

FALKLAND ISLANDS : FCO SITREP (DETAILED VERSION):0730, 11 MAYUSMr Haig's Views

1. South Georgia: the Argentine wish for its inclusion is surprising US Ambassador Walters (due to travel to Argentina, 10 May) will do what he can. President Galtieri: through a third party Haig had received a message that Galtieri does not wish to become dependent on the Soviet Union; the US and UK should be Argentina's best friends. Internal Dissent: there is considerable unrest, particularly in the Argentine Army and Air Force. Soviet Union: indications that the Soviet Union may have been involved in the decision to invade. The Soviet Union is now working actively with the Peronistas. British Action: we should maintain maximum military pressure while, if possible, avoiding attacks on the mainland which might involve civilian targets. Argentine Garrison on Falklands: severe supply difficulties soon and if combined with casualties they may surrender. Ambassador Walters' Mission to Argentina: objectives are to probe the possibility of an alternative government there; to emphasise to Galtieri the danger of Soviet penetration; and to indicate US economic help would be forthcoming in the event of a UK/Argentine agreement. UN Negotiations: the Argentines may not be engaged in a charade, there may be something more to it.

2. US Guarantee: Haig did not volunteer an American guarantee within the context of a UN plan. HM Ambassador judges that the prospects for a US guarantee depends on some measure of US involvement in any interim settlement.

UN(a) Argentine Position Paper

3. The Secretary-General has given us an Argentine paper which is viewed by them as a 'package'. The Secretary-General told the Argentines it would be unacceptable to the UK.

(b) Further Details which emerged from Discussion with Secretary-General

4. Prejudging the Outcome: Sir A Parsons disagreed with the Secretary-General's assessment that the Argentine language met our concerns. Secretary-General agreed to convey to the Argentines the points made by Sir A Parsons in rebuttal and to try to 'clarify' the Argentine position on non-prejudgement. South Georgia: Sir A Parsons declined the Secretariat suggestion that withdrawal would be a 'painless gesture'. Interim Administration: Argentine proposal was unacceptable. The Secretariat suggested that the UK viewpoint might be met if the Councils, or at least the Legislative Council, were retained in an advisory capacity. Sir A Parsons agreed to

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put this to London. Verification: Secretary-General responded positively to idea of UN using surveillance aircraft of neutral state. Size of Zones for Withdrawal: Argentines are now proposing total withdrawal of UK forces to a point 2,000 nautical miles from the Islands in parallel with their own partial withdrawal of 150 miles. Target Date for Conclusion of Negotiations: Argentines have referred specifically to the negotiations perhaps needing to continue until February 1983.

(c) Conclusions of the Meeting Sir A Parsons/Secretary-General

5. Sir A Parsons said we still hope to reach the stage where the Secretary-General could produce proposals of his own on the basis of the UK and Argentine positions. Meanwhile, the question of non-prejudgement was for us the key to everything. The Argentine formula was not acceptable. We had to insist on the additional phrase 'without prejudicing the outcome of the negotiations'. Sir A Parsons says that the Secretary-General is in a sombre mood and he believes the Secretary-General has concluded that he is not engaged in a serious negotiation with a genuine chance of a successful outcome.

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(d) Sir A Parsons' Assessment and Recommendations

6. Sir A Parsons is close to believing that the Argentines are not interested in reaching a negotiated settlement in terms which would be acceptable to us and that it is rapidly becoming a question of who wrong foots whom when the negotiations break down. Sir A Parsons recommends that his tactics should be to give the Argentines a last chance to demonstrate a genuine change of heart and, if the negotiations are to fail, leaving us on the right foot. Specifically he would tell the Secretary-General today:-

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- (a) we would only negotiate details of interim arrangement when we were sure we were discussing a genuine interim arrangement;
- (b) there would be no point in his proposing further language on interim arrangements before the Secretary-General extracts a specific Argentine formulation on non-prejudgement of negotiations;
- (c) that the Argentine formulation ((b) above) would be referred to London to see if it offered hope of a satisfactory outcome on this basic point. In the light of our review we would then decide whether it would be worth continuing with the present exercise.

Instructions to Sir A Parsons (FCO Telno.377 of 10 May) are at Flag F.

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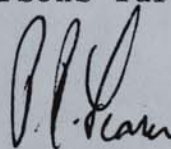
7. Mr Haig's assessment of the situation has, to say the least, odd features: and the actual purpose of General Walters's journey to Buenos Aires today is far from clear. What is apparent is that the American assessment of the situation gives first weight to their own strategic and regional interests: and that Haig is determined to stay in the act.

8. The Argentine position with the Secretary-General has so far provided no evidence for Mr Haig's belief in a genuine Argentine willingness to compromise. The Argentine paper seems entirely tactical and designed to win maximum presentational marks in the UN forum. Sir A Parsons has rightly focussed on the essential need for acceptable language on the terms of reference for negotiations: the risk is that we shall be seen in the UN to be threatening the outcome of the Secretary-General through semantic quibbling.

9. Sir A Parsons's insistence on an improved formulation on non-prejudgment of an outcome to negotiations has for the moment put the ball back in the Secretary-General's court. But we shall be required to react quickly to the package as a whole once the Secretary-General has reported back. Points for immediate consideration are:

- (a) whether in a package we should insist on the exclusion of the Dependencies;
- (b) the Secretary-General's suggestion that the Executive and Legislative Councils should exist in an advisory capacity;
- (c) paragraph 5 of the Argentine paper (freedom of transit and residence);
- (d) paragraph 4 of the Argentine paper which introduces the concept of UK and Argentine 'observers' and flags;
- (e) how far we could go on distance of withdrawal of the task force.

10. We shall need to send Sir A Parsons further instructions today.



P R Fearn
Emergency Unit

11 May 1982