



C L G Mallaby

PS/PUS

FALKLANDS: AN ALTERNATIVE BASIS FOR MR HAIG'S NEGOTIATIONS

1. I attach a note, written on a contingency basis at the PUS's request, of a package which might be considered for putting to Mr Haig if we or he or the Argentines decided in due course that his negotiations could not succeed on their present basis.

2. I understand that Ministers are to spend Sunday at Chequers discussing policy about the Falklands. The attached note might be taken to Chequers by the Secretary of State or the PUS for circulation there if circumstances made that appropriate.

C L G Mallaby

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Planning Staff

23 April 1982

cc: Mr Bullard o/r
Mr Giffard
Legal Advisers
Mr Ure o/r
Mr Fearn, Emergency Unit
Mr Bayne, ERD
Mr Weston, Defence Dept

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AN ALTERNATIVE BASIS FOR HAIG'S NEGOTIATIONS

1. Before the invasion, successive governments were willing in Negotiations with Argentina to entertain the idea of ceding sovereignty. In some ways it is harder to do so now, in the face of aggression. But public opinion appears to be comfortable with the idea of transferring sovereignty while retaining administration. This idea has a certain logic, since it can largely satisfy Britain's three major aims - Argentine withdrawal, restored British administration and respect for the islanders' wishes - as well as giving Argentina its big aim of sovereignty, although on restrictive conditions.

2. One possible package for a long term solution could be: immediate transfer of sovereignty over the Falklands and dependencies, the longest negotiable period of British administration - if possible 50 years - and a referendum either before the package was implemented or towards the end of the period of British administration. If under the latter alternative the vote was against the termination of British administration, there would be a further 10 year period, with a referendum near the end ... and so on. This package could if necessary be accompanied by certain rights for Argentine people and businesses to set up in the islands during British administration within strictly controlled limits. It could be stipulated that before the termination of British administration there would be negotiations about economic rights and military use of the islands thereafter. A US Security guarantee would be needed unless the UK was willing to keep a force in the islands to deter Argentine invasions.



3. In an arrangement involving a transfer of sovereignty, the UK could seek not only a long period of British administration and a referendum as parts of the package for the long term but also *better* arrangements in the interim period than at present are being discussed through Mr Haig.

Outline of an interim agreement

4. A new basis for Mr Haig's negotiations for an interim agreement might consist of the following main elements:-
- a) British and Argentine withdrawal within two weeks to areas of 150 nautical mile radius from the Falklands, South Georgia and the South Sandwich Islands. Economic sanctions to be lifted within 3 weeks.
 - b) Demilitarisation of those areas until completion of long term negotiations, and a US security guarantee.
 - c) Full restoration of British administration; or restoration but for the Governor, leaving an acting interim British Governor; or full restoration plus an advisory commission of, say, 2 Argentine and 2 US members, flying Argentine and US flags.
 - d) Negotiations on a long term settlement consisting essentially of 3 inseparable elements: immediate transfer of sovereignty, a substantial period of UK administration, and a referendum (paragraph 2 above).

No VR.

Involvement
of Mrs.