



PM/82/38

PRIME MINISTER

Falkland Islands: Future Policy

1. We all hope that we are now well on the way to achieving our main military objectives. Our two central aims are to repossess the Islands and to determine their future taking full account of the wishes of the Islanders. Other factors must not be allowed to override these aims but should nevertheless be given proper consideration. Some of the arguments in Mr Haig's latest rather disconcerting message are relevant. (I attach a copy of the text.) It may be helpful if I set out some of the main points for discussion by ODSA.

2. As you know, one of the major priorities of the Reagan Administration, when it took office, was to halt the spread of communist influence in Latin America and indeed the alarming growth of Soviet activity in the developing world more generally, as exemplified by what was happening in Nicaragua and El Salvador and what had already happened through the Cuban interventions with Soviet support in Angola and Ethiopia and the Soviet invasion of Afghanistan. While there has hitherto been a strong distrust in Argentina of the Soviet Union and Cuba, there must be a possibility of a regime emerging in Buenos Aires, in the face of military defeat, which in desperation could turn for support to the communist bloc. That would be a major gain for the Soviet Union and a serious setback for President Reagan's policy of stopping Soviet expansionism.

3. If Argentina did decide to cooperate with the Soviet Union or Cuba, she might well be able to obtain aircraft and

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other military equipment from them. It is also possible that she might obtain aircraft from countries such as Libya, in addition to any that she may still have after the present hostilities. I fear that it would be uncharacteristic for Argentina, once driven off the Falkland Islands, to give up the attempt to advance her claim to sovereignty. Indeed the drive for revenge could easily become a major national cause. A campaign of military harassment of our forces on the Islands might begin, using whatever equipment and help could be acquired. This could be of considerable duration. It would of course involve military and financial costs for us.

4. The resources needed for the permanent or semi-permanent defence of the Islands and for their economic support would be very considerable in any event. We should perhaps begin to try to quantify these, and in any case should seek to limit the costs insofar as this does not prejudice more important considerations. We should need to use ships and other equipment which our Allies would consider should return to NATO duties. Another factor is that it will be desirable to restore communications between the Falkland Islands and the South American mainland, since the alternative will be very costly air services and other communications.

5. More broadly, Britain will have an interest in restoring political relations with the countries of Latin America, so as to exploit the growing markets that they represent. And of course we shall wish to make sure that our relations with our closest allies, in this case notably the United States, and also our general international reputation are not allowed to suffer because we have performed the essential international service of showing that aggression does not pay.

6. Mr Haig's main feeling seems to be that he is delighted
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at our military success but concerned that we could lose international support if we concentrate exclusively on the military side of policy. This is certainly a point of view we ought to consider. Despite his failings he is fundamentally well disposed. It is likely that others in the US and the West will soon be thinking and talking in this way. I think that you and I may increasingly be pressed, not least at the Versailles Summit, to say much more about our medium term intentions for the Falklands. I would certainly expect President Reagan next month to have something to say about the risk of Argentine rapprochement with the Soviet Union.

7. Mr Haig's suggestions for an interim agreement are obviously unacceptable. They involve the concepts of mutual withdrawal and an interim administration, which are not relevant at a time when Britain is in the process of repossessing the Islands. But Mr Haig's suggestions contain one welcome and important element - an offer to provide a US battalion, together with one from Brazil, as a deterrent to Argentine re-invasion of the Islands. There are also attractions, of course, in the idea of a ceasefire, insofar as it would help to prevent Argentine air attacks against the Islands after we had repossessed them. A US involvement in the security of the Islands in the fairly near term should increase the chance of such involvement later on, which would greatly enhance the long term security and therefore the economic prospects of the Islands. It is pretty clear, by contrast, that the US will not be ready to guarantee the security of the Islands if there is simply a return to the status quo ante (paragraph 10 of Washington telno 1878). We need to look at whether we can make use of some elements mentioned by Mr Haig in order to devise an arrangement which would advance British interests, and would also be sufficiently tolerable to Argentina to reduce the risk of her turning for support to the Soviet Union and Cuba.



8. It is difficult to see clearly the way forward to meet all our considerations. I hope we can discuss these problems together so that a satisfactory policy can be evolved.

9. I am copying this minute, and Mr Haig's message, to the other members of ODSA, Sir Robert Armstrong and Sir Michael Palliser.

A handwritten signature in dark ink, appearing to be 'F. Pym', written in a cursive style.

(FRANCIS PYM)

Foreign and Commonwealth Office
25 May 1982