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SUBJECT



10 DOWNING STREET

cc: [unclear]

From the Principal Private Secretary

4 May 1982

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Dear Brian,

Falkland Islands

The Prime Minister and Foreign and Commonwealth Secretary met Mr. David Steel and Dr. David Owen this morning in the Prime Minister's room at the House of Commons to discuss the latest developments in the Falkland Islands situation.

Mr. Pym gave Mr. Steel and Dr. Owen an account of his visit over the weekend to Washington and New York. In all his talks with members of the US Administration and with the United Nations Secretary General he had made it clear that to be acceptable to the British Government any diplomatic settlement of the dispute had to provide for Argentinian withdrawal from the Islands and for a negotiation on the long term future of the Islands which made no prejudgment whatever of the final outcome. The British position on the latter of these two key points had always been more flexible than that of the Argentine. If the nature of the ultimate solution could be left open at this stage, there were various ways in which the approach to it could be tackled, though provision for self-determination on the part of the Islanders would have to be a part of the final settlement. In addition to dealing adequately with the questions of withdrawal and the final outcome of the negotiation, any proposals for a diplomatic solution would also have to provide for the administration of the Islands in the intervening period. British administration would have to be restored but we were prepared to contemplate an international presence associated with it which might embrace a number of countries and not just the Americans.

Following his visit to Washington and New York the British Government was now exploring various ideas which were, for the most part, variants of earlier proposals adapted to present circumstances. The Peruvian Government had put forward certain ideas. Some of these had been helpful, but the Americans had recognised that others would not be acceptable. They and the Peruvians had therefore revised the Peruvian proposals, but when they had been put to the Argentine, the Junta had rejected them. We were now working out some positive proposals of our own designed to try to keep the diplomatic approach going. He hoped to be able to put these ideas to Mr. Haig that night.

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He had explained our position very fully to Mr. Perez de Cuellar. He had not ruled out a role for the United Nations, but that organisation was in a difficult position while the Argentine Government persisted in ignoring a Security Council Resolution. The Secretary General had had some ideas about a diplomatic solution but they had been too vague to be of any value in securing a truce. The fact was that the United Nations had no clear view of how it could become usefully involved in the dispute at present. It was significant that Mr. Perez de Cuellar had not revealed publicly that he had put certain ideas forward. Moreover, the President of the Security Council had equally not had any practical suggestions to offer. None-the-less, he had made it clear to the President of the Security Council and to the Secretary General that he would be ready to consider any proposals they came forward with subsequently and he would remain in touch with the Secretary General.

The Foreign and Commonwealth Secretary said that Mr. Haig had claimed that the effect of the United States economic measures against the Argentine would be sharper than was publicly anticipated. He had told Mr. Haig that if that was the case, it was important that the US Government got it over at home and abroad. He had also asked Mr. Haig to strengthen sanctions against Argentina, not least because this would help when it came to getting the European Community's measures extended. Mr. Haig said that he would consider what could be done.

Militarily, there were indications that most of the Argentinian fleet might now have withdrawn to coastal waters. This might mean that there would be no major military incidents in the next few days but the situation was plainly not wholly in our control. If the Argentinians threatened our ships and aircraft, our units would have to respond in order to protect themselves.

On the whole he felt that the events of the last few days had hardened the determination of the Argentine Government to stay on the Falkland Islands, rather than the reverse. None-the-less, they had been prepared to talk to the Peruvian Government over the weekend. It was also significant that they had given a clearer response to the ideas put to them than they had done before. The Government remained determined to try to find a diplomatic solution, but he had to say that he was not optimistic at present. The Prime Minister added that a truce was not simply a ceasefire. It had to include a withdrawal as well. Otherwise a truce would leave the Argentinians in possession of the Islands. The problem now was how to secure the Government's short-term objectives of a cessation of hostilities and an Argentinian withdrawal without prejudging the outcome of a negotiation on the long term future of the Islands.

