

Ref: B06551



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PRIME MINISTER

c Sir Robert Armstrong

Falklands: OD(SA) 5th JulySituation in the South Atlantic

President Bignone's inauguration speech on 1st July threw no new light either way on Argentina's willingness to consider hostilities with the United Kingdom as being at an end. As agreed at the last meeting of OD(SA) a message was sent on 2nd July to the new Argentine Government through the Swiss and Brazilian authorities, to the effect that the United Kingdom was ready to proceed with an exchange of prisoners on the assumption that active hostilities were over, and sought confirmation that Argentina was also ready to exchange prisoners on this basis. You may wish to ask Sir Antony Acland (in the absence of the Foreign and Commonwealth Secretary in Yugoslavia) whether any answer has yet been received from Buenos Aires, or whether there have been any indications over the weekend as to the likely Argentine reaction. If it is the Foreign and Commonwealth Office view that a positive response is unlikely and that the Argentine Government can be expected to opt for a de facto cessation of hostilities becoming effective simply through the passage of time, the question arises whether, and if so, at what point, we should offer to return the prisoners on the basis of a unilateral statement by the United Kingdom that we regard active hostilities as being at an end. (Provided that Argentina then accepted the prisoners back - and a fortiori if they agreed at the same time to return Flight Lieutenant Glover - it could reasonably be assumed that Argentina too regarded active hostilities as over even if they declined to say so.) You might ask the views of the Defence Secretary and Sir Antony Acland on this possibility. The Attorney General should also comment.

2. You might then ask the Attorney General for his advice on the legality of maintaining (a) the Total Exclusion Zone round the Falkland Islands, and (b) the 12 mile restriction on Argentine warships once active hostilities are assumed to be over. The Defence Secretary should also be asked for his views on the continued military requirement for these restrictions.

Further Meetings

3. OD(SA) is not due to meet again until 9.30 am on Thursday 8th July. But a meeting of OD(FAF) at which the Chancellor of the Exchequer will be present has been arranged for 9.30 am on Tuesday 6th July to review the state of civil and military rehabilitation on the Falklands and to assess how the costs are to be met. Meanwhile the work of Lord Shackleton's committee on future development is going forward with a view to completing its report by about 16th July.

*A D S Goodall*

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2nd July 1982

A D S GOODALL