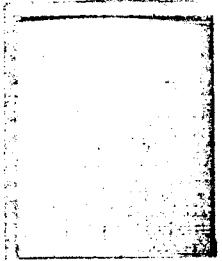


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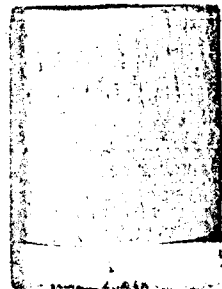
EMBASSY OF THE
UNITED STATES OF AMERICA



Sorry I was not able to return this to you in person on Monday, 3 May. I had looked forward to seeing you again then.

Thank you for giving me the opportunity of reading Ernest Cuneo's paper. It is interesting and, although perhaps a little overdrawn, unfortunately, probably not too far off the mark.

Glenn



J 312

ERNEST CUNEO
1120 INVESTMENT BUILDING
WASHINGTON, D. C.

MSC
Executive Secretary
82-1174/1

783-7900

May 10, 1982

WJC/PS

Honorable William J. Casey
Director of Central Intelligence
Washington, D. C. 20505

Dear Bill:

As a rule of thumb, if the objective is not carried, the rate of retreat is twice the rate of advance. In my view, unless the Falkland Islands' crisis is resolved firmly, we shall be facing the Kremlin in Argentina, as we are now facing it in Cuba and Nicaragua. The danger is not there will be a confrontation, but there won't be one.

Sincerely,

Ernie

ERNEST CUNEO

EC/cd

Encl.

1174

THE FALKLAND ISLANDS - BLOODY NEW ARENA
OF WORLD POWER

ERNEST CUNEO

Mighty oceans, oil, Antarctica and the death of the British Empire have permanently projected the Falklands into the arena of world power. Future historians may well record that the British-Argentine clash was the beginning of a "great power" struggle for the control of Antarctica, only 500 miles away. The Falkland Islands will remain of tremendous importance because they control the only sea passage between the Atlantic and Pacific Oceans (100 million square miles) other than the Panama Canal.

For a century and a half, so completely did Britannia rule the waves that the presence of the Union Jack flying over Fort Stanley (a town of less than 2,000, acting as a center for lonely sheep ranches) was enough to warn off other nations from occupying them.

Great Britain, since the loss of the British Empire, can no longer sustain its sea power. Since 1962, the Kremlin has built a four-ocean navy, to fill the vacuum left by the Royal Navy. Since then, the expanding Red Navy has achieved tremendous success in acquiring former British bases in Africa and the Middle East.

Brilliantly, the Kremlin has moved by land to control the seas. Repeatedly, Russian intelligence heavily backs nationalist movements, as in Angola, Yemen, Ethiopia, and other states, and brings them to power as Communist satellites. Thereafter, it uses them as bases. Castro's Cuba is a prime example of how the

Kremlin acquired a base in the Caribbean. In the same pattern, the Kremlin is playing a veiled and mighty hand behind the scenes in a daring effort to use Argentina's nationalism to oust Great Britain from the Falkland Islands, then "lease" it to the Russians as a naval base in the South Atlantic.

Under these circumstances, the U. S. has no option but to support continued possession of the Falklands by Great Britain. However, a solution with Argentina alone is "negotiable" and desirable. What is not negotiable under any guise, including Argentine sovereignty as a mask, is the introduction of Soviet bases into the South Atlantic.

The Kremlin is waging a fierce economic war to capture the government of Argentina. It leaped into the gap caused by the American grain embargo. It already is purchaser of 60% of Argentina's agricultural export, and promises a permanent market. Very significantly, the Kremlin is paying for part of the grain purchases with uranium from Czechoslovakia. It offers a half-billion dollars in oil machinery and technology to develop the oil of the Falklands. In the opening clashes it acted as chief director of Argentina's military intelligence. The Soviet Ambassador actually sat in the Argentine war councils as the crisis developed. Cuban and East German military technicians were flown into Buenos Aires.

The chances of reducing Argentina to a Soviet satellite are not immediate but the Soviet, risking nothing, is famous for its persistence. The key target at the moment is the Falklands.

The Falklands are a desolate and dismal group of islands, practically uninhabited. The two main islands - East Falkland and West Falkland - each about the size of Delaware, are divided by the 20-mile wide Falkland Sound. Gale winds scatter salt spray over the barren terrain; trees and vegetation cannot grow. Rain falls 250 days of the year.

Scientific survey indicates that underneath the Falklands are oil reserves estimated at least to be two billion barrels. Great coal deposits have been discovered in Antarctica, 500 miles away. There is speculation that the Falklands and Antarctica may be astride^a vast new energy field which could prove to be the answer to the current oil monopoly of the Middle East fields. The spectacular success of the North Sea and Alaska oil fields, also in frigid climates, add weight to the theory. The treaty governing Antarctica expires in 1989. This adds another dimension to the importance of the Falklands, because in addition to controlling the juncture of the Pacific and Atlantic oceans, the Falklands may well be the staging area for the opening of a vast new continent: Antarctica with its untapped reserves is nearly twice the size of the United States.

