

345. Action Memorandum From the Assistant Secretary of State for European Affairs-Designate (Burt) and the Assistant Secretary of State for Inter-American Affairs (Enders) to Secretary of State Haig¹

Washington, June 15, 1982

SUBJECT

The Falklands: Next Steps

ISSUE FOR DECISION

Whether to recommend that the President dispatch letters to Prime Minister Thatcher and General Galtieri, and whether to meet in the building as soon as possible to define our own post-ceasefire policy towards the Falklands.

¹ Source: Department of State, Executive Secretariat, S/S Special Handling Restrictions Memos 1979–1983, Lot 96D262, ES Sensitive June 8–16 1982. Secret; Sensitive. Sent through Eagleburger. Bosworth initialed the memorandum for Enders. Drafted by Enders and Campbell; cleared by Gompert, Haass, and Service. Haass initialed for the clearing officials. A stamped notation at the top of the memorandum indicates that Haig saw it.

BACKGROUND

We will need the next day or two to clarify the situation on the ground and to get some sense of Argentine and British intentions. The range of possibilities is quite wide. The key is what happens in Buenos Aires. At one extreme, Lami Dozo could refuse to continue the conflict and political confusion in Buenos Aires could diffuse Argentine policy toward the islands. At the other, the Argentines might continue a low-level but hot war and keep the cause very much alive throughout Latin America. Obviously developments in Buenos Aires will have a major impact on our diplomatic choices.

However events unfold in the next day or two, the following basic propositions can form a rudder for US policy:

—We want a complete and lasting end to hostilities.

—We want to keep open the possibility of negotiations.

—We want to avoid announcement of a definitive UK plan for the Islands' future.

—We want to emphasize reconciliation and rehabilitation.

What to Expect from London

The conclusion of the South Atlantic war is a triumph for the Prime Minister. Her success has silenced critics within her own party, and she enjoys overwhelming public support. She is praised even by the opposition in parliament, and there are as yet few complaints about the cost of the war.

In the short term the Prime Minister will be tempted to garrison the islands, restore the traditional administration—even sending Rex Hunt back—and promote economic development. *She will be uninterested in negotiations with Argentina.*

However, the Prime Minister is also a political realist who badly wants her party to win the next elections, which must take place by May, 1984. She is shrewd enough to know that following current popular euphoria will come a period of public disillusionment with deep UK involvement in the South Atlantic. She also knows the costs to British (and Western) interests of permanent estrangement from Latin America. *Hence she may come to be more flexible in the months ahead.* She will be receptive to our cautions against closing off her options by rash public statements. This process will accelerate if Argentina ends all hostilities. However, if violence continues—even at a relatively low level—the Prime Minister is likely to be unbending.

What to Expect from Buenos Aires

The direction the Junta takes should be set over the next few days. *Air Force chief Lami Dozo is the key.* The war cannot be continued unless

he is willing to sacrifice more planes and pilots. On the other hand, as the chief of the only service that did well in the conflict, Lami Dozo can be the arbiter (although probably not the head) of the next iteration of the Junta. *Ambassador Shlaudeman expects Lami Dozo to go for a de facto end to hostilities.*

A reshuffle of the Junta could come early. At the same time the Junta will almost surely reach out for a wider popular tolerance through wage increases, import protection and other populist economic measures.

A period of weak government by the Junta, probably marked by public demonstrations on economic issues, will follow. We do not expect entry of the Peronistas into the government in the immediate future. But it is a good bet in the medium term (one to two years) if the economy doesn't improve.

If these predictions prove accurate, the Junta's resistance to Soviet offers of an arms relationship may well weaken. Populist economics will cause the international banking community to reassess what up to now has to be considered to be a highly credit-worthy underlying situation. If that happens there will not be sufficient cash to finance large-scale rearmament. And the ongoing state of war, especially if there are serious clashes, may be enough to enable the UK to restrain some continental suppliers from providing advanced items.

It is not clear how Argentina will play the negotiations issue. As of yesterday, Lami Dozo's representatives were taking the line that now that the first two parts of Resolution 502 are being implemented, what about the third (i.e. negotiations)? However, it is doubtful that Argentina will simply return to the negotiating table at any early time. To do so, without British commitments on withdrawal and interim administration, would be to admit that the whole operation had been a fiasco. *We do not expect the UK to make such concessions in the near future.*

Unless the UK goes for self-determination and independence—or attacks mainland bases in retaliation for Argentine harassment—support for Argentina among other Latin American countries will fall rapidly. However, Argentine media and possibly the Junta—depending on the reshuffle—will continue to use the US as the scapegoat for defeat.

