

DEDIP

PS
 PS/MR HURD
 PS/MR ONSLOW
 PS/PUS
 MR BULLARD
 SIR I SINCLAIR
 MR GIFFARD
 MR WRIGHT
 MR GILLMORE
 MR URE
 HD/SAMD
 HD/DEF D
 HD/PLANNING STAFF
 HD/UND
 HD/NEWS D
 HD/ERD
 HD/PUSD
 EMERGENCY ROOM
 RESIDENT CLERK

PS/No.10 DOWNING STREET (2 Copies)
 PS/S of S DEFENCE
 PS/HOME SECRETARY
 PS/HOME SECRETARY(C/O No.10 D St)
 PS/ATTORNEY GENERAL
 PS/CHANCELLOR DUCHY OF LANCASTER
 PS/SIR R ARMSTRONG)
 PS/SIR M PALLISER)
 MR WADE-GERY) CABINET OFFICE
 MR FULLER)
 D I O)
 MR J M STEWART AUSD STAFF (MOD)

ADVANCE COPY

IMMEDIATE

DEDIP

FM WASHINGTON 101620Z MAY 82
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 1686 OF 10 MAY
 INFO IMMEDIATE UKMIS NEW YORK (PERSONAL FOR AMBASSADOR)

FALKLANDS

1. WHEN I SAW HAIG TODAY I GAVE HIM A GENERAL ACCOUNT OF HOW PARSONS WAS GETTING ON IN NEW YORK. HE WAS NOT SURPRISED TO HEAR ABOUT THE DIFFICULT ISSUES EXCEPT THAT OF SOUTH GEORGIA. IT HAD ALWAYS BEEN UNDERSTOOD IN THE LATER PROPOSALS THAT SOUTH GEORGIA WOULD NOT BE INCLUDED IN ANY SETTLEMENT.

2. I ASKED HAIG TO DO WHAT HE COULD TO GET THE ARGENTINIANS TO GO BACK TO SQUARE ONE ON THAT POINT. PERHAPS HE COULD INSTRUCT GENERAL WALTERS TO TALK ACCORDINGLY ON HIS VISIT TO BUENOS AIRES. HAIG SAID THAT WALTERS WAS GOING DOWN THERE TONIGHT AND HE WOULD CERTAINLY DO WHAT HE COULD ABOUT SOUTH GEORGIA.

3. HAIG ASKED ME IF I KNEW THAT THE SO-CALLED CIVILIANS WHO HAD OSTENSIBLY GONE TO SOUTH GEORGIA ON SCRAP METAL BUSINESS WERE IN FACT ARGENTINE NAVAL PERSONNEL DELIBERATELY SENT THERE AS PART OF THE INVASION PLAN. THE SOUTH GEORGIA OPERATION HAD BEEN MASTERMINDED

THE INVASION PLAN, THE SOUTH GEORGIA OPERATION HAD BEEN MASTERMINDED BY COSTA MENDEZ. HAIG COUNSELLED ME SEVERAL TIMES TO BE BEWARE OF THE EXCEPTIONAL MALEVOLENCE AND DECEIT OF COSTA MENDEZ.

4. HAIG ELABORATED A BIT ON HIS VIEWS ABOUT THE PRESENT SITUATION IN BUENOS AIRES. HE SPOKE OF CONSIDERABLE INTERNAL DISSENT. GALTIERI HAD SENT HIM A MESSAGE THROUGH A THIRD PARTY THAT HE DID NOT WANT TO BECOME MORE DEPENDENT ON THE SOVIET UNION AND THAT THE US AND THE UK SHOULD REALLY BE ARGENTINA'S BEST FRIENDS. HAIG ALSO SPOKE OF ANOTHER CONTACT REPRESENTING THE ARGENTINE ARMY AND THE CHIEF OF STAFF OF THE AIR FORCE, WITH LINKS TO VIOLA. THEY CLAIMED TO SPEAK ON BEHALF OF THE MODERATES WHO INCLUDED MANY CORPS COMMANDERS AND THE CHIEF OF STAFF OF THE ARMY. THEIR VIEW WAS THAT ^{HERE WAS} A DANGER OF THE NAVY AND THE PERONISTAS GETTING TOGETHER AND TAKING OVER, VEERING HEAVILY TOWARDS THE SOVIET UNION.

5. HAIG THEN LOWERED HIS VOICE, THOUGH THERE WAS NO-ONE ELSE IN THE ROOM, TO TELL ME OF THE EXTENT OF SOVIET INVOLVEMENT. HE HAD INDICATIONS LEADING HIM TO BELIEVE THAT THE SOVIETS MAY HAVE BEEN INVOLVED IN THE DECISION TO INVADE THE FALKLAND ISLANDS. THE PLAN IN WHICH SOTA M

PLAN IN WHICH COSTA MENDEZ HAD PLAYED AN IMPORTANT PART, HAD BEEN A TWO-PRONGED ONE TO INVADE THE FALKLAND ISLANDS AND THE BEAGLE CHANNEL ISLANDS. THE ARGENTINIANS HAD EXPECTED THE SOVIETS TO VETO THE SECURITY COUNCIL RESOLUTION AND HAD BEEN SURPRISED WHEN THEY HAD NOT DONE SO. THE ARGENTINIANS HAD ALSO BEEN SURPRISED BY THE UK REACTION AND THE USA DECISION TO COME DOWN ON THE BRITISH SIDE.

