

Self - bet Affluence
 Potatoes & Sor. *Cherries*

SECRET

W. H. ...
 109

Iran - sanctions
 UK sp. - US - fe
 ANNEX A

SECRETARY OF STATE'S VISIT TO WASHINGTON: FALKLAND ISLANDS

LIST OF BRIEFS

Brief No	Title
1 ① UN - sp. vote left as cast " "	Mr Haig's Negotiations
2	Other Diplomatic Options
3	Perceptions of US Neutrality
4 ② OAS from lead - Finn lead - = Perceived instability	Soviet Attitudes
5	Central America
6	OAS/Rio Treaty
7 Sp. to Arg aggression = 8	Economic Measures Against Argentina
	Impact of the Falkland's Crisis on the Argentine Economy
9 <i>Handl - 2000</i>	Background Note: System of Government in the Falklands
10 <i>Drankness - market gap</i>	Background Note: The Haig Proposals of 19 April: How Much Have the Argentines Given? <i>Shock - NOTIFICATION TABS - Asc. I.</i>

1. Bring Arg to Jones
2. Unless US captures Arg. encourage approach = Sor. meeting.
3. Rept. to W as defender or law for extract site.
4. Risk Games to Alliance
5. Risk of some US firm reflecting Belgium

*copy
 12/5.*

His mission - bet what chance?
 "time running out"
 "to be made"

Ascension
 Substrate or security

President's
 "as far as we can go"
 Mod = Britain

Sp. Co. ...



SECRETARY OF STATE'S VISIT TO WASHINGTON: FALKLAND ISLANDS

ANNEX B

- A Resolution 502
- B Mr Nott's Announcement of Maritime Exclusion Zone 7 April 1982
- C Rio Treaty
- D OAS Charter
- E UN Charter
- F International Reactions to Falklands
- G Records of Meetings with Mr Haig:
- (1) SOSFCO with Mr Haig, 8 April
 - (2) PS/Mr Haig, 8 April, 7 pm
 - (3) Mr C Onslow/Mr Haig's Party, 8 April
 - (4) PS/Mr Haig, Dinner on 8 April, at 7.30 pm
 - (5) PM/Mr Haig, 12 April
 - (6) PS/Mr Haig, 13 April.
- H Messages between SOSFCA/Mr Haig and PM/Mr Reagan:
- (a) SOSFCA/Haig, 2 April
 - (b) Haig/SOSFCA, 2 April
 - (c) Haig/SOSFCA, 2 April
 - (d) Haig/SOSFCA, 2 April
 - (e) Haig/SOSFCA, 6 April
 - (f) SOSECA/Haig, 7 April
 - (g) Haig/PM, 11 April
 - (h) Haig/MOD, 11 April
 - (i) PM/Mr Haig, 11 April
 - (j) Haig/SOSFCA, 14 April
 - (k) Haig/SOSFCA, 14 April
 - (l) SOSFCA/Haig, 15 April
 - (m) Reagan/PM) 15 April
and reply)
 - (n) Haig/SOSFCA, 17 April
 - (o) Reagan/PM, 17 April

/(p)



- (p) SOSFCA/Haig, 18 April
- (q) Haig/SOSFCA, 18 April
- (r) Haig/SOSFCA, 18 April
- (s) Haig/SOSFCA, 18 April
- (t) Haig/SOSFCA, 19 April
- (u) Haig/SOSFCA, 19 April
- (v) Haig/SOSFCA, 19 April
- (w) Haig/SOSFCA, 19 April
- (x) Haig/SOSFCA, 19 April
- (y) Haig/SOSFCA, 19 April
- (z) SOSFCA/Haig, 20 April
- (aa) Haig/SOSFCA, 20 April
- (bb) SOSFCA/Haig,

I

Parliamentary Statements by PM

J

Parliamentary Statements by Mr Nott

K

Parliamentary Statements by SOSFCA

FALKLANDS
MR HAIG'S
NEGOTIATIONS

SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG
BRIEF NO: 1: FALKLAND ISLANDS: MR HAIG'S NEGOTIATIONS

1. The following basic documents are attached:

- ABC (i) the three telegrams to Washington giving our comments on the latest Argentine proposals;
- D (ii) ODSA paper on comparison of the draft agreements of 13 and 19 April 1982;
- (iii) ODSA paper giving counterproposals which might be put to Mr Haig. No: column A of this is overtaken by C above, but column B remains relevant to discussions;
- FGH (iv) ^{Earlier}~~Counter~~ versions of the draft agreed memorandum.

OUT TELEGRAM

3 Tele. to Washington
Our comments on proposals

	Classification and Caveats	Precedence/Deskby
	CONFIDENTIAL	IMMEDIATE

ZCZC
GRS
CLASS
CAVEATS
DESKBY
FM FCO
PRE/ADD
TEL NO

1 ZCZC
2 GRS
3 CONFIDENTIAL
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6 FM FCO 211500Z APRIL 82
7 to FLASH WASHINGTON
8 TELEGRAM NUMBER
9 AND REPEATED FOR INFORMATION IMMEDIATE UKMIS NEW YORK
10 MIPT
11 FALKLANDS ISLANDS: MY VISIT TO WASHINGTON
12 1. Please deliver the following personal message from me to
13 Mr Haig as soon as possible.
14 BEGINS
15 In preparation for our talks tomorrow I am asking Nicko
16 Henderson to give you the amendments to the Buenos Aires
17 text which the Prime Minister and I consider essential. *not first sight/ He will*
18 be conveying one or two further points to which we attach
19 importance.
20 As background to our meeting it might be useful for you
21 to have the following summary of the reasons why the latest
22 draft would be far more difficult for Britain to consider
23 accepting than the version which we discussed earlier:
24 a. Withdrawal
25 The proposed arrangements are unequal and heavily favour

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NNNN ends telegram	BLANK	Catchword Argentina
File number	Dept PRIVATE OFFICE	Distribution Falkland Island Special
Drafted by (Block capitals) J E HOLMES		
Telephone number		
Authorised for despatch <i>J E Holmes 21/4</i>		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats	Page
▼	CONFIDENTIAL	FLASH 2.

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1

2 Argentina, despite her being the aggressor. For the second

3 week after signature of the agreement Argentina would have several

4 thousand troops with all their equipment in the Falkland Islands,

5 while the nearest British forces (our submarines) would be

6 several hours distant. Within fifteen days the provision that

7 British forces should return to their usual operating bases or

8 areas would apparently exclude most possible deployments in the

9 South Atlantic. *whereas the Argentines would only be about*

10 *200 miles away.*

11 b. Administration

12 To have ~~two~~ ^{three} nominees of the Argentine Government in the Councils

13 in the Falklands would be undemocratic in the case of the

14 Legislative Council and disproportionate in the case of the

15 Executive Council. In effect, government would be shared

16 between Britain and Argentina at the administrative level,

17 as well as (with the United States) in the Special Interim

18 Authority. British administration would thus be re-established

19 to a far lesser degree than under the earlier draft.

20 c. Economic sanctions

21 The new draft would have these lifted before the completion

22 of Argentinian withdrawal, thus contradicting the principle

23 that withdrawal in accordance with the UN Resolution is the first

24 requirement.

25 d. Relations with the mainland

26 The latest draft opens up the possibility, if not the probability,

27 of an influx of Argentine people and businesses, combined with

28 strong encouragement to the Islanders to leave. Britain would

29 apparently still have the right to block proposals in this

30 field from the Special Interim Authority, but the latest draft

31 independently concedes the principle of facilitating contacts

32 between the Islands and Argentina.


33 e. Future negotiations

34 The new text would exclude re-establishment of the status quo

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2 ante the invasion from the list of possible outcomes of negotiations
3 This does not preserve the fundamental principle that the Islanders
4 must choose their own future. Here too Britain would nominally
5 be free to refuse agreement to any outcome of the negotiations
6 which the Islanders did not accept. But there is a bias
7 in the relevant paragraph which would greatly restrict
8 our freedom to press for any outcome not involving early
9 transfer of sovereignty to Argentina.
10 All in all, I think I was right to tell my colleagues
11 in the Ten yesterday that the general effect of the latest
12 draft - even presupposing Argentine goodwill, which in our eyes
13 is far from obvious - would be that Argentine withdrawal would be
14 delayed, the Argentine voice in the administration of the Islands
15 would be disproportionate, Argentine influence and pressure in
16 the Islands would be given free rein, and future negotiations
17 would be organised in a way which could only prejudice
18 the principles of sovereignty and self-determination. The
19 result would be that in practice the Islanders would face the
20 choice between absorption into Argentina or abandonment of the
21 islands which have been their home in most cases for a
22 century and a half.
23 I do not underestimate the difficulty of getting the
24 Argentinians to accept of amendments. But I thought I should
25 leave you in no doubt about the gap which I see between their
26 present demands and what we can accept.
27 I much look forward to our meeting tomorrow and to all that
28 I hope will come out of it - including something useful to you
29 in the OAS context, on which I was grateful for your latest
30 message. ENDS
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32 PYM
33 NNNN
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OUT TELEGRAM

	Classification and Caveats	Precedence/Deskby
	CONFIDENTIAL	IMMEDIATE
ZCZC	1 ZCZC	
GRS	2 GRS	
CLASS	3 CONFIDENTIAL	
CAVEATS	4	
DESKBY	5	
FM FCO	6 FM FCO 211500Z APRIL 82	
PRE/ADD	7 TO IMMEDIATE WASHINGTON	
TEL NO	8 TELEGRAM NUMBER	
	9 REPEATED FOR INFORMATION TO IMMEDIATE UKMIS NEW YORK	
	10 FALKLAND ISLANDS: MY VISIT TO WASHINGTON	
	11 1. My two IFT's contain a personal message from me to Haig	
	12 and a list of amendments to the Buenos Aires draft which the	
	13 Prime Minister and I consider essential.	
	14 2. In conveying these to the State Department I should like	
	15 you also to put across the following points in whatever way	
	16 you think best:	
	17 a. Unless Haig thinks otherwise, I suggest we begin our	
	18 talks by setting the scene for the work we have to do. I need	
	19 to know ^{more} from Haig about the mood and conditions in Buenos	
	20 Aires and the possibility of relying on any agreement to which	
	21 the Argentinians may put their names. I should be glad also to	
	22 talk about the general Latin American, Central American and	
	23 Soviet angles. This is the background against which the text	
	24 and ^{our proposed} amendments ^{(which have been prepared and not released in final} could then be considered. I do not want to ^{wast}	
	25 spend too much of my limited time with Haig ploughing through	
NNNN ends telegram	BLANK	Catchword drafts.
File number	Dept PRIVATE OFFICE	Distribution
Drafted by (Block capitals)	J E HOLMES	FALKLAND ISLANDS SPECIAL
Telephone number		
Authorised for despatch		
Concen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats

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drafts.

~~I shall have officials with me and if necessary they could be detached to go through texts separately.~~

b. As Haig knows from my message to him of 15 April (my telno 730) a point of fundamental importance for Britain is that of the eventual American guarantee of the security of the Islands from any future Argentine aggression. Haig will know how little faith any British Government can have in Argentine good intentions. I shall want to talk to Haig about how best to arrange this and to related it to the other parts of any political solution.

c. The Americans will appreciate that as the British military capability in the area develops, it will become all the more important to keep Argentina in the dark about how this might be used. I have enough respect for the Intelligence community to believe that their guesses will sometimes be close to the mark. I know too that there is a different tradition in the United States about discussing these matters in public. But Haig himself has underlined the importance of maintaining our military pressure, and he will understand that we do not want to see its effectiveness weakened by unnecessary publicity. There is pressure on us from the press here too, but we are holding the line that we are not going to speculate in public about these matters.

3. I ~~shall be~~ ^{have} telegraphed separately on the rest of the programme (your telno 1370). I attach importance to outside calls of the sort you have suggested and to the press side of the visit, and I do not want the talks with Haig to monopolize the time available. ~~(Officials will, however, be available for talks in the State Department as necessary)~~

PYM

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TEL NO

1 ZCZC
2 GRS
3 SECRET
4
5
6 FM FCO 211600Z APRIL 82
7 TO FLASH WASHINGTON
8 TELEGRAM NUMBER
9 FALKLAND ISLANDS: MY VISIT TO WASHINGTON
10 MY TWO IPTs
11 1. As promised in my personal message to Mr Haig, the
12 following is the list of amendments to the Buenos Aires
13 text which the Prime Minister and I consider essential. Please
14 deliver the list immediately to Mr Haig.
15 BEGINS
16 Paragraph 2.1. Delete 'rescind' and substitute 'suspend
17 enforcement of'.
18 Paragraph 2.2.1 (second sentence). Delete and substitute the
19 following:
20 'Within the same time period the United Kingdom naval task
21 force will stand off at a distance of at least 150 miles from
22 any of the co-ordinate points.'
23 Paragraph 2.2.2.
24 a) Re-draft first sentence as follows:
25 'Within fifteen days from the date of this Agreement, Argentina

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File number	Dept PRIVATE OFFICE	Distribution
Drafted by (Block capitals) J E HOLMES		
Telephone number		
Authorised for despatch <i>J Holmes 21/4</i>		
Comcen reference	Time of despatch	

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3 and the United Kingdom shall have removed all their forces,
4 equipment and armaments from the zones'.
5 b) Re-draft second sentence as follows:
6 'Thereafter, the UK naval task force and submarines shall
7 revert to their normal duties.'
8 Paragraph_4
9 Delete 'From the date of this agreement, steps' and substitute
10 'On completion of the steps specified in paragraphs 2, 2.1, 2.2,
11 2.2.1 and 2.2.2 above, the two Governments shall take measures
12 to terminate'....
13 Second_sentence
14 Delete 'without delay' and insert 'at the same time' and 'shall'.
15 Paragraph_5
16 Add 'Each representative may be supported by a staff of not more
17 than ten persons'.
18 Paragraph_6(A)
19 Delete second sentence and substitute:
20 'The traditional local administration shall be re-established,
21 including the Executive and Legislative Councils, each of which
22 shall be enlarged to include one representative of the Argentine
23 population resident on the Islands to be nominated by the
24 Special Interim Authority.'
25 Paragraph_6(A)
26 Delete third sentence.
27 Paragraph_7(A)
28 Delete and substitute:
29 'Pending a definitive settlement, the Special Interim Authority
30 shall make proposals to the two Governments to facilitate
31 and promote travel, transportation, communications (including
32 the movement of persons) and trade between the mainland and the
33 Islands. Such proposals shall simultaneously be transmitted to
34 the Executive and Legislative Councils for their views. The

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2 two Governments undertake to respond as soon as possible to

3 such proposals. The Special Interim Authority shall monitor

4 the implementation of all such proposals agreed by the two

5 Governments'.

6 Paragraph 7(B)

7 Delete 'teaching' and 'property'. Clarification is required

8 of the meaning of the phrase 'on an equal basis'. Pending

9 such clarification, a reserve is put on this phrase.

