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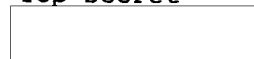
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ARGENTINA-UK: Diplomatic Efforts Continue

//Prime Minister Thatcher is sending Foreign Secretary Pym to Washington with counterproposals to the latest Argentine position.



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//Thatcher yesterday was skeptical about the new Argentine proposals, particularly with respect to self-determination for the islands' residents. She also reaffirmed that the UK would use any means at its disposal to secure the withdrawal of Argentine forces before discussing "long-term solutions." At the same time, however, she said that the Argentine proposals are "a stage in the negotiating process" and announced that Pym would go to Washington tomorrow to make a counteroffer.//



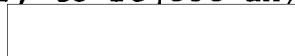
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Comment: //Pym's trip is designed to show the Thatcher government's good faith in seeking a peaceful settlement. Both Pym and Thatcher, however, will have to balance their willingness to negotiate with a vigorous defense of British rights in order to ensure solid parliamentary support.//



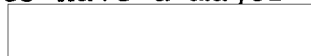
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//While in Washington, Pym will adhere closely to Security Council Resolution 502 and may reaffirm British willingness to work out a "multinational" arrangement for administering the islands, perhaps even a UN role. He is certain, however, to reject any presumption of Argentine sovereignty.//



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//London now probably would not be willing to go beyond allowing Argentina certain commercial, communications, and transportation rights pending a negotiated settlement. Pym also is likely to reaffirm strongly that the islands' residents need to have a major voice in determining their future.//



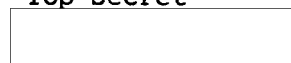
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//Although there probably is little hope in London that Argentine leaders will accept the British counteroffer as written, a positive signal from Buenos Aires would keep London involved in the diplomatic dialogue.

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Without such a sign, the Thatcher government might decide to make no further diplomatic efforts before taking military action, such as retaking South Georgia, expanding the blockade, or sinking an Argentine ship.//



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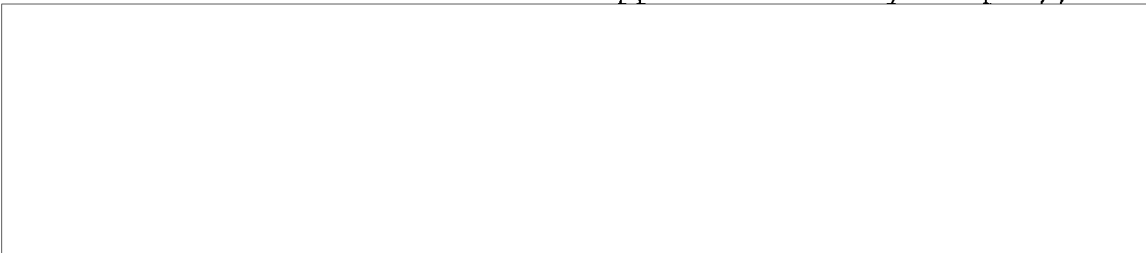
OAS Meeting

Argentina's proposal for a meeting of OAS foreign ministers to vote on invoking the Rio Treaty received backing today from 18 of 21 members. The US, Colombia, and Trinidad and Tobago abstained. The foreign ministers are to meet on Monday.



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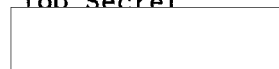
Comment: //The vote was expected to go in Argentina's favor but is only the first step in invoking the treaty. Argentina will have to muster 14 of 21 votes to take any concerted action against the UK, which could range from censure to military support for Buenos Aires. Most members would be reluctant to approve military steps.//



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NATO: Problems for Rapid Deployment Force

//Portugal and Spain are hindering US efforts to obtain NATO agreement to facilitate transit of the Rapid Deployment Force.//

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//Portugal's representatives to NATO's Defense Review Committee have rejected a proposal to include facilitating the RDF as one of its Alliance force goals. The Portuguese believe that this issue should be handled in bilateral negotiations with the US and argue that including it in NATO defense planning would illegally extend the Alliance's authority. Lisbon also believes that plans to configure its bases expressly for non-NATO contingencies would involve a qualitative change in its defense relations with the US.//

[Redacted]

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//Spain, which expects to join NATO this summer, is also reluctant to make advance commitments to facilitate RDF deployment. The Spaniards insist that each such use of Spanish bases must have Madrid's prior and express authorization.//

[Redacted]

