

ADVANCE COPY

IMMEDIATE

PS C6)  
 PS/HURD  
 PS/MR ONSLOW  
 PS/PUS  
 PS/LORD BELSTEAD  
 MR BULLARD  
 SIR I SINCLAIR  
 MR GIFFARD  
 MR WRIGHT  
 MR GILLMORE  
 MR URE  
 MR BARRETT  
 HD/S AM D  
 HD/DEF D  
 HD/PLANNING STAFF  
 HD/UND  
 HD/NEWS D  
 HD/ERD  
 HD/PUSD  
 MR REED, 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 DSt)  
 PS/ATTORNEY GENERAL  
 PS/CHANCELLOR DUCHY OF LANCASTER  
 PS/SIR R ARMSTRONG  
 PS/SIR M PALLISER  
 PS/SIR A DUFF  
 MR WADE-GERY  
 MR FULLER  
 MR COLVIN  
 MR O'NEILL HD ASSESS-  
 MENTS STAFF  
 DIO  
 MR J M STEWART AUSD STAFF MOD  
 ADMIRAL SIR ROY HALLIDAY DGI MOD  
 DIRECTOR G.C.H.Q. (via Room 8)

CABINET  
 OFFICE

CONFIDENTIAL

FM LIMA 121825Z JUN 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 237 OF 12 JUNE .

1. AT A PRESIDENTIAL RECEPTION LAST NIGHT FOR THE JAPANESE PRIME MINISTER, THE PERUVIAN FOREIGN MINISTER TOLD ME THAT COSTA MENDEZ HAD JUST SPOKEN BY TELEPHONE TO SAY THAT THE ARGENTINES WERE READY TO WITHDRAW, IF ONLY QUOTE SOME SUITABLE FORMULA COULD BE FOUND UNQUOTE. DR. ARIAS ASKED ME TO CALL ON HIM THIS MORNING TO SEE IF SOMETHING COULD BE WORKED OUT. I LATER SPOKE TO THE PRESIDENT TO LET HIM KNOW THE MEETING HAD BEEN ARRANGED.

2. WHEN I CALLED ON DR. ARIAS THIS MORNING HE REPEATED THAT COSTA MENDEZ HAD SAID THE ARGENTINES WERE READY TO COMPLY WITH UNSCRS 502 AND 505 FOLLOWING A CEASEFIRE WITHIN THE SORT OF FRAMEWORK EVISAGED IN THE ORIGINAL DRAFT INTERIM AGREEMENT. DR. ARIAS ALSO SAID THAT COSTA MENDEZ WAS READY TO TRAVEL ANYWHERE AND MEET ANYBODY IF A SUITABLE FACE-SAVING FORMULA COULD BE DEvised. IN KEEPING WITH THE POSSIBILITY DR. ARIAS WONDERED IF THERE WAS ANY POINT IN SUGGESTING

UNSATISFACTORY FACE-SAVING FORMULA COULD BE DEvised. IN KEEPING WITH THE POSSIBILITY, DR. ARIAS WONDERED IF THERE WAS ANY POINT IN SUGGESTING THAT A MEETING COULD TAKE PLACE IN PERU WITH A VIEW TO EVOLVING THE KIND OF ARRANGMENT ENVISAGED.

3. I REMINDED DR. ARIAS THAT ALL THE CONCESSIONS MADE IN THE DRAFT INTERIM AGREEMENT HAD BEEN WITHDRAWN AND THAT OUR IMMEDIATE OBJECTIVE WAS TO REPOSSESS THE ISLANDS BY MILITARY MEANS IN THE ABSENCE OF AN ARGENTINE WITHDRAWAL. WHEN HE SPOKE ABOUT THE PROSPECTS OF THE FINAL BATTLE, I SAID THAT WE HAD NOT ASKED FOR AN UNCONDITIONAL SURRENDER NOR DID WE WISH TO HUMILIATE ARGENTINA, AND THAT THE ARGENTINE TROOPS IN PORT STANLEY WOULD BE PERMITTED TO WITHDRAW WITH DIGNITY AND IN GOOD ORDER. AI ALSO GAVE HIM TO READ THE TEXT OF YOUR VERBATIM 103/82.

4. DR. ARIAS THEN ASKED IF A FORMULA COULD NOT BE DEvised WHICH WOULD RECONCILE THE ARGENTINE READINESS TO COMPLY WITH UNSCRS 502 AND 505 WITH OUR OWN WILLINGNESS NOT TO REQUIRE AN UNCONDITIONAL SURRENDER, TO AVOID A HUMILIATION AND TO PERMIT A DIGNIFIED WITHDRAWAL. HE WONDERED IF IT WAS POSSIBLE TO EVOLVE NEW ARRANGEMENTS ON THIS BASIS.

5. AFTER A LONG AND INCONCLUSIVE CONVERSATION IN WHICH HE SAID OUR POSITION HAD OBVIOUSLY HARDENED, REPEATED MORE THAN ONCE HIS BELIEF THAT DIRECT NEGOTIATIONS MIGHT BE BEST TO BREAK THE STALEMATE, AND IN WHICH I LEFT HIM IN NO DOUBT ABOUT OUR PRESENT POSITION, DR. ARIAS SUGGESTED I SHOULD REPORT OUR CONVERSATION IF I THOUGHT THIS MIGHT BE USEFUL. I SAID I WOULD DO SO, WHILST MAKING IT ABSOLUTELY CLEAR THAT I DID NOT REGARD THIS AS ANOTHER PERUVIAN PEACE INITIATIVE BUT RATHER AS AN INFORMAL EXCHANGE OF VIEWS; AND I GAVE HIM NO REASON TO BELIEVE THAT ANY OF THESE IDEAS WOULD FIND FAVOUR WITH YOU AT THIS STAGE.

6. FCO PLEASE REPEAT AS NECESSARY.