10 Paragraph 8(A)

11 Delete and substitute:

12 'December 31, 1982, will conclude the interim period during

13 which the signatories shall negotiate mutually agreed conditions

14 for the definitive status of each of the three groups of Islands

15 in accordance with the purposes and principles of the Charter

16 of the United Nations and bearing in mind relevant General

17 Assembly Resolutions. The negotiations shall begin within

18 fifteen days of the signature of the present Agreement'.

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THE FALKLAND ISLANDS: COMPARISON OF THE DRAFT AGREEMENTS OF
13 AND 19 APRIL 1982

Note by Foreign and Commonwealth Office Officials

1. The provisions of the draft Anglo/Argentine agreement, as it stood when Mr Haig left London on 13 April, are summarised in Annex A. The provisions of the draft which he sent us on 19 April are summarised in Annex B.
2. The differences between the two are indicated in Annex E. The most important of them are:-
 - a) Withdrawal. In the earlier draft, this would be carried out by both the UK and Argentina within two weeks. In the later draft, Argentina would have two weeks to withdraw but the UK would have only one. Moreover our Task Force, but not our submarines, would be required, from the seventh day, to stand off at least 1750 nautical miles away. ^{within} 15 days "units of" our Task Force and submarines would be required to return to "usual operating bases or areas". The UK would also be required to lift the MEZ within 24 hours of the agreement.
 - b) Administration. The later draft provides for the introduction of two nominees of the Argentine Government into the Legislative and the Executive Councils, in addition to at least one representative in each Council of the Argentine inhabitants of the Islands. This enlargement would give

Argentina/

Argentina effective control over 3 out of 9 members of the future Executive Council and 3 out of 12 members of the future Legislative Council. (Moreover it should be born in mind that two members of the Executive Council are at present appointed by the Governor; Argentina might in the future be able through the Special Interim Authority to determine the selection of either of these.)

- c) Economic Sanctions. The later draft requires that 'steps' be taken to lift these as soon as possible. This means that they could be lifted before Argentine withdrawal was complete. However the provision that they should be lifted simultaneously should give the UK some control over the actual timing.
- d) Relations with the Mainland. The provisions in the later draft for economic and other relations with Argentina are far broader than before. They would enable Argentina to claim that her nationals should have equal rights to purchase property, establish businesses, live on the islands and so on. The purpose of this is underlined by the introduction into the same paragraph of a mention of the possibility of compensation for islanders wishing to leave.
- e) Future Negotiations. The subject for future negotiations is stated in a way that excludes a return to the status quo ante the invasion and is heavily slanted in favour of

a/

a transfer of sovereignty to Argentina.

3. The main reasons why the later draft is far more difficult for the UK to consider accepting than the earlier one are:-

- a) Withdrawal. The proposed arrangements are unequal and heavily favour the aggressor. For the second week after the signature of the agreement Argentina would have several thousand troops with equipment in the Falkland Islands, while the nearest UK forces, our submarines, would be seven hours away. The provision about our forces returning to usual operating bases or areas ^{within} after 15 days would seem to exclude most deployments in the South Atlantic.
- b) Administration. The introduction of nominees of the Argentine Government into the Councils in the Falklands would be undemocratic in the case of the Legislative Council and disproportionate in the case of the Executive Council. Government at the administrative level, as well as in the Special Interim Authority, would in effect be shared between the UK and Argentina. The degree to which British administration would be re-established would be far less than under the earlier draft agreement.
- c) Economic Sanctions. The prospect of their being lifted before the completion of Argentine withdrawal goes against the position of HMG that withdrawal is the first requirement.

d)/

- d) Relations with the Mainland. The later draft opens the possibility of an influx of Argentine people and businesses and encourages Falkland Islanders to depart. (HMG would apparently still have the right to block proposals in this field from the Special Interim Authority, but the principle of facilitating contacts is conceded independently of this in the later draft.)
- e) Future Negotiations. The exclusion of the status quo ante the invasion from the possible outcomes of negotiations does not preserve the complete freedom of choice of the islanders. Although the UK would be free to refuse agreement to any outcome in the negotiations which was unacceptable to the islanders, our freedom to press for an outcome not involving an early transfer of sovereignty would be constrained by the bias in the relevant paragraph of the later draft agreement.
4. For the draft agreement to be acceptable to the UK, amendments taking account of the previous paragraph, and some kind of US guarantee of the security of the islands from further Argentine aggression, would probably be needed.

ANNEX A

THE DRAFT ANGLO-ARGENTINE AGREEMENT: THE VERSION OF 13 APRIL

1. When he left London on 13 April, Mr Haig took to Buenos Aires a draft agreement between the UK and Argentina which took account of his 11 hours of talks with the Prime Minister. The essence of the arrangement foreseen in the draft then was:

(a) Withdrawal of Argentine and British forces within two weeks from areas of 150 nautical miles radius from the Falkland Islands, South Georgia and the South Sandwich Islands. On completion of the withdrawal all forces to return to normal duties.

(b) De-militarisation. No forces to be introduced into the areas pending a definitive settlement of the Falkland Islands problem.

(c) A Special Interim Commission consisting of one representative each from the UK, Argentina and the US to verify withdrawal and de-militarisation.

(d) Administration. 'Traditional local administration' including the executive and legislative Councils to continue but:

/(i)

(i) all decisions, laws and regulations adopted in future by the local administration to be submitted to the Special Interim Commission and expeditiously ratified by it unless deemed inconsistent with the agreement.

(ii) the Executive and Legislative Councils to be enlarged to include at least one representative of the Argentine population of the Islands having the normal residence qualification.

(iii) the flags of all three participating governments to fly over the Commission's headquarters.

(e) Relations with the Mainland. The Special Interim Commission to make recommendations to the British and Argentine governments to facilitate travel, transportation, communications and trade with Argentina.

(f) Economic Sanctions. 'Steps' to be taken to terminate them within two weeks.

(g) Future Negotiations. During the interim period, defined as ending on 31 December 1982, the definitive status of the Islands to be negotiated consistently with the purposes and principles of the UN Charter; these include the principle and self-determination and therefore safeguard the wishes of the Islanders. (Before Mr Haig left London on 13 April he provided an alternative version of this part of the text which introduced references to decolonisation)

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and to UN documents which, inter alia, stress decolonisation generally and its claimed relevance to the Falklands.

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ANNEX B

THE VERSION OF 19 APRIL

1. The revised draft agreement between the UK and Argentina sent by Mr Haig to us when he left Buenos Aires on 19 April included the following main provisions and changes:-

(a) Withdrawal.

- (i) There is a new provision that within 24 hours of the agreement, the UK is to rescind the MEZ and Argentina is not to conduct military operations in the three zones of 150 nautical miles radius from the Falklands, South Georgia and the South Sandwich Islands.
- (ii) Within 24 hours of the agreement British and Argentine withdrawal to begin (this is also new).
- (iii) Argentina to withdraw half its forces in 7 days and all its forces in 15 days (different).
- (iv) UK to withdraw all its forces from the zones in 7 days (different). The Task Force to stand off at least 1750 nautical miles away (new). Within 15 days 'units of the UK naval Task Force and submarines' to redeploy to 'usual operating bases or areas' ('normal duties' in the earlier version, which also referred to Argentine forces).

(b) De-militarisation.

- (i) From the day after the agreement is signed, no introduction of British or Argentine forces into the three zones. No forces

to be introduced into the zones pending a definitive settlement of the Falklands problem (as (b) in Annex A).

(c) Special Interim Authority. As in the earlier draft but name changed to 'Authority', and task to verify compliance with all the obligations in the agreement, not just withdrawal and de-militarisation.

(d) Administration. As in the previous draft except that:

(i) the exercise of traditional local administration is to be 'through' the Executive and Legislative Councils, a formulation which emphasises the disappearance of the office of Governor.

(ii) the Argentine Government is to appoint two representatives each to the Legislative and Executive Council, in addition to the representative of the Argentine population of the Falklands forseen in the earlier draft.

(iii) there is a new provision about the police. They are to continue under the administration of the two Councils 'with a representation of the resident Argentine population' and to be subject to the supervision of the Special Interim Authority.

(e) Relations with the Mainland. This is much expanded. Movement of persons, and 'residence and ownership and disposition of property are added to travel, transportation, communications and trade. All these are now to be promoted and facilitated on an equal basis. The Special Interim Authority, as in the earlier draft, is to make recommendations, but on this wider range of subjects and also on

possible arrangements for compensation of Islanders wishing to depart. Two other new points are that the UK and Argentina undertake to respond promptly to such proposals and that the Special Interim Authority is to monitor the implementation of adopted proposals.

(f) Economic Sanctions. 'Steps' to end them are to be taken 'from the date' of the agreement, while in the earlier version the time limit was two weeks. Sanctions are to be terminated 'simultaneously, and without delay'.

(g) Future negotiations. It is made explicit that negotiations shall start within 15 days of the signature of the agreement and be concluded by 31 December. Their subject is stated as: 'modalities for the removal of the Islands from the list of non-self-governing territories' established in the UN. The principle of self-determination and therefore the wishes of the Islanders, are still implied by a reference to the purposes and principles of the UN Charter. But there is much other imprecise language about the rights of the inhabitants and the principle of territorial integrity 'applicable to this dispute', which Argentina would interpret as either not excluding or implying a transfer of sovereignty. The US is stated to be prepared to assist in the negotiations.

Mr Mallaby

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

OD (SA)

COPY NO

20 April 1982

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

DRAFT OF AGREEMENT ON SOUTH ATLANTIC CRISIS

WORKED OUT IN BUENOS AIRES APRIL 19 1982

Note by Foreign and Commonwealth Office

1. The paper below makes counter-proposals which might be put to Mr Haig.
2. The first column (A) sets out what we should aim for in any further negotiation on this draft.
3. The second column (B) either comments on these counter-proposals or deals with points where we may anticipate pressure from the United States for further concessions.
4. A copy of the draft of the agreement worked out in Buenos Aires on 19 April is also attached for ease of reference.

Foreign and Commonwealth Office

20 April 1982

DRAFT OF AGREEMENT ON SOUTH ATLANTIC CRISIS
WORKED OUT IN BUENOS AIRES APRIL 19 1982

COUNTER-PROPOSALS FOR CONSIDERATION

A.

COUNTER-PROPOSALS

The preamble and paragraphs 1 and 2 seem acceptable.

↙
Paragraph 2.1. Delete 'rescind' and substitute 'suspend enforcement of'.

Paragraph 2.2.1 (second sentence)
Delete and substitute the following:-
'Within the same time period the United Kingdom naval task force will stand off at a distance of at least [] nautical miles from any of the co-ordinate points.'

Paragraph 2.2.2.

- (a) Re-draft first sentence as follows:-

'Within fifteen days from the date of this Agreement, Argentina and the United Kingdom shall have removed all their forces, equipment and armaments from the zones'.

- (b) In the same sentence, delete 'shall redeploy to their usual operating bases or areas' and substitute 'shall revert to normal duties'.

B.

COMMENT

Paragraph 2 is similar in purpose to paragraph 2 of the text provisionally agreed with Mr Haig on 13 April. It would preclude introduction or deployment of UK force into the zones around South Georgia and the South Sandwich Islands after signature of the Agreement.

We take it that 'not conduct operations in the zones' means that Argentina will be precluded from using the forces she has there.

There should, so far as possible, be parity on timing and distance of withdrawal. The requirement for the UK to withdraw all its forces from the zones has therefore been deleted. The principle of parity on distance of withdrawal might suggest an opening bid of 200 nautical miles, although Argentina is likely to have withdrawn some of her forces at least to the mainland, which is approximately 350 miles from the Falklands.

Consequential upon the amendment to paragraph 2.2.1. (provision has to be made for the withdrawal of UK force).

Redeployment to usual operating areas would presumably involve not only the turning back but also the dispersal of the Task Force.

A.Paragraph 3 seems acceptableParagraph 4

Delete 'from the date of this agreement, steps' and substitute 'on completion of the steps specified in paragraphs 2, 2.1, 2.2, 2.2.1 and 2.2.2 above, the two Governments shall take measures to terminate'

Second sentence. Delete 'without delay' and insert 'at the same time' after 'shall'.

Paragraph 5

Add 'Each representative may be supported by a staff of not more than [] persons'.

Paragraph 6(A)

Delete third sentence and substitute:-
'The traditional local administration shall be re-established, including the Executive and Legislative Councils, which shall be enlarged to include, on the nomination of the Special Interim Authority, representatives of the Argentine population whose period of residence on the Islands is equal to that of others entitled to representation, such representatives to be in proportion to that population, subject to there being at least one such representative in each Council'.

Paragraph 6(A)

Delete fourth sentence

B.

It is highly desirable that the removal of sanctions should follow completion of withdrawal and not precede it. As a fall-back we might be able to accept 'Before completion' given that the obligation is only to take measures to terminate sanctions 'simultaneously, and without delay'.

