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PS/PUS

FALKLANDS

1. Mr Thomas telephoned from Washington this evening. He expressed some anxiety about our response to Mr Haig's ideas. I explained that these were under very careful consideration, and I could not forecast the outcome of Ministers' discussions tomorrow, but Sir N Henderson could expect instructions then. Mr Thomas said that the Americans were under pressure from Latin American countries, who were accusing them of doing nothing and missing opportunities.

2. I assume that discussion of Haig's ideas tomorrow will be based on Planning Staff's paper of 30 May. Since Mr Thomas also mentioned that the Americans had under consideration a 'major economic package' for Argentina in the period after the end of hostilities, I submit a draft telegram instructing Sir N Henderson to explore this aspect of American policy if he sees no objection.

3. I also attach a draft statement, or contribution to a statement, on the lines we discussed, in case you should find it useful.

C S R Giffard

C S R Giffard

31 May 1982

cc: PS
Mr Bullard
Sir I Sinclair
Mr Wright
Mr Ure
Mr Gillmore
Mr Mallaby
Mr Weston
Mr Fearn
Mr Bayne

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File No. _____
Department _____
drafted by
Initialed Capitals) C S R GIFFARD
Tel. Extn. _____

OUTWARD
TELEGRAM

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[TEXT]

FALKLANDS: ARGENTINE ECONOMY

1. You will be receiving separate instructions giving our response to Haig's ideas reported in your telno 1963 and 1964. I should be grateful, if you see no objection, if you would also explore with Haig the scope which he may see for action by the Americans in the economic field which might help both to keep the Argentines out of the Soviet camp and ^{to impress on} ~~bring home to~~ them the advantages of bringing their Falklands adventure to an early end.

Copies to:-

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/ 2. It is

2. It is not for us to propose to the Americans a massive programme for the rehabilitation of the Argentine economy, since we should not be able to contribute, but we are conscious that the Argentine economy is now in very poor shape. It is in our interests that ~~its~~ reconstruction within the Western economic and financial system, ~~(to which the Soviets can offer no equivalent)~~ should go ahead as soon as withdrawal from the Falklands has taken place and provided that the Argentines desist from further hostility.

reconstruction as a long term
 You may care to reassure Haig that we recognise this, ~~and the~~ British interest. I believe that American action in this field could be very helpful also in the shorter term, so long as the Argentines are left in no doubt that what *in the way of economic support* may be under discussion ~~is~~ contingent upon their first withdrawing from the Falklands.

3. You might tell Haig that we should be very interested in any assessment which his people could provide of the influence in Buenos Aires today of those who understand Argentina's economic requirements, both in Government and in the banking sector.

In the South Atlantic, we have been driven to fight to re-establish the rule of law. I want to make it clear today that when this has been done we shall resume the central task of modern government, working with all who will join in responding to the challenge of building a better future. In Latin America, as in the other regions of the world, we remain intent on the pursuit of constructive policies of development and co-operation.

Neither the British Government nor the British people desire continuing conflict with Argentina. To bring the fighting to an end, it is necessary only for the Argentine forces to return to their own country. Once this has been arranged, we shall be ready to settle our differences deliberately. We shall do this with a due sense of responsibility both towards those whose lives have been lost in this tragic conflict and towards those whose livelihood on the Falkland Islands must now be restored to the dignity and freedom which they are entitled to enjoy.

What we ask of the Argentine Government is reasonable and realistic. We look now to their friends in Latin America, and to those who have laboured for peace, including the Secretary-General of the United Nations and the United States Government, whose contributions towards re-construction are indispensable, to help the Argentine Government to recognise that peace is on offer. If they choose peace and humanity, they will not find us lacking in largeness of vision. They will surely not choose continuing destruction and bitterness. Their choice is now most urgent.