Conclusions

1. Complete termination of hostilities is highly important for us, since continued violence would make it both more urgent for us to press the UK to take a reasonable stand and more difficult to succeed at that task.

2. Chances appear poor of getting underway in the coming months a process of settlement of the kind we have considered earlier, i.e., some multilateral force in the double role of assuring security and in

some sense embodying sovereignty, plus negotiations without preconditions.

3. Instead we should concentrate on reinforcing those in Argentina urging restraint, and on convincing Thatcher to avoid statements or actions which prejudice the future; i.e., a commitment to absolute self-determination and a flat rejection of eventual negotiations.

4. In the case of Argentina we should consider moving early to end the sanctions. If there have been no further hostilities by June 21 (and we have no reason to expect them), we could do so then, stating explicitly that we are doing so in anticipation of no future hostilities. Presumably the EC will take a similar action this week.² Immediately afterward, we and the Europeans would encourage our bankers to roll over short-term debt, thus avoiding an immediate credit crunch. Clearly this latter action would have to depend on the economic policy adopted by the Junta. If we move early enough, we may head off some populist measures that otherwise will be taken. Throughout this period, however, we should maintain as low a profile as possible in Argentina. We will have to consider how to best handle this with the UK.

5. We should seek from Britain agreement to refrain from any action or statement which rules out negotiations or decides the Islands' future. In return, we would continue for a time our current arms relationship (i.e. accelerated delivery out of US-owned inventory) in order to enable Britain to establish a serious defense of the islands in short order. We would discontinue our special support if the British are unreasonable.

If this first phase succeeds, a new effort at a settlement, involving negotiations and perhaps a multilateral force, could be undertaken toward the end of the year.

In line with the foregoing, we recommend the following:

1. That you ask the President to send a brief note congratulating Prime Minister Thatcher and gently noting our expectation of continuing consultations with HMG over the South Atlantic. At Tab 1 is a draft letter.³ This would be an interim communication only, bridging the period between the President's meeting with the Prime Minister at the Summits⁴ and the fall of Stanley. It would not be a major substantive communication, which would follow later. In the meantime, you might

² Haig drew a parallel line in the right-hand margin next to this sentence and the sentence that preceded it.

³ The undated draft letter from Reagan to Thatcher, along with a draft covering memorandum from Bremer to Clark, is attached but not printed. For the letter as sent, see Document 352.

⁴ See Documents 322 and 326.

wish to call in Ambassador Henderson to get a better sense as to how best tailor a major Presidential intervention with the Prime Minister.

RECOMMENDATION

That you ask the President to send to the Prime Minister the letter at Tab 1.⁵

2. Regardless of the outcome of Argentine political uncertainty, we want to restore US-Argentine relations as quickly as possible, and we also want to make clear to Galtieri or his successor that the United States continues to seek a permanent end to the hostilities and a peaceful settlement of the underlying dispute. There is risk however that any message at this time will be viewed by the Argentine leadership as hypocritical and, perhaps, used to further arouse public opinion against us. It might also be seen as explicit backing for Galtieri in a situation we are not sure he can survive.

On balance, we believe that we should hold any message until the internal situation is more clear. The attached draft (Tab 2)⁶ reflects the type of message which should be sent as soon as circumstances warrant.

RECOMMENDATION

That you decide that we should *not* sent a message to Galtieri now.⁷

3. US policy:

RECOMMENDATION

That you meet with us to consider the outlines of our post-Falklands policy.⁸

⁵ The recommendation was neither approved nor disapproved. Below this sentence, a notation in an unknown hand reads: "approved in principle—Burt to re-draft."

⁶ The undated draft letter from Reagan to Galtieri, along with a draft covering memorandum from Bremer to Clark, is attached but not printed.

⁷ A checkmark in an unknown hand indicates that the recommendation not to send a letter to Galtieri was approved.

⁸ A checkmark in an unknown hand indicates that the recommendation was approved. Beneath the recommendation, Bremer wrote: "Given your schedule, I suggest Larry hold the meeting while you're in NYC. LPB 6/15." In the space next to the approval line, Eagleburger wrote: "done 6/16/82." No memorandum of conversation of this meeting has been found.