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Foreign and Commonwealth Office

London SW1A 2AH

8 June, 1982

Dear John,

Prime Minister's Meeting with President Reagan
on 9 June

Briefing on three subjects has been updated in the light of the discussion during the Economic Summit at Versailles and the Secretary of State's meeting with Mr Haig this morning.

I enclose a Summary record of the meeting this morning which concentrated exclusively on events in the Middle East. Mr Haig himself made the link between the immediate crisis in Lebanon and the wider Palestinian problem. He mentioned how the Administration's intention of making an intensive effort on autonomy had been frustrated over many months by a succession of violent events in the region and he saw the latest Israeli invasion of Lebanon as possibly partly being intended to preempt pressure in this regard from the US Government. Mr Haig acknowledged the great significance that a moratorium on settlements, for example, would have in building up confidence in the peace process on the part of the Palestinian community, though he appeared to see little prospect of pursuing this so long as US efforts have to be devoted in the first place to securing Israeli withdrawal from Lebanon. Mr Pym believes that in her meeting with President Reagan it would nevertheless be very desirable for the Prime Minister to underline our concern that so long as there is no progress on the Palestinian issue, and in particular on their legitimate right to self-determination, the door in the area remains wide open to the Russians. The Prime Minister could suggest that a public expression of the Administration's determination to achieve a moratorium on Israeli settlement activity in the occupied territories could have an immediate calming effect in the region and at the same time enhance the chances of securing eventual wider participation in the peace process. Moreover, it could help to relieve some of the pressure on President Mubarak of Egypt that the Israeli invasion of Lebanon has created.

Mr Pym believes that it is too early to say whether eventually a solution on the lines Mr Haig has described (see the attached summary record) might become at all realistic. He recommends, however, that the Prime Minister should say that we agree on the importance to be attached to strengthening the Lebanese central government if this can be achieved and that we would welcome being kept closely in touch with American thinking in this regard as it develops so that we and our European partners can consider how best we can help in securing our common objective of the establishment of new arrangements in South Lebanon that will enable the Israelis to withdraw. Meanwhile we believe pressure must be applied now on the Israelis to observe SCR 509. If the Americans

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/delay



delay, within a few days the Syrians, with the Russians in support, will be active both in the region and in the UN; and the Jewish lobby in the US will also gather force.

Mr Habib expects to see Mr Begin again this evening to discuss further Israeli conditions for withdrawal. It may be necessary to send further briefing to the Prime Minister when we have a report on the results of this meeting.

The Falklands were discussed at length with the Americans at Versailles. The Prime Minister's talks with President Reagan tomorrow may offer an opportunity for further discussion of points mentioned in her talk with the President on Friday, particularly the question of how to obtain a cessation of hostilities applying to the mainland of Argentina and not only the Falkland Islands themselves. The Foreign and Commonwealth Secretary will shortly be circulating the memorandum on this which is required under the conclusions of yesterday's meeting of OD(SA). Meanwhile, the Prime Minister may wish to draw on the following (which I am submitting separately to Mr Pym).

(a) We are telling the countries which have supported us with economic measures that there may well be a need to keep these measures in force because Argentina may continue hostilities after we have re-possessed the Islands, and that we hope that the countries concerned will not say anything in public which implies a contrary intention.

(b) We are obliged by international law to return Argentine prisoners-of-war only after the full cessation of hostilities. For practical reasons we may wish to return ordinary servicemen to Argentina soon after we have re-possessed the Islands, but could hold on to officers and senior non-commissioned officers if hostilities continue.

(c) On re-possession of the Islands, and implementation there of a ceasefire, we or an intermediary might propose to Argentina a general and lasting ceasefire in the South Atlantic, and mention the questions of economic sanctions and a return of prisoners-of-war as an inducement.

If the President shows interest in this, and particularly if he suggests that the US might be the intermediary for contacts with Argentina, the Prime Minister might ask whether the Americans have plans to help Argentina in the rehabilitation of her economy after hostilities, as part of a policy for mending fences in the western hemisphere. If so, a US offer to this effect might be a powerful extra inducement to persuade Argentina to agree to a complete cessation of hostilities, which of course will be a very important factor for the redevelopment of relations between the West including notably the US and Latin America.

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The Prime Minister might add that we are looking closely at moves that might be taken towards internal self-government in the Falklands (Mr Pym will also be circulating a memorandum on this in OD(SA)). The Prime Minister could also mention the ideas about declaring a rehabilitation period after re-possession of the Islands and about British and Argentine commitments not to use force which were set out at (d) and (e) of the third paragraph of my letter of 3 June.

At your request we sent over this morning a revised brief on Existing Contracts (John Brown).

There are no other points on which we would wish to amend the earlier briefing, which was of course discussed with the Prime Minister on 3 June.

Yours own,

(F N Richards)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

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SUMMARY OF THE DISCUSSION BETWEEN THE SECRETARY OF STATE AND
US SECRETARY OF STATE HAIG: 10.45 AM 8 JUNE 1982: ISRAEL/LEBANON

Mr Haig explained what he understood were the Israelis' intentions: to achieve rapid military control of Southern Lebanon up to a rough line 40 km north of the Israeli border, and to destroy Palestinian units and equipment within that area. As for the conditions under which the Israelis might withdraw, the Americans were awaiting the result of a further conversation between Mr Habib and Mr Begin this evening (8 June). It appeared that the Israelis envisaged an enlarged buffer zone, mainly under the control of the Lebanese themselves, with Haddad playing a leading role. Until the Lebanese Government was strong enough to take on such a responsibility on its own, some kind of international peace-keeping force would be necessary.

Mr Haig said that the US realised the difficulties in such a proposal, but he did not believe any other solution would work. A fundamental structural change in Lebanon was necessary, preferably one which also saw the withdrawal of Syrian forces. The Lebanese Government had so far reacted strongly against the invasion, but they might come to see an opportunity for a long-term solution along those lines. The US would not wish to be drawn into participating in or arranging a non-UN sponsored multilateral peace-keeping force, unless a permanent solution was clearly in sight. A US guarantee of Israeli security was the Americans' last trump card for use with the Israelis and he did not wish to expend it on what might be an unsatisfactory interim solution. The only alternative was therefore to create a separate role in the South for the Lebanese Government and to help them gradually strengthen their forces to take it on.

Mr Haig made it clear that in the short term the Americans were not prepared to put firm pressure on the Israelis to withdraw. He wished to preserve the possibility of flexibility from Mr Begin and to avoid getting strategic implications of these developments wrong.

/Asked



Asked whether he thought an arrangement possible whereby UNIFIL expanded its operations northwards on condition that it also covered Haddad's zone to the south, Mr Haig said he believed Mr Begin, who was emotionally committed to Haddad, would not allow it. Nonetheless he thought it essential that contributors to UNIFIL should not withdraw their units: a continued international presence was essential.

In a brief discussion of the wider Arab-Israel problem, Mr Haig explained why the Americans were committed to pressing on with the autonomy talks. It was the only way to restrain the Israelis from further aggressive actions and to obtain a halt to Israeli settlements. He had himself told the Israelis in definite terms last winter that settlements would have to stop. He acknowledged, however, that there were real difficulties in the talks, primarily over the question of a Palestinian franchise as well as settlements. Mr Hurd asked whether the Americans would be prepared to make a public statement about settlements: this would have a reassuring effect throughout the Middle East. Mr Haig said that for the present the US would avoid harsh value judgments that would make the Israelis even more intractable. The Israelis could survive militarily for six months without US support: this, together with domestic considerations, limited American leverage.