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To: OVP - Mr. Donald Gregg
NSC - Mr. Michael O. Wheeler
DOD - COL John Stanford
JCS - LTC Dennis Stanley
CIA - Mr. Thomas B. Cormack

SUBJECT: Interagency Study on South Atlantic Contingencies

The attached draft is a revision of one previously shared among addressee agencies at the working level. It is re-circulated now for comment so that a fully cleared text may be forwarded to the NSC in compliance with the CPPG request of February 9.

Addressees are requested to review the paper at a senior policy level and telephone comments or clearance to Tain Tompkins at 632-5804 by COB Monday, February 28.

L. Paul Bremer
L. Paul Bremer,
Executive Secretary

Attachment:

- Interagency Study

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POSSIBLE ARGENTINE MOVES AGAINST THE UK IN THE
SOUTH ATLANTIC/ANTARTIC: ASSESSMENT AND U.S. OPTIONS

I. SITUATION:

- Intelligence reports indicate that elements in the Argentine Armed Forces may have contemplated earlier this year the use of force against the British in the Falklands or at other UK installations in the South Atlantic. There could be a recurrence of such planning in the months ahead. Any such action would have consequences for U.S. interests, particularly in Latin America, within NATO and perhaps in a broader context.
- A significant military operation is considered virtually out of the question for this year. Argentina does not have the capability or the will for such action in the foreseeable future. The most likely range of possible Argentine actions would seem to involve some sort of small scale symbolic raid, such as a frogman landing/flag planting for photos, the strafing of an isolated patrol boat, or provocative overflights. Any such actions would be intended, in part, to have a political and psychological impact domestically within Argentina -- to offset the drama of Mrs. Thatcher's visit and redeem a vestige of military pride.
- The likelihood of even such a small-scale, limited-objective military action in the near future is remote -- although it can not be ruled out given the Argentine military's past record of erratic behavior.
- The U.S. took a series of actions in January 1983 to indicate the unacceptability of any further Argentine hostilities against the UK. Our actions are believed to have had an important and sobering effect on those elements in the Argentine Navy and Air Force most likely to contemplate rash action. The leaking of alleged U.S. intelligence on this issue had an important political impact in Buenos Aires, causing the Argentine government to reaffirm its decision to pursue a negotiated solution.

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II. ISSUES:

This paper provides an updated assessment of the likelihood and nature of any potential Argentine action against the British. It reviews the impact of such actions on U.S. interests in NATO, Latin America and elsewhere, as well as the opportunities possibly presented to the Soviets and Cubans. After describing likely reactions by the nations involved, a final section analyzes the options open to the U.S. to counteract damage to our interests.

A. LIKELIHOOD OF ATTACK:

Argentina's desire to recover the Falkland Islands, by negotiations if possible, and by force if ultimately necessary, remains undiminished. Tab A discusses the series of intelligence reports received since mid-December 1982 which raised the possibility of renewed Argentine military activity. Taken separately, the reports are not particularly ominous. Considered collectively and viewed through the lens of past Argentine actions on the Falklands, they present some possibilities which prudently call for evaluation.

After assessing these reports we have concluded:

- Full-scale military action in the foreseeable future is highly unlikely. There is no evidence of coordinated armed forces preparation for such an operation. Argentine military leaders probably share our assessment that they do not have the military capability to execute successfully an assault on the British defenses. From a non-military perspective, the armed forces have enough problems managing a transition to civilian rule at a time when their credibility has reached a post-1976 nadir.
- While an Argentine raid is more likely than a full-scale assault, there is not a significant chance of one occurring in the near future. The probability increases, however, in the presence of UK actions such as Mrs. Thatcher's visit to the islands. A raid would probably be a commando operation targeted against a largely unpopulated area, perhaps West Falkland Island. The intent would likely be to get in and out quickly, perhaps after planting a flag and taking some pictures to embarrass the UK.

