

MR. COLES ✓ to see o.v.
THE FALKLANDS

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Sir A. Parsons.

Prime Minister

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I anticipate a difficult year ahead of us internationally and, to an increasing extent, domestically. If the military had remained in power or if the Peronists, with their evil reputation, had won the elections in Argentina, we should not come under serious pressure to make the first move towards reconciliation with Argentina, with the concomitant of eventual "negotiations" over the Falklands. But the Radical victory has produced the most acceptable of all possible Argentine governments in Western eyes - democratic, unmilitaristic, committed to human rights, moderately non-aligned.

First, provided that Alfonsin's government survives, I find it inconceivable that the Americans will not resume military supplies although they will, to start with, carefully scrutinise each order. We should keep them up to the mark on this: the dialogue has started. Secondly, the Americans and the Europeans will pressurise us to show "flexibility". They will argue that, as a self-confident major power, we are in a better position than the fledgling civilian government in Argentina to make the first gesture. They will say that it is in the Western interest to give every encouragement to Alfonsin and that continued confrontation over the Falklands will weaken his ability to resist the military and to pursue moderate, un-demagogic policies. They will urge us to spare them further embarrassing rounds of arm-twisting and counter arm-twisting, plus difficult decisions at the UN. In a nutshell they will become increasingly fed-up with us, and the Falklands dispute with Argentina will gradually replace Rhodesia as a thorn in our flesh vis a vis our friends - never mind our adversaries.

I also think that many of these sentiments will steadily permeate responsible British public and parliamentary opinion: this process has in fact already begun. Clamour about "a sterile Fortress Falklands" policy will mount (see for example the attached leader from the Financial Times of 22 November, which I read after drafting this minute).

The first manifestations are likely to be private lectures by the Americans and Europeans (the French take over the Presidency in the New Year) plus back-door attempts by the Latin-American lobby in this country to set up confidential contacts between us and leading

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/Radical politicians

Radical politicians/businessmen from Argentina. This kind of thing could start fairly soon, ie after Alfonsin is inaugurated in December: in fact a first attempt to set up a private contact was made within days of the Argentine election.

None of these pressures may develop. The military in Argentina may mount another coup; the Peronists may make it impossible for Alfonsin to govern by promoting major industrial action (their normal tactic) or the Alfonsin Government may turn out to be less admirable than expected. We need not therefore take any decisions before, say, the early summer of 1984. By that time we should have a clear idea of how the wind is blowing.

If domestic and international opinion of the kind that matters to us is developing as outlined above, we should at that time consider whether it would be in our interest to modify our present policy. What is important is that, by standing pat, we should not lose the initiative and find ourselves forced uncomfortably onto the defensive. If we were to decide that it would be right to take an initiative, we should obviously concentrate on the process of normalisation of relations between Britain and Argentina, and avoid putting a foot in the quicksand of "negotiations" over the Falklands. Visible progress towards normalisation, even if slow, would dissipate domestic and international pressure.

The kind of first small step I am thinking of would be a deal under which we would lift or reduce the exclusion zone in exchange for a public assurance from Argentina that they had renounced the use of force as a means of settling their dispute with us in the South Atlantic. If this worked, we could then consider small reciprocal steps designed to restore full financial and commercial relations; then perhaps cultural - British Council etc; and finally diplomatic relations. All this would take a long time, years not months in all probability (it took us 2½ years with the Egyptians after Suez to go from first contact to exchange of Ambassadors). During this process we would exclude the Falklands themselves from any discussions. If the Argentines would not accept this, all bets would immediately be off.

The have said they won't do this

How should we tackle such a process procedurally? Not, I suggest through a third party, eg the US, Perez de Cuellar or a friendly European or Latin. Third parties would want to force the pace,

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would be disposed to push us harder than they would Argentina; and would be thirsting to launch us into the quicksand. We could, however:

a. make a public statement and see if Argentina reacted positively - not satisfactory;

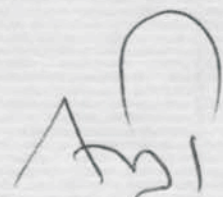
b. pass a message via the Swiss - not as good as a personal contact;

c. arrange a secret, and if necessary disownable, contact with an Argentine politician, official or businessman - this would be my preferred course.