In the final analysis, we could accept the existing text.

It is highly desirable to set a staff limitation in the agreement itself, if only to avoid a major dispute on this subject in negotiating the separate protocol creating the Authority.

This is a reversion to the 13 April text subject to the inclusion of the phrase 'on the nomination of the Special Interim Authority'. We would not want the nominations to be made by the Government of Argentine and it would seem absurd to have an election. It should be noted that the latest Haig text refers to the continuance of traditional local administration 'through the executive and legislative councils'. This could be taken to imply the non-return of British administrators (not just the Governor).

We could if necessary consider substituting 'the local police shall be re-established and shall be subject to the supervision of the Special Interim Authority, which is authorised to make proposals to the two Governments for its enlargement to include a representative of the resident Argentine population'.

A.Paragraph 7(A)

Delete and substitute:-

'Pending a definitive settlement, the Special Interim Authority shall make proposals to the two Governments to facilitate and promote travel, transportation, communications (including the movement of persons) and trade between the mainland and the Islands. Such proposals shall simultaneously be transmitted to the Executive and Legislative Councils. The two Governments undertake to respond promptly to such proposals. The Special Interim Authority shall monitor the implementation of all such proposals agreed by the two Governments'.

Paragraph 7(B)

Delete 'property'.

Paragraph 8(A)

Delete and substitute:-

'December 31, 1982, will conclude the interim period during which the signatories shall conclude negotiations on mutually agreed conditions for the definitive status of each of the three groups of Islands in accordance with the purposes and principles of the Charter of the United Nations and bearing in mind relevant General Assembly Resolutions. The negotiations shall begin within fifteen days of the signature of the present Agreement.'

B.

This is an essential counter-proposal. We could if necessary offer to discuss the subjects of residence ownership and disposition of property in the negotiations for a definitive settlement.

We must insist that possible arrangements for compensation of Islanders who do not wish to remain is a matter for us.

Our proposed text here is basically a reversion to the first Haig text, but with some modifications. The first Haig text permitted recommendations to be made to the two Governments 'or to the Executive and Legislative Councils'. Under the text now suggested, proposals would be made to the two Governments but transmitted simultaneously to the Executive and Legislative Councils. The reference to 'movement of persons' has been included because movement of persons is covered by the 1971 communications agreement. The last two sentences, taken from the second Haig text, seem fundamentally unobjectionable.

As noted on the comment on 7(A) above, we could if necessary offer to discuss this subject in the definitive negotiations.

This paragraph is fundamentally flawed, in that, when read in conjunction with the remainder of the text, it seems to envisage integration with Argentina as the only final solution for the Falklands. There is a basic difficulty in constructing an alternative formula which might just, in the final analysis, be acceptable to Argentina. Any specific reference to the 'wishes' of the Islanders would encounter Argentinian insistence that it be balanced by a reference to the principle of territorial integrity. The phrase 'bearing in mind relevant General Assembly Resolutions' would probably be the absolute minimum that Argentina would be prepared to accept by way of reference to UN activity; but that phrase would, in our view, include more favourable Resolutions, such as 2625 (XXV) as well as the less favourable ones.

SECRET

DRAFT OF AGREEMENT ON SOUTH ATLANTIC CRISIS WORKED
OUT IN BUENOS AIRES APRIL 19 1982

On the basis of United National Security Council Resolution 502, and the will of the Argentine Republic and of the United Kingdom to resolve the controversy which has arisen between them renouncing the use of force, both Governments agree on the following steps, which form an integrated whole:

1. Effective on the signature of this agreement by both Governments, there shall be an immediate cessation of hostilities.

2. Beginning at 0000 hours of the day after the day on which this agreement is signed, the Republic of Argentina and the United Kingdom shall not introduce nor deploy forces into the zones (hereinafter, 'zones') defined by circles of 150 nautical miles radius from the following coordinate points (hereinafter, 'coordinate points'):

- A) Lat. 51 deg 40' S
Long. 59 deg 30' W
- B) Lat. 54 deg 20' S
Long. 36 deg 40' W
- C) Lat. 57 deg 40' S
Long. 26 deg 30' W

2.1 Within 24 hours of the date of this agreement the United Kingdom will rescind its zone of exclusion and Argentina will not conduct operations in the zones.

2.2 Within 24 hours of the date of this agreement Argentina and the United Kingdom will commence the withdrawal of their forces in accordance with the following details.

2.2.1 Within seven days from the date of this agreement, Argentina shall have withdrawn one half of its military and security forces present in the zones on the date of this agreement, including related equipment and armaments.

Within the same time period, the United Kingdom will have completed the withdrawal of all of its forces from the zones and the United Kingdom naval task force will stand off at a distance of at least 1750 nautical miles from any of the coordinate points.

2.2.2 Within 15 days from the date of this agreement, Argentina shall remove all of its remaining forces, equipment and armaments from the zones. Within the same time period, units of the UK naval task force and submarines shall redeploy to their usual operating bases or areas.

3. After fifteen days after the date of this agreement and pending a definitive settlement, no military or security forces shall be introduced by the signatories into any of the zones defined by circles of 150 nautical miles radius from the coordinate points.

4. From the date of this agreement, steps shall be taken by the two Governments to terminate simultaneously, and without delay, the economic and financial measures adopted in connection with the current controversy, including restrictions relating to travel, transportation, communications, and transfers of funds between the two countries. The United Kingdom without delay shall request the European Community and third countries that have adopted similar measures to terminate them.

5. The United Kingdom and Argentina shall each appoint, and the United States has indicated its agreement to appoint a representative to constitute a special interim authority which shall provide observers to verify compliance with the obligations in this agreement.

6. A) Pending a definitive settlement, all decisions, laws and regulations hereafter adopted by the local administration on the islands shall be submitted to and expeditiously ratified by the special interim authority, except in the event that the special interim authority deems such decisions, laws or regulations to be inconsistent with the purposes and provisions of this agreement or its implementation. The traditional local administration shall continue through the executive and legislative Councils which shall /be

be enlarged in the following manner: the Argentine Government shall appoint two representatives, who shall serve in each Council; the Argentine population whose period of residence on the islands is equal to that required of others entitled to representation shall elect representatives to each Council in proportion to their population, subject to there being at least one such representative in each Council. The local police shall be continued under the administration of the Councils, with a representation of the resident Argentine population, and shall be subject to the supervision of the special interim authority. The flags of each of the constituent members of the special interim authority shall be flown at its headquarters.

B) Pending a definitive settlement, neither Government shall take any action that would be inconsistent with the purposes and provisions of this agreement or its implementation.

7. A) Pending a definitive settlement, travel, transportation movement of persons and as may be related thereto, residence and ownership and disposition of property, communications and commerce between the mainland and the islands shall, on an equal basis, be promoted and facilitated. The special interim authority shall propose for adoption appropriate measures on such matters, including possible arrangements for compensation of islanders who do not wish to remain. The two signatories undertake to respond promptly to such proposals. The special interim authority shall monitor the implementation of all such proposals adopted.

B) Pending a definitive settlement, the rights and guarantee which have heretofore been enjoyed by the inhabitants on the islands will be respected, on an equal basis, in particular rights relating to freedom of opinion, religion, expression, teaching, movement, property, employment, family, customs, and cultural ties with countries of origin.

/8. A)

8. A) December 31, 1982, will conclude the interim period during which the signatories shall conclude negotiations on modalities for the removal of the islands from the list of non-self governing territories under Chapter XI of the United National Charter and on mutually agreed conditions for their definitive status, including due regard for the rights of the inhabitants and for the principle of territorial integrity applicable to this dispute, in accordance with the purposes and principles of the charter of the United Nations and Resolution 1514 (XV) and 2065 (XX) and in the light of relevant Resolutions of the General Assembly of the United Nations on the 'Question of the Falkland (Malvinas) Islands'. The negotiations hereabove referred to shall begin within fifteen days of the signature of the present agreement.

B) The United States Government has indicated that, at the request of the two Governments, it would be prepared to assist them in bringing their negotiations to a mutually satisfactory settlement by the date stipulated in subparagraph (A).

COUNTER
VERSIONS OF
DRAFT AGREED
MEMORANDUM

S E C R E T

FALKLAND ISLANDS

DRAFT AGREED MEMORANDUM AS IT STOOD AFTER THE PRIME MINISTER'S MEETING WITH SECRETARY HAIG ON 13 APRIL

1. On the basis of United Nations Security Council Resolution No. 502, and noting relevant United Nations General Assembly Resolutions, Argentina and the United Kingdom have agreed on the following steps, which form an integrated whole.
2. All military and security forces other than local police shall be withdrawn within a short period of time, but not later than two weeks from the date of this agreement, from three areas defined by circles of 150 nautical miles radius from the following coordinate points:
 - (a) Lat. $51^{\circ} 40'$ South [Falklands]
Long $59^{\circ} 30'$ West
 - (b) Lat. $54^{\circ} 20'$ South [South Georgia]
Long $36^{\circ} 40'$ West
 - (c) Lat. $57^{\circ} 40'$ South [South Sandwich Islands]
Long $26^{\circ} 30'$ West
3. After the date of this agreement and pending a definitive settlement, no military or security force shall be introduced into the areas defined in paragraph 2 above. On completion of the withdrawal specified in paragraph 2, all forces that have been deployed in connection with the current controversy shall be redeployed to normal duties.
4. The United Kingdom and Argentine shall each appoint, and the United States agrees to appoint, a representative to constitute a Special [Interim] Commission which shall provide observers to verify compliance with the obligations in the preceding paragraphs. Each Commissioner may be supported by a staff of not more than ten persons.

/5.

5. On an interim basis, all decisions, laws and regulations hereafter adopted by the local administration on the islands shall be submitted to and expeditiously ratified by the Special [Interim] Commission, except in the event that the Special [Interim] Commission deems such decisions, laws or regulations to be inconsistent with the purposes of this agreement or its implementation. The traditional local administration shall continue, including the Executive and Legislative Councils, which would be enlarged to include representatives of the Argentine population whose period of residence on the islands is equal to that required of others entitled to representation, such representatives to be in proportion to that population subject to there being at least one such representative on each Council. The Special [Interim] Commission shall fly the flag of each of its constituent members at the Commission's headquarters.

6. The Special [Interim] Commission shall make specific recommendations to the two Governments or to the Executive and Legislative Councils to facilitate and promote travel, transportation, communications and trade between the mainland and the islands.

7. Within a short period of time, but not later than two weeks from the date of this agreement steps shall be taken to terminate the economic and financial measures adopted in connection with the current controversy, including restrictions relating to travel, transportation, communications, and transfers of funds between the two countries. Likewise, the United Kingdom shall request third countries that have adopted similar measures to terminate them by that date.

8. December 31, 1982, will conclude the interim period, and during this period the conditions of the definitive status of the islands shall be negotiated consistently with the Purposes and Principles of the United Nations Charter.

S E C R E T

FALKLAND ISLANDS

AGREED MEMORANDUM:
PARAGRAPH 8

VARIOUS FORMS OF

1. Original form, in the document as it emerged from the Prime Minister's meeting with Secretary Haig on 13 April:
"December 31, 1982, will conclude the interim period, and during this period the conditions of the definitive status of the islands shall be negotiated consistently with the Purposes and Principles of the United Nations Charter."

2. Second version, provided by Secretary Haig after talking to Costa Mendez before leaving London on 13 April:
"December 31, 1982, will conclude the interim period and, during this period, the signatories shall negotiate the conditions of the decolonization and definitive status of the islands, consistent with the purposes and principles of the UN Charter, United Nations General Assembly Resolution 1514 (XX), and the 1964 Report of the Special Committee of the General Assembly on the situation with regard to the implementation of the declaration on the granting of independence to colonial countries and peoples."

/3.

- 1 -

S E C R E T

S E C R E T

3. Third Version, sent by the Secretary of State to Secretary Haig on 15 April:

" December 31, 1982, will conclude the interim period. During this period, the signatories shall negotiate with a view to determining the future definitive status of each of the three groups of islands consistently with the purposes and principles of the UN Charter, United Nations General Assembly Resolutions 1514(XV) and 2625(XXV) and, so far as islands with a settled population are concerned, in accordance with the wishes and interests of that population, which shall be ascertained by a sounding of their opinion to be supervised by the Special Commission. If it is not possible to complete the processes envisaged in this paragraph by December 31, 1982, the interim period may be extended for (three) months by agreement between the parties."

4. Fourth version, Argentine version passed to us by Secretary Haig on 15 April:

" The British Government shall adopt measures necessary to comply, with respect to the Malvinas, South Georgia, and South Sandwich Islands, with Resolution 1514 (XV) of the General Assembly of the United Nations, completing the decolonization of the same by 31 December 1982, taking into account that, in accordance with Resolutions 2065 (XX), 3160 (XXVIII), and 31/49⁹ of the General Assembly of the United Nations, in this case the principle of Argentine territorial integrity is applicable."

/5.

S E C R E T

5. Fifth version, Argentine version passed to us by Secretary Haig on 17 April:

" December 31, 1982, will conclude the interim period during which the signatories shall conclude negotiations on modalities for the removal of the islands from the list of non-governing territories under Chapter XI of the United Nations Charter and on conditions for their definitive status, on the basis of the implementation of the principle of Argentine territorial integrity and taking fully into consideration the interests of the inhabitants of the islands in accordance with the purposes and principles of the Charter of the United Nations and Resolutions 1514 (XV), 2065 (XX) and other relevant resolutions of the General Assembly of the United Nations."

