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Foreign and Commonwealth Office

London SW1A 2AH

3 June 1982

Dear John,

Versailles Summit: Prime Minister's meeting with President Reagan on 4 June

The main purpose of the bilateral meeting with the President and Mr Haig will be to discuss the Falklands situation. I enclose a summary brief, which is mainly a check-list of points to raise, formulated in terms which take account of US concerns as expressed to us by the President and Messrs Haig and Clark in the past few days.

The brief covers our present policy and does not move into matters on which Ministers have not yet taken decisions. But the President - and indeed Chancellor Schmidt and President Mitterrand and the other participants at Versailles - will be interested in particular to hear about our policy after we have repossessed the Falklands.

On this, Mr Pym suggests that the Prime Minister could draw on the following:

- a) Ministers have been thinking carefully about policy after repossession, with the objective of devising arrangements which would help to ensure a stable future for the Islands and satisfactory relations with the continent of Latin America.
- b) Such arrangements must take full account of the wishes and interests of the Islanders. They must ensure the security of the Islands and provide good prospects for economic development. They should not ignore the wider questions (Western relations with Latin America as a whole, Soviet/Argentine relations) which are of concern to our allies.
- c) There can be no question, after Argentine aggression and refusal to negotiate seriously and after the British casualties, of concessions to Argentina's claim to sovereignty. At the same time, we are not wedded to a return to the precise status quo ante or to any particular long-term solution. Our commitment is to the Falkland Islanders.

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- d) Time will be needed to get things back to normal on the Islands. The Islanders will need a period to consider their position. Our minds are therefore moving towards the idea of declaring a rehabilitation period [perhaps a couple of years?] in which the question of the long term future of the Islands would be set aside. It would follow that we would not make announcements about long term goals such as independence, since these could be dependent on consultation with the Islanders during and after the rehabilitation period.
- e) At the outset of such a rehabilitation period, ie soon after repossession, we would be willing to undertake a general commitment not to use force in relation to the Falkland Islands dispute except in self-defence and to lift economic measures, provided that Argentina ceased to carry out attacks on the Islands or on our forces and undertook the same two commitments.
- f) We have not decided exactly how or by whom the Governments of the Islands would be administered. We might make limited moves to increase the Islanders' participation in their own administration, for instance by adding more elected members to the Legislative and Executive Councils.
- g) We should be prepared to consider at the appropriate moment a conference about the economic development of the Islands (oil, fisheries, kelp, tourism) in which neighbouring countries as well as the UK and perhaps the US could participate.
- h) If Argentina were to accept a mutual obligation on the non-use of force, in a manner which inspired confidence in the longer term, the British military presence in the Islands could be significantly reduced during the rehabilitation period provided we considered that the security of the Islands was assured. Our commitment

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might be supplemented by an international force with US and perhaps Brazilian or other participation.

- i) Depending on developments and the wishes of the Islanders, as revealed in the rehabilitation period, we would be willing to consider discussions about the longer term future of the Islands at the conclusion of that period.

I am sending copies of this letter to the Private Secretaries of the other members of OD(SA), and of the Attorney-General, and to Sir Robert Armstrong and to Sir Michael Palliser.

*Yours ever*

(J E Holmes)  
Private Secretary

*J E Holmes*

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Versailles Economic Summit: Prime Minister's Meeting with President Reagan, 4 June

The Falkland Islands

Points to Make

1. Most grateful for extensive and speedy US help with military equipment and supplies.
2. Would have preferred negotiated outcome. But Argentina showed no interest. Now concentrating on repossession. But no desire to humiliate Argentina: she could still save lives by deciding to withdraw.
3. We carefully examined Haig's latest ideas for a diplomatic move. But frankly difficult for Parliament and public opinion in Britain to consider ideas of gestures before full repossession, given the history of Argentine aggression and intransigence and following the British casualties.
4. Fully conscious that significant factors will come into play after repossession: need to repair Western relations with Latin America, to head off risk of Soviet-Argentine relations becoming much closer, to try to deter Argentina from continued military strikes against the Islands. More broadly, need to give Falklands best chance of a secure and economically successful future, in peaceful relations with neighbours.
5. Argentina will have to realise that aggression has not paid and that she must stop insisting on transfer of sovereignty. Can US help to persuade her of this?
6. Important also to go on doing everything possible to block arms supplies to Argentina.
7. US views on internal prospects in Argentina?
8. US plans for rebuilding relations with Latin America including Argentina? Any ideas for new economic cooperation with Argentina?