It would become known or undeniable

There are many ways in which we could follow course (c). For example, we could brief Lord Montgomery, or someone like him, to make contact with a senior Argentine businessman close to the Radical government. This could be done on the basis that we would disown anything said if it leaked and that our interlocutor would be making soundings on a personal basis without any commitment. This is roughly speaking how we got started with the Egyptians after Suez. Alternately, we could make use of my old chum, Hugo Gobbi. Although he has been publicly dismissive about the possibility of mending fences with Britain without engaging in specific negotiations over the Falklands, the fact remains that he will be in charge of Falklands affairs in the Ministry of Foreign Affairs and will also be staying on as Perez de Cuellar's Cyprus negotiator. In his latter capacity, he may very well visit London and will certainly be available in third countries. He is, I know, a very close friend of Perry Rhodes in Athens. It would be simple to set up an entirely non-committal talk to him.

If the Prime Minister does not burn this minute as she reads it, I would be glad to expand on these thoughts.



A.D. PARSONS
23 November 1983

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the Falklands

THE DEBATE in the UN on the Falklands last week was a set piece exchange with Britain and Argentina sticking to well known positions. This was to be expected, since Argentina is still in a transitional phase from a military regime to the installation early next month of President Raul Alfonsin and his Radical Government.

Yet there was a note of complacency about the way Britain emerged from the debate, encouraged by the fact that the voting line-up was virtually unchanged from the previous year when it was held in the heated aftermath of the Falklands conflict.

Solid majority

It would be a pity if such attitudes persist since an opportunity has been presented to both sides to begin the long and difficult process of re-establishing a dialogue. The incoming Argentine President courageously opposed the invasion and he now has the authority of a solid majority vote in a democratic election behind him. Britain could expect neither now, nor in the future, a better man in office.

Britain, and one might as well say the Prime Minister since it is Number Ten that is making policy, is insisting that no move can be made until Argentina formally declares an end to hostilities. The Argentines have not done so partly through pride and partly in the belief that a fortress Falklands policy will eventually become unpopular in Britain, as well as expensive. They also claim that despite Britain's unilateral end to hostilities, certain activities—especially the construction of a new runway near Port Stanley—constitute continued belligerency.

Both sides could take the view that the problem is so intractable that it is best left for the time being. If this course is followed, Britain rather than Argentina has more to lose. For the Argentines the only concern is the continued denial of sovereignty. Britain meanwhile faces the financial cost, almost £700m next year, of sustaining a credible defence of the islands.

And it is not just defence costs. Mrs Thatcher was already embarrassed in September when she had to permit British banks to take part in debt refinancing agreements with Argentina. This issue will resurface again early in the new year. More emotive is the U.S. administration's intention to resume arms shipments to the new Argentine government. There is little doubt that arms sales will soon take place, starting with spares, whether or not Argentina formally ends its state of hostilities with Britain. These arms sales will be uncomfortable for Mrs Thatcher to digest.

Meanwhile, Britain cannot rely indefinitely on its allies to support its Falklands policy once Argentina possesses a democratically installed government.

Thus, although the first move should be made by Argentina, it has less incentive than Britain to do so. In addition, Sr Alfonsin is going to be handicapped by a highly nationalistic electorate united in Argentina's claim to the Falklands. The war reinforced this sentiment, rather than diminished it. Anything perceived as a Falklands sell-out could cause Sr Alfonsin's downfall, and so endanger the country's democracy. Mrs Thatcher, on the other hand, has an infinitely stronger domestic position, and it is always easier for the victor to take the initiative.

The initiative can be taken by Britain in two ways—behind-the-scenes diplomacy or a public gesture; or a combination of the two. The obvious gesture is to remove the 150-mile protection zone round the islands. This is an irritant to the Argentines since their fishing vessels can theoretically gain permission to enter but refrain from doing so since this constitutes recognition of British sovereignty. Britain has already unilaterally shifted from imposing a 200-mile exclusion zone to the current position.

Diplomatic contacts will have to start through intermediaries since there are no formal links. Both the U.S. and Peru have acted as go-betweens in the past, and Peru is understood to be once again ready to help. Using the Americans would have the additional value of dampening controversy over arms supplies. Perhaps only U.S. involvement would persuade the Argentines of the value of talks which would see Britain almost certainly begin by putting the issue of sovereignty on one side.

Last resort

Such diplomatic contacts will be fraught with mutual inhibition and cannot realistically begin until Sr Alfonsin has assumed office. However, Sr Alfonsin could signal his good intentions in his inaugural address, or shortly after, by publicly renouncing the use of force in the settlement of disputes. Specific mention of the Falklands is not necessary since this message would be aimed as much at Chile and the Beagle Channel dispute. The latter is going to be his first foreign policy initiative.

It will be difficult for Britain to take the first step if Sr Alfonsin remains silent on the issue. However, there is in the last resort the compelling reality that no satisfactory solution to the future of the islands and their inhabitants can be achieved without the involvement and co-operation of Argentina.