THE STRATEGIC HISTORY OF THE FALKLAND ISLANDS

For 350 years, Great Britain knew, and the nations of the world knew, that unless Britannia ruled the waves, she wasn't going to rule anything. Her 88,000 square miles, less than the size of Colorado, ruled an Empire upon which the sun never set.

Great Britain ruled the oceans because she controlled the Narrow Seas: the Strait of Gibraltar, the Suez Canal, the Strait of Bab-el Mandeb, the Molucca Strait--and the Falklands, controlling the juncture of the Atlantic and Pacific.

For the century following Napoleon's defeat, Britannia ruled the waves without firing a shot. In 1910 Kaiser Wilhelm announced that Germany was building a High Seas Fleet to challenge Great Britain's naval supremacy. Britain's First Lor, young Winston Churchill, instituted a vast new shipbuilding program. A fierce armament race developed.

However, at the outbreak of the war in 1914, the universal belief that British sea power was supreme received a severe jolt - with tragic diplomatic results. Two new German warships, the battle cruiser GOEBEN, and the light cruiser BRESLAU sailed through the British Mediterranean Squadron to reach Constantinople. Convinced that the British sea power was broken, Turkey joined the war as an ally of the Kaiser.

Thus, the whole diplomatic power of Britain, and the prestige of the Royal Navy, was in balance when the Kaiser's crack Asiatic Squadron sailed from China across the Pacific to attack shipping at the Atlantic-Pacific juncture at the Falkland Islands. Here the British Lion and the Prussian Eagle met in mortal combat. The German Squadron under the command of Graf Von Spee consisted of the brand new heavy cruisers SCHARNHORST and GNEISENAU, and the light cruisers LEIPZIG, NURNBERG and DRESDEN. Accepting the challenge, the British Admiralty ordered the Falkland Squadron under Admiral Sir Christopher Cradock to

enter the Pacific and intercept the five warships. The British cruisers discovered the German fleet off Cape Coronel, Chile. The British flotilla consisted of the cruisers GOOD HOPE and MONMOUTH, a fast cruiser the GLASGOW, an armed liner OTRANTO, and an old battlewagon the CANOPUS.

Brilliantly, Graf von Spee maneuvered the British fleet until it was sharply silhouetted against a sinking sun and the German fleet was obscured in the evening dusk.

The German squadron had superior range. The third salvo of the SCHARNHORST, the flagship of Von Spee, knocked out the batteries of the GOOD HOPE, Admiral Cradock's flagship. The fourth German salvo crashed on her battered gun turrets. The battle of the flagships was over. The GOOD HOPE capsized. Admiral Cradock and all hands went down with her. In the meantime the GNEISENAU badly crippled the MONMOUTH. Von Spee's son, Heinrich, was her gunnery officer. The MONMOUTH fled north, where she ran into the withering fire of the NURNBERG. Von Spee's second son, Otto, was one of her officers. The NURNBERG silenced all of her batteries, but the MONMOUTH refused to surrender. As darkness closed in, the MONMOUTH listed to port, then plunged with all hands, battle flag still flying.

Von Spee took his fleet into Santiago, Chile to coal. There the German community gave him a huge bouquet. "Thank you," he said. "They will do for my funeral." He knew the main engagement - the Battle of the Falkland Islands was still ahead.

The catastrophic defeat in the Battle of Cape Coronel galvanized the British Admiralty. In deepest secrecy and at high

speed, the British battleships INVINCIBLE and INFLEXIBLE, each with long-range batteries of 12-inch guns, with a supporting force of the heavy cruisers KENT, CORNWALL and CARNARVON raced southward to the Falklands.

The remainder of Cradock's fleet had limped back to Fort Stanley, ordered to refuse battle until the reinforcements had arrived.

The rescuing British battle fleet arrived at the Falklands on December 7, 1914 in the nick of time. At 7:40 a.m. December 8, Von Spee arrived off Fort Stanley. Spotting the dread tripod masts of the INVINCIBLE and the INFLEXIBLE, and knowing he was outgunned, Von Spee sped south toward the heavy Antarctic seas. Fully coaled, the avenging British Fleet cleared harbor at full speed with "bones in their teeth," white waves at the bow and decks cleared for action. At 12:30 they overtook the cruiser LEIPZIG. Knowing his light cruisers didn't have a prayer, Von Spee ordered them to scatter and speed for Argentina's neutral waters. Anticipating this, the British heavy cruisers broke from the battle line and pursued them.

Then Von Spee ordered the SCHARNHORST and the GNEISENAU to accept action. The great warships circled each other with the murderous intent of a knife fight in a Klondike saloon. This time, however, the British had the long-range INVINCIBLE and the INFLEXIBLE concentrated on the SCHARNHORST. By 4:00 PM the SCHARNHORST was blazing from stem to stern, but still firing. So were the British; at 4:15 the SCHARNHORST suddenly capsized.

