

PREM 19/1167

CONFIDENTIAL FILING

Relations with Argentina

Position of the Falkland Islands, their rehabilitation and future

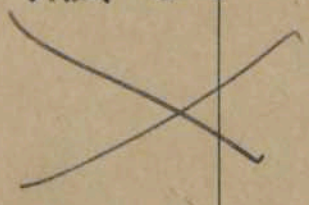
Shackleton Report and follow-up

Internal Situation in Argentina

ARGENTINA

PE 1: SEPTEMBER 1979

PE 36: JANUARY 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date	
3.1.84		28.3.84						
4.1.84		27.3.84						
11.1.84		29.3.84						
14.1.84		29.3.84						
17.1.84		29.3.84						
26.1.84		4/4/84						
2/2/84		30.3.84						
7.2.84		- PART ENDS -						
15.2.84								
17.2.84								
20/2/84								
24/2/84								
25/2/84								
29.2.84								
1.3.84								
12.3.84								
13.3.84								
14.3.84								
16/3/84								

PREM 19/11/67

● PART 36 ends:-

SS/DTI to PM 30.3.84

PART 37 begins:-

MOO to AJC 1.4.84

Foreign and Commonwealth Office document

Reference: Diplomatic Report No 21/84

Description: UNGA 38: The Falklands Debate: Second Time Lucky.
The UK Permanent Representative to the UN at New
York to the Secretary of State for Foreign and
Commonwealth Affairs

Date: 17 January 1984

Reference: Diplomatic Report No 23/84

Description: Falklands Islands: Annual Review for 1983.
The Civil Commissioner at Port Stanley to the Secretary
of State for Foreign and Commonwealth Affairs

Date: 31 January 1984

The above FCO documents, which were enclosed on this file have been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed

J. Lyman

Date

11/6/2013

PREM Records Team

cc P.C.



CONFIDENTIAL

JH 210

PRIME MINISTER

A.S.C. 74
h-a

ARGENTINA/FALKLANDS

File with HJC

I have seen the Foreign Secretary's minute to you of 28 March making proposals for our response to the Argentines on talks aimed at restoring bilateral relations. The proposals appear to meet the conditions agreed in OD on 1 March and to constitute a satisfactory basis on which to send a reply. I am content that we should proceed on the lines proposed without further discussion.

2 My Department continues to receive representations regarding the restoration of normal commercial relations and I would hope the way may be opened for early talks.

3 I am copying this to colleagues in OD and Sir Robert Armstrong.

NT
N T

30 March 1984

Department of Trade and Industry

Argesha: Relation Pt 36



2 APR 1984

FROM THE CHAIRMAN

P.O. BOX No 21, CHESTERFIELD, DERBYSHIRE S44 6AB
TELEPHONE: 0246 822281 (10 LINES)
TELEGRAMS: 'COALITE, BOLSOVER, TELEX: TELEX 54250



Coalite Group PLC

PERSONAL

30th March, 1984

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
London S.W.1.

R2/4

Dear Prime Minister

SOUTH ATLANTIC FISHING RESOURCES

I am pleased to take up the opportunity offered in your Private Secretary's reply of 15th March to give an account of my experiences in matters such as immigration to the Falklands and fishing surveys around the Islands and South Georgia, regarding which I expressed some exasperation in my letter of 9th March. If I may, I will confine this letter to fishing and write later on immigration.

In order to keep my comments reasonably brief, I am attaching copies of some of the relevant correspondence to support what I say and provide detail and flavour. It is extracted from two very thick files which have accumulated on the subject over only one and a half years.

Since we had no fishing experience at all, I had regarded any such developments around the Islands as an involvement more suited to the British fishing industry and had steered clear. In mid-October 1982, however, I was informed by the F.C.O. that a Japanese fishing Company (Taiyo) had been trying unsuccessfully with others to get something moving on exploration of fishing resources along the lines suggested in the Shackleton Report and that they would be approaching me, which they did (see letter from Taiyo Chief Exec. 1.12.82, which sets out what they had in mind).

Their enthusiasm was clear from the fact that Messrs. Amatatsu and Yamashita came from Tokyo one week later for a meeting in Chesterfield. They also visited the F.C.O. the following day. (Amatatsu letters 25.12.82).