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//Portugal and Spain are currently negotiating long-term security and assistance agreements with the US. Both governments have explicitly linked their willingness to expand their transit capabilities and to cooperate in RDF contingency planning with the amount of military and economic aid they receive from Washington. Lisbon and Madrid are dissatisfied with US aid offers.//

[Redacted]

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Comment: //The Portuguese know the importance of their facilities for the RDF and probably will be increasingly tough in negotiations--especially because Lisbon believes that Spain's planned entry into NATO threatens its own status in the Alliance. The Spaniards have consistently restricted the use of their facilities, and they probably will remain reluctant to expand transit privileges for non-NATO purposes.//

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WEST GERMANY: Chancellor Addresses Party Congress

//Chancellor Schmidt yesterday warned the Social Democratic Party congress against reversing its support for NATO's INF decision or adopting any resolution that would impose a moratorium on site preparations or INF deployments for the duration of the Geneva arms control talks.// [redacted]

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//Schmidt claimed considerable credit for West Germany in bringing about the Geneva talks and argued that a moratorium resolution would remove incentives for the Soviets to negotiate seriously, thereby reducing chances of achieving the "zero option." He reminded the delegates that his government received a popular mandate in the national election in October 1980 partly because of its support for the NATO decision. He received strong applause for a statement criticizing those who want to change party policy without giving the Geneva talks a chance to work.// [redacted]

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//US Embassy officers concluded at the plenary session yesterday that INF opponents had not worked out a strategy to counter the leadership's policies. For example, Erhard Eppler, Schmidt's most ardent critic on INF, spoke largely about the economy rather than defense issues and tried to sound loyal to the Chancellor.// [redacted]

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Comment: //The delegates probably will accept the leadership's draft resolution on security issues and reject--although possibly only by a small margin--a moratorium resolution. Schmidt's comments to the congress, however, raise questions about how he would respond if a moratorium resolution were passed.// [redacted]

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//The Chancellor stated that "the party congress knows what fundamental importance I attach to this matter," an implied reference to and reiteration of his past threats to resign if the party reverses its support for the NATO decision. At the same time, Schmidt seemed to leave open the possibility he would not be guided by a moratorium resolution by quoting Party Chairman Brandt, who in 1960 said that even a Social Democratic chancellor has to have sufficient freedom of decision.// [redacted]

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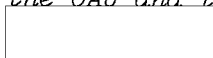
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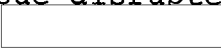
OAU: Growing Disarray

The probable failure of meetings in Nairobi this week to ease the Western Sahara and Chad disputes reflects the increasing political divisions in the OAU and its decline as a forum for mediating African problems. 


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None of the major participants in either conflict has been invited, and most of those attending the conferences are sympathetic to the Polisario. The participants will concentrate on the problem of Polisario membership in the OAU and the threat of a walkout by Morocco and other moderate states at the organization's summit in Tripoli in August. 

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The seating of a Polisario delegation resulted in the premature end of an OAU meeting last February. The same issue disrupted two subsequent OAU ministerial sessions. 

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Comment: Failure to resolve the Polisario problem increases the likelihood of an open split in the OAU between radicals and moderates. A walkout by moderates probably would not destroy the organization, but a polarized or radical-dominated OAU would be even less capable of dealing with regional trouble spots such as Chad. Libyan leader Qadhafi's one-year term as OAU chairman begins in August, and he is likely to try to use the organization to advance his own foreign policy aims. 

