic politics. In her absence, the Peronist party has splintered into warring factions, each of which claims it is the true heir to the dictator's political legacy.

Resolute silence

At their congress this month the Peronists are due to select their candidate for the general elections in October. Whoever is chosen will be favourite to become Argentina's first civilian president for seven years.

Although Senora Peron tumbled from power in disgrace, and was later convicted of embezzling public funds, her name still casts a mystical spell over millions of Argentines, some of whom are too young to remember Juan Peron who died in 1974.

The Peronist heavyweights jostling for selection as presidential candidate all lay claim to "Isabelita's" favours. But her resolute silence on political matters has so far given none of them any public encouragement.

It has occasionally been mooted in Peronist circles that the best means of uniting a squabbling party would be to choose Senora Peron as the presidential candidate.

Non-Peronists who remember the economic and political chaos that rocked her previous régime would shudder at such a notion.

Less clear

At Peronist demonstrations and rallies, rival groups parade banners of their heroine, some supporting Isabel but many ultra-traditionalists preferring Evita, the true goddess of Peronism.

Some sections of the party hold Isabel Peron responsible for the traumatic years of recession that followed the collapse of her government, and the Junta take-over.

Peronist sources differ in their analysis of Senora Peron's intentions in returning to Argentina. She is bound to have a unifying effect on the party, but it is less clear whether she will intervene in the candidate selection process.

According to yesterday's reports from Madrid, Senora Peron will leave Spain for Paraguay in the second half of August to meet party leaders in Asuncion. A triumphant return will then be stage-managed to permit her to attend the Peronist congress, tentatively scheduled for Aug. 27.

Daily Telegraph
3.8.83

National Eisteddfod

Falklands war poem wins bardic crown

By BRENDA PARRY

THE dramas of the Falklands war were poignantly painted at the Royal National Eisteddfod of Wales in Anglesey yesterday in the poem that won the bardic crown.

Given the theme of "Bonds," the author of the poem, Miss Eluned Phillips, from Cenarth, Dyfed, only the second woman to win the Eisteddfod crown in over 200 years, linked the Celts from Patagonia with the Welsh Guards injured in the bombing of the Sir Galahad.

Her metaphorical soldier, who was blinded in the incident, was to meet a wounded Argentine whose ancestry went back to Wales.

"In spite of the pain and suffering, their Celtic background united them and forged a very special bond — not to mention an awful realisation that Celt was fighting Celt," said Miss Phillips.

'Nothing political'

Refusing to reveal her age, the winner of the crown, a petite figure with laughing eyes, must be at least 70 years old. "My Aunt Hannah lived to within two weeks of her 100th birthday and she never admitted to being more than 26," said Miss Phillips.

In her poem, she referred not to the Falklands but to the Malvinas. Asked why, she said it was simply because the sound of the Malvinas was musical and fitted better in her poem.

There was nothing political about her poem, apart from pointing out the tragedy of Celt fighting Celt and "for me, there should never be war," she said.

Thinking of families whose sons had died or been injured in the war, she said she hoped her work would help and not offend.

Miss Phillips, a professional writer, won the Eisteddfod crown at Bala in 1967. The only other woman to win the crown was Dilys Cadwalader in 1953.

During the colourful crowning ceremony, in all its trappings of Welsh pageantry, the judges described Miss Phillips's poem as "showing a sensitivity above the ordinary."

Daily Telegraph
3.8.83

NAVY PLAN TO MOTHBALL HERMES

By Our Naval Correspondent

The 24-year-old carrier Hermes, 28,500 tons, the Navy's largest warship and flagship of last year's South Atlantic Task Force, is expected to be mothballed by the end of this year because of a shortage of Sea Harrier crews.

Paying off the carrier will ease the strain on the pilots and the problem of maintaining the number of serviceable aircraft. With the loss of seven Sea Harriers in the Falklands, the Navy has only 27 available until the first replacements leave the factory in 1987.

Although both Chile and India have expressed interest in buying the Hermes it is unlikely she will be sold unless a much higher bid is made. She will probably be retained in reserve at least until the latter part of the decade, after the new carrier Ark Royal has joined the fleet in 1985-86.



The Times
3.8.83

Argentine boats stopped

Buenos Aires (Reuter) - Two Argentine fishing boats were intercepted by a British frigate near the Falkland Islands and forced to leave the 150-mile exclusion zone, a Buenos Aires radio station reported yesterday.

Radio Continental broadcast a radio-telephone interview with the captain of the Argentine factory ship Ribera Vasca, who said his vessel and another Argentine fishing boat were stopped 10 miles south-west of

the Falklands on Monday.