Mr. Steel said that he had seen Mr. Perez de Cuellar a fortnight earlier, and he had made it clear, privately then that he was not keen to get involved. He would like to know whether the Americans were going to publish their original proposals which the Argentines had rejected.

The Foreign and Commonwealth Secretary said that the answer was 'no'. He was glad that Mr. Haig had decided against publication because we were now in a new situation and the appearance of the old American proposals would be decidedly unhelpful. On the other hand, it was of course too early to think of the publication of any of the new ideas which were now under consideration.

Dr. Owen said that he was concerned about the military pressures which now must be building up on the Government. If there was no progress in the diplomatic field, there must be a growing risk that the Argentinian airforce would destroy or disable one of our large ships, and this might lead to a suggestion that mainland airfields should be bombed. He also wondered how long the Task Force could be kept in its present state of instant readiness. How much time was there before a decision on a landing had to be taken? He thought it important that the Government explained in much more detail than it had done so far why the General Belgrano posed such a military threat that it had had to be torpedoed. There was a real danger that unless the Government put over its case convincingly, we should lose a lot of international support.

The Prime Minister said that she took Dr. Owen's point about the cruiser and the Defence Secretary would be dealing with this at some length in his statement in the House that afternoon. Ministers were not in any way contemplating attacking mainland airfields: to do so would be to declare a state of war against Argentina. Moreover, a landing was not in the offing. Indeed, we hoped very much that we could avoid one.

Mr. Steel said that he would have difficulty in holding the line in the Liberal Party if there was a bloody land battle. Dr. Owen added that he accepted that the Government could not exclude the landing option, but he was reassured to know that decisions did not have to be taken for some days. He also understood why British forces were taking action outside the TEZ, and he acknowledged that there would be occasions when the Government and British forces had to move fast. But he repeated his earlier point about the need to explain in greater detail why the Argentinian cruiser had had to be attacked.

Dr. Owen went on to say that he thought that Israel could have been handled more skilfully over arms supplies to the Argentine. We had got into a slugging match unnecessarily. If we had approached them more gently, he was sure that they could have slowed down their contracts with the Argentine, even though they could not have renounced them.

He wondered whether it was realistic to suppose that we could escape from the original American proposals so easily. Would they not come back to haunt us? Once proposals of this kind had been put on the table, they would always be around.

The Prime Minister agreed. Even if proposals were rejected, they remained the starting point for the next round of negotiation.

/Mr Pym

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Mr Pym added that the American proposals had been both complicated and vague. This was inevitable, given that they had attempted to encompass the British and Argentinian views on a cease-fire, withdrawal, the interim situation and the long-term outcome.

Dr Owen said that he was very worried that the support of our European Community partners for our position would collapse. It was essential that the Government should do everything to ensure that their support was maintained, and he would be doing what he could in his public statements to strengthen the Government's position on this. More generally, he thought that with lives increasingly at stake, the Government would have to make clear what its bottom line in negotiations would be. The whole world would soon be pressing to know what Britain would settle for.

Mr Steel said that he had found the meeting very helpful and would like to suggest that similar meetings should be held in the future on an occasional basis. He was still very keen to involve Mr Foot, if at all possible.

Dr Owen said that the more Mr Foot could be kept on board the better, and he would have no objection if the Prime Minister had a private and separate meeting with him. He was ready to say this in public. He also proposed to let the press know that he had found today's meeting helpful. He would make it clear that their discussions had covered all aspects of the problem - diplomatic, economic and military.

The Prime Minister said that she and Mr Pym had also found the meeting valuable. She was ready to leave it that either side could suggest a further meeting.

I am sending copies of this letter to John Halliday (Home Office), David Omand (Ministry of Defence), Keith Long (Office of the Chancellor of the Duchy of Lancaster) and David Wright (Cabinet Office)

Yours ever,

Alvie Whinnam.

Brian Fall Esq.,
Foreign and Commonwealth Office.