As the only pro-Western Country with the required vessel capability to have shown any real interest in deep-sea fishing development around the Islands and since they were offering to carry out the exploratory fishing proposed by Shackleton (estimated cost £20M) without any direct payment and without any prior condition of declaration of fishing limits, the F.C.O. and O.D.A. showed some enthusiasm and it appeared that our support would be

/vital.

vital. Taiyo are apparently the biggest fishing concern in Japan, selling £1M worth of fish per day in Tokyo alone. I was greatly impressed by their candour and capabilities at this first meeting and agreed principles on which we would go along with a joint venture. They proposed 50/50 Taiyo/Coalite, which I was prepared to accept but suggested that we should involve also the participation of the F.I. Government and a British fishing Company. Taiyo had no objections but, not surprisingly, wished to retain 50%. I therefore indicated that half of our stake could be available for other British interests.

My views and the position of Coalite at this stage are well set out in a letter to the F.C.O. dated 7th January, 1983, in which I would draw particular attention to the final paragraph. (See also F.C.O. reply, 18.1.83).

January 10th - 12th, 1983, Messrs. Amatatsu and Yamashita came to London again from Tokyo. Joint Proposal finalised and submitted to F.C.O. and Civil Commissioner on 14th January, 1983. (See copy of Proposal and two covering letters, all dated 14th January, 1983). All this had been done within six weeks, with the aim of reaching agreement with F.I.G. in February so as to have the two Taiyo vessels operating with British observers on board by May/June 1983.

In February 1983, I visited the Falklands (Tim Raison also there) and discussed the fishing proposals at length with Sir Rex Hunt. He said that he and Development Officer would be recommending acceptance to a meeting of EXCO on February 28th, 1983. On that date, EXCO "agreed in principle to the fishing proposal", the only reservation expressed being that "details of F.I.G. participation will have to await the establishment of a Falkland Islands Development Corporation". (Sir Rex Hunt telex 4.3.83. and letter of 14.3.83.).

This was encouraging, appearing to clear the way for exploratory fishing with British observers on Board by May/June 1983. Nearly one year later, however, whilst the two Taiyo vessels have been operating since August 1st, 1983 we still have no British observers on board.

The following is a precis of events from mid-March 1983, with references to the attached correspondence:

- 15.3.83: Taiyo telex welcomes EXCO decision, says preparing trawlers and raises questions regarding fishing areas and median line with Argentina.
- 18.3.83: F.C.O. reply on fishing limits, median line and F.I.G. intention of participation in the Joint Venture Company.
- 24.3.83: Taiyo reply regarding formalisation of J.V.C. and fishing schedules.
- 23.3.83: My reply to Sir Rex Hunt, welcoming EXCO "agreement in principle" and asking whether that implies any reservations, when a decision on F.I.G. participation might be expected and whether proposals accepted firmly enough to enable a practical start to be made.

- 23.3.83: My letter to F.C.O., trying to ascertain firmness of commitment of F.I.G.
- 29.3.83: F.C.O. reply, agreeing "some confusion" and promising clarification.
- 29.3.83: Letter to Taiyo regarding discussions to involve a Hull fishing Company.
- 6.4.83: Letter to F.C.O., seeking information on progress. Taiyo appear to be a little discouraged.
- 13.4.83: Taiyo telex proposes meeting London May 2nd and 3rd, with a view to exploratory fishing commencement in August.
- 18.4.83: My reply to Taiyo, expressing anxieties whether sufficient progress will have been made for meeting early May.
- 19.4.83: Taiyo reply agrees to defer leaving Tokyo pending clear commitment of F.I.G. Agree proposed partner in Hull. Progressing clearance with Japanese Government.
- 18.4.83: F.C.O. confirms F.I.G. participation in J.V.C. and approval for investment of £7,500 initial share capital. Meantime "Memorandum of Understanding" from F.I.G., (which never materialised). Also refers to potential partner in Hull.
- 22.4.83: Telex to Taiyo, notifying F.I.G. agreement to 15% participation. Still awaiting firm indication of licence concessions to be granted in return for exploratory fishing, if and when fishing limits declared. Not surprisingly, since that is the only 'quid pro quo' for exploration and taking observers on board, a concession on eventual licence fees is a pre-condition for Taiyo. Specific reference to that subject has been avoided in all replies from F.I.G. so far - although "agreement in principle" might (or might not) be taken as their agreement to the requested concessions.
- 22.4.83: Letter to F.C.O., setting out agreed J.V.C. participants and percentages, begging for a firm letter of intent for assurance of Taiyo, warning of their possible loss of enthusiasm and consequent loss of a unique opportunity to collect the information on fishing required by O.D.A. for licencing considerations.
- 28.4.83: Reply from Sir Rex Hunt, agreeing it would be a pity to lose excellent opportunity but disclaiming responsibility for any delays. Refers to "certain amendments communicated to you via F.C.O." (Not received but came later in letter from F.C.O. dated May 6th, 83). These were relatively minor points, easily met. The important question left unanswered was whether the reference to "broad agreement with the proposals set out in the enclosure to your letter of January 14th" did or did not mean acceptance of the licencing concessions requested in return for exploration and observers. Later in the