Señor Roberto Denna said the motivation for going so close to the Falklands had been political. "We made our little contribution to (Argentine) sovereignty," he said.

According to Señor Denna, his ship and the Argentine fishing boat Arcos joined a fleet of 40 Polish, Soviet and Japanese boats fishing near the Southern entrance to Falkland Sound.

The Times
3.8.83

Rolling back

Lizzie a large mobile field bakery once used by the 8th Army in the Second World War, has been demobbed from service in the Falkland Islands. She was called out of retirement from the Museum of Army Transport in Beverley, Humberside.

The Times
3.8.83

Britain and China open fresh round of Hongkong talks

Peking (Reuter) - Chinese and British officials yesterday opened a fresh round of detailed talks on Hongkong's future, their last before a scheduled summer break.

In the pattern set at two previous meetings last month, neither side would comment on the morning's talks.

The teams, led by Mr Yao

Guang, the Chinese Deputy, Foreign Minister and Sir Percy Cradock, Britain's Ambassador to Peking, are due to hold another session this morning.

Sir Percy is to leave at the weekend for London where he and Sir Edward Youde, the Governor of Hongkong, will report to the Foreign Office on the negotiations.

China told the British Government last September it intended to regain sovereignty over the colony by 1997, when Britain's 99-year lease on most of the territory expires.

● HONGKONG: China will now grant travel passes to Hongkong residents with investments in the neighbouring "special economic zone" of

Shumchun, authorizing immediate passage across "the vanishing border" (Richard Hughes writes).

"We want further to simplify the immigration procedures for Hongkong people entering and leaving the zone", the Mayor of Shumchun, Mr Liang Xiang, said.

Guardian
3.8.83

Peron plans return to Argentina

Madrid: The former Argentine president, Mrs Maria Estela Peron, is preparing to return home in the second half of this month, sources close to her said yesterday.

Mrs Peron, who has been living in Spanish exile since 1981, would first fly to Asuncion, to meet leaders of the Peronist party and prepare the second leg of her trip to Buenos Aires, the sources added.

Plans for her return are being handled by Mr Milo Vogetic, a former member of a Croatian guerrilla group, which fought for the Nazis during the Second World War.

The Paraguayan president, General Alfredo Stroessner, who gave Mrs Peron's late husband, Juan Domingo Peron, shelter in Asuncion after his overthrow in 1955, is said to be a personal friend of Mr Vogetic.

Mrs Peron, now holidaying in the southern Spanish resort of Fuengirola, was overthrown by the military in 1976.

3.0.03

The Standard
3.8.83

Navy pounces on Argentina's ships

by Lynda Murdin

ARGENTINA today accused Britain of provocative conduct and endangering peace and security around the Falkland Islands.

The claim was made after a Royal Navy vessel escorted two Argentinian factory fishing boats outside the 150-mile exclusion zone. The skipper of one of them said in a radio interview they had been stopped ten miles south-west of the islands.

The Argentinian Foreign

FOREIGN NEWS

Ministry said Argentina would denounce the incident in the United Nations which is due to discuss the Falklands conflict at next month's General Assembly.

In London today the Ministry of Defence confirmed two fishing vessels had been escorted out of the protection zone and said the act had been carried out by "a British warship".

A spokesman refused to say

whether this was a frigate and declined to reply to Argentina's taunt of "provocation".

"The situation is that the Argentinian fishing vessels were within the Falkland Islands' protection zone which stretches 150 miles around the Falkland Islands and excludes Argentinian vessels. They were escorted out of the area by a British warship," he said.

According to the Argen-

tinian Foreign Ministry the two vessels were fishing alongside several Polish boats when they were buzzed by two British military helicopters and ordered to leave the area.

Later they were observed by two more helicopters. Then a British frigate appeared and made them leave the zone under threat of using force, it said.

In a communique the Ministry described the incident as "a new example of Britain's provocative conduct which endangers peace and security in this sector of the Argentinian sea."

Guardian
3.8.83

Boats halted

TWO Argentine fishing boats were intercepted by a British frigate near the Falklands islands and forced to leave the 150-mile Exclusion Zone, a Buenos Aires radio station reported yesterday.—Reuter.

Galtieri's fate still hangs in balance

By TONY ALLEN-MILLS
in Buenos Aires

THE fate of General Galtieri, the man who started the Falklands war, is still hanging in the balance in Buenos Aires with no sign of the definitive report being prepared by a special military commission on Argentina's handling of the war.

During the last year there has been frequent speculation in the Argentine Press that Galtieri will shoulder much of the blame for his country's humiliating defeat.