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- The possibility of an incident involving an unplanned air encounter arises out of Argentine charges that UK aircraft are flying outside the exclusion zone, and reports that flights into the exclusion zone may be undertaken by the Argentines in order to harass UK forces and keep them edgy and on alert.
- Some Argentine activities are intended to force the UK into increased expenditures on island defenses and ultimately into the conclusion that hanging on is not worth the cost. This objective (or, alternatively, British desires to give publicity to this threat) may have resulted in the "leaking" of some of the reports we have received concerning Argentine intentions.
- The likelihood of an Argentine offensive in Antarctica is considered remote because Argentina probably does not want to go against broader Antarctic Treaty commitments involving the U.S. and the Soviet Union.
- While military action to retake the Islands does not appear imminent, the Armed Forces, nonetheless, can be expected to prepare contingency plans in the event diplomatic initiatives fail. Given the volatile internal situation in Argentina, military posturing and threats probably will continue, from time to time, and apprehensions regarding Argentine intentions will periodically escalate.
- We should carefully monitor developments and evaluate scenarios of possible action and reaction as a basis for determining what posture the United States may be required to adopt in the future.

A list of U.S. initiatives taken in January 1983 to make clear to the Argentine Government the U.S. position on further military activity is at Tab B.

B. NATURE OF PROBABLE UK RESPONSE:

Any UK response, of course, would depend on the nature of the Argentine action. In the unlikely event of an invasion, the UK would respond at least as vigorously as it did last year. Aircraft, ships and troops would be rushed to the Falklands, the UK would call for a meeting of the UN Security Council to condemn Argentina and to impose sanctions. Mrs. Thatcher would call on the U.S. and European Community to stop military shipments and economic trade with Argentina.

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In the more likely event of a small-scale commando raid, or Argentine air penetration of the exclusion zone, the UK would likely do the following:

- Combat any immediate threat with its forces already in the Falklands area. These would be sufficient for such a task, if the Argentine action/incursion were to be detected.
- Ask the UN to condemn Argentina. HMG would expect U.S. support.
- At the highest level, HMG might call on the U.S. to stop any remaining shipment of military equipment in the pipeline and to maintain a hold on certifying Argentina for new sales. We might also be asked to consider selected trade sanctions, but would not be requested to do anything which would threaten a default on Argentine bank debts. That would damage UK interests as well.
- HMG would ask the U.S. to use its diplomatic influence in Latin America to isolate Argentina. They would also ask us to warn Buenos Aires at the highest level that the U.S. would, if necessary, assist the British in opposing any further military action or encroachment.
- If the operation were considered a military success by Argentina, the UK might well call on the U.S. to provide future early warning assistance in the South Atlantic area, in addition to increased logistical support out of Ascension Island. Such U.S. assistance would become public knowledge within a short time.

C. EFFECT ON US-UK RELATIONS:

Mrs. Thatcher is perhaps our staunchest supporter in Europe. In the event of Argentine military action in this pre-electoral period in the UK, she would expect swift and unequivocal U.S. backing. It would be costly to our security, economic, and other interests among our friends and allies if the U.S. were to appear to temporize or take a neutral position. Public support for our security policies is already weak in the UK. If we failed to appear to support HMG, it would be difficult for the government to resist those who want to distance Britain from the U.S. on these and other issues.

The danger to our relationship, however, would be proportional to the severity of the military action. In the event of a low-level symbolic operation by the Argentine Navy

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-- such as a small commando raid or systematic violations of British air space -- the UK would expect only limited measures on our part. If the Argentines mounted a larger operation -- such as the seizure and occupation of a British dependency -- the British almost certainly would mass sizeable forces to rebuff the Argentines. The U.S. would be expected to provide at least the same level of assistance given after April 30, 1982, i.e., accelerated military sales, open support to the UK in international fora, and a cut-off of credits and military supplies to Argentina.

The British recognize that our interests in Latin America suffered as a result of our Falklands stand, but take a politic stance that the U.S. has exaggerated the damage. They also claim that we were overly concerned about the possibility of the Soviets increasing their presence and influence in Argentina. Therefore, we should be prepared to provide compelling evidence to justify any refusal of requested support in order to limit a deterioration in US-UK relations. Of course, no rationale would be publicly acceptable to Mrs. Thatcher's Government.