/letter,

28.4.83: (Cont'd).

letter, the comment that "F.I.G. agrees to give the company preferential consideration in any future 200 mile economic zone" appeared deliberately unspecific and raised very real doubts of intentions. Nevertheless, this was taken as sufficient assurance to persuade Taiyo to come to London again May 11th-13th for meetings with F.C.O., O.D.A., fishery experts, lawyers, Sir Rex Hunt, Marr Fisheries of Hull and ourselves. Draft agreements, numbers of observers and their recruitment, licence concessions, fishing schedules, all discussed at length and good progress thought to have been made. Agreed aim to sign agreement in June and start exploratory fishing in August.

17.5.83: Taiyo telex regarding London meetings and questions from Japanese Government.

18.5.83: Letter to F.C.O. agreeing suggested numbers of observers and their appointment.

15.6.83: Letter to F.C.O. notifying delivery of copies of draft Agreement, Memorandum and Articles for J.V.C., prepared following meetings held in May.

12.7.83: Telex to Taiyo regarding F.I.G. delays due to legal and political considerations.

21/22.7.83: Telex from Taiyo. Two trawlers fully prepared and coming to Islands end July to start exploratory fishing, hoping agreement can be signed soon and observers picked up in Port Stanley. Collected information on fishing will be made available when Agreement signed.

29.7.83: Letter from F.C.O., from which it appears we are right back at the beginning as far as F.I.G. are concerned. Requesting Taiyo to make a presentation on proposals in Port Stanley.

29.7.83: Taiyo express hopes on progress.

1.8.83: Letter to F.C.O. regarding proposed presentation by Taiyo.

1.8.83: Two Taiyo vessels started fishing off the Falklands, awaiting agreement.

2.8.83: Taiyo suggest presentation in London, not Port Stanley.

10.8.83: Mr. Yamashita in London from Tokyo to discuss proposed presentation and progress if any towards Agreements. Also met F.C.O.. During these discussions it was concluded that the well-intended offer of participation of other parties had served only to prevent progress. Whilst the door for such participation would be kept open, I would travel to Tokyo in October to finalise and sign an agreement with Taiyo, whether or not other parties decided to join. This reassured Taiyo and retained their enthusiasm.

- 17.8.83: Taiyo telex confirms their agreement to that course and agrees to make presentation in London when three F.I. Councillors here, provided F.C.O. and we assist.
- 25.8.83: My telex to Taiyo confirming presentation arrangement with F.C.O. for September 2nd, to be attended by 3 or 4 Councillors, F.C.O., O.D.A., Adrian Monk, Taiyo and Coalite.
- 26.8.83: Taiyo telex their schedule for presentation.
- 26.8.83: My further reply on presentation arrangements.
- 26.8.83: My letter to F.C.O. expressing despair at lack of response to draft agreements submitted in June, reiterating importance of having British observers on the exploration vessels to avoid losing invaluable information, need to agree licence concessions available if and when fishing limits declared, and urging progress.
- 2.9.83: Taiyo here for presentation in London. Copy enclosed of brief but concise speech made by Mr. Yamashita on exploratory fishing proposals. (Little could be added to what had already been proposed in writing). Followed by constructive discussion with Councillors and O.D.A. fishing experts. Councillors promised to urge progress on their return to Stanley.
- 29.9.83: Signs of exasperation from Taiyo, suggesting consultancy in place of J.V.C.
- 29.9.83: My reply to Taiyo, expressing dismay at their proposed change of course.
- 5/12.10.83: I went to Japan for final negotiations on 50/50 J.V.C. with Taiyo, leaving door open for F.I.G. equity participation if and when they so decide. Details agreed and Agreement signed fifteen minutes after I was due to depart for Tokyo airport.
- 31.10.83: My telex to Civil Commissioner deals with several items of interest and Item 3 specifically with exploratory fishing, urging comment on our proposals or their counter proposals in order to get British observers on the Taiyo vessels (which have already been operating for three months).
- 1.11.83: Sir Rex Hunt telex reply, which stopped short half-way through. Says Councillors regard paying costs of observers before declaration of 200 miles limits is "putting the cart before the horse". This view had never been raised before and is completely opposite to O.D.A. fishery experts views expressed on what is desirable and what has happened elsewhere. Seems rather odd to be raising this point eight months after F.I.G. had "agreed in principle to the fishing proposals" and in view of all that has been said and done meantime.
- 10.11.83: My telex reply to Sir Rex Hunt, asking for rest of message, but commenting as above on that part of message so far received.