All hands, including Graf Von Spee, were lost. The big British guns then concentrated on the GNEISENAU. At 5:40. though towering flames engulfed her, her lone gun was still firing. At 6:00 PM battle flag still flying, she keeled over and sank. Despite heavy seas, the British were able to pluck 187 German sailors from the icy waters. Among those lost was Von Spee's son.

Meanwhile the British heavy cruisers overtook their prey. The GLASGOW and the CORNWALL ripped apart the LEIPZIG. At 7:00 PM she was a raging furnace. At 8:10 with all batteries silenced, her Captain refused to strike his flag but flew the international distress flag asking that his crew be taken off. The British did succeed in rescuing 18 German sailors, but at 9:23 the LEIPZIG disappeared in a tremendous explosion. No survivors were found. The KENT overtook the NURNBERG, raking her decks from afar. Though aflame and^a/rudderless derelict, she refused to strike her colors. At 7:30 the NURNBERG exploded and sank, leaving no survivors and taking with her Von Spee's second son.

The DRESDEN escaped, but was overtaken on March 15, 1915 and sunk with all hands.

Once again the Falklands were safe. The British cork between the Pacific and Atlantic was back in the bottle. The prestige of Great Britain and the invincibility of the Royal Navy were vindicated. So was the basic axiom of Winston Churchill, "There's no such thing as a second best Navy." (A point President Reagan is trying to make today.)

The frightful total casualties of the Battle of the Falklands had its repercussions in World War II. Hitler had built a powerful "pocket battleship." The name GRAF VON SPEE. The GRAF VON SPEE was off Brazil proceeding south toward the Falklands when she encountered the British South Atlantic Cruiser Squadron under Commandeer H. H. Harwood. Her six 11-inch guns far outranged those of the eight 6-inch guns of ^{the EXETER,} the AJAX and the ACHILLES. The British Navy was drawn so thin that strategic reasons compelled Commander Harwood to attack.

The GRAF VON SPEE's superior guns dealt out terrible punishment to the EXETER, which though flooding and burning, continued action to draw fire away from the AJAX and ACHILLES. They stood in close and scored some hits, but perceiving no damage to the GRAF VON SPEE, ^{retired} out of range. However, the Gods of War smiled on their gallantry. Their shells had struck the bridge, knocking out VON SPEE's electronic equipment, killing 36 and wounding 59 German sailors. Captain Hans Langdorff, unwilling to try a run through the British Fleet under such conditions, put into Montevideo for repairs.

Here British diplomacy and intelligence took over. At British diplomatic insistence, Uruguay allowed Captain Langdorff only 72 hours to repair or face internment. Meanwhile British Intelligence artfully spread false reports that the British aircraft carrier ARK ROYAL and the battle cruiser REKNOWN were waiting outside the three-mile limit. Captain Langsdorff, a most sensitive man, was deeply affected by the loss of the young German sailors.

British intercepts, still classified, indicate that he was prepared to fight but not willing to sacrifice his crew uselessly. In any event, he sailed as Uruguay demanded, but stopped his engines before leaving neutral waters. There he ordered the GRAF VON SPEE scuttled. He personally directed the loading of his men into the lifeboats. Then he returned to Montevideo and calmly put a bullet through his brain. He knew that Great Britain would make any sacrifice to hold the Falklands.

Today, lurking behind the scenes, where once the British Lion fought the Prussian Eagle, the American Eagle and the Russian Bear are in deepening confrontation. As President Truman, in 1946, was forced to send the U.S.S. MISSOURI to Istanbul when Stalin attempted to step into Iran and Turkey over the body of the failing British Lion, in 1982 the American Eagle is moving to prevent the Russian Bear from entering the South Atlantic.

A Soviet occupation of the Falklands in any guise, as lessee, or as joint venturer with the Argentine Government, would provide its fleets a base controlling two oceans, and gain for it a stronghold which is also the footstool of a continent of vast but undeveloped resources.

Said the ancient Delphic Oracle, "Necessity is above the Gods themselves." Necessity compels the United States to keep the Russian Bear out of the South Atlantic.

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ERNEST CUNEO
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WASHINGTON, D. C.

April 23, 1982

Honorable William J. Casey
Director of Central Intelligence
Washington, D. C. 20505

Dear Bill:

Herewith is an article I wrote for the American Legion, to appear this summer. I think this is the odds of The Morning Line of what's likely to happen next in Iran. I believe Iran is the payoff turf.

There is a considerable amount of British intelligence stuff on the area. General Gubbins and Colonel Ellis, who served there, gave some blood-curdling accounts of the ferocity of the action. Ellis wrote a small book on the subject - "Trans-Caspian Episode," which certainly tends to prove the area is the "soft under-belly" of Russia. He is at great pains to prove that the British did not hang 24 Commissars; doth he protest too much?

For your information, when it got very late, the Shah consulted the AFL-CIO. They suggested free trade unions for workers of the oil fields to hold them against the Commies - but it was too late.

Sincerely,

Ernie
ERNEST CUNEO

EC/cd

Encl.

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