SECRET

MESSAGE FROM MR HAIG TO THE SECRETARY OF STATE, RECEIVED ON
17 APRIL 1982

2. DEAR FRANCIS:

FURTHER TO MY MESSAGE OF EARLY THIS MORNING -- AND AS I GO INTO MY 10:00 A.M. MEETING WITH THE JUNTA -- I WANT YOU TO HAVE THE THREE KEY PARAGRAPHS WE RECEIVED LAST NIGHT FROM COSTA MENDEZ FOLLOWING HIS MEETING AT CASA ROSADA. AS I TOLD YOU IN MY MESSAGE, WE ARE DEEPLY DISAPPOINTED. THE ARGENTINE PARAGRAPHS ARE TOTALLY UNACCEPTABLE. I WILL BE IN TOUCH WITH YOU AGAIN FOLLOWING MY MEETING. AL END OF MESSAGE.

3. BEGIN ARGENTINE PARAGRAPHS:

INTERIM ADMINISTRATION:
PENDING A DEFINITIVE SETTLEMENT, ALL DECISIONS, LAWS AND REGULATIONS TO BE HEREAFTER IMPLEMENTED ON THE ISLANDS SHALL BE SUBMITTED TO AND EXPEDITIOUSLY RATIFIED BY THE SPECIAL INTERIM AUTHORITY, EXCEPT IN THE EVENT THAT THE SPECIAL INTERIM AUTHORITY DEEMS SUCH DECISIONS LAWS AND REGULATIONS TO BE INCONSISTENT WITH THE PURPOSES AND PROVISIONS OF THIS AGREEMENT OR ITS IMPLEMENTATION. THE TRADITIONAL LOCAL ADMINISTRATION SHALL CONTINUE THROUGH THE EXECUTIVE AND LEGISLATIVE COUNCILS, WHICH SHALL BE ENLARGED TO INCLUDE AN EQUAL NUMBER OF REPRESENTATIVES APPOINTED BY THE ARGENTINE GOVERNMENT AMONG LOCAL RESIDENTS. THE LOCAL POLICE SHALL BE SUBJECT TO THE GENERAL SUPERVISION OF THE SPECIAL INTERIM AUTHORITY. THE FLAGS OF EACH OF THE CONSTITUENT MEMBERS OF THE SPECIAL INTERIM AUTHORITY SHALL BE FLOWN AT ITS HEADQUARTERS.

LINKS BETWEEN MAINLAND AND ISLANDS:

FULL FREEDOM OF TRAVEL, TRANSPORTATION, MOVEMENT OF PERSONS, RESIDENCE, OWNERSHIP AND DISPOSITION OF PROPERTY COMMUNICATIONS AND COMMERCE BETWEEN THE MAINLAND AND THE ISLANDS SHALL BE RECOGNIZED TO THE INHABITANTS OF THE ISLANDS AND TO THE ARGENTINE NATIONALS COMING FROM THE MAINLAND ON AN EQUAL BASIS.
THE SPECIAL INTERIM AUTHORITY SHALL MAKE SPECIFIC PROVISIONS ON THESE MATTERS IN ORDER TO IMPLEMENT THESE FREEDOMS, INCLUDING ARRANGEMENTS FOR COMPENSATION OF

ISLANDERS WHO DO NOT WISH TO REMAIN.

NEGOTIATIONS:

DECEMBER 31, 1982, WILL CONCLUDE THE INTERIM PERIOD DURING WHICH THE SIGNATORIES SHALL CONCLUDE NEGOTIATIONS ON MODALITIES FOR THE REMOVAL OF THE ISLANDS FROM THE LIST OF NON-GOVERNING TERRITORIES UNDER CHAPTER XI OF THE UNITED NATIONS CHARTER AND ON CONDITIONS FOR THEIR DEFINITIVE STATUS, ON THE BASIS OF THE IMPLEMENTATION OF THE PRINCIPLE OF ARGENTINE TERRITORIAL INTEGRITY AND TAKING FULLY INTO CONSIDERATION THE INTERESTS OF THE INHABITANTS OF THE ISLANDS IN ACCORDANCE WITH THE PURPOSES AND PRINCIPLES OF THE CHARTER OF THE UNITED NATIONS AND RESOLUTIONS 1514 (IV), 2065 (XI) AND OTHER RELEVANT RESOLUTIONS OF THE GENERAL ASSEMBLY OF THE UNITED NATIONS.

SECRET

OTHER
DIPLOMATIC
OPTIONS
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SECRET

SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG
BRIEF NO: 2: FALKLAND ISLANDS: OTHER DIPLOMATIC OPTIONS

DEFENSIVE SPEAKING NOTES

A United Nations

1. Attempts to tie our hands militarily in the Security Council certain if Haig's efforts break down. Non-aligned were very hostile to use of force by Argentina but would also be hostile to use of force by us, even though it would be in self-defence. We might have to veto. If the UN is reactivated, hope the US would work out an agreed approach in the Council with us, vote with us and join us in lobbying.

2. Have considered pre-emptive action in the Council but unable to think of anything that might do the trick without inhibiting our freedom of action.

B Other Methods of Negotiation

3. Firmly convinced that no other negotiating method is likely to be as good as Mr Haig's efforts. If anyone can pull it off he can.

4. That said, willing to consider any ideas favoured by Haig, especially if they involve US. Proximity talks between Haig and the British and Argentine Foreign Ministers might be possible. But would Costa Mendez be given sufficient authority to negotiate usefully? *Certainly not at this stage*

5. Arbitration. To go to the International Court of Justice for an advisory opinion or a binding decision is risky: the composition of the Court is biased in favour of de-colonisation etc and therefore unfavourable to Britain. To go to an Ad Hoc Arbitration Tribunal could be risky too, depending on the composition of the Tribunal. Unlikely anyway that Argentina, which rejected the award in the Beagle Channel case, would comply with the findings of such a Tribunal.

/C Longer Term

SECRET

C Longer Term Solutions

6. Antarctic Treaty. Against our interests to apply the existing treaty to the Falkland Islands, since USSR would then have a right to establish scientific stations in the Islands. Application of a regime similar to the Antarctic Treaty, through a new Anglo-Argentine-American Treaty concerning the Falkland Islands, would be ingenious. But complex. Argentina's sovereignty claim would be frozen. So would she accept such a solution? Disadvantages for UK as well : Argentina would secure right to establish settlements under her own administration in the Falkland Islands; and she might well make unacceptable demands during the negotiation of the new Treaty, so that negotiations might drag on interminably.

7. Lease-Back. Logical idea, since Argentina would get sovereignty and UK would get Administration. But Islanders have hitherto opposed lease-back. For British Ministers to be able to consider the idea, the lease-back period would have to last a long time, say 50 years; and a referendum to sound the views of the Islanders would be needed either before the arrangement was put into effect or towards the end of the lease-back period. In latter case, lease would have to be extended if Islanders voted against its expiry.

ESSENTIAL FACTS

United Nations

1. Two versions of a pre-emptive draft resolution considered last weekend are attached. Mark II (Sir A Parsons' original draft with some small changes suggested in the FCO) calls in general terms for withdrawal by both sides, demilitarisation, self-administration by the Islanders under a UN temporary administrator, and resumed negotiations on the future of the Islands with the help of a representative of the Secretary-General.

2. Mark III, which reflects the views expressed by Ministers on 17 April, was intended to preserve our freedom of military action in the dependencies and to limit our obligations to withdraw the fleet. It also deprived the UN presence of any real administrative role. Sir A Parsons considers that such a draft would provoke rather than deflect amendments designed to restrict our military freedom completely.

POSSIBLE DRAFT SECURITY COUNCIL RESOLUTION

The Security Council:

Reaffirming its Resolution 502 (1982).

Deeply disturbed about the failure so far to implement this resolution and to restore peace and security in the region of the Falkland Islands (Islas Malvinas).

Acting under Chapter VII of the Charter,

1. Calls on Argentina to complete the withdrawal of all Argentine forces and administration from the Falkland Islands (Islas Malvinas) by 0400 Greenwich Mean Time on (26 April 1982).
2. Takes note of the readiness of the United Kingdom to withdraw its armed forces from the region of the Falkland Islands (Islas Malvinas) and to suspend immediately its decision creating a Maritime Exclusion Zone around the Falkland Islands (Islas Malvinas) as soon as confirmation is received that the Government of Argentina has begun implementation of operative paragraph 1 of this Resolution.
3. Decides that, upon the withdrawal of the Argentine and United Kingdom forces, the Falkland Islands shall be demilitarised and used for peaceful purposes only.
4. Decides further, in the light of the request of the Government of the United Kingdom, the administering authority, that for an interim period not exceeding three years from (26 April 1982) the inhabitants of the Falkland Islands shall administer their own affairs. A United Nations Interim Administrator shall be appointed immediately and shall have the functions of:
 - a) supervising the administration of the Falkland Islands;
 - b) confirming the withdrawal of Argentine and United Kingdom armed forces;
 - c) verifying the demilitarised status of the Islands.
5. Urges the Governments of Argentina and the United Kingdom with the assistance of a special representative to be appointed by the Secretary-General to seek a diplomatic solution to their differences during the interim period referred to above in accordance with the purposes and principles of the Charter of the United Nations [and bearing in mind relevant General Assembly resolutions].

CONFIDENTIAL

6. Requests the Secretary-General to submit to the Council proposals for the implementation of paragraph within 24 hours.

CONFIDENTIAL

POSSIBLE DRAFT SECURITY COUNCIL RESOLUTION

The Security Council

Reaffirming its Resolution 502(1982),

Deeply disturbed about the failure so far to implement this Resolution,

Acting under Chapter VII of the Charter,

1. Calls on Argentina to begin forthwith the withdrawal of all Argentine forces and administration from the Falkland Islands (Islas Malvinas) and to complete it by (0400) Greenwich Mean Time on (26 April 1982).
2. Takes note of the readiness of the United Kingdom, on the acceptance of this Resolution by Argentina, temporarily to suspend the enforcement of the Maritime Exclusion Zone it has declared around the Falkland Islands (Islas Malvinas), to the extent necessary to permit the implementation by Argentina of operative paragraph 1 of this Resolution.
3. Further takes note of the readiness of the United Kingdom, once it has been confirmed that the implementation of operative paragraph 1 of this Resolution has begun and for as long as the process of implementation continues, not to permit the task force it has despatched to the area of the Falkland Islands (Islas Malvinas) to enter the Maritime Exclusion Zone; and to rescind its declaration of the Maritime Exclusion Zone as soon as the implementation of operative paragraph 1 has been completed.
4. Decides that, upon the implementation of the foregoing paragraphs, the Falkland Islands shall be demilitarised pending the outcome of the negotiations referred to in operative paragraph 6 below.

5. Decides further that for an interim period not exceeding three years from (26 April 1982) the inhabitants of the Falkland Islands shall administer their own affairs and that a United Nations Interim Commissioner shall be appointed immediately whose functions shall be:

- a. confirming the implementation of operative paragraphs 1-3 above;
- b. ensuring the implementation of operative paragraph 4 above;
- c. supervising the administration of the Falkland Islands to the extent that is required in order to discharge the function in the previous sub-paragraph.

6. Urges the governments of Argentina and the United Kingdom, with the assistance of a Special Representative to be appointed by the Secretary General, to seek a diplomatic solution to their differences regarding the Falkland Islands and Dependencies during the interim period referred to above, in accordance with the purposes and principles of the Charter of the United Nations [and bearing in mind relevant General Assembly Resolutions.]

7. Requests the Secretary General to submit to the Council proposals for the implementation of paragraphs 4 and 5 within 24 hours.

8. Decides to remain seized of the question.

S E C R E T

SECRETARY OF STATE'S VISIT TO WASHINGTON, 22/23 APRIL: TALKS WITH MR HAIG

BRIEF NO: 3: FALKLAND ISLANDS:
PERCEPTIONS OF US NEUTRALITY

POINTS TO MAKE

1. Some in this country, e.g. in Parliament on 14 April - argue that America must not be neutral between the aggressor and the victim of aggression in this dispute. They insist that the United States should join Britain's other allies in imposing economic sanctions on Argentina, as Britain joined America in the affair of the US hostages in Iran.
2. This is not the British Government's view of course.
3. We are well aware that America is not in fact neutral in the present dispute. Grateful for the indispensable cooperation which we have continued to receive. We also understand that the reason for not imposing sanctions against Argentina is your wish to maximise the prospects of your Mission. I said in the House of Commons on 19 April that while you were trying to achieve implementation of the UN Resolution by peaceful means it would be inappropriate for you to be other than reasonably even-handed. If your Mission produces a satisfactory outcome which prevents conflict, those who perceive the US as neutral will be silenced and Anglo/American relations will be boosted in a most welcome way.
4. But so long as your Mission continues there is a danger that criticism of what is thought to be US neutrality will grow in this country. That could have secondary effects on deeper currents in public opinion, for instance on attitudes to nuclear weapons.
5. We assume of course that if the present road did not lead to a satisfactory conclusion the United States would revise its public position.

S E C R E T

S E C R E T

SECRETARY OF STATE'S VISIT TO WASHINGTON, 22/23 APRIL

PERCEPTIONS OF US NEUTRALITY

ESSENTIAL FACTS

1. The United States Government is not in fact neutral in the dispute. They accept the justice of the British position and have continued indispensable, largely-unpublicised cooperation. But the Americans believe that Haig's mission can only succeed if they display a degree of neutrality which is credible in Argentina. Thus:
 - (i) Although the US has accepted the Security Council Resolution 502, they have declined to take any economic measures against Argentina;
 - (ii) The US Government has declined to take a stand on the sovereignty of the Falkland Islands (although over the years they have recognised British sovereignty e.g. by concluding agreements with us which explicitly extended to the Falkland Islands);
 - (iii) There have been several conspicuous examples of American willingness to proceed with business as usual for example the proposed visit to Buenos Aires of Mr Brock, the US Special Trade Representative, the participation by US General Allen in the meeting of 'Air Chiefs of the Americas' in Buenos Aires and, more recently their apparent accession to an Argentine request for (unclassified) information from a Landsat observation satellite.
 - (iv) When reports of American covert cooperation with the UK leaked Mr Haig made an outspoken reaffirmation on 14 April of the United States 'long standing relations with both the UK and Argentina' and denied that the US was doing anything 'beyond the scope of customary patterns of cooperation'.
2. As a result the US gives the appearance of unreasonably sitting on the fence. This attitude has disturbed not only British opinion, but also a large section of US opinion. It has in addition left the Canadians uncomfortably exposed in a more forward position.