16.11.83: Received remainder of telex started on 1.11.83 from Sir Rex Hunt, saying Councillors now agree that observers should be put on board.

16.11.83: Telex from Sir Rex Hunt, saying that Councillors' reservation on fishing licence concessions (which we proposed in January 1983) and their counter-proposals had been passed to F.C.O. 28.9.83.). We enquired of F.C.O. and received them 28.11.83. First indication of any counter proposals to our proposals submitted in January 1983. Council "prepared to agree to concessionary licences for 12 trawlers at the rate of 25% (licence fees) for the first two years, 50% for the next two, 75% for the next two and 100% for subsequent years". (January proposal was for 5 years free of licence fees and 5 years at 50%).

Further discusses differences between O.D.A. and F.I.G. on appointment of observers/experts and consequent delays.

25.11.83: My reply to Sir Rex Hunt, advising no previous knowledge of counter-proposals and will now contact Taiyo. Also welcome Councillors' acceptance of exploratory fishing and observers as best avenue towards progress.

28.11.83: Letter from F.C.O. setting out counter-proposals and agreeing we deal direct with Sir Rex Hunt.

9.12.83: Telex from Taiyo, agreeing to agree a very substantial movement from their original stand on licence concessions towards F.I.G. counter proposals, i.e. 25% fees for three years, 50% for three years and 75% for three years, as opposed to original Nil% for five years and 50% for next five years.

I thought this was a great achievement, reflecting the confidence established with Taiyo and felt sure F.I.G. would be pleased. Not so.

9.12.83: Above transmitted same day to Sir Rex Hunt by telex.

13.1.84: A lengthy reply to Cranley Onslow, setting out the case for exploratory fishing and fishing limits as I see it, referring to the extent of fishing by Russians and Poles around the Islands, delays in making progress, etc.

16.1.84: Letter to O.D.A. replying to questions raised regarding facilities for observers on Taiyo vessels - and asking for confirmation of the preferential licencing terms to be granted to the J.V.C. No reply received.

20.1.84: Telex reply from Sir Rex Hunt, apologising for long delay and saying it was extremely unlikely EXCO would budge from the new negotiating position stated in November correspondence.

6.2.84: Telex reply to Sir Rex Hunt, re-iterating the factors involved, the dangers of trying to push Taiyo too far and the value of the fishing information to be set against the cost of obtaining it any other way. Urged re-consideration.

7.2.84: Telex reply from Sir Rex Hunt, standing fast and discounting any risks in going back to Taiyo again to ask for more.

In view of the suggestion in Sir Rex Hunt's telex of 8.2.84. of discussion with David Taylor (newly appointed Chief Executive of F.I.D.C.) when in U.K. from Stanley on 14th March, 1984, I decided to wait until then.

9.3.84: In spite of so much effort over fifteen months to try to help towards collecting the information required for the declaration of extended fishing limits and revenue from licencing, and encourage some pro-Western as opposed to Iron Curtain fishing activity, we seemed no nearer to recruiting British observers and appeared to be moving backwards rather than forwards. I therefore wrote to you personally, expressing exasperation on this and other potential developments on the Islands.

I appreciate the delicacy of this subject in the context of Anglo/Argentine discussions and that the declaration of extended fishing limits may well be more difficult now than it would have been a year ago. But whatever happens, the economy of the Islands really cries out for revenue from off-shore fishing and the thought is obviously prompted that it might at the appropriate stage be possible to substitute fishing limits for the Protection Zone.

