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cc PS/PUS
Mr Bullard c/s
Mr Giffard
Legal Advisers
Mr Ure
Mr Bayne, ERD
Mr Weston Defence Dept

ALQ 0501304/PUS

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Mr Mallaby
Planning Staff

FALKLANDS: ALTERNATIVES BASES FOR MR HAIG'S NEGOTIATIONS

1. With your minute of 23 April you put round a note on a possible alternative package for a continuation of the Haig negotiations.
2. I fully agree that leaseback remains the only possible basis for a negotiated solution of the Falklands dispute and that the idea will need to be injected either as an alternative for Haig to deploy or in subsequent negotiations. The difficulty in present circumstances will be how to ensure that it contains sufficient inducements for the Argentines. It could be made more attractive if a proposal were to contain:

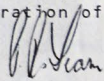
(a) A clear offer to undertake with the Argentines, during the leaseback period, joint development of the maritime resources of the area (oil and licensing of third-country fishing);

(b) Provision for the Argentines to have "a representative of the Argentine Government" on the Islands who could, if necessary, fly a flag at his office and whose function would be to liaise with the British Administration on the treatment of Argentine nationals in the Islands. This is a variation of the suggestion made by Lord Gladwyn (Mr Giffard's minute of 23 April to you) about allowing the Argentines to open a Consulate-General in Port Stanley: a Consulate as such would be inappropriate after a titular transfer of sovereignty and would, in default of a leaseback solution, be unacceptable to the Argentines on sovereignty grounds;

They wouldn't do this, a consul-general in another territory -

(c) While a US security guarantee is what we would want, it would also be helpful for any leaseback settlement to receive formal UN endorsement. This would be an additional safeguard and might also help the Argentines, who have always sought to pursue the dispute on the basis of UN resolutions.

3. The proposal would of course have much greater chance of Argentine acceptance if it were not to contain provision for a referendum at the end of the leaseback period, since this would inevitably be seen as a device to put off indefinitely full Argentine control. We might hope, from our point of view, that a consultation with Islanders on the principle of leaseback before it is implemented would be sufficient demonstration of our regard for Islander wishes.



23 April 1982

P R Fearn
Emergency Unit

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