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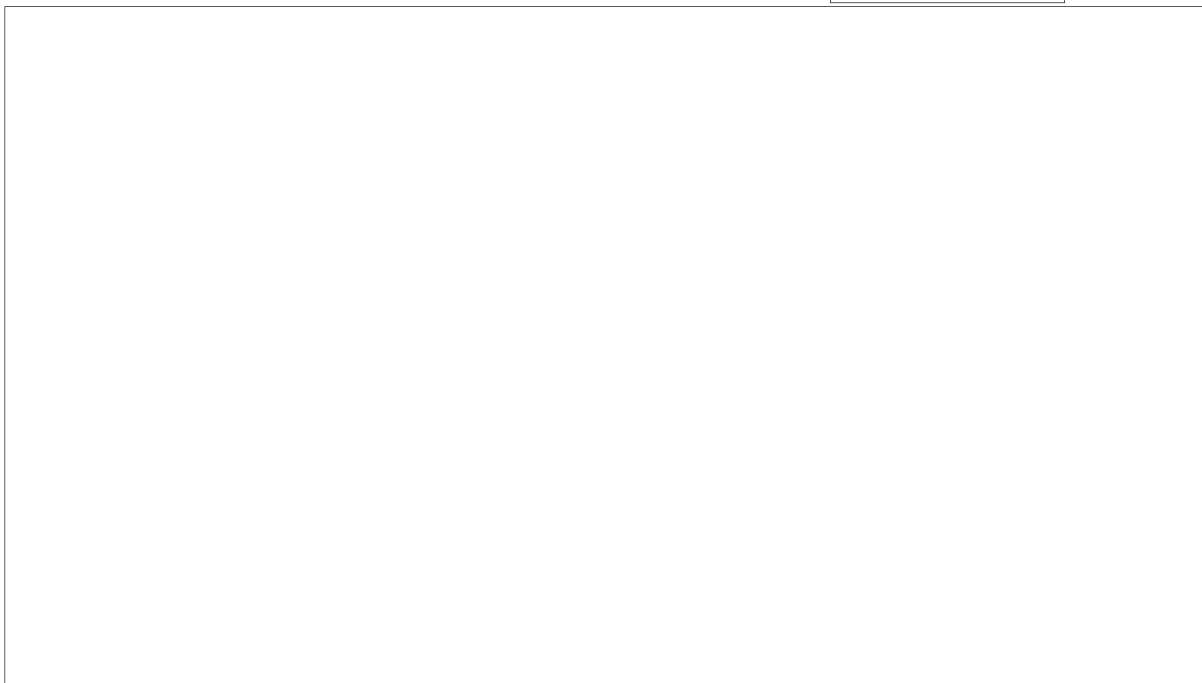
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CYPRUS: Kyprianou To Seek Reelection

President Kyprianou, whose five-year term expires next February, has announced his candidacy for reelection. The Communist Party, one of the two largest parties in the Cypriot legislature, has agreed to cooperate with Kyprianou and his center-right Democratic Party on a program that supports intercommunal talks, Cypriot nonalignment, and a mixed economy. As a prelude to the election campaign, Kyprianou has replaced all but three of his top ministers in the cabinet. [Redacted]

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Comment: The Communists probably believe Kyprianou is the best candidate to keep the conservative right out of power. Both parties would have preferred a broader coalition, and the lack of support thus far from other parties is likely to increase Kyprianou's dependence on the Communists. Kyprianou probably included some members sympathetic to Communist views in his new cabinet. He will face his toughest opposition from Glafcos Clerides, leader of the conservative Democratic Rally Party, who could attract voters alarmed by Kyprianou's alliance with the Communists. [Redacted]

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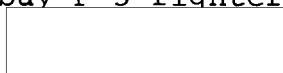


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MALAYSIA: National Elections

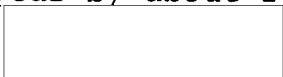
Prime Minister Mahathir's government is expected to maintain its commanding parliamentary majority in the elections tomorrow. 

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Comment: //The mandate will mean that Malaysia will continue to challenge US commodity policies, especially recent US sales of stockpiled tin. Mahathir appreciates the value of Malaysia's security relationship with the US, however, and he wants to prevent the tin issue from affecting other aspects of bilateral ties. His government recently decided to buy F-5 fighter aircraft valued at over \$100 million.// 

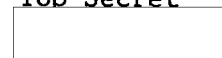
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USSR-CHINA: Trade Protocol Signed

The first sentence of the note in the *Daily* yesterday should have read as follows: Soviet diplomats in Beijing report that, under the agreement signed last week, bilateral trade between the USSR and China will increase this year by about 20 percent--to approximately \$300 million. 

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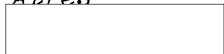
SPECIAL ANALYSIS

ARGENTINA-UK: Political Maneuvering



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//As the British fleet approaches the Falkland Islands, more governments are supporting Argentina, and Buenos Aires believes that this growing support will force the UK to reconsider taking forceful action. In the event of hostilities, however, London's EC partners probably would still back the Thatcher government, and the UK would expect strong US support. London and Buenos Aires probably will be tempted to test each other's resolve.//



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//The imposition of economic sanctions, the progress of the British fleet, and establishment of the exclusion zone are causing some countries gradually to become more supportive of Argentina.