Some reports have suggested that the General, who was stripped of the Presidency at the end of the war, may face severe sanctions, including a jail sentence and loss of military pension and privileges.

Galtieri has already served a 30-day sentence under military arrest because of a magazine interview in which he criticised the conduct of his fellow senior officers during the war—particularly that of General Menendez, the short-lived military governor of the islands.

Bitter complaints

Since his release more than two months ago, Galtieri has rarely been seen in public.

The commission of inquiry has been examining Argentina's conduct of the war for most of this year. General Galtieri, General Menendez, and the other two members of the junta that ordered the invasion of the island head a long list of senior officers who have been interviewed by commission members.

The report was due to be presented to the Argentine public last month. Civilian politicians have complained bitterly that they are still in the dark about what went wrong more than a year after the war ended.

Anger was heightened by the comparatively brusque manner in which Britain conducted its own post-mortem on the war.

Publication of the Franks Report in London last January prompted several Argentine columnists to comment that they learned more about the war from the British than from their own side.

No official explanation has been given for the delay in publication of Argentina's report. According to reliable sources in Buenos Aires, one factor has been disagreement among the three Argentine services over how the blame for defeat should be apportioned.

During the last year inter-service rivalry has occasionally erupted bitterly into public print. Air force officers, in particular, have made no secret of their contempt for the Argentine navy's failure to contribute to the war effort once the General Belgrano was sunk.

Both the navy and the air force have condemned the army's handling of the ground war, and with General Galtieri and General Menendez both holding each other responsible for the army's weaknesses in combat, agreement on apportioning the blame appears to have been difficult.

Another possible reason for the delay is Argentina's campaign in the United Nations to force Britain to the negotiating table to discuss the long-term future of the islands.

The UN is due to begin discussing the Falklands in September and some reports have suggested that Argentina's report may be delayed until after that.

THE GUARDIAN

August 2, 1983

A tough line on Falklands

From Jeremy Morgan
in Buenos Aires

ONE of the two men most likely to become Argentina's President, when an elected government takes power early next year, yesterday ruled out quick moves towards a formal ceasefire with Britain over the Falklands.

Dr Raul Alfonsín, who only days ago secured the Radical Party's nomination as presidential candidate in elections next October, said that his government favoured solving the dispute through diplomatic negotiations.

But he warned in a radio interview that there was no possibility of an "immediate" ceasefire if he won office, while Britain continued "unshaken in its road of aggression and colonialism."

Dr Alfonsín, a 57-year-old lawyer of vaguely leftwing political views, was given little real chance of defeating Argentina's biggest political movement, the Peronists, when he announced his candidacy six months ago.

But after a surprisingly easy and early victory in the Radical Party's internal polls, and with the Peronists still in confused disarray over their presidential nomination, he has emerged as a heavy-weight alternative for the October 30 elections.

Dr Alfonsín's denial that he would quickly sign a ceasefire with Britain if he won office was seen yesterday as an attempt to dispel suspicions that he would be "soft" on the Falklands dispute.

'Air threat' to Falklands

By David Fairhall

Argentine fighter aircraft may be fitted with air-to-air refuelling probes, giving them the range to operate over the Falkland Islands.

One Dagger aircraft the Israeli-built version of the French Mirage 111/5, has already been fitted with a probe, with Israeli help according to a report in Flight International.

If flight trials are successful, the Argentinian Air Force apparently intends to modify all its remaining Daggers and Mirage 111s.

The Falklands are 400 miles from the mainland.

The Sea Harriers were able to avoid contact with the high performance Mirage fighters, which could not reach the islands with enough fuel for air combat.

But fitting one refuelling probe, as reported by Flight, is still some way from an operational capability, which requires a larger fleet of in-flight refuelling tankers and the crews to fly them. At present, the Argentinians are believed to have only two KC-130 tankers.

His electoral rhetoric has so far taken a strongly anti-military line, and, although this has been toned down recently, it still includes a pledge to reduce military spending and the power of the armed forces.

Observers believe that the Peronists, still favourites to win the election, would be less likely than a Radical government to shift away from the position adopted by the ruling military regime after last year's defeat.

The regime has yet to acknowledge a formal end of hostilities, maintaining that a battle but not the war was lost when General Menendez surrendered at Port Stanley.



● Dr Alfonsín : favours diplomatic measures



DAILY TELEGRAPH - August 2, 1983

Gen. Galtieri's fate still hangs in the balance

By TONY ALLEN-MILLS in Buenos Aires

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Campaign in U.N.

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Daily Mail
1st August 1983

Canberra attacked by Spanish mob

THE LINER Canberra, a veteran of the Falklands campaign, came under fire during a luxury cruise.