S E C R E T

/3.

S E C R E T

3. The attitude adopted by a go-between in political negotiations such as these is a matter of delicate balance of which, in the last resort, the Americans must be the judges. While there is a prospect of success for Haig's mission, our interest lies in acquiescing in the present degree of neutrality and parrying criticism of the Americans. But if he fails strong American pressure on Argentina will be crucial to the chances of getting Argentina to settle. Neutrality at that stage would be very bad for us, and for British perceptions of the US, a point we should make to Mr Haig. We should also counter any tendencies he may show to be reluctant to take our side because of fears of its effect on US policy towards Central and South America.

4. Sir N Henderson has taken a fairly strong line with the Americans in Washington, arguing that Argentine willingness to negotiate will depend not on American neutrality but on American willingness to act against Argentine interests if they remain intransigent. This maintains pressure on the Americans not to exaggerate their neutrality but leaves Ministers free to indicate that we will not protest as long as there is a prospect of a successful negotiation.

21 April 1982

S E C R E T

SECRET
ATTITUDE

SECRET

SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG
BRIEF NO: 4

FALKLANDS ISLANDS : SOVIET ATTITUDE

Points to Make

Pro-Argentinian Bias

1. Initial Soviet attitude cautious; Russians probably caught off balance by speed of action in UN. But now clearly hostile to UK and slanted in Argentina's favour, though so far Russians have avoided statement of open support for Argentina's use of force and claimed sovereignty over the Falklands.

UK and US Approaches to Russians

2. We have left Russians in no doubt about what we think of their public position (Mr Hurd's meeting with Soviet Ambassador on 15 April and representations in Moscow on 17 April.) Understand you have done same. This was helpful. Right that Russians should be clearly aware of risks of meddling.

Soviet Motives

- 3. - desire to preserve trading relationship with Argentina, a major grain supplier;
- concern that negotiated settlement would enhance US prestige and provide for American presence in South Atlantic;
- wish to identify Soviet Union with 'anti-colonialist' sentiment in Latin America and in third world generally;
- possibility of wedge-driving between Western allies and between US and Latin Americans;

Russians will seek to exploit whatever situation develops; will be concerned at present to preserve range of options. Requires continuing caution.

Soviet military involvement

4. Do not judge Russians want, or are prepared, to run risk of direct military involvement. Now public that Russians have passed intelligence about British Task Force to Argentinians but as yet no evidence this of really sensitive nature. No sign of direct operational link for passage of intelligence though some has apparently been passed via Argentine Ambassador in Moscow. Do you share this assessment ?

SECRET

SECRET

Expose Soviet cynicism

5. Must continue to expose Soviet cynicism, hypocrisy and opportunism. Must emphasise :-
- SCR 502 a mandatory resolution which Russians should work to implement;
 - Russians claim 'principled' foreign policy which includes principles of non-use of force to settle disputes, and right of all people to self-determination; both principles violated by Argentina;
 - marriage of convenience between Soviet Union and right-wing Junta.
- Must ensure Soviet wedge-driving is unsuccessful.

If hostilities begin

6. [If raised] In event of fighting, Russians may offer to supply arms to Argentinians who might well accept (although supply times would probably be long and at the moment the inventories are incompatible. Sophisticated Soviet equipment would require either Soviet advisers in Argentina or large numbers of Argentinians to go to the Soviet Union)
7. This could increase Soviet influence in the longer term whatever the outcome of military confrontation. If Argentinians lost, might nevertheless retain arms supply link. If they won, they might in addition offer base rights to Russians, although right-wing Catholic orientation of influential Argentinian circles, and anti-Communist hostility of other South American regimes would be very strong inhibiting factors.

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SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG

FALKLANDS ISLANDS : SOVIET ATTITUDE

Essential Facts

Political Reaction

1. Soviet comment has moved away from relatively even-handed initial reporting to a more openly anti-British line. This is epitomised by the title of an article in the Soviet press on 14 April - 'Argentina proposes negotiations, Britain rattles its sabre'. It was not until 15 April that Pravda reported that SCR 502 included a reference to the withdrawal of Argentine troops.
2. The Soviet press has taken an uncompromisingly negative attitude towards US mediation efforts, reflecting Soviet concern that success would enhance US prestige and increase American influence in South America. The Russians have therefore been seeking to suggest that, far from being even-handed the Americans are in fact supporting the UK's 'colonialist' claims at the expense of Argentina in particular and Latin America in general. The message is that Washington is exploiting the crisis for its own ends.

Economic

3. The Soviet Union now depends on Argentina for one third of its grain imports and takes seventy-five percent of Argentina's grain exports. These are of great importance to the Soviet Union which is expected to import about forty-five million tonnes of grain this year to compensate for its third consecutive bad harvest.

Soviet involvement

4. The Americans have expressed concern that the crisis will provide opportunities for the Russians to expand their influence in the South Atlantic, and on 15 April Eagleburger told Sir N Henderson that the Americans feared the Russians might actually become involved in military activities (see Annex A). It is not clear whether Eagleburger's remarks were based on genuine concern or were directed towards moderating the UK position vis-à-vis the Argentinians; probably both. However, we have no evidence to support his suggestion and do not believe that the Soviet Union would risk becoming directly involved in military operations in the area. (See Annexes B and C). Nevertheless, US fears that the crisis might enable the Russians to increase their influence in both South and Central America may affect the way in which the administration handles the Falklands issue. Our own assessment is /that

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that a major military reverse for the Argentinians would give the Russians the best ^{but} opportunity of increasing their influence through supplying arms, / that this would be a long-term exercise in which the outcome would by no means be certain and against which Catholic sentiment inside Argentina and the views of its neighbours, (Chile and Brazil) would be strongly inhibiting factors.

5. We do, however, expect Soviet surveillance and intelligence gathering by satellite, maritime air reconnaissance, and surface ship to continue and increase as the task force moves South. It could be supplemented by Soviet fishing fleet ships in the Falklands area. Reports so far indicate that the Russians have passed some intelligence on the task force to the Argentinians. We have no evidence that this is high grade although reports indicate that on 15 April the Argentine Fleet Commander was in possession of both the composition and accurate positions of the various elements of the British task force, possibly derived from information passed by the Soviet Union. The channels used so far, which have included the Argentine Ambassador in Moscow, do not indicate that a direct operational link has yet been established.

UK and US approaches

6. On 15 April Mr Hurd made it clear to the Soviet Ambassador that we were disturbed by the Soviet attitude (see Annex D). Our Chargé in Moscow reiterated our views on 17 April and was formally assured by his interlocutor that the Soviet Union was not passing intelligence information to Argentina. We know this to be untrue. Instructions are being sent to HM Ambassador in Moscow to reiterate our case in strong terms when he calls on a Soviet Deputy Foreign Minister in the next few days. Eagleburger also told Sir N Henderson that he would be seeing Dobrynin on 15 April to read him the riot act about Soviet involvement.

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FM WASHINGTON 181547Z APR 68

TO IMMEDIATE P C O

TELEGRAM NUMBER 1088 OF 18 APRIL

INFO PRIORITY URMIS NEW YORK, UKTEL NATO, MOSCOW, PARIS, BOMH.

FALKLANDS

1. IN A TALK TODAY WITH EAGLEBURGER AT WHICH BURT AND HOLMES WERE PRESENT ON THE AMERICAN SIDE AND THE MINISTER WITH ME, THE AMERICANS SHOWED REAL CONCERN ABOUT THE DEVELOPING SOVIET INVOLVEMENT. EAGLEBURGER SAID THAT ONE OF THE REASONS WHY THE U.S. WERE SO WORRIED ABOUT A CONTINUATION OF THE CRISIS AND THE POSSIBLE RESORT TO FORCE BY US IN THE AREA WAS THEIR FEAR THAT THIS WOULD BE BOUND TO LEAD TO INCREASED SOVIET PARTICIPATION. I ASKED WHETHER BY THIS THEY MEANT INCREASED SOVIET MORAL, POLITICAL AND INTELLIGENCE SUPPORT AS DISTINCT FROM DIRECT MILITARY INTERVENTION, TO WHICH THE AMERICANS ANSWERED THAT THEY WERE NOT AT ALL SURE THAT IT WOULD BE LIMITED IN THIS WAY. THEY IMPLIED THAT THEY FEARED THE SOVIETS MIGHT ACTUALLY BE INVOLVED IN MILITARY ACTIVITIES. I EXPRESSED DOUBT ABOUT THIS, BUT NOT ABOUT THE SOVIET WISH TO SPREAD FEAR OF IT.

2. I DREW ATTENTION TO THE LONG-TERM DANGER TO U.S. AND FOR THAT MATTER WESTERN, INTERESTS GENERALLY IF THE FALKLAND ISLANDS COULD BE USED BY THE SOVIETS. THIS WOULD POSE A SERIOUS THREAT TO WESTERN SECURITY IN THE SOUTH ATLANTIC. EAGLEBURGER SAID HE ENTIRELY AGREED.

3 THE LESSON TO BE DRAWN FROM THIS WAS THAT THE ARGENTINIANS MUST NOT BE ABLE TO GET AWAY WITH WHAT THEY HAD DONE. IF THEY SUCCEEDED IN THEIR PRESENT ENTERPRISE THE SOVIETS WOULD CERTAINLY CLAIM THAT THIS WAS PARTLY DUE TO SOVIET BACKING AND THEY WOULD WORK ON THIS TO ENHANCE THEIR INFLUENCE IN ARGENTINA AND THE SOUTH ATLANTIC GENERALLY.

4. EAGLEBURGER SAID THAT HE WOULD BE SEEING DOBRYNIN LATER TO-DAY TO READ HIM THE RIOT ACT ABOUT SOVIET INVOLVEMENT.

HENDERSON

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TO IMMEDIATE F C O

TELEGRAM NUMBER 203 OF 17 APRIL

INFO IMMEDIATE WASHINGTON, HAVANA, UKDEL NATO,

PRIORITY PARIS, BONH

WASHINGTON TEL NO 1298 TO FCO : FALKLANDS : SOVIET ATTITUDE

1. SINCE SENDING MY TEL NO 201 (NOT TO ALL) I HAVE SEEN TUR REPORTING AMERICAN FEARS THAT THE RUSSIANS MAY BECOME MILITARILY INVOLVED IN THE CRISIS SHOULD ANGLO/ARGENTINE HOSTILITIES RESUME.
2. THE ODDS MUST BE STRONGLY AGAINST AMERICAN FEARS BEING REALISED IN ANY OVERT OR DIRECT WAY. IT IS MOST UNLIKELY THAT THE RUSSIANS WOULD PROVIDE, FOR EXAMPLE, OPEN LOGISTICAL SUPPORT TO ARGENTINA, STILL LESS ACTUALLY LINE UP ALONGSIDE THE ARGENTINE NAVY AGAINST OUR TASK FORCE. WERE THEY TO DO SO, IT WOULD BE THE MOST RADICAL DEPARTURE IN SOVIET FOREIGN POLICY SINCE THE CUBA CRISIS, DELIBERATELY PUTTING THE SOVIET UNION ON A MILITARY COLLISION COURSE WITH A MAJOR EUROPEAN NATO POWER AND THE UNITED STATES. ALTHOUGH SOVIET INTERNATIONAL BEHAVIOUR IN RECENT YEARS HAS DESERVED TO BE CALLED ADVENTURIST, THE SOVIET-BACKED INTERVENTIONS IN ANGOLA AND ETHIOPIA AND SOVIET INVASION OF AFGHANISTAN WERE CARRIED OUT ON THE CORRECT CALCULATION THAT THESE WOULD NOT PROVOKE AN OPEN MILITARY CONFRONTATION WITH THE US. SEEN FROM HERE, NO SUCH CALCULATION COULD SAFELY BE ADVANCED TO JUSTIFY DIRECT MILITARY INTERVENTION ON ARGENTINA'S SIDE.
3. IF THE ARGENTINIANS COULD SWALLOW IT, IT IS CONCEIVABLE THAT THE ALLIANCE COULD BECOME MORE UNHOLY THROUGH A MORE ACTIVE CUBAN ROLE ON THE ARGENTINE SIDE, INTENDED TO KEEP THE RUSSIANS AT ONE REMOVE FROM THE ACTION. BUT THIS WOULD BE AN EQUALLY HIGH-RISK POLICY, OPENING THE DOOR TO US/SOVIET CONFRONTATION ALMOST AS FAR AS DIRECT SOVIET INTERVENTION.
4. THIS IS NOT ^{TO}SAY THAT, AS SIR N HENDERSON HAS RIGHTLY POINTED OUT IN TUR, THE RUSSIANS WILL NOT TRY SOME FLESH-CREEPING TO TEST OUR NERVE AND THAT OF THE US. THE FIRST SIGNS OF THIS HAVE BEGUN TO APPEAR IN CHARACTERISTIC FASHION IN THE SOVIET PRESS. LAST NIGHT'S IZVESTIA CARRIED A REPORT OF A STATEMENT BY THE BRITISH COMMUNIST PARTY WHICH IS QUOTED AS SAYING THAT A RENEWAL OF HOSTILITIES WOULD LEAD TO A "GREATER COMPLICATION OF THE INTERNATIONAL SITUATION AND POSSIBLY TO NUCLEAR CONFLICT". PRAVDA THIS MORNING CARRIES A MORE ALARMIST VERSION OF THE STATEMENT: "THE CONFLICT CAN QUICKLY BEGIN TO SPREAD, DRAWING IN OTHER PARTICIPANTS AND LEADING TO A GENERAL CONFRONTATION IN WHICH THE USE OF NUCLEAR WEAPONS IS NOT EXCLUDED".