What is needed is a firm decision on whether exploratory fishing is required along the lines proposed. If not, then I think we should so inform Taiyo, who must really be just as disconsolate as I am and losing some enthusiasm in view of the fact that their two vessels have been around the Falklands for eight months and the latest indication is that O.D.A. could not have observers on board before July, whereas the intention was to achieve that a year ago.

Since putting all the above information together, I did in fact meet David Taylor (F.I.D.C. Chief Executive), the F.I.G. Attorney General and the O.D.A. Fisheries Consultant in London on Tuesday of this week, March 27th.

Mr. Taylor gives a very good impression but is obviously in a very difficult position. As far as this fishing project is concerned, for example, he had not previously had sight of the proposals we submitted in January 1983 or a good deal of the subsequent paperwork. He apologised profusely on behalf of the F.I.G. and gave a sincere impression of wishing to make progress. We were back again, however, to talking about further discussions with Taiyo, in Tokyo if necessary, but I had to say that we were not prepared to go through all that again.

The most astonishing point coming out of this discussion was that, whereas the written Taiyo/Coalite proposals have always specifically referred to exploratory fishing and fishing limits around the Falkland Islands and South Georgia, we were told for

/the first time

the first time that South Georgia had not even figured in Government considerations on fishing and that there had been no question of fishing limits around South Georgia. I will make no point about that other than to say that, if it is so, we should have been told before now. In all the proposals, it was made perfectly clear that the fishing licence concessions requested in return for the two years exploratory fishing were based on the waters around South Georgia and the Falkland Islands. At this very late stage, it completely changes the picture and it could be, for example, that Taiyo might accept what F.I.G. has proposed as concessions if they relate to the Falkland Islands waters alone - as also the exploratory fishing. Quite amazing.

David Taylor has undertaken to make a rapid appraisal of the position in the U.K. and discuss it urgently on his return to Port Stanley. Meanwhile I can do nothing further.

I do apologise for the length of this but felt that I could not do the subject justice otherwise. If you can help in any way towards positive decision making on this project, which was considered to be such a major initiative at the time but has been floundering ever since, I shall be immensely grateful.

Yours Sincerely,
C. E. Needham

C. E. Needham

FROM THE CHAIRMAN



Coalite Group PLC

PERSONAL AND PRIVATE

30th March, 1984

Dear Prime Minister

FALKLAND ISLANDS

I thought that I should detach this separate note on a more personal basis from my lengthy letter about fishing.

It was good to see a man with business experience in a large organisation, Mr. David Taylor, appointed Chief Executive of the Falkland Islands Development Corporation. I have not seen much of him but he appears very sensible and committed and could represent the required turning point.

The purpose of this note is to express a personal opinion regarding the vital decision now to be made on the appointment of the Civil Commissioner to take over from July. As Mrs. Betty Miller of Port Stanley said in her recent letter to the Telegraph: "But we do need a leader, workers and people with energy, imagination and capital to invest here". Sir Rex Hunt is very personable but in no way a forceful and progressive leader. Courting local popularity is fine but it does not get anything moving, nor allow others to do so. What progress is to be made over the next few years will vitally influence the longer term future of the Islands and I sincerely hope

/that somebody

that somebody with progressive abilities and opinions will be appointed to start afresh and help the F.I.D.C. Chief Executive to make real progress.

For whatever it may be worth, the only man I can think of with a good knowledge of the Islands and background and the appropriate outlook is Roger Westbrook, who was until recently in the Falkland Islands Department at the F.C.O. That may be quite inappropriate for reasons of ranking or whatever but it could work.

Please forgive the direct style but the sole intention is to be helpful.

Best wishes
Yours sincerely
C. E. Needham

C. E. Needham

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London S.W.1.

D/TELEGRAPH

3/3/84

LETTERS TO

Troops are welcome
in the Falklands

SIR—There has been so much non-sense talked about the attitude of the Falklands islanders towards the garrison here and about our future, that I feel it is time one of us spoke up.

We Kelpers do not resent the British servicemen among us, nor feel they infringe on our lives. On the contrary we welcome their presence. They have given us a security we have not felt since attempts were made to "sell us out" in 1968.