Passengers dived for cover as a mob of Spaniards hurled rocks and lumps of wood at the ship in the port of Vigo.

The crowd was chanting 'Malvinas', the Argentines' name for the Falklands, and slogans against Britain dumping nuclear waste in the seas.

Tourists said police stood by as the mob continued the

attack and daubed black paint on the liner.

Holidaymaker Peter Heddercott, of Sydenham, London, S.E., said: 'One of the stones narrowly missed my daughter's head.'

'Some men were whipping up the crowd who are digging up the quayside to get stones.'

One elderly woman passenger broke an ankle as she ran up the gangplank to escape the mob. She had been on the quayside being photographed.

Joint meeting

PORT STANLEY: Talks are going on to allow British troops to buy Falklands meat. Sale is at present forbidden because local slaughtering is not up to EEC standards.



DAILY TELEGRAPH - August I, 1983

Noble dead

THE VICTORIA CROSS posthumously awarded to Sgt Ian McKay of the 3rd Battalion, the Parachute Regiment, during the battle for Port Stanley in the Falklands, has been sent by his widow, Marcia, to the Imperial War Museum.

McKay and three others attacked a strong Argentine position on Mt Longdon on June 11. As his companions fell, he stormed the strong-point alone but was killed at the moment of his victory which had relieved two beleaguered platoons.

His V.C. and other medals are now with other recently acquired Falklands exhibits. It is hoped they may eventually be incorporated into the museum's Victoria Cross and George Cross display, which already includes seven V.C.s.

RADICAL POLL PLATFORM FOR ARGENTINA

By Our Buenos Aires
Correspondent

The Argentine Radical party launched the presidential campaign of Raul Alfonsin at the weekend by approving a platform that calls for the "total subordination" of the armed forces to the law and the solution of all international conflicts by peaceful means.

It demands an investigation into last year's war over the Falkland Islands and says that "the legitimacy" of Argentina's claim to the archipelago "cannot and should not be used to justify the illegitimate methods used or to evade responsibility" for Argentina's defeat.

FUND PAYOUT IS 'FAIR' SAYS PRINCE

The Prince of Wales defended the administration of the South Atlantic Fund, of which he is patron, when he received the freedom of Merthyr Tydfil on Saturday on behalf of the Welsh Guards, of which he is Colonel. Some £10 million from around £15 million contributed has gone on 700 interim grants to the families of dead servicemen and to the injured to help meet immediate financial need.

He said a carefully assessed further grant would be distributed fairly and compassionately. What remained would go to the principal service charities.

DAILY MAIL - August I, 1983

Joint meeting

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PEKING PLANNING NEW ROLE FOR HONGKONG

By GRAHAM EARNSHAW in Peking

PEKING is planning to create a huge economic zone in southern China with Hongkong at its core, apparently in the hope of using the British colony's industrial power to help extinguish the region's lingering poverty.

But the Chinese emphasised yesterday that the idea did not mean that capitalist Hongkong was going to be absorbed immediately into the Chinese

socialist system.

A senior official in Canton said the zone would initially cover just the Pearl River and would eventually take in a number of surrounding provinces, as well as Hongkong and the Portuguese territory of Macao.

He said the aim was to develop "a domestic and international economic centre."

Threat denied

The idea has caused consternation in Hongkong, which is terrified of losing its freedoms and prosperity because of the change of status now being discussed by British and Chinese officials.

As a result, the official China News Agency yesterday specifically declared that the zone plan was not a threat to Hongkong.

"The aim of the zone is to strengthen economic links rather than bring Hongkong and Macao in the (Chinese) economic system, it quoted the Canton official as saying.

The proposed South China economic zone seems to be similar to one set up recently in East China around Shanghai. In both cases, large industrial cities are to be used to help develop the surrounding, relatively poor provinces.

This principle goes completely against the ideas of the late Chairman Mao, who deliberately neglected established industrial centres, and tried to disperse industrial production throughout the country.

The Maoist scheme has proved to be a complete failure, and China's present government is going back to the pre-Communist pattern of letting the coastal cities become economic magnets pulling the rest of the country along with them.

The announcement of long-term plans to include Hongkong within the economic planning of southern China comes as the political future of the territory is still hanging in the balance.

Britain is pushing for a continued role in the administration of Hongkong after 1997 when its lease on most of the colony expires, and most of the five million Hongkong people want the British to stay.

The Chinese, however, have so far said they want local Hongkong Chinese to run the territory after 1997.