5. MIPT, REPORTING MY CALL THIS MORNING ON THE MFA TO CARRY OUT THE INSTRUCTIONS IN YOUR TEL NO 468 (NOT TO OTHERS), CONTAINS THE FORMAL DENIAL BY SEMEONOV, DEPUTY HEAD OF SECOND EUROPEAN DEPARTMENT, THAT THE RUSSIANS ARE HELPING THE ARGENTINES WITH THE PROVISION OF INTELLIGENCE ON THE BRITISH FLEET. EVEN IF TRUE, IT MAY NOT BE SO IN THE FUTURE, AND AS THE LAST SENTENCE OF PARA 4 OF MY TEL NO 201 SUGGESTS, PUBLIC OPINION HERE, SUCH AS IT IS, HAS BEEN TO SOME EXTENT PREPARED FOR THE SOVIET UNION TO PROVIDE SOMETHING MORE THAN PROPAGANDA SUPPORT TO THE ARGENTINIANS TO BALANCE ALLEGED ANGLO/AMERICAN COLLUSION. THIS POSSIBILITY CANNOT THEREFORE BE EXCLUDED, THOUGH IT IS IMPOSSIBLE TO SAY AT THIS STAGE WHAT THE RUSSIANS WOULD DECIDE. THE HIGH POLITICAL RISKS APART, THE SCOPE FOR COVERT OR INDIRECT MILITARY SUPPLIES LOOKS LIMITED BECAUSE OF THE APPARENT INCOMPATIBILITY OF THE SOVET AND ARGENTINE INVENTORIES. THERE COULD BE SOME KIND OF SOVIET ECONOMIC ASSISTANCE TO HELP DEFRAY THE COSTS OF ANY WAR AND OF THE EC'S EMBARGO, ALTHOUGH WHAT WE KNOW OF THE SOVIET FOREIGN EXCHANGE POSITION AT THE PRESENT TIME WOULD MAKE ANYTHING MORE THAN PROVISION OF A TOKEN AMOUNT OF AID AN UNATTRACTIVE OPTION FOR THEM.

6. TO SUM UP: THE RUSSIANS HAVE A STRONG MATERIAL INTEREST IN THEIR RELATIONS WITH ARGENTINA. (THIS HAS BEEN UNDERLINED BY THE GRATUITOUS APPEARANCE ON TASS YESTERDAY, SOME DAYS AFTER HIS RETURN, OF AN INTERVIEW WITH MANZHULO, DEPUTY MINISTER OF FOREIGN TRADE, ON THE RECENT SOVIET/ARGENTINE MIXED COMMISSION IN BUENOS AIRES: THIS STRESSED THE IMPORTANCE OF ECONOMIC LINKS BETWEEN THE TWO COUNTRIES.) FURTHERMORE THE FALKLANDS CRISIS HAS THROWN UP, IN THE SHAPE OF A POSSIBLE OPENING INTO ARGENTINA, AND INTO LATIN AMERICA GENERALLY, A TARGET OF OPPORTUNITY WHICH THE RUSSIANS HAVE FOUND TOO TEMPTING TO LET PASS. BUT I DO NOT BELIEVE THAT THEY CONSIDER THE PRIZE SO GLITTERING, OR THE THREAT TO THEIR GRAIN SUPPLIES SO GREAT, AS TO JUSTIFY THE RISK OF OPEN MILITARY CONFRONTATION WITH U.S. WHICH, SUBJECT TO SIR N HENDERSON'S VIEWS, WOULD SEEM THE ALMOST INEVITABLE CONSEQUENCE OF SOVIET MILITARY INTERVENTION ON THE ARGENTINE SIDE. THIS SAID, IF HOSTILITIES WITH ARGENTINA APPEAR IMMINENT, WE SHOULD FASTEN OUR SEAT BELTS TO FACE AN ESCALATION IN THE SOVIET POLITICAL AND PROPAGANDA CAMPAIGN, WHICH IS VERY LIKELY TO CONTAIN A STRONG NOTE OF MENACE.

BROOKE TURNER

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PM WASHINGTON 17175Z APR 82
TO IMMEDIATE FCO
TELNO 1334 OF 17 APRIL 82
INFO IMMEDIATE MOSCOW HAVANA UKDEL MATO

MOSCOW TELNOS 202 AND 203 : FALKLANDS : SOVIET ATTITUDE

1. I AGREE WITH MR BROOKE TURNER'S COMMENTS IN THE SECOND TUR.
2. SEMENOV'S ASSERTION THAT THE SOVIET UNION IS NOT PROVIDING INTELLIGENCE TO THE ARGENTINES IS, OF COURSE, UNTRUE. CLARK TOLD ME THIS MORNING THAT THERE IS IN HIS VIEW NO DOUBT THAT THE RUSSIANS ARE PROVIDING THE ARGENTINIANS WITH INTELLIGENCE ABOUT OUR FLEET. THE WASHINGTON POST TODAY CARRIES A PHOTOGRAPH RELEASED BY THE ARGENTINE NEWS SERVICE AND WHICH SHOWS A SOVIET 'OCEANOGRAPHIC RESEARCH' VESSEL IN THE BAY AT USHUAIA IN SOUTHERN ARGENTINA.
3. THE AMERICANS AS YOU KNOW ARE MUCH EXERCISED AT THE LIKELIHOOD THAT THE ARGENTINIANS WILL TURN INCREASINGLY TO THE SOVIET UNION - AS THEY ARE ALREADY DOING - AND THAT THIS WILL OFFER THE RUSSIANS A HITHERTO UNHOPED FOR OPPORTUNITY OF EXTENDING THEIR INFLUENCE IN AN AREA OF GREAT STRATEGIC INTEREST TO THEM. THE SHARPER AND MORE PROLONGED THE CRISIS THE GREATER THE OPPORTUNITIES FOR SUCH AN EXTENSION OF SOVIET INFLUENCE.
4. THE RUSSIANS CAN BE EXPECTED TO STEP UP ASSISTANCE OF VARIOUS KINDS INCLUDING, PROBABLY OFFERS OF FRESH ARMS SUPPLIES (THEY HAVE ALREADY SOLD HEAVY LIFT HELICOPTERS). AS I POINTED OUT TO CLARK, IT WOULD BE QUITE OUT OF CHARACTER WITH PREVIOUS SOVIET CONDUCT, HOWEVER, FOR THE RUSSIANS TO TAKE THE RISK OF DIRECT MILITARY INVOLVEMENT, THOUGH THIS DIMENSION OF THE CRISIS COULD TAKE ON A MUCH SHARPER ASPECT IN THE EVENT OF A THREAT TO SOVIET GRAIN SHIPMENTS.

HENDERSON

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HD/PUSD
HD/NAD
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PS/MR ONSLOW
PS/PUS
MR GIFFARD
MR BULLARD
MR URE
MR GOODISON

[Passed to E.R. / M08 / CWP / Fied]

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CALL BY SOVIET AMBASSADOR ON MR HURD, 12 O'CLOCK ON 15 APRIL:
FALKLAND ISLANDS

1. Mr Hurd said that he would like to raise the situation in the Falkland Islands. The debate in the House of Commons, as the Ambassador would have noted, had been serious and sober and had shown the unity of the British people and political parties. The UK was seeking a political solution on the basis of Security Council Resolution 502, which the Soviet Union had not opposed. Nevertheless the UK retained the right of self-defence under the UN Charter and the Prime Minister's resolve was clear. Meanwhile we had been following carefully the public Soviet line as revealed in the press. We were a little disturbed by it. No publicity had been given to the Security Council's call for Argentinian withdrawal, which was a mandatory Chapter VII Resolution. The Soviet press had given no indication of how the Soviet Union had spoken and acted, and showed an increasing tendency to ignore the action of the Security Council which was based on the laws of international order. It presented the situation increasingly as simply a colonial dispute while not mentioning the principle of self-determination which was fundamental to decolonisation. Were it properly taken into account, the justice of the UK's case would be clear. The Falklands crisis was important for the UK and for the principles of international order.

2. Mr Popov said that the Soviet position was principled, not opportunist. For some two decades since 1963 the Soviet Union had supported the majority view of the General Assembly which called for decolonisation of the Falkland Islands. As for the present situation the Soviet Union believed that the UK/Argentina quarrel should be solved by peaceful means, with no use of force. On 5 April in Belgrade Mr Gromyko had opposed the addition of another flashpoint to the turbulent international scene. Calm, balanced and peaceful means should be used. A peaceful outcome
/would

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would be in the interest of all states. Mr Hurd pointed out that force had already been used. The situation was dangerous. He hoped that the Soviet Union would be helpful over the implementation of SCR 502.

cc:- PS
PS/Mr Hurd
PS/Mr Rifkind
PS/Mr Onslow
PS/PUS
Mr Giffard
Mr Ure
Falkland Islands Unit
SAmD
EESD

Chancery, Moscow

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CENTRAL
AMERICA

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SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG
BRIEF NO: 5: FALKLAND ISLANDS:
CENTRAL AMERICA

POINTS TO MAKE

1. Central American countries will sympathise with Argentina over Falklands. But in view of their heavy dependence on the US we should expect any anti-British measures they take to be at lower end of Latin American scale. Hope US will help in this.
2. Must ensure that Guatemala does not see this as a good opportunity to try to take over Belize. How do Americans see future of Guatemala after coup?
3. How do Americans see future in El Salvador? We hope a way can be found to pursue Christian Democrats' reformist policies and attempts to ensure respect for human rights.
4. Glad to hear of proposed US/Nicaragua dialogue, Prospects?

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MEETING BETWEEN SECRETARY OF STATE AND SECRETARY HAIG:
CENTRAL AMERICA

ESSENTIAL FACTS

Implications of Falklands Crisis

1. Central American countries are generally sympathetic to Argentina. But most rely heavily on US support and therefore need to tread carefully. They are therefore likely to avoid any extreme action against the UK.
2. There are some possibilities for them to use Argentine action as precedent to use force to take out claimed territories, especially for Guatemala to take Belize. (Nicaragua has claims to Colombian offshore islands but is not in a position to mount a military offensive to seize them.)

Current situation in Central America

3. Elections were held in El Salvador on 28 March. Guerrillas' call to boycott elections ignored by 78% of electorate who voted. Christian Democrats gained 24 seats, various right wing parties 36. The latter may be able to get together and deny President Duarte and the Christian Democrats any power in the provisional Government. This outcome has embarrassed US Government, who hoped that Duarte would emerge from the elections with his position strengthened so that he could pursue his reformist policies and perhaps encourage exiled moderates to return and broaden base of Government. Meanwhile guerrilla war continues.
4. In Nicaragua the leftward drift and anti-US rhetoric persist. A state of emergency declared in March is now in its second month. The Nicaraguans raised the threat of a US invasion at the UN Security Council. However the US and Nicaragua have now agreed to meet to discuss their differences.

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The US are particularly keen to see an end to Nicaraguan support for the Salvadorean guerrillas.

5. Following the coup in Guatemala the situation is unclear. The new President Rios Montt, is a born-again Christian with some original ideas on how to bring peace to the country. New elections (date unspecified) have been promised. There has been press speculation that Guatemala should follow Argentina's example in pressing its claim to Belize, but statements by Junta over Belize have been reasonably mild.

US Policy

6. The Americans remain determined to curb Cuban and hence Soviet influence in Central America, but are now adopting a more flexible approach. They are not optimistic that negotiations with Nicaragua will lead to a more relaxed relationship or, in particular, to an end to Nicaraguan support for the El Salvador insurgency. But they are prepared to try, and the willingness to negotiate will help the Administration in its relations with Congress.

7. The Americans are trying hard to ensure Christian Democrat participation in the new Government in El Salvador and to urge respect for human rights and continuation of land and other reforms. The lack of an overall Christian Democrat victory in the elections has however impeded US efforts.

8. The Americans claim, probably with some justification, that the human rights situation in Guatemala is now improving. Again the Administration need to demonstrate more improvements to Congress if they are to be able to offer assistance to Guatemala.

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9. The US Government has encouraged Argentina to support her backing of anti-communist governments in the region, notably in El Salvador. This, plus knowledge of instinctive Latin American sympathy for the Argentine claim to the Falklands, will tend to constrain the degree to which the US Government may feel able to give open support to the British position, even if the Haig initiative fails through Argentine intransigence. The US will find the cross-pull of Latin American solidarity all the more keenly if Britain is forced to take military action against Argentina.

Soviet Position

10. The USSR backs Cuban attempts to spread instability in the area. She has profited from US embarrassment over her Central American policy. Any further split in Alliance solidarity caused by consequence of the Falklands crisis will be a gain for the USSR, if only in the propaganda field.

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RIO TREATY

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SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG
BRIEF NO: 6

FALKLAND ISLANDS: ORGANISATION OF AMERICAN STATES/
INVOCATION OF THE RIO TREATY

POINTS TO MAKE

MR HAIG'S ASSESSMENT OF OUTCOME OF RIO TREATY
FOREIGN MINISTERS' MEETING ON 26 APRIL

1. Military developments on Falklands and position on Haig negotiations likely to determine attitudes to a mandatory resolution. Positions of individual countries.

HOPE THAT US WILL MAKE EVERY EFFORT TO INFLUENCE LATIN
AMERICANS AGAINST COLLECTIVE ACTION

2. Understand delicacy of US position in OAS and its concern to preserve its relationship with region. But essential that US gives firm and unequivocal lead. Endorsement of and support for Argentine aggression by Rio Treaty signatories will only further regional instability.