We all welcome and invite servicemen into our homes throughout the islands, and each regiment, aircrew, sailor or policeman leaves behind many new friends when his time here ends. If anything we resent the efforts being made to keep the two communities apart.

We can develop without any close association with Argentina once we have the new strategic airport a 200-mile fishing and exploratory zone around these islands and dependencies, a wool mill and soon.

But we do need a leader, workers and people with energy, imagination and capital to invest here.

British blood was shed in 1914 as well as in 1982 in order to retain possession of these strategically placed islands. I do not believe the British people as a whole and certainly not the relatives of those who fought and died here, would ever countenance any British government handing over British territory and British people to Argentina.

These islands are British and so are we all.

(Mrs) BETTY MILLER
4th generation Kelper
Stanley, Falklands Islands.

Handwritten initials



Chancellor of the Duchy of Lancaster

FOREIGN AND COMMONWEALTH SECRETARY

A.C. 20/3

ARGENTINA/FALKLANDS

f.a.

Thank you for copying to me your minute of 28 March to the Prime Minister.

I see no objection - provided it is clear that the operative phrase in paragraph 7(ii) is "quite separately from the talks" and that the reference to "exchange of statements for the record" does not imply two delegations sitting on the opposite sides of the table making statements. I realise that this is all very pernickety but there was some misunderstanding before about the precise meaning of particular terms.

I am copying this minute to the other recipients of yours.

AC

A C

30 March 1984

MONTANA
Rings
PK-36

30 MAR 1984

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4 3 2

CONFIDENTIAL

DG

FILE OD: LCO
(FCO)
HMT
LPO
MOD
LPS
CDL
CO
DTI



10 DOWNING STREET

From the Private Secretary

29 March 1984

Dear Len,

ARGENTINA/FALKLANDS

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 28 March describing the lines of the response which he would propose to make to the Argentine approach about talks.

Subject to any views which OD colleagues may wish to express, the Prime Minister agrees with Sir Geoffrey Howe's recommendations and hopes that it may be possible to proceed without a further meeting of OD.

I am sending copies of this letter to the Private Secretaries of other members of OD, and to Sir Robert Armstrong.

*Your own
John Coler.*

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

(W)

FALKLAND ISLANDS GENERAL (ADVANCES)

34

PS
 PS/LADY YOUNG
 PS/MR WHITNEY
 PS/MR RIFKIND
 PS/PUS
 SIR J BULLARD
~~SIR I BRYCE~~ MR. DARWIN
~~SIR W HARRING~~
 MR WRIGHT
 MR ADAMS
 LORD N GORDON-LENNOX 1
 SIR C TICKELL
 MR D C THOMAS
 MR CARTLEDGE

PS/NO 10 DOWNING ST (3)
 PS/S OF S FOR DEFENCE
 MR J STEWART AUSD STAFF MOD

PS/CHANCELLOR)
 MISS M E CUND) TREASURY
 MR LITTLER)

SIR R ARMSTRONG)
 MR A D S GOODALL) CABINET OFF
 DIO)

MR M A PATTISON, FID, ODA

ED/PUSD (2)
 ED/SAID
 ED/FID

MR A FORTNAM IAT/ D. TRANSPORT

~~ED/PLANNING STAFF~~
 ED/NEWS DEPT
 ED/ED
 ED/BO (3)
 ED/END
 ED/PLANNING STAFF

ADVANCE COPY

IMMEDIATE

UNCLASSIFIED

Prime Minutes

(FM BERNE 291000Z)

FM BIS BUENOS AIRES

DD FCO 290900Z

Part Stanley have been told to
 investigate. If Destefanis really has
 planted a flag, it may take some
 time to discover.

A.S.C. 29/3

TO IMMEDIATE FCO

TELNO 212 OF 28 MARCH

ADN TO FLASH PORT STANLEY

INFO PRIORITY WASHINGTON UKMIS NEW YORK BRASILIA SANTIAGO MONTEVIDEO

REPORTS OF PROPAGANDA STUNT BY DESTEFANIS

YOUR TELNO 121 TO BERNE

OUR TRANSLATION OF THE FULL TEXT OF THE 'CRONICA' ARTICLE PUBLISHED TODAY IS AS FOLLOWS:

'OPERATION SOVEREIGNTY' IN THE FALKLANDS

OUR FLAG IS FLYING AGAIN IN THE ILLEGALLY OCCUPIED TERRITORY

A HAM RADIO OPERATOR FROM THE PROVINCE OF SANTA CRUZ YESTERDAY MAINTAINED THAT A LITTLE BEFORE MIDDAY HE PICKED UP A SHORT WAVE MESSAGE 'SUPPOSEDLY COMING FROM SOME POINT IN THE SOUTH ATLANTIC' IN WHICH IT WAS STATED THAT 'OPERATION SOVEREIGNTY HAS BEEN SUCCESSFULLY CARRIED OUT, AND THE ARGENTINE FLAG IS ONCE AGAIN FLYING IN THE FALKLANDS'.