D. NATO IMPLICATIONS:

During the Falklands crisis, there was considerable concern about the implications to NATO over the relatively large number of British units involved in the conflict. The outcome was that the British acknowledged their NATO commitments and pledged to withdraw whatever might be needed for a NATO contingency from Falklands duty. There would have been considerations of time and readiness, but not one of commitment. Barring major hostilities, we do not foresee a situation where large scale British forces would be needed in the South Atlantic. We anticipate, therefore, no negative impact upon NATO readiness. The British currently maintain in the South Atlantic a force of some four to six frigates or destroyers, two nuclear powered submarines, 12 fighter aircraft, plus a few thousand ground troops .

E. EFFECT ON US/ARGENTINE RELATIONS:

Following our post-mediation political and military support for the British, U.S. relations with Argentina were seriously impaired. Many in the Argentine military (and the general public), unable to cope with their glaring mistakes and humiliating loss, believed (or chose to believe) that U.S. intelligence, petroleum supplies, missiles and other arms were

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largely responsible for Argentina's defeat. As a result, we presently have very little influence with Argentine military leaders and potentially reduced influence with their civilian successors.

The U.S. undertook a series of post-Falklands initiatives to improve relations with Argentina and other Latin American countries. There was no expectation of substantial US-Argentine improvement in the short run, but rather the hope that we could exert some degree of future influence to prevent further hostilities in the Falklands, or an attack against Chile. The removal of most U.S. sanctions and our subsequent efforts to round up international support for IMF and private bank arrangements for Argentina's damaged economy had a positive impact on the government. Broad public perceptions of the U.S. continue to be strongly negative, however.

More significant was our vote in the UN in favor of a moderate Argentine resolution which demonstrated to the GOA the feasibility of working with the U.S. to secure future diplomatic progress on the Falklands/Malvinas. Mrs. Thatcher's strong reaction to our UN vote helped dramatize our shift.

Argentina today is feeling its way through a delicate political transition. The military government announced elections by November, and a transfer of power to a constitutional president soon thereafter. Difficult relations are anticipated with the civilian government, whether led by the Peronist or Radical party. It is likely to adopt foreign policy positions more closely aligned with the third world -- a shift which has already occurred to a great extent. Populist/statist/nationalist economic policies will create difficulties for U.S. economic interests. While the new government may be less to our liking, and its rhetoric more anti-American, it is not likely to be extremist/radical along the lines of Nicaragua, Libya, or the PLO. The likely Peronist presidential candidates are middle-aged, bourgeois, and strongly anti-communist. They seem to understand the necessity for dealing with the U.S. to achieve their own objectives, despite public rhetoric. We expect a less hospitable atmosphere toward the U.S. than with the pre-Falklands military, and there will be a very bumpy time. Nevertheless, the new Argentine government is expected to recognize essential U.S. interests as it develops its future policies.

The range of actions discussed below to help deter an Argentine military raid on the Falklands is unlikely to have a significant negative impact on US/Argentine relations because

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they would be private approaches which reiterate well-known U.S. positions. On the other hand, the likely U.S. response should Argentina launch a small scale raid would have an important negative impact on our relations and the public attitude of the Argentines. In that event, U.S. actions could include: (a) a strong, post facto demarche; (b) condemnation at the UN and in the OAS; (c) closing of the small FMS pipeline; and (d) freezing for the immediate future U.S. consideration of Presidential certification of Argentina required for a renewal of future U.S. arms sales. Such actions also would make it difficult to deal with a successor civilian regime in Buenos Aires.

F. EFFECT ON US-LATIN AMERICAN RELATIONS:

The Falklands War initially had a strongly negative impact on our relations with Latin America. Few Latins thought wise Argentina's resort to force, but supported, or felt forced publicly to side with Argentina. The U.S. was viewed critically for having materially supported the UK's war effort against a Rio Treaty partner. Much of the rancor seems to have dissipated, but residual resentments remain acute in some countries.