WE TOO OBVIOUSLY CONCERNED AT IMPLICATIONS FOR OUR POLITICAL/
ECONOMIC RELATIONS WITH LATIN AMERICA

3. Would greatly regret such damage. Given Latin American sensitivities, UK lobbying could be counter-productive?

MR HAIG'S VIEW ON MEASURES WHICH MIGHT BE TAKEN BY SIGNATORIES
IF RESOLUTION UNDER ARTICLE 6 PASSED

4. Constraints on military and economic action. But risk of widespread action on diplomatic relations.

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THE ORGANISATION OF AMERICAN STATES:
INVOCATION OF THE RIO TREATY

ESSENTIAL FACTS

The Provisions of the Rio Treaty

1. The Rio Treaty (1947) provides a regional framework for military security in parallel with the Charter of the Organisation of American States (OAS). 21 OAS members have ratified the Treaty. Apart from the United States, these include only Trinidad and Tobago of the Anglophone Caribbean countries: Cuba is not a member.
2. A mandatory resolution calling for action under the Rio Treaty requires a two-thirds majority (14 out of the 21 signatures). The main articles of the Treaty are:
 - Article 3: provides that an armed attack against one member shall be considered as an attack against all: and requires decisions on collective action against the aggressor.
 - Article 4: defines the area of applicability. It covers the Falkland Islands and the Dependencies.
 - Article 6: provides for collective action against the threat of aggression or against aggression which falls short of armed attack, but which prejudices peace and security in the area.
 - Article 8: sets out the range of collective measures which might be taken. It covers military assistance; economic actions; and action on diplomatic/consular relations.
3. A mandatory resolution under Articles 3 or 6 in principle binds all members to implement decisions on collective action, except that no state is required to use armed force. In practice

/there

there is no precedent for such collective action: and each signatory will be responsible for deciding the degree to which retaliatory measures should be undertaken.

Recent developments

4. On 13 April, the OAS Permanent Council passed a moderate resolution which, while avoiding specific reference to Security Council Resolution No 502, fell well short of endorsement of an Argentine invasion: supported efforts being undertaken to achieve a peaceful solution: and emphasised the need to respect the rules of international law. The drafting of the Resolution brought out the underlying reservations of many Latin American states on the Argentine invasion and the more fundamental conflict of view between Latin American and Anglophone Caribbean members. A message from the Secretary of State to the Chairman of the Permanent Council, giving positive recognition to the helpful elements of the Resolution, was subsequently sent.

5. On 19 April, Argentina requested invocation of the Rio Treaty under Article 6 (threat of aggression). On 20 April, the OAS Permanent Council agreed to invoke the Treaty by a vote of 18-0-3 (US, Colombia, Trinidad): non-signatories to the Treaty being ineligible to vote. On this basis Foreign Ministers of the 21 signatory states will meet on 26 April to consider "the grave situation that has arisen in the South Atlantic".

Prospects for Collective Action under the Rio Treaty

6. Whatever misgivings signatories will have on the need for and wisdom of collective action (in which the implications of the Argentine aggression for the welter of other regional border disputes will be a factor), the pull of Latin American solidarity will be very strong. The crucial factor in voting on a mandatory Resolution on 26 April will be the action of the Task Force and whether armed conflict has either taken place or appears dangerously imminent. If so, the prospects of Argentina securing the required 14 votes will be greatly strengthened. If Mr Haig's

/negotiations

negotiations are still continuing and there is seen to be a reasonable prospect of a peaceful negotiated solution, a two-thirds majority is likely to be difficult to muster.

7. The votes of Brazil, Colombia, Chile, Costa Rica, Mexico, Paraguay and Trinidad will be critical, as will be the firmness of the position taken by the United States and the degree of US pressure on other signatories. The US is likely to be pulled between the need to take a position of forthright condemnation of the Argentine invasion, its anxiety to maintain its balanced stance as the negotiating intermediary, and a reluctance to put at risk its own relations with Latin America, to which the Reagan administration has put in much effort (and which remains significant for its Central American policies). In this last context, the US will be particularly concerned to limit the scope for Soviet opportunism not only in Central America but also in Argentina itself, where the replacement of the Galtieri regime by more radical forces could provide the Soviet Union with a valuable base for subversion (even though the strongly anti-Communist stance of other countries in South America will limit Soviet opportunities for mischief-making elsewhere).

8. It will be important to stiffen Mr Haig on this and to ensure that, whatever the developments before 26 April, the US resolve to use its muscle to oppose invocation of the Rio Treaty (as promised in Mr Haig's message of 20 April) is fully sustained.

9. If a mandatory Resolution under Article 6 is passed, the consequences for us will be far-reaching. It will align Latin American states firmly on Argentina's side. It could do serious damage to our political and economic relations with the region for at least the medium term. The following broad range of Latin American action will be open:

(a) Military Assistance to Argentina

Even in the event of armed conflict, it is improbable that any signatory would put its Armed Forces at Argentina's disposal. But there is evidence that

/Venezuela

Venezuela might make available air support; that Peru would provide limited assistance; and Brazil is already supplying maritime patrol aircraft and related pilot training;

(b) Economic Retaliation

A principal restraint will be Latin American dependence on the Community market for its commodity exports: and the need to maintain access to international finance. A ban on imports from the United Kingdom would be the easiest option but would be likely to be observed loosely (see separate brief on Economic Measures);

(c) Diplomatic Relations

Given the constraints on military and economic action and in event of a military conflict, we would have to expect widespread retaliation in the field of diplomatic relations. Whether this would be a complete rupture or a withdrawal of Ambassadors would depend on the degree of alignment with Argentina of individual countries.

ECONOMIC
MEASURES
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SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG
BRIEF-NO: 7: FALKLAND ISLANDS: ECONOMIC MEASURES AGAINST ARGENTINA
POINTS TO MAKE

Possible US Action

1. Fully understand that United States cannot act openly in this field while Americans continue efforts to find negotiated solution.
2. Appreciate what US is already doing - existing arms embargo and go-slow on export credit applications.
3. But if Argentina continues intransigent in negotiation, or later reneges on agreement, US should take economic measures as our other partners have done. US action would have powerful impact, both politically and economically.
4. In trade field, US takes 12% of Argentina's imports. US import ban would encourage our existing supporters and bring in others, especially Japan. Import ban by EC, US, Japan and the others now involved would deny Argentina about 40% of its markets.
5. In the financial field, US banks by far Argentina's largest source of funds. No other banks likely to lend new money to Argentina if US banks are holding back, and the US authorities are discouraging them.

Existing Measures

6. Arms embargo now operated against Argentina by all non-Communist weapons producers of any importance. Includes not only Community suppliers and Canada but neutral countries like Switzerland, Austria and Sweden.
7. Community's import ban in force since 16 April. Canada, Australia, New Zealand, Hong Kong and, most recently, Norway have also banned imports.

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8. No new export credit cover available to Argentina from Community countries, or old Commonwealth. Believe other countries like Japan and Sweden withholding new cover for economic reasons.

9. In the financial field our partners all report banks reluctant to lend to Argentina, for reasons of prudence.

10. Not our intention to force Argentina into default. This would have dangerous consequences for the international financial system, while giving short-term relief to Argentina from debt payments. Applying our own assets freeze in a way which reduces risk of this.

11. Essential that measures - arms embargo, import ban and assets freeze - remain in force till Argentine withdrawal is complete.

Retaliation and Circumvention

12. Argentina has retaliated by banning exports from Community and other countries concerned. But this will only add to their own difficulties. Particularly severe if tried to include US (or Japan) products as well (60% of total supplies).

13. Seeking to dissuade others from circumventing the measures taken so far and the Argentine counter-measures. This particularly important over arms embargo. Believe Argentina energetically-looking for supplies.

14. Argentina may try to sell more to the Soviet Union, especially grain. But the Russians will find it hard to pay cash.

15. Other Latin Americans taken aback by swift collective action by Community. But, with a few exceptions (such as Venezuela) all reluctant to take economic measures themselves against the UK or EC. Even if some measures agreed under Rio Treaty, we believe most countries likely to pay only lip-service to them.

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ESSENTIAL FACTS

Possible US Action

1. Secretary Haig, when in London on 12/13 April, said that he had told the Argentine government that if they reneged on the proposed agreement the United States would impose economic sanctions on Argentina.
2. The US has had an embargo on arms for Argentina since 1978. In the export credit field, they are deferring action on new approvals.
3. The United States took 12% of Argentine exports worth \$1124 million in 1981 (9% in 1980). The main products imported are meat, sugar and mineral fuels; there will be little problem in finding alternative sources. The United States has a very large surplus with Argentina and supplied 23% of its imports in 1980.
4. US banks have claims outstanding against Argentina of \$7.5 billion as against liabilities (Argentine assets) of \$2.4 billion. They have large amounts of debt maturing this year, including 50% of Argentina's short-term external debt. Like UK banks, they would be extremely reluctant to see Argentina default.

Existing Measures: Trade and Finance

5. EC ban on Argentine imports, initially lasting one month, came into effect on 16 April. Community took an estimated 23% of Argentina's exports in 1981 - but took 28% in 1980 and over 30% in four preceding years. Community has substantial trade surplus and some members - especially Germany and Italy - have much larger trade than the UK.

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6. Old Commonwealth countries have announced an import ban. Hong Kong has banned imports except for transshipment to China. Norway announced a ban on 19 April. These measures affect a further 1 - 1.5% of Argentine exports.
7. In the export credit field, we and the old Commonwealth countries have formally given up cover for new Argentine business. There will in practice be no new offers of official support for export credit from Community countries (subject to confirmation by Belgium). Japan and Sweden do not expect any new applications for cover.
8. UK banks have not been lending since our freeze was introduced and banks elsewhere have lost all confidence in Argentina. It has been virtually impossible for Argentina to raise new finance since the invasion; existing negotiations are stalled. But it appears that banks are rolling over existing loans without increasing the amounts.
9. The Argentine authorities are taking steps to avoid being declared in default. They are not making payments to UK banks, but are putting the amounts due into a special account in New York (described as an Escrow account). An Argentine default would not be in our interest. It would affect \$5-6 billion of claims outstanding to UK banks, far in excess of assets in London. It would give a very severe shock to the world financial system, already shaken by problems in Poland and elsewhere. Argentina would be relieved of the need to meet outstanding payments.
10. We too are therefore applying our freeze so as to reduce the risk of default. The guidance given by the Bank of England allows for rollovers, provided frozen Argentine assets are not used, and does not apply to branches outside the UK.

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Retaliation and Circumvention

11. Argentina has imposed its own embargo on imports from the countries taking trade measures against it, though this can be applied on a selective basis, to allow in essential supplies. They are also preventing firms from these countries from bidding for public contracts.

12. We are asking other countries, mainly in OECD, not to circumvent our economic measures, eg by taking up export business denied to us and our partners, and especially to ensure that no arms reach Argentina, even by third countries. We have had positive responses so far from Sweden, Finland and Austria.

13. Soviet/Argentine economic relations have expanded rapidly in the last two years, since President Carter's grain embargo. The Soviet Union is now Argentina's largest market, especially for grain, taking 36% of exports in 1981 and up to 40% this year. But the Russians are said to be asking for six months credit, which is most unwelcome to Argentina.

14. The OAS is meeting at Argentina's request on 26 March. Argentina may there seek economic measures against the UK, invoking Article 8 of the Rio Treaty. If adopted by a two-thirds majority this would be mandatory.

15. A number of Latin American groups, including the Andean Pact, have deplored the Community's import ban against Argentina. But our assessment is that very few will want to take economic measures against us, particularly while negotiations are still in progress. Even if action is agreed in the OAS at a later stage, most countries will implement the measures slackly, if at all. Only Venezuela and Panama show any signs of serious action against us.

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Impact of Economic Retaliation against the UK

16. The Argentine measures taken so far could be quickly reversed, like our own. If they went further, eg by confiscating assets, there would be some inevitable loss and claims of up to £300 million against ECGD. But there should be no serious damage to UK total exports, industry or employment. The banks (Lloyds and Barclays) are most at risk. But Lloyds' Chairman has said that this is within their prudential capacity.

17. In other Latin American countries, by far our most important economic interests are in Mexico, Brazil and Venezuela. Neither Mexico nor Brazil are likely to act against us, if only because of their need to maintain international banking confidence. The same factor may tell with Venezuela, as oil prices are falling, but the risk of hostile action is greater.

Oil and Gas, Minerals and Fish in the Falklands Area

18. The Falkland Islands area has hydrocarbon potential, on the basis of seismic surveys. The same may be true of the Dependencies. But in the absence of drilling we do not know the extent of deposits, if any. There are no metal deposits on the Falkland Islands or the Dependencies. The fishing potential is considerable, but the distance and the species (southern blue whiting and krill) make it unattractive to the British fishing industry.

Economic Relations Department

21 April 1982

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SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG
BRIEF NO: 8:FALKLAND ISLANDS
IMPACT OF THE FALKLANDS CRISIS ON THE ARGENTINE ECONOMY

POINTS TO MAKE

1. The invasion itself, and the measures we and others have taken, have severely shaken the Argentine economy.
2. Inflation in Argentina was 130% last year, among the highest in the world. External debt stood at \$34 billion. The necessary efforts of Galtieri's Government to cut prices and the external deficit produced an unpopular recession.
3. Immediate impact of invasion, and our measures, on international financial confidence. No banks willing to lend new money to Argentina. Restrictions on export credit also reducing capital inflow.
4. Argentina's reserves are falling and are partly immobilised by our assets freeze. Exchange rate is under pressure and capital is no doubt leaving the country despite exchange control.
5. Domestic financial confusion prevails, with massive withdrawals. Government obliged to intervene to help banks and firms short of funds.
6. Community's trade measures produced sharp political shock, as Secretary Haig has told us. Economic consequences will take time to appear. But longer term impact on Argentina's markets and export earnings must be of concern to the regime.
7. Argentina's retaliation against imports from the Community and other countries adds to their difficulties. The offer by Andean Pact countries to increase trade in compensation will be of negligible benefit.

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8. Everything that has happened so far - financial troubles, trade measures, extra military spending - will drive up inflation in Argentina. The Government's economic strategy is in ruins.

9. Profoundly hope these economic penalties will bring Argentine authorities to their senses, making them readier to negotiate sensibly and withdraw promptly.