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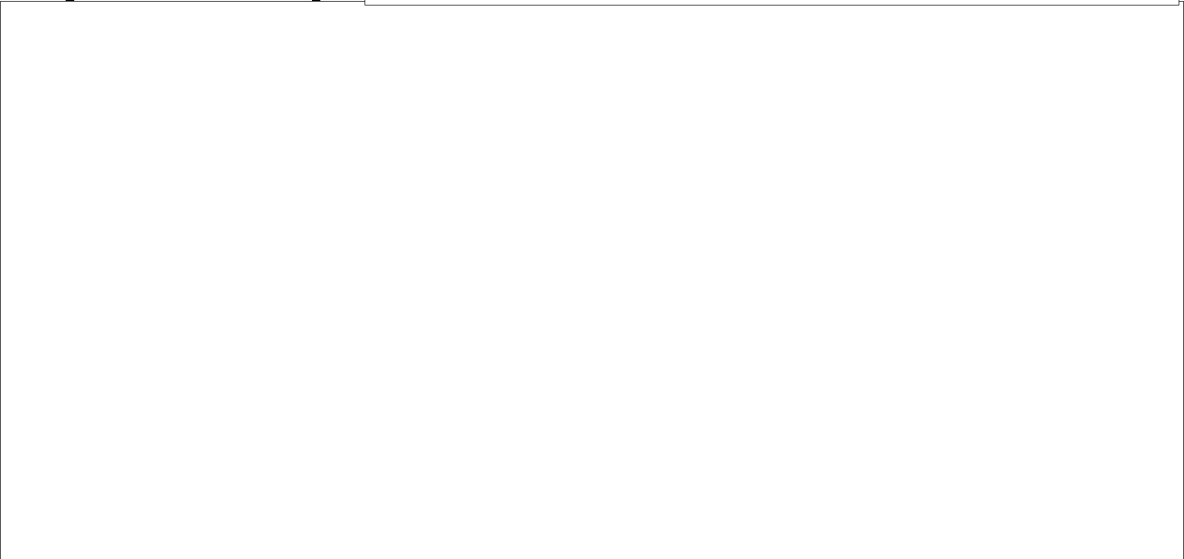
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//A British blockade or the seizure of South Georgia would accelerate these trends, and an assault on the Falklands might bring much of the Third World into Argentina's camp.

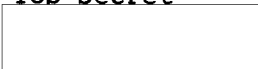


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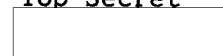
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UK Prospects

//Hoping for a diplomatic breakthrough, EC foreign ministers reaffirmed their solidarity with the UK at an informal meeting in Brussels yesterday. Initiation of hostilities by London, however, would put its EC partners

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in a difficult position, and some members would have second thoughts about their support for the Thatcher government. They probably would continue their support and grudgingly extend the import ban against Argentina for a short additional period, but they would privately urge Thatcher to seek a peaceful solution.//



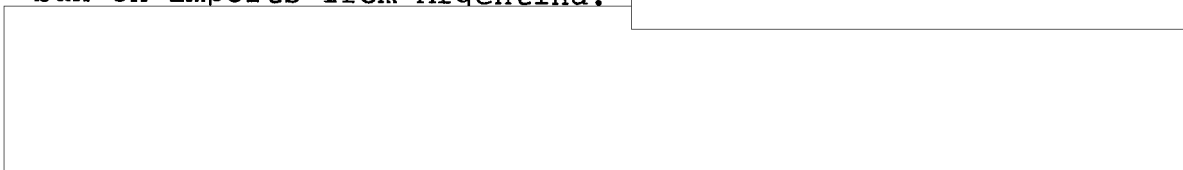
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//Most EC members are uncomfortable with their 30-day ban on imports from Argentina.



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//EC members have justified the Argentine import ban on the basis of "clear-cut" aggression by Buenos Aires, but they would have difficulty maintaining this position if the Thatcher government takes military action. They are concerned that an outbreak of hostilities could strain their political relations with Latin American and other nonaligned nations.//



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//Such concerns would be outweighed in the short term, however, by compelling political counterarguments. The failure to back London at least tacitly and to extend the import ban would aggravate the already considerable anti-EC sentiment in the UK. It would also ensure British intransigence on community budget and farm policies.//



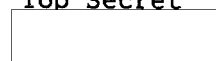
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//The UK expects strong public backing from the US if peace efforts fail. London probably would consider a response less forceful than the EC import ban as encouraging to the Argentines. Both the Thatcher government and its critics would compare US support to British positions on Iran and Afghanistan. London probably expects to retain some backing from Third World members of the Commonwealth to forestall establishment of a bloc in the nonaligned movement that would oppose it.//



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