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Private Secretary

cc: PS/Mr Onslow
 PS/PUS
 Mr Bullard
 Mr Giffard
 Mr Anthony Williams
 Legal Adviser
 Mr Ure
 Mr Fearn, Emergency Unit
 Mr Bayne, ERD
 Mr Weston, Defence Department
 Mr Williams, UN Department

24 APR 1982

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FALKLANDS: ALTERNATIVE BASES FOR MR HAIG'S NEGOTIATIONS

1. I submit a note of two possible ideas. The second of them was suggested by Mr Giffard. The note incorporates amendments suggested by the PUS and others.
2. The Secretary of State may wish to have the note with him at Chequers tomorrow, for discussion or circulation there if circumstances make this appropriate.

C L G Mallaby

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23 April 1982



TWO ALTERNATIVE BASES FOR HAIG'S NEGOTIATIONS

FIRST POSSIBILITY

1. Before the invasion, successive governments were willing in negotiations with Argentina to entertain the idea of transferring sovereignty under certain conditions. Politically and presentationally it is harder to do so now, in the face of aggression. Yet ideas for transferring sovereignty while retaining British administration have been floated in public from time to time and do not seem to have provoked widespread opposition in this country. The 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 restricted conditions.
2. One possible package for a long term solution could be: immediate transfer of sovereignty over the Falklands,* the longest negotiable period of British administration - if possible at least 50 years - and a referendum before the package was implemented. (An alternative might be a referendum towards the end of the period of British administration. If 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.)
3. This package could include other elements, such as:
 - (a) permission for Argentine people and businesses to set up in the islands during British administration within strictly controlled limits;
 - (b) a clear offer to undertake with the Argentine\$ during the period of British administration, joint development of the mineral and fishery resources of the area;

* and perhaps the dependencies



(c) provision for the Argentine 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.

4. A US Security guarantee would probably be needed unless the UK was willing to keep a force in the islands to deter Argentine invasions. It could be stipulated that before termination of British administration there should be negotiations about economic rights and military use of the islands thereafter. The agreement could receive formal endorsement by the UN, to provide a small element of political deterrence against its violation.

5. 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.

6. We might propose the following main elements as a new basis for Mr Haig's negotiations for an interim agreement:

- (a) British and Argentine withdrawal within two weeks from an area of 150 nautical miles radius from the Falklands.* Economic sanctions to be lifted within three weeks.
- (b) Demilitarisation of the same area 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).

7. Even if Argentina turned down a package on these lines, we should still stand to gain because international support for our position should be enhanced.

SECOND POSSIBILITY

8. The following idea gives Argentina very little but, if she became desperate, might be easier for her to consider than making concessions in Mr Haig's present negotiations which she has so far refused to make.

9. We would propose a conference to be held under the auspices either of the United States or of the UN Secretary General, for which the only precondition would be the fulfilment of the first two provisions of Security Council Resolution 502, namely the cessation of hostilities and the withdrawal of the Argentines from the Falklands. Such a proposal might be presented on the following lines:

We remain confident of the justice of our case. But we are determined if possible to avert further bloodshed. We also recognise the need to envisage and work for a future in which there is a normal, peaceful relationship between the people of the Falkland Islands and their neighbours. From a wider viewpoint, we have no wish to see the Argentine economy in ruins. We have the strongest possible desire to develop our relations with the countries of Latin America constructively on the lines which we have pursued hitherto. On condition that they withdraw from the Falkland Islands forthwith and suspend hostilities, as we shall do, we are therefore

/ willing



willing to enter immediately into discussions with the Argentine Government for the settlement of the dispute under the auspices of the United States/the Secretary-General of the UN. We undertake to recognise, in our approach to and conduct of these negotiations for a definitive settlement, that the Argentine Government has a legitimate interest in the future of the Falkland Islands, and that the question of sovereignty must be resolved.

9. This offers the Argentines very little indeed. But it challenges them to behave in a responsible manner. It gives them the prospect of some international limelight. It may have great advantages in terms of impact on international opinion, especially perhaps in Latin America. We could surely hope for the support of the United States Administration, whose motive power would indeed be the only hope of getting it off the ground. It secures withdrawal and probably the return of British administration. Finally, it should give us some time in which to ascertain and take into account the wishes of the Islanders.



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

C L G Mallaby
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.