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ESSENTIAL FACTS

1. Argentina has basically a strong economy. It is a major food exporter, is virtually self-sufficient in oil and has a large industrial sector. (In 1929 it was the sixth richest country in the world.) But it has a long history of economic mismanagement.
2. In 1981 GDP fell by about 6% while inflation rose by 131%. After President Galtieri took over in December, his Finance Minister, Dr Alemann, introduced a programme intended to bring down inflation and monetary growth and to reduce public spending. This deflationary programme had already helped to reduce the external deficit, by cutting imports, but was proving highly unpopular.
3. External debt was \$34 billion at the end of 1981, about one quarter of GNP. The Government needed a steady programme of external borrowing, both to cover an expected \$3 billion current account deficit and to finance about \$14 billion of debt maturing this year (\$10 billion short-term and \$4 billion medium-term). Argentina aimed to raise \$3.5 billion on the Euromarkets this year; the Bank of England estimates about \$800 million was signed up in the first quarter.
4. International banking confidence in Argentina, which had been reviving, has been destroyed by the invasion, plus the effects of our assets freeze. There can be little prospect that Argentina can raise new money on the international market. A \$200 million loan for the Electricity Authority, SEGBA, has been postponed for a month; a \$250 million loan to the Gas Utility has fallen into abeyance. An attempt to raise new money in Abu Dhabi has been declined.

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5. Argentina's foreign exchange reserves, which stood at \$2.8 billion in February, have since fallen by one quarter. A further amount has been caught in London by our assets freeze which has immobilised \$0.9 billion (rather than \$1.4 billion, as estimated at first). Although the Argentine authorities are holding the official exchange rate at 11,600 pesos to the dollar, the black market rate is 15-20,000. The foreign exchange market has been closed since the day of the invasion.
6. There has been a rush to withdraw deposits from banks in Argentina, both peso and foreign currency accounts. With evident reluctance, the Government has put a further 15 billion pesos into circulation to help banks meet their liquidity problems; they are also providing separate help to firms in difficulty.
7. The import ban imposed by the Community and other countries covers about 25% of Argentina's exports. But goods in transit and those covered by existing contracts will not be affected by the Community's ban, so the effect on export earnings will not be felt for some time. The present period is a good one for Argentina's foreign exchange receipts especially from grain exports, and this will help to meet outstanding debt service payments. The longer term impact of the import ban, if maintained, would be more serious. But we must reckon with widespread evasion and increasing nervousness among our Community partners as time goes on. This nervousness will increase if Argentina maintains strictly its counter measures against Community exports and the refusal to allow firms from countries which have taken measures against it to bid for public contracts.

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8. Even with these trade measures, however, Argentine industry should continue to operate, but its costs are bound to rise.
9. The monetary measures to support banks and firms and the increased cost of imports, plus additional military spending, are all bound to send inflation up again, over time. The objectives of Dr Alemann's economic strategy must now be abandoned and it is possible that Dr Alemann himself might leave office. This could lead to much more protectionist, inward-looking economic policies.
10. All this will do serious economic damage to Argentina. But it is probably too much to look for a total collapse. Argentina has endured very high inflation before (it reached 500% in 1976). Neither the authorities nor the lending banks want to precipitate a default at this stage. But if this happens, it would give short-term relief to Argentina from debt payments, despite the long-term impact on its economic prospects.

Economic Relations Department
21 April 1982

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SYSTEM OF
GOVT. IN
FALKLANDS.

SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG

BRIEF NO 9: FALKLAND ISLANDS

BACKGROUND NOTE: SYSTEM OF GOVERNMENT IN THE FALKLANDS

1. Under the present constitution of the Falkland Islands, which came into force on 21 November 1977, the Islands are administered by a Governor assisted by an Executive Council and a Legislative Council.
2. The Executive Council, chaired by the Governor, is composed of two elected members of the Legislative Council nominated by that Council, two ex officio members (the Chief Secretary and the Financial Secretary) and two unofficial members appointed by the Governor from persons who are not Crown employees in the colony. The current unofficial members are W R Luxton (Manager Chartres Sheep Farming Company) and Mrs M A H Jennings, General Secretary, General Employees Union.
3. Elections to six of the seats on the Legislative Council are by universal adult suffrage; Stanley being represented by three elected members, East and West Falkland by one each, and the member representing all country districts. These elected members together with the Governor and two ex officio members (the Chief Secretary and the Financial Secretary) form the Legislative Council. In 1977 the voting age was lowered from 21 to 18 years. To be eligible for the electoral register a person born in the Colony must have twelve months' continuous residence preceding the qualifying day (15 July in each year): in the case of a person not born in the Colony three years' continuous residence preceding the qualifying day is required. The last general election took place in September/October 1981 when the electoral role was 1,034. With the exception of one expatriate (Mr A T Blake - 9 years resident) the other successful candidates were either fourth or fifth generation Falkland Islanders. The Legislative Council is responsible for passing the laws of the Falkland Islands (Falkland Island Ordinances).

HAIG PROPOSALS
19 APRIL 1982
HOW MUCH HAVE THE ARGENTINES GIVEN?
GIVE

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SECRETARY OF STATE'S VISIT TO WASHINGTON: TALKS WITH MR HAIG

BRIEF NO: 10: FALKLAND ISLANDS: BACKGROUND NOTE: THE HAIG PROPOSALS OF 19 APRIL: HOW MUCH HAVE THE ARGENTINES GIVEN?

A Argentine objectives at the time of the invasion

1. In undertaking the invasion of the Falkland Islands and South Georgia, the essential Argentine objectives will have been:

- (a) To secure and maintain Argentine military and administrative control over the Islands and the Dependencies;
- (b) To establish and maintain Argentine sovereignty over the Islands and the Dependencies, thus settling the sovereignty issue once and for all;
- (c) To secure international recognition of, or at least acquiescence in, such a de facto transfer of sovereignty;
- (d) To settle relations with the Islanders, through their gradual absorption into the Argentine population (as with the Anglo-Argentine community on the mainland); to remove the unwilling or intransigent by payment of compensation; to open up the Islands freely to Argentine settlement and exploitation of resources.

B The Argentine Five Points of 12 April

2. Following Security Council Resolution 502 and Mr Haig's first round of talks in Buenos Aires, the Argentines had already lowered their sights to the Five Points sent to Mr Haig by Dr Costa Mendez on 12 April (copy attached). In these Five Points they conceded:

- (a) A withdrawal of Argentine forces in compliance with Resolution 502;
- (b) A delay until at least 31 December 1982 of an effective transfer of sovereignty to Argentina;

SECRET

3. But they continued to demand:

- (a) An Argentine governor of the Islands and the flying of the Argentine flag;
- (b) Explicit acceptance that negotiations should deal only with the modalities of a transfer of sovereignty by 31 December 1982;
- (c) The removal of any discrimination between Argentine nationals and Islanders within the Islands;
- (d) A rejection of self-determination as a relevant factor in deciding the future of the Islands.

C The Haig proposals of 19 April

4. Putting these against the original assumed Argentine objectives (and taking into account the Five Points of 12 April), the Haig proposals contain Argentine concessions on the following main points:

- (a) A withdrawal of Argentine forces in compliance with Resolution 502 (though on terms more calculated to save Argentine face);
- (b) No present recognition of Argentine sovereignty;
- (c) A withdrawal of the Argentine governor and of direct Argentine administration of the Islands: the Argentine flag to fly over at the headquarters of the Special Interim Authority together with the British and US flags;
- (d) The involvement of a third party (the United States) in the running of the Islands and in the negotiations during the interim period: equality of status within the Special Interim Authority of Argentine and British representatives: the absence of an Argentine veto in the decisions of the Special Interim Authority;
- (e) An acceptance of continued local (Islander) administration, including the police force, under the supervision of the Special Interim Authority, and of the continued functioning of the Legislative and Executive Councils (though with enhanced Argentine representation on both);

/(f)

- (f) A lack of definition of the future status of the Islands at the end of the negotiating period. Although the requirement that negotiations should lead to 'the removal of the Islands from the list of non-self-governing territories under Chapter XI of the UN Charter' pre-supposes that the Islands shall not remain a British dependent territory, scope is technically left open for other sovereignty solutions, eg. independence or incorporation of the Islands into the territory of the UK. But specific reference that the only purpose of the negotiations should be the transfer of sovereignty to Argentina is abandoned.
- (g) An absence of any ringing phrases about restored sovereignty, the national flag or recuperation of unsurfied territory, from which a historic reputation could be forged.

SOME ASPECTS WHICH ARE ESSENTIAL FOR THE ARGENTINE ACCEPTANCE OF ANY AGREEMENT.

- 1.- The governor of the islands must be appointed by the Argentine Government .

The argentine flag should continue to be flown on the islands.

- 2.- Assurances should be given to the Argentine Government that at the end of the negotiations there will be a recognition of argentine sovereignty.

Any formulation implying that sovereignty is being negotiated should be avoided.

- 3.- Equal rights shall be recognized for Argentines coming from the mainland as for the inhabitants of the islands.

- 4.- The agreement on demilitarization should be considered as complying with Resolution 502 of the United Nations Security Council .

5. The draft agreement should be made compatible with the above mentioned elements.



FALKLANDS : DEFENCE MATTERS (NOT FOR USE)

Operation Paraquet

Although the decision to go ahead has been taken, there may not be first hand information for several days about how the operation has progressed, since we do not know how long the recce phase will take. The Department will naturally keep the Secretary of State's party closely informed if reports are received during their stay in Washington. We cannot exclude that news of the operation may break suddenly and without warning from the Argentine end.

Operation Sutton

The amphibious force is currently at Ascension Island. The decision must be taken very soon on whether the force should proceed south as from 23 April. If it is to arrive at the Falklands in time for the preferred date for this operation (16 May), it must leave Ascension no later than 29 April. The prospects of achieving Operation Sutton successfully, as so far conceived, fall off significantly with effect from the end of May, for operational reasons. It is clear from the latest discussions in the Chiefs of Staff Committee that there are growing doubts in the MOD (shared to some extent by Mr Nott) about the feasibility of having Operation Sutton as the only available option after full implementation of the air/sea blockade by the Task Force.

The advance group (under HMS BRILLIANT) of the carrier battle group could arrive in the MEZ by 24 April, or be held back to await the main part of the carrier battle group (under HMSS HERMES and INVINCIBLE) in which case the whole force would arrive in the MEZ by 29 April.



Other Military Options

Leaving aside the question of Operation Sutton, the Ministry of Defence are giving increasing thought to a range of other possible military options which might give Ministers greater flexibility in relation to political requirements and avoid being too closely tied to particular dates for implementation. One of the possibilities would be to maintain the naval/air blockade of Port Stanley with a task force of approximately half the present size. If Ministers wish to be able to sustain a blockade much beyond August, it will in any event be necessary soon to split the Force and prepare to resupply part of it, in order to set in train the necessary roulements of ships and fighting units. Officials are also exploring, on the assumption of a sustained blockade of Port Stanley, a series of low intensity "lightning thrust" type military options which could be mounted on an ad hoc basis to sustain the military pressure over time, as wider policy might require (destruction of Port Stanley airfield and/or other Argentine military key points, disruption of communications, SBS/SAS raids or skirmishes, etc. etc.) These would not necessarily exclude an operation on the lines of Operation Sutton at a later stage, if Argentine strength and morale had meanwhile been severely eroded.

There are a number of important substantive questions looming about the long term costs and implications of sustaining military deployments and/or operations in the South Atlantic. At some time soon Ministers will have to address these.

Also attached is a Ministry of Defence summary of the Rules of Engagement currently in force for British ships in the South Atlantic.

SSN'S WITHIN MARITIME EXCLUSION ZONE

1. All positively identified Argentinian warships (including submarines) may be attacked. All non-nuclear submarines may be presumed to be Argentinian and may therefore be attacked.

OPERATION PARAQUET

2. a. Transit towards South Georgia - Overriding aim is to avoid provocation but respond to aggression with firmness.

(1) Surface Vessels. Minimum force to be used in response to any clear intent to engage. All units may assist in defence of any unit which is attacked. Maritime International Law is not to be broken unless necessary in order to achieve aim.

(2) SSNs. Surveillance to be covert, evading if detected. Engagement of enemy only if attacked first.

b. Transit within Argentinian "Defence Zone". Aim is to achieve transit and, when ordered, to repossess South Georgia.

(1) Surface Vessels. Any action necessary to achieve aim may be taken against positively identified Argentinian ships, whether naval or merchant, and Argentinian aircraft. Non-Argentinian merchant ships should be warned off. You may attack any submarines which demonstrate hostile intent. Instructions on mutual defence and Maritime International Law as at 2(a)(2) above.

(2) SSNs. Any conventional submarine detected may be presumed to be Argentinian and may be attacked. All Argentinian warships and naval auxiliaries positively identified may be attacked.

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UK EYES A

SURFACE SHIPS

3. Enroute to Falklands.

a. North of Latitude 35° South. Aim to take sufficient action to ensure transit towards United Kingdom MEZ around Falklands. To achieve transit you may attack any positively identified Argentine naval ship, combat aircraft or submarine which demonstrates hostile intent by coming within 25 miles of a British unit. All units of an Argentine Force may be attacked if one of them initiates an attack on a British unit. Merchant ships may not be attacked. Maritime International Law is not to be broken unless necessary in order to achieve aim.

b. South of Latitude 35° South. Aim to avoid provocation but to respond to aggression with sufficient firmness to ensure safe transit. To achieve transit you may attack any positively identified Argentine naval ship, combat aircraft or submarine which demonstrates hostile intent by coming within 25 miles of a British unit. Minimum force is to be used. All units may assist in defence of any unit which is attacked. Merchant ships may not be attacked. Maritime International Law is not to be broken unless necessary in order to achieve aim.

[Note: Until HMG has effectively warned the Brazilean Government of the risks involved, no submarine is to be attacked first North of 35 degrees South. Therefore suffix JULIETT is not to be authorised].

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