U.S. actions taken privately to prevent renewed Argentine adventurism from breaking out would have no significant adverse impact on our hemispheric relations.

The reaction in the event of renewed hostilities would probably depend upon the extent of conflict. Given an incident that involved neither casualties nor major property loss, the U.S. would be condemned if we reacted strongly. The Latins would probably view such an incident as a legitimate part of the diplomatic game and a harmless face saver. However, if hostilities provoked by the Argentines involved casualties there would be less sympathy from most Latin capitals (except perhaps Venezuela and Peru). Cuba, Nicaragua, and Grenada would respond, predictably condemning a strong U.S. reaction. We would face in the UN and OAS renewed strains, which could make it difficult to secure cooperation on some hemispheric issues of importance.

G. OPPORTUNITIES PRESENTED TO THE SOVIETS & CUBANS:

Any festering of the old wounds of the Falklands crisis could provide some new opportunity for initiating military cooperation by the Soviets and Cubans, depending upon the extent of renewed hostilities. Given the limited possibility

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for anything more than an isolated incident, however, there probably would be little opportunity for the USSR or its clients. In the diplomatic area, Argentina has moved toward NAM positions already in order to gain support for Falklands/Malvinas negotiations. In the economic field, it agreed to Aeroflot service, increased trade with Cuba, and heavy Soviet grain purchases continue. But so far we have not seen signs that Argentina is seriously considering any arms transactions with the Soviets. This is the most sensitive area, and we doubt that a small symbolic and basically ineffectual raid would add meaningfully to arguments on either side for a new arms supply relationship.

H. EFFECT ON U.S. INTERNATIONAL CREDIBILITY AS A PEACEMAKER

If there is some restricted, symbolic, or low-level action by the Argentines against the British, the public and press aspects of the event probably would be the most significant result. There would be governmental and public speculation throughout the world as to whether anyone could have foreseen the hostilities, or whether anyone had reasonable intelligence of such a possibility, and whether peace could have been preserved by private or diplomatic action. The U.S. would be the likely target of such speculation. After any hostilities, our credibility as a peacemaker will be affected by what we might have done to prevent it, how we acted to contain or reduce the violence, and the perception of fairness that we showed.

III. U.S. OPTIONS:

The U.S. took vigorous action in January 1983 to warn the Argentine Government that a South Atlantic incident would not serve their own interests, and certainly would not enjoy U.S. acquiescence or support. A chronology of these actions is contained at Tab B.

Beyond such diplomatic activity, the range of additional U.S. steps would appear to be limited. The U.S. seems to have very little ability to directly influence either party in the dispute, as we saw during the Falklands War. Mrs. Thatcher seems impervious to U.S. suggestions on this subject, and U.S. influence on the Falklands issue in Argentina is even less. We have little or no influence on the military, which probably sees little to be gained from us (with one possible exception) in the brief period remaining before elections.

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Obviously, it is essential that we closely monitor Argentine military activities and intentions. And we should not hesitate to express our serious concerns whenever there are indications of potentially dangerous activities.

Theoretically, the U.S. could threaten to undermine Argentina's foreign debt arrangements with the International Monetary Fund, the Bank of International Settlements, and private banks. But that could seriously damage important U.S. interests and does not constitute a credible threat. A reactivation of hostilities and increased tensions would have that effect, regardless of the U.S. position. Argentina's precarious economic situation may work as a broad constraint against adventurous actions, but the military is not likely to be swayed by any U.S. economic leverage.

The one area of potential impact on the military relates to Presidential certification of Argentina's human rights record and U.S. national interests, required by the Foreign Assistance authorization bill of 1981, as a first step to future arms sales. Argentina's democratic opening, its recent releases of political prisoners plus the sharp decline of repression and absence of disappearances would seem to make early certification a feasible U.S. policy. There are, however, Chile-Argentine considerations and a U.S. customs investigation into alleged illegal Argentine arms exports that will weigh negatively on that outcome. With respect to the investigation, we would wish to ascertain if evidence available relating to possible Argentine misdeeds poses major political and legal obstacles before making the certification. Domestically, some Democratic Congressmen have urged us to wait and certify Argentina after the elections so the U.S. does not appear to be encouraging the military government.