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See 127

PS/PUS

FALKLANDS : AN ALTERNATIVE BASIS FOR MR HAIG'S NEGOTIATIONS

1. The note attached to Mr Mallaby's minute of 23 April to PS/PUS suggests a package which might be put to Mr Haig as an alternative basis for negotiations. This is a valid alternative, and it is worth making the point that an offer on the lines which Mr Mallaby suggests should have some presentational advantages internationally, even if our assessment was that its chances of success were no better than moderate.
2. Objections to it in our own counsels are likely to be based on the 'burglar-rewarded' argument, and on the argument that if we hold on to our present course for a bit longer we may conceivably find ourselves in a position from which we can drive a much harder bargain.
3. I have been wondering whether there is not yet another course of action which would enable us to get the advantages given by Mr Mallaby's proposal, of showing that we are making every effort to secure a diplomatic solution, but without running head on into the 'burglar-rewarded' argument and without foreclosing the possibility that we might in the end achieve an even better settlement. Such a proposal would have to provide an escape route and some attractions for the Argentine Government but without committing us to much in the way of concessions.
4. Would it be possible to seek to achieve this by proposing a conference to be held under the auspices either of the United States or on the UN Secretary General, for which the only precondition would be the fulfilment of the first two provisions of Security Council Resolution 502, namely, the cessation of hostilities and the withdrawal of the Argentines from the Falklands? Such a proposal might possibly be presented on the following lines:

We remain confident of the justice of our case. But we are determined if possible to avert further bloodshed. We also recognise the need to envisage and work for a future in which there is a normal, peaceful relationship between the people of the Falkland Islands and their neighbours. From a wider viewpoint, we have no wish to see the Argentine economy in ruins. We have the strongest possible desire to develop our relations with the countries of Latin America constructively on the lines which we have pursued hitherto. On condition that they withdraw from the Falkland Islands forthwith and suspend hostilities, as we shall do, we are therefore willing to enter immediately into discussions with the Argentine Government for the settlement of the dispute under

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the auspices of the United States/the Secretary-General of the UN. We undertake to recognise, in our approach to and conduct of these negotiations for a definitive settlement, that the Argentine Government has a legitimate interest in the future of the Falkland Islands, and that the question of sovereignty must be resolved.

5. This offers the Argentines very little indeed. But it challenges them to behave in a responsible manner. It gives them the prospect of some limelight. It may have great advantages in terms of impact on international opinion, especially perhaps in Latin America. We could surely hope for the support of the United States Administration, whose motive power would indeed be the only hope of getting it off the ground. It secures withdrawal and the return of British administration. Finally, it gives us some time in which to ascertain and take into account the wishes of the Islanders.

C. Giffard

23 April 1982

CSR Giffard

Mr Mulla

cc: Mr Bullard o.r.
Mr A J Williams
Lord N Gordon Lennox
Mr Evans
Legal Advisers
Mr Ure o.r.
Mr Fearn, Emergency Unit
Mr Bayne, ERD
Mr Weston, Defence Dept
Mr NCR Williams, UN Dept

CONFIDENTIAL



PS/PUS

FALKLANDS: AN ALTERNATIVE BASIS FOR MR HAIG'S NEGOTIATIONS (126)

I feel that the proposal in Mr Giffard's minute with the above title of 23 April would probably be easier for the Argentines to accept at this stage than that put forward by Mr Mallaby in his earlier minute of the same title, with the gloss on it from Mr Fearn. The trouble about "lease back" is that it involves a total departure by the Argentines or some "burglar reward". It would also be difficult for the Argentines to accept a referendum without built-in arrangements for them to be able to exercise persuasion on the Islander population.

2. It would be bad presentationally for the Argentines to refuse a conference. They might however try to persuade Mr Haig that the date of 31 December 1982 should be written into Mr Giffard's formula.

Anthony Williams
23 April 1982

cc: Mr Giffard

Mr Mallaby
Mr Bullard o.r.
Lord N Gordon Lennox
Mr Evans
Legal Advisers
Mr Ure o.r.
Mr Fearn, Emergency Unit
Mr Bayne, ERD
Mr Weston, Defence Dept
Mr N C R Williams, UN Dept

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

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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;
- (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.

They wouldn't do this, a consul doesn't have a consul-general in number territory

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.

[Signature]

23 April 1982

P R Fearn
Emergency Unit

cc-PS/PUS