But whatever arrangement emerges from the present Sino-British talks, there is no doubt that Hongkong will in the future become much more closely related to the vastly poorer and more backward areas of southern China



Falklands aid defended by Prince

By a Staff Reporter

The Prince of Wales has defended the South Atlantic Fund against criticism that there have been unnecessary delays in paying money to the dependants of Falklands victims.

Prince Charles, the fund's patron, said at the weekend: "Some people may have wondered why it has seemed to take so long for grants to be paid out.

"The reason has been that, owing to a wish for a reflective interval on the part of the families, it was decided on a combination of an interim grant to help meet immediate financial needs, followed by a carefully assessed further grant."

The second grant, the Prince said, guaranteed money was distributed fairly and compassionately "to ensure the bereaved are adequately provided for". The Prince was receiving the freedom of Merthyr-Tydfil, Mid-Glamorgan, on behalf of the Welsh guards, of which he is colonel.

The fund had received £15m, and 700 grants totalling more than £10m had been paid out. Further grants would be made before the fund was wound up.

The Prince said the remaining money would be shared by charities covering the Services, to support Falklands casualties who had yet to emerge.



THE TIMES

August 1, 1983

Reforms to Hongkong parliament welcomed

From Richard Hughes
Hongkong

Chinese and expatriate members of Hongkong's Legislative Council have applauded last week's radical changes and reforms in constitutional procedures.

After nine months of study, under Governor Sir Edward Youde's instructions, procedures will be streamlined and the Council's discussions will be more open to the public.

The constitutional changes coincide with the discussions between Peking and London on the future of Hongkong after 1997. They are likely to strengthen Hongkong's insistence on local autonomy and persistence with non-Marxist "hard life, trade, liberty and the pursuit of capitalism".

A senior member of the Council, Mr Roger Lobo, confirmed that nominated members had been consulted and had contributed to the changes in the constitution.

The Chinese and English-language press both front-paged the reforms.

● PEKING: Plans eventually to include Hongkong in a huge economic zone to extend over much of south China are aimed at strengthening economic links and co-operation between Guangdong province and Hongkong and Macao, and not at banning the capitalist system in the territory, according to a senior Chinese official (Reuter reports).

Vacation village

From Mr Frank Hooley

Sir, The reply (Cmd 8979) by the Government to the report by the Select Committee on Foreign Affairs about the building of an airport on Providenciales in the Turks and Caicos Islands should not be the end of the matter. It should rather be the beginning of a thorough investigation into the administration and development of this small British dependency.

The Government's reply sheds no light at all on the mystery as to why Club Mediterranée, though bound by a legal contract, failed to build its vacation village by the due date of December 31, 1982; yet foreign speculators apparently found it well worthwhile to invest \$13m in the tiny island of Providenciales, presumably because of the construction of an international airport there (paid for with your money and mine).

The Government claim that as a result of the airport project budgetary aid to the TCI will be substantially reduced. However, they have already lost two years' revenue from the Club Med village (even if it is eventually completed by December 31, 1984, and I remain

sceptical about that), and the village itself will be 174 beds smaller than originally envisaged.

By contrast, the cost to the taxpayer of the airport has gone up from £4.69m to £6.11m.

The reply takes umbrage at my suggestion in the House on March 14 (Hansard, col 46) that the ODA (Overseas Development Administration) had fiddled the figures to make the project show a real financial return; in fact, Whitehall was so incompetent in its appraisal that a senior ODA official gave the wrong set of figures in evidence to the Select Committee and did not even know at the time that he was giving the wrong figures. Whether the calculations were "fiddled" is, I suppose, a matter of semantics; at the minimum they were "massaged".

There are two further serious questions which arise from the Government's reply. The select committee's genuine worry about drug trafficking is airily dismissed as "based on opinion not evidence". The minister himself gave evidence that the local police had formed a special drug squad and that the United States Drug Enforcement Agency had undertaken several major operations in the islands against the trade (select committee

report, p24). The select committee was also told that the Governor and Chief Minister, no less, had had high-level discussions in Washington on the subject as recently as December, 1982. Maybe Whitehall should take the trouble to re-read its own evidence.

Secondly, the reply indicates that the TCI are now becoming a "finance centre" with a view to "attracting off-shore investment business". Put less politely, they are to be a haven for tax evasion and similar dubious operations. Perhaps the Commons could inquire just how much the working people of the TCI will benefit from this particular kind of "development".

It is my belief that Parliament would be neglecting its duty to the people of the TCI - and I mean the people, not business and financial interests - if it did not now press for a rigorous examination of all aspects of the administration of this territory, and explore with some care for whose benefit the so-called "development" - paid for with our money - is taking place.

Yours sincerely,
FRANK HOOLEY,
6 Mayland Drive,
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July 20.