We have given preliminary consideration to trying to use the certification issue to help reduce the likelihood of any incident in the Falklands. One proposal is to inform the Argentine Government this spring that we would be prepared to certify before their elections (and perhaps consider sales after the elections) provided there were no "unpleasant surprises", either with regard to action against the Falklands or efforts to thwart the civilian transition.

Potential options on the certification issue, therefore, involve carrots and sticks. While it is difficult to evaluate the impact of U.S. certification on Argentine military thinking, by making it clear that we were prepared to certify in the near term, we would demonstrate that the Argentine military had something concrete to lose by a rash action in the Falklands.

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Major Argentine military procurement has already been arranged with the Germans, French, Austrians and Israelis to provide new and used ships, aircraft, tanks and other armaments. The Argentine military may prefer not to develop a dependence on U.S. suppliers for political reasons. Certification would offer them two advantages however: (1) Political/psychological benefits since our action would be seen by many as symbolic of U.S. approval; and (2) Some military equipment which the Argentines would clearly prefer to buy from the U.S., such as engines and parts for their U.S. airplanes, communications equipment and possibly helicopters.

The question of possible Argentine certification during the first half of 1983 will be examined in more depth in a subsequent memorandum.

Should there be a small-scale incident, the recommended U.S. reaction would be determined by the circumstances. Presumably it would include public declarations and diplomatic demarches as well as activity in the UN and OAS. Whether it would involve the possibility of specific U.S. sanctions would have to be determined at the time.

We must recognize that U.S. overhead intelligence capability in the area is limited. Due to high cost and higher national security priority, no efforts should be made to relocate sensors or to launch new ones.

British moderation, in terms of future visits and public declarations on the Falklands anniversary, could reduce the possibility of hostile Argentine activities. Whether Mrs. Thatcher is prepared to tone down British rhetoric or symbolic actions in a difficult election year is very much in doubt. Still, it is a useful point we could make to our British allies. One possible conciliatory step by the UK would be the reduction of the 150 mile exclusion zone. This would not seem to make sense from a military perspective, however, and there seems to be no reasonable chance we could convince them that this would serve UK interests.

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TAB A

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Assessment of Possible Argentine Military Actions

Intelligence gathered largely from clandestine sources since mid-December 1982 raised some questions about Argentina's intentions toward the Falkland Islands and other British interests in the South Atlantic.

Taken separately, the reports on Argentine activities and attitudes are not particularly ominous. They appear relatively more interesting, however, when considered collectively and viewed through the lens of past Argentine actions on the Falklands.

Conclusions

On the basis of these reports, we have concluded:

- Argentina's desire to recover the islands by negotiations if possible and by force if necessary remains undiminished. This sentiment is shared by military and civilian sectors of the society, and since 1983 is an Argentine election year, it could provide excellent platform rhetoric.
- Full-scale military action in the foreseeable future is highly unlikely. We see no evidence of coordinated armed forces preparation for such an assault. Argentine military leaders probably share our assessment that they do not have the military capability to execute successfully an assault on the British defenses. From a non-military perspective, the armed forces have enough problems managing a transition to civilian rule at a time when their credibility has reached a post-1976 nadir.
- Given the low probability, the most likely action would be an Argentine raid intended to harass British forces or an incident provoked perhaps by UK aircraft flying outside the 150-NM exclusion zone or Argentine efforts to harass UK forces by flights that penetrate the zone and provoke an alert status on the islands. An Argentine commando raid could be undertaken by one of the armed services, without the knowledge or consent of the others, because of the status of inter-service relations in the Argentine military establishment. The Air Force might be the most logical candidate because of the highly nationalistic political sentiments that pervade its ranks. However, it is doubtful that its aircraft could penetrate UK defenses in significant numbers, although a single aircraft could probably do so. If the objective were to execute some sort

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of limited maneuver on or near the islands themselves, the Navy's chances would be better because of the UK continues to have difficulty tracking Argentine submarines. Furthermore, the Navy is the most adamant of the services about seeking vengeance.