6. ACCORDING TO HAIG, THE SOVIETS HAD SWUNG LAST WEEK FROM EXPRESSING SUPPORT FOR THE JUNTA TO INDICATING BACKING FOR THE ARGENTINIAN PEOPLE. ACCORDING TO AMERICAN INFORMATION, THE SOVIETS WERE NOW WORKING ACTIVELY WITH THE PERONISTAS, BELIEVING THAT THEIR FUTURE BEST LAY WITH THEM.

7. THIS LED HAIG TO THE CONCLUSION THAT THE AMERICANS MUST DO ANYTHING THEY CAN TO ENCOURAGE A SETTLEMENT BY SOME OF THE MILITARY LEADERS. THIS WILL PROBABLY MEAN THAT GALTIERI WILL HAVE TO GO. THE AMERICAN HOPE IS THAT THERE CAN BE SOME MILITARY LEADERSHIP THAT WILL AVOID THE PERONISTAS TAKING OVER.

8. HAIG SUGGESTED THAT THE US DECISION OF 30 APRIL TO COME DOWN ON THE BRITISH SIDE HAD BEEN A MAJOR EXERCISE OF PRESSURE ON ARGENTINA AND HAD DONE A LOT TO STIMULATE THE PRESENT OUTBREAK OF SPLITTING

9. HAIG SAID THAT IN THIS ATMOSPHERE IT WOULD BE HELPFUL IF THE BRITISH MAINTAIN MAXIMUM MILITARY PRESSURE ON THE TALKLAND ISLANDS. HE DID NOT WANT TO INTERFERE WITH OR GIVE US ADVICE ABOUT MILITARY OPERATIONS BUT OBVIOUSLY IF WE COULD AVOID ATTACKS ON THE MAINLAND THAT MIGHT INVOLVE CIVILIAN TARGETS, THAT WOULD AVOID A POSSIBLE SETBACK TO THE PROSPECTS FOR THE MODERATE FORCES.

10. HAIG'S CONVICTION WAS THAT THE ARGENTINIAN GARRISON ON THE FALKLAND ISLANDS WOULD VERY SOON HAVE SEVERE SUPPLY DIFFICULTIES. THIS WOULD NOT BE ENOUGH TO MAKE THEM YIELD, BUT IF THEY ALSO SUFFERED CASUALTIES HE THOUGHT THEY MIGHT WELL BE PREPARED TO SURRENDER.

11. I ASKED HAIG WHAT WALTERS'S INSTRUCTIONS WOULD BE FOR HIS MISSION TONIGHT. HE SAID THAT HE WOULD BE GOING LARGELY TO PROBE THE POSSIBILITIES HE HAD MENTIONED OF AN ALTERNATIVE GOVERNMENT AND HE WOULD TRY TO BRING HOME TO THE PRESENT RULERS THE URGENCY OF THEM REACHING AN AGREEMENT. HE WOULD IMPRESS UPON GALTIERI THAT IF THE SOVIETS SUCCEEDED IN PENETRATING ARGENTINA THIS WOULD POSE A THREAT TO THE WHOLE AMERICAN ATMOSPHERE. HE HAD NO ALTERNATIVE BUT TO COMPROMISE ON THE ISSUES UNDER NEGOTIATION. HAIG SAID THAT HE WOULD BE TELLING THE ARGENTINIANS THAT IF THEY WERE PREPARED TO COME TO A REASONABLE AGREEMENT, THE US ATTITUDE WOULD CHANGE COMPLETELY AND THEY WOULD BE READY TO HELP ON A MAJOR SCALE ECONOMICALLY WITH ARGENTINA'S DOMESTIC PROBLEMS.

12. HAIG SPOKE OF HIS CONCERN ABOUT THE ATTITUDE IN LATIN AMERICA GENERALLY. HE THOUGHT A MORE SOBER ATMOSPHERE WAS BEGINNING TO PREVAIL. HE GAVE THIS AS AN EXPLANATION FOR THE PRESIDENT'S 'DISTATEFUL' LETTER OF 2 MAY. HE SAID HE HAD NOT SEEN IT IN DRAFT BUT WAS NEVERTHELESS RESPONSIBLE FOR IT. I TOLD HIM THAT IT WAS DEPLORABLE.

13. I ASKED HAIG WHAT HE THOUGHT ABOUT THE CURRENT TALKS BETWEEN PEREZ DE CUELLAR AND ROS. WAS IT A MERE CHARADE TO WIN TIME FOR THE ARGENTINIANS AND CREATE THE IMPRESSION THAT THEY WERE INTERESTED IN NEGOTIATION WHILE AVOIDING ANY COMMITMENTS ABOUT SOVEREIGNTY ETC QUERY. RATHER TO MY SURPRISE HAIG SAID HE WAS NOT SO SURE. HE THOUGHT THERE MIGHT BE SOMETHING MORE TO IT, A REFLECTION I THINK OF HIS CONVICTION THAT THERE IS A GROWING BELIEF IN BUENOS AIRES AMONG A LARGE BODY OF MILITARY LEADERS THAT THEIR INTERESTS WILL NOT BE SERVED BY PURSUING A COURSE THAT WILL GET THEM INCREASINGLY DEPENDENT UPON THE SOVIET UNION AND THAT THERE IS A WAY OUT THAT COULD AVOID DISHONOUR.