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10 DOWNING STREET

From the Private Secretary

1 June, 1982

FALKLAND ISLANDS

President Reagan telephoned the Prime Minister at 2330 hrs last night. Since the call took place on a secure telephone, and as there was no Private Secretary at No.10 at the time, it has not been possible to produce the normal record of conversation. I give below an account of the conversation as conveyed to me by the Prime Minister. I should be grateful if you would ensure that its contents are very carefully protected and, given the circumstances of the call, that this record is not quoted in any way.

The President said that he was looking forward to seeing the Prime Minister at Versailles to discuss events in the Falklands. However as the military advance might change the diplomatic options open between now and next Friday he felt impelled to speak now.

President Reagan said that the USA considered it imperative that the UK should show that it was prepared to talk before the Argentinians were forced to withdraw. Willingness on the UK's part to negotiate now could prevent a Peronist take-over in Argentina in the future. The President had spoken to the President of Brazil who shared his view that the best chance for peace was before complete Argentine humiliation. As the UK now had the upper hand militarily it should strike a deal now.

The Prime Minister emphasised that the United Kingdom could not contemplate a ceasefire without Argentine withdrawal. Having lost ships and lives because the Argentinians refused to negotiate for seven weeks we would not consider handing the Islands over to a third party. Our intention was first to repossess, then restore order and finally to consider the future with the islanders.

/President

President Reagan said that his understanding was that a ceasefire would require instant Argentine withdrawal. A British withdrawal would not take place until a multi-national peacekeeping force arrived.

The Prime Minister stressed that Britain had not lost precious lives in battle and sent an enormous Task Force to hand over The Queen's Islands immediately to a contact group. The immediate priority after Argentinian withdrawal would be to restore British law and administration, to carry out reconstruction and development with which we should need help and try to arrange a multi-national security force - for which we should also need co-operation.

President Reagan said that he understood the Prime Minister's immense problems. He suggested, however, that we were in a sufficiently powerful position now that if a ceasefire could be agreed the world would know that it was the Argentinians who had retreated. If the UK were to retain sole military occupancy she might face another Argentinian invasion in the future.

The Prime Minister said that she understood the President's fears but as Britain had had to go into the Islands alone, with no outside help, she could not now let the invader gain from his aggression. The Prime Minister asked the President to put himself in her position. She had lost valuable British ships and invaluable British lives. She was sure that the President would act in the same way if Alaska had been similarly threatened. Conditions necessarily changed once lives had been lost. Self-determination for the Islanders had to be the paramount consideration. She agreed with his excellent TV interview when he had said that if the aggressor were to win then about fifty other territories would be at risk.

The Prime Minister concluded by saying that the most sensible thing would be for the Argentinians to withdraw. No-one would be more pleased than she if they did. There was no alternative. She looked forward to continuing their discussion at Versailles on Friday and hoped that sufficient time would be allocated to it.

I am copying this letter and ~~enclosure~~ to David Wright (Cabinet Office).

A.J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.