- While an incident or a raid is more likely than a full-scale assault, we do not believe there is a significant probability of one or the other occurring during the next six months. The relative probability of a limited Argentine action increases somewhat with UK actions such as Mrs. Thatcher's unannounced trip which touch raw nerves in Buenos Aires.
- Argentine military probes in the Antarctic also seem unlikely because they would go against Antarctic Treaty provisions agreed to by all signatories, including the United States and the Soviet Union.
- Some Argentine activities are intended to force the UK into increased expenditures on island defenses and ultimately into the conclusion that hanging on is not worth the cost. Thus, the extraordinary security that has surrounded the arrival of new fighter aircraft in Buenos Aires on two recent occasions seem designed to highlight rather than hide the events.
- Prior to our demarches in January, there was some evidence that President Bignone and other Argentine officers may have deluded themselves about probable US neutrality in another war over the Falklands. We have left no room for reasonable doubt as to what our position is or what our reaction would be on this issue.

Recent Information

Specifically, beginning in mid-December, we received the following information concerning the actions of the three armed services.

With respect to the Air Force:

- Two Mirage IIIE aircraft were deployed to the South on December 18 with the mission of countering RAF F-4s that Argentina claimed were flying provocatively close to the mainland. The Mirages were equipped with Matra Magic AA missiles and are probably to be based at Rio Gallegos.

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- A very active procurement program is underway. Purchases of new and used fighter aircraft have probably restored the inventory to pre-war levels. As of early December, according to the Argentine Air Attache in Washington, the Air Force had 1.6 billion dollars deposited in French and Italian banks and intended exclusively for Air Force purchases.
- The Commander of the V Air Brigade went south at about the same time as the Mirages, making a visit considered unusual because it was so close to the Christmas holiday season.
- A rapid deployment force is being trained to construct tactical airfields; other unspecified but accelerated training programs are underway.
- Air Force pilots are reportedly practicing bombing raids at a site in the Andean foothills chosen because its terrain matches that of the Falklands. The area has been marked to simulate the islands in size and shape.
- The head of the Civil Defense System, an Air Force brigadier, has reportedly been given unprecedented orders to establish full Civil Defense preparedness by late February. He has been given 3 Air Force helicopters and ordered to be available on March 1, although superiors refuse to tell him why Civil Defense is being accorded such priority treatment.
- Recent reports indicate that the Argentines are discussing with an Israeli firm the modification of their Mirage fighters for aerial refueling. If kept simple, such modification would take only a few months. It would boost significantly the effective combat range of these aircraft and would allow greater loft time over targets in the Falklands. To make the air threat to the Falklands more viable, however, Buenos Aires will need more than the two aerial tankers it now possesses.

Reports concerning the Navy cite:

- Possible penetration of the UK exclusion zone by Navy aircraft. However, a clandestine source stated that press leaks concerning Navy intentions to harass UK forces had forced Navy officials to reconsider their plans. As of late January, they had decided to limit their efforts to flights that would approach near the exclusion zone and return rapidly to base.

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- In mid-January there were indications -- including naval reconnaissance flights -- that the Argentines could have been planning a rapid action against an outlying British dependency from a base within the Antarctic. Press reports of such intentions, however, seem to have curtailed whatever planning there may have been, and activity in the area during the last several weeks appears to have been normal.
- The purchase of large amounts of naval materiel; at least 9 Exocet missiles are now in stock. The Exocets and nine new Etendards from France and the recent delivery of a frigate from the FRG are all deliveries made in connection with pre-war contracts.
- Reported acceleration of training of marine units, and the training of a team of 10 naval divers to undertake demolition activities in hostile areas, operating from a submarine. The divers are to be ready by late February.
- Regarding naval capabilities, a clandestine source reported in early February that Argentina's two Type 209 submarines were experiencing "severe problems", including noisiness, machinery problems, and difficulties with their wire-guided torpedoes. This report, if true, indicates that the Navy would face serious problems if it tried to use its Type 209 submarines for harassment missions or for infiltrating personnel for covert operations. We believe Argentina's remaining submarine -- an ex-US Guppy class -- to be virtually non-operational.

