

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

OD(SA) tomorrow morning is to have a first discussion of the prospect after the Falkland Islands are repossessed. There will be three papers:

- (a) Sir Michael Palliser's paper on objectives for a longer term settlement (OD(SA)(82) 38).
- (b) A Foreign Office paper on the independence option (OD(SA)(82) 56).
- (c) The Governor's paper on the development potential.

2. It seems to me that the Government will be faced with an acutely difficult problem of political management, when we have repossessed:

- (a) Domestic public opinion will see repossession and eviction of the Argentine forces as a great victory. They will expect to see the Governor back, the traditional local administration restored, and the Falkland Islands and the dependencies garrisoned and protected (by us, with or without United States support) against renewed Argentine aggression.
- (b) Argentina may de facto accept an "honourable defeat" for the time being. But whatever her government she is unlikely to abandon her claim to the sovereignty of the Islands and the dependencies, and she may well keep up the threats of air raids, naval attacks and even commando-style raids in order to make our victory as pyrrhic and as expensive as possible.
- (c) International opinion, in the United Nations and elsewhere, will be opposed to a simple return to the status quo ante bellum, unless that is seen as a stage to some longer-term settlement other than continuance of British colonial rule.
- (d) In particular the United States, whose agreement and perhaps support is likely to be indispensable to any long-term guarantee of security for the Islands, will be looking for something other than a return to British colonial rule. They will be looking for something which enables them to mend their Latin American fences.

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3. Ministers are going to have to decide how to manage this difficult combination of conflicting political pressures. Domestic public opinion will expect the Government to act fortiter in re, in re-establishing British administration, repairing war damage, and reassuring the Falkland Islanders that their wishes and interests will be respected. Will the handling of international opinion, and particularly of the United States, require that to be balanced by suaviter in modo? If so, what forms should that take?

4. The Ministry of Defence are already assessing what would be required, on various assumptions, to garrison and protect the Falkland Islands. It may be that there should now be wider studies of what assumptions should be made, and what the costs to public expenditure and the effects on defence policy would be under the various assumptions.

5. How should we conduct our international relations? President Mitterrand advised you ten days ago that, once the military operation of repossession was complete, we should move at once - within twenty-four hours, he said - to show magnanimity in victory and to demonstrate an intention to think positively about the longer-term future. Similar pressures will come from the United States, and from the rest of the European Community. Is that good advice? Should we, by following that course, be showing signs of weakness and uncertainty? Or should we be catching a tide which, if we could catch and control, might produce a settlement which met our political needs and enabled us to carry the international community?

6. If we were going to try that course, it is not at all too soon to define our political needs, as a pre-requisite for defining the solution that might satisfy them. Our political needs are, presumably:

- (i) not to hand the Islands to Argentina;
- (ii) to deny Argentina the opportunity to recover the Islands, or flood them with people against the wishes of the Islanders;
- (iii) to associate the United States with the settlement and with the assurance of security for the Islands;
- (iv) to foster the economic development of the Islands;
- (v) to minimise the additional costs to public expenditure of protecting and developing the Islands.



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7. Perhaps it is too soon, during and immediately after the invasion, to try to define too precisely the elements of a long-term solution. Time is needed for the air to clear, and political tensions to relax a little. The Foreign Office paper does not make the independence option look easy or very attractive. United Nations trusteeship would open the door to Argentinian flooding. Economic development is not going to occur unless there is the prospect of political security, either as a result of a settlement accepted by Argentina or as a result of a credible guarantee, which probably needs to involve the United States as well as ourselves. Some kind of association with the United Kingdom - like some of the West Indian States had, or like the Channel Islands - might technically be presentable as "decolonisation", but would leave us with a long-term and expensive commitment to defence, foreign relations and development of the Islands. Conceivably some kind of Anglo-American trusteeship could meet our requirements, if only the Argentinians could be brought to acquiesce in it.

8. A first discussion tomorrow of the political dilemma which we shall face, and of the political needs we shall need to try to satisfy, could form a basis on which further work could be done by officials both on the strategic question where we might aim to go in the longer term and on the more immediate tactical question on what ground we should seek to be on the morrow of repossession.

9. Our United States allies have a strong interest in the outcome of all this, by virtue of the Monroe doctrine and their extensive Latin American interests. We are going to be dependent on their agreement and support, both to sustain the garrisoning and protection of the Islands after repossession and for whatever is to be the longer-term settlement. Should we be taking the initiative to discuss the prospects and possibilities with them more systematically than hitherto? This might be something to be discussed with President Reagan when he visits London next month.

Robert Armstrong

25th May 1982



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