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ADVANCE COPIES: FALKLAND ISLANDS

(30X31)

FLASH

PS X 2

PS/MR HURD
PS/MR ONSLOW
PS/FUS
MR GIFFARD
MR WRIGHT
MR ADAMS
MR URE
MR GILLMORE

ED/S AM D (FCO DIST + A/D F/I)
ED/DEF D
ED/NEWS D
ED/UND
ED/PLANNING STAFF
MR ANTHONY WILLIAMS W60
RESIDENT CLERK

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PS/S OF S FOR DEFENCE

PS/CHANCELLOR)
SIR K COUZENS)
MR LITTLER)
MR HAWTIN) TREASURY
MR PERETZ)
MR ILETT)
MR MCINTYRE)

MISS DICKSON (EIP DIV) D/EX

DIO CABINET OFFICE
MR WADE-GERY CABINET OFFICE
MR FULLER SAPU/DIO " "

SIR M PALLISER CABINET OFFICE
SIR R ARMSTRONG " "

(Copy passed to Emergency Staff)

GPS 520

CONFIDENTIAL

FM WASHINGTON 041730Z MAY 82
TO FLASH FCO
TELEGRAM NO 1589 OF 4 MAY
AND TO IMMEDIATE UKMIS NEW YORK

74/14
FLASH

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FALKLANDS

1. HAIG TELLS ME THAT THE REACTION FROM THE PERUVIANS AND ARGENTINIANS DURING THE NIGHT WAS EXTREMELY DISCOURAGING. THE LATTER ARE BEING MORE INTRANSIGENT THAN EVER, SAYING THAT THIS IS INEVITABLE IN THE LIGHT OF OUR MILITARY ACTION. HAIG DOES NOT THINK THAT THIS SHOULD PRECLUDE US FROM CONSIDERING THE SEVEN-POINT PLAN AND IF POSSIBLE GOING ALONG WITH IT. IF THE ARGENTINIANS TURNED IT DOWN THEY WOULD PUT THEMSELVES ONCE AGAIN IN THE WRONG WITH WORLD PUBLIC OPINION.

2. HAIG'S MAIN EMPHASIS THIS MORNING IS ON THE REAL URGENCY, IN HIS VIEW AND THAT OF OTHER PROMINENT AMERICANS WITH WHOM HE HAS BEEN SPEAKING, FOR LONDON TO TAKE AN INITIATIVE. WE HAVE THE MILITARY DOMINANCE BUT HE FEARS A QUOTE CONTINUING ATTRITION UNQUOTE IN THE

SPEAKING, FOR LONDON TO TAKE AN INITIATIVE. WE HAVE THE MILITARY DOMINANCE BUT HE FEARS A QUOTE CONTINUING ATTRITION UNQUOTE IN THE SUPPORT WE ARE GOING TO GET. INCIDENTALLY, HE REGARDS THE IRISH DECISION AS QUOTE TOTALLY IRRESPONSIBLE UNQUOTE AND AS QUOTE LIKE TO PROLONG THE WAR UNQUOTE. HE HAD BEEN SPEAKING TODAY WITH VARIOUS CONGRESSMEN ON THE HILL AND HAD BEEN REMINDED OF THE US QUOTE PROCLIVITY TO RALLY ROUND THE UNDERDOG UNQUOTE. I SAID THAT I THOUGHT THE AMERICAN PROCLIVITY WAS TO BELIEVE THAT NOTHING SUCCEEDS LIKE SUCCESS, TO WHICH HE SAID THAT THIS WAS SO UNLESS THE SUCCESS WAS SO OVERWHELMING AS OURS HAD BEEN IN THE BATTLE.

3. HAIG SAID THAT SENATOR BAKER THE MAJORITY LEADER, WAS PERFECTLY SOUND BUT NEVERTHELESS DID REFLECT CONSIDERABLE ANXIETY AT THE THOUGHT OF CONTINUED SHEDDING OF BLOOD. HAIG SPOKE TO ME OF THE ADVERSE EFFECT THAT THE IRISH DECISION COULD HAVE ON US OPINION. HE ALSO BELIEVED THAT IT WOULD ENCOURAGE THE SPANIARDS TO BE DIFFICULT.

4. SOMEWHAT MYSTERIOUSLY HE ALSO SPOKE OF THE INVOLVEMENT OF SOMEONE HE DESCRIBED AS QUOTE A RETIRED PEER CLOSE TO THE PRIME MINISTER UNQUOTE, WHOM I HAVE LATER IDENTIFIED AS HUGH THOMAS, SOMEONE, HE SAID WHO HAS BEEN IN TOUCH WITH PERUVIAN LEADERS AND WILL BE PUTTING VARIOUS IDEAS TO THE PRIME MINISTER WHICH MAY OR MAY NOT BE HELPFUL.

5. HAIG'S DEDUCTION FROM ALL THIS IS THAT THE PRIME MINISTER MUST TRY TO PREEMPT ALL THIS ACTIVITY. HE WAS NOT WEDDED TO HIS PARTICULAR SCHEME, BUT HE WAS CONVINCED THAT LONDON MUST COME UP WITH SOMETHING TO TRY TO HEAD OFF THE INEVITABLE EMERGENCE OF OPPOSITION.

6. I REALISE THAT A GREAT DEAL OF THOUGHT IS BEING GIVEN TO THIS SUBJECT IN LONDON AT THIS TIME AND THAT I MAY WELL BE OUT OF KILTER WITH THE PREVAILING MOOD. ON THE FACE OF IT, WHAT WOULD HOLD THE SITUATION WITHOUT DAMAGE TO THE EXCELLENT POSITION WE HAVE GOT OURSELVES INTO WOULD BE A SIMPLE OFFER OF A CEASEFIRE BY A CERTAIN DATE, PROVIDED THE ARGENTINIANS AGREED TO WITHDRAW. AS REGARDS THE DIFFICULT QUESTIONS OF THE DETAILS OF WITHDRAWAL, THE ADMINISTRATION AND THE FUTURE, WE COULD SIMPLY SAY AT THIS STAGE THAT WE WERE READY TO DISCUSS THESE MATTERS AND HOPED THAT HAIG WOULD RENEW HIS NEGOTIATING INITIATIVE ON THEM.

HENDERSON