An early January report that naval officers who helped plan the April 2, 1982 invasion were drafting new plans proved to be inaccurate.

The timeframe of late February for both Civil Defense preparedness and frogmen training may have been related to earlier reports that Mrs. Thatcher's visit to the Falklands would occur in late February. Some in the military may have viewed it as an ideal occasion for embarrassing the UK with some sort of limited incident.

We have received no recent information of suspicious activities by the Army, the force apparently least disposed to any kind of belligerent action. The only ominous note was sounded on December 15 when a V Corps officer (Bahia Blanca, B.A. Province) publicly stated in the presence of his commander that V Corps was preparing for another war.

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Regarding Joint Service Activity:

As of mid-January, the only reported activity coordinated among the three services involved a psychological operations plan designed to:

- maintain a state of tension on the islands among the inhabitants and the UK forces; and
- maximize UK defense costs.

To this end, the Argentines reportedly would:

- undertake small-scale provocations such as aircraft penetration of radar intercept areas to keep UK forces on high alert status;
- spread false information about the intentions of the Argentine Navy and the likelihood that individual Navy officers would initiate action; and
- put their own forces on alert in the belief that UK signals intelligence would intercept the orders.

A proposal for a commando raid on West Falkland Island reportedly had not been accepted for implementation under this plan as of late January.

Comment and Analysis

Most of the above information is unconfirmed, and the sources are such that they neither add nor detract seriously from the credibility of their reports. The Mirages probably were moved south in December, perhaps to be based permanently at the new X Air Brigade headquarters in Rio Gallegos, where a rapid deployment force of infantry troops will also be stationed. We can also confirm the delivery of French Super Etendards and Exocets since the war, along with a number of used Mirages from Peru and possibly Israel. A contract was signed for 22 used Mirage IIIs from Israel.

The spate of arms purchases since the war responds to the obvious need to replace equipment. The urgency with which matters are proceeding, however, is connected with the scheduled restoration of civilian government in early 1984. According to a clandestine source, the military is anxious to act while it controls the purse strings and can exact huge commissions on arms deals.

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The Argentines are believed to have only about 10 AM-39 Exocet missiles in stock. The original contract with the French called for 14 Exocets; five were delivered prior to the war and the remaining nine just recently. The Navy is believed to have expended all five of its AM-39s in the conflict, and there is no evidence that Argentina has obtained any more Exocets than the nine it received from France last year.

UK officials have been concerned about the possibility of an Argentine provocation in Antarctica since this is the season for resupplying bases there. Careful scrutiny of the activities of Argentine ships and planes in the area, however, has revealed nothing threatening.

The question of Argentine perceptions of US attitudes remains, as it was last year, a critical element for those formulating Argentina's strategy toward the islands. Thus in December we placed considerable importance on examining carefully a clandestine report that President Bignone and many Foreign Ministry professionals believed that the US had "repented" and would remain neutral if hostilities over the Falklands were renewed.

Their belief was reportedly based on the perception that the US, partly because of Argentine activity in Central America, placed a very high priority on improving relations with Argentina. Furthermore, US actions during the Falklands War allegedly produced "mistakes" that the US would not repeat. This is an apparent reference to a perceived loss of US influence and popularity in the hemisphere as a result of its support for the UK.

Despite the fact that this report is based on comments allegedly made by Foreign Minister Aguirre Lanari after he spoke with President Bignone, it does not ring altogether true. The Argentine capacity for self-delusion should not be underestimated, especially on this subject. Even so, the alleged Argentine attitude has not been reflected in the reported public and private comments of its leaders. And it makes less sense in the Central American context. If the US sided with the UK a year ago when Argentine support for US objectives in Central America (some aspects of which were probably unknown to Foreign Ministry officers) was substantially greater than it now is, why would the US reverse itself today? Of all people, Foreign Ministry professionals must realize both the expenditure of effort and resources undertaken to build international support for Argentina as the aggrieved party and the damage that would be done to that

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position in the event of another unprovoked, large-scale Argentine attack. Even if the US remained neutral, Argentina's isolation internationally would be devastating.

News reports of US intelligence assessments of Argentine intentions are believed to have been useful in reducing the likelihood of pressures for military actions in the medium term. Politically, more reporting of the prospect of renewed fighting helped the Argentines achieve certain goals, similar to the presumed objectives of an actual raid: (1) international attention was refocused on the issue; following the news reports, the UN Secretary General took his first steps since the war to revive negotiations; (2) such reports may have made the Argentine military appear in a positive light domestically in some sectors of Argentine society, and they may believe such reports would force the British to maintain a costly high state of readiness.

Within Argentina, the leaks are thought to have brought pressure to bear on military planners and forced hardliners to reconsider any bellicose intentions they may have had. Factions within the military that opposed renewed hostilities have been alerted to the planning and will probably closely watch any officers anxious to renew fighting. Moreover, service chiefs and political leaders were forced to denounce the use of force, thereby increasing to some degree the future international costs of launching an attack.

If Argentine leaders had deluded themselves about the US position, their mistaken notions probably have been altered by pointed restatements of US policy recently made to Argentine officials in Buenos Aires and Washington.

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TAB B

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RECORD OF US ACTIONS ON REPORTS OF
POSSIBLE ARGENTINE INCURSIONS

- January 13 - Ambassador Middendorf told Argentine OAS Ambassador (former Foreign Minister) Quijano bluntly that Argentina should harbor no illusion that US reaction to a Falklands military probe would be any different from last time. Quijano said he understood.
- January 13 ARA/SC Alternate Director Howard made parallel demarche to Argentine DCM in Washington.
- January 14 Ambassador Shlaudeman told Foreign Ministry DG Arnaldo Listre there was no fundamental change in US policy of opposition to the use of force in the Falklands. We would react "exactly the same way" in the event of future hostilities. Listre said he "had no doubt of our position and never had." He promised to pass the message to senior officials.
- January 14 Argentine Foreign Ministry Chief of Cabinet Gustavo Figueroa told Ambassador Shlaudeman they had queried UN Ambassador Muniz who denied stating to the press that "US has changed its position." Muniz was instructed to cool Argentine rhetoric.
- January 14 Department/ARA asked DOD/ISA to call in Argentine service attaches to restate US position that we would not countenance Argentine use of force in any guise. DOD said it had made point repeatedly to all Argentine service contacts since November, most recently to Argentine Air Attache Bonino and Assistant Navy Attache that week.
- January 16 (Date to be confirmed). Ambassador Shlaudeman made same points to the Argentine Foreign Minister Aguirre Lanari.
- January 18 CBS carried television report that US intelligence had learned Argentina would launch campaign of harassment against British in the Falklands. Report referred to "unusual training," and to possible "Argentine plans to shoot down a UK aircraft outside exclusion zone."

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- January 19 Report caused sensation in Buenos Aires with major headlines. Foreign Office spokesman said Argentina continued to pursue path of negotiations.
- January 19 US spokesman refused to comment on intelligence report, pointing out that we favor peaceful settlement, oppose use of force. "Policy remains unchanged."
- January 20 Continuing extensive press commentary in Buenos Aires and moderate Argentine replies.
- January 21 Argentine restatement that it would "comply strictly" with treaty during Antarctica Conference in New Zealand.
- January 22 UK Minister Derek Thomas met with Enders to stress UK concern on intelligence reports; asked US intervention to assure Argentina understood US firm opposition and adverse consequences for BA. He was informed we had been active and would continue to be active in the issue.
- February 9 British Foreign Secretary Pym expressed thanks to George Bush for "most effective" US representation to GOA.

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