THIS REPORT WAS MADE BY THE HAM RADIO OPERATOR, WHO WAS NOT IDENTIFIED, TO THE NEWSPAPER 'CRONICA' OF COMODORO RIVADAVIA, AND ACCORDING TO THE OPERATOR, THE MESSAGE 'WAS RECEIVED BY TWO

~~AND ACCORDING TO THE OPERATOR, THE MESSAGE WAS RECEIVED BY TWO PERSONS ON THE MAINLAND, AS SUGGESTED BY FRAGMENTS OF THE CONVERSATION PICKED UP.~~

THE SUPPOSED OCCURRENCE WAS LINKED IMMEDIATELY TO A VISIT MADE ON WEDNESDAY OF LAST WEEK TO COMODORO RIVADAVIA BY THE PRESIDENT OF THE VOLUNTEERS FOR THE FATHERLAND, OSVALDO DESTEFANIS, WHO HAD STATED IN THIS CITY HIS INTENTION OF 'GETTING TO THE FALKLANDS TO PLANT AN ARGENTINE FLAG, AND LEAVE A PROCLAMATION'.

FOR THEIR PART, THE CENTRE OF VOLUNTEERS FOR THE FATHERLAND SAID TONIGHT THAT THEIR PRESIDENT 'LEFT A WEEK AGO FOR SOME PLACE IN THE SOUTH, WITH THE INTENTION OF SAILING FROM THERE TO THE FALKLANDS IN A SAILING SHIP'.

THEY CONFIRMED THAT DESTEFANIS HAD BEEN GIVEN THE JOB OF CARRYING OUT 'OPERATION SOVEREIGNTY' WHICH CONSISTED OF RAISING AN ARGENTINE FLAG ON THE FALKLANDS AND LEAVING A PROCLAMATION IN WHICH 'WE DEMAND THE REMOVAL OF THE OCCUPATION FORCES'.

ALSO DEMANDED WAS THE 'COMPLIANCE WITH RESOLUTIONS PASSED BY THE UNITED NATIONS, WHICH REPUDIATED THE COLONIALIST ATTITUDE OF BRITAIN, AND SUPPORTED ARGENTINE RIGHTS OVER THE ISLANDS'.

THE SAME CENTRE FOR VOLUNTEERS FOR THE FATHERLAND STATED EMPHATICALLY TONIGHT, IN A COMMUNIQUE, THAT THE LEADER OF THE ORGANISATION, OSVALDO DESTEFANIS, AND THE PRESIDENT OF THE COMMISSION OF RELATIVES OF SOLDIERS WHO DIED IN THE FALKLANDS, RAMON PIZARRO, 'RAISED THE ARGENTINE FLAG' ON THE ISLANDS 'TO COMMEMORATE THE SECOND ANNIVERSARY OF THE ACTION OF 2 APRIL'.

ACCORDING TO A REPORT FROM THE PARTICIPANTS IN THIS SUPPOSED LANDING' THEY ARE NOW ON THEIR WAY BACK TO THE MAINLAND, AFTER RUNNING THE BRITISH BLOCKADE, AND HAVING PAID THEIR RESPECTS TO THOSE WHO GAVE THEIR LIVES FOR THE FALKLANDS'.

IT WAS ALSO STATED THAT THIS TOOK PLACE ON MONDAY EVENING.

THE ANNOUNCEMENT OF THIS ACT BY DESTEFANIS CAME AT A TIME WHEN ACCORDING TO SIMILAR REPORTS, IN GREAT BRITAIN - MAINLY IN THE HOUSE OF COMMONS - PRESSURE IS BEGINNING TO BE MADE ON PRIME MINISTER MARGARET THATCHER TO RENEW RELATIONS WITH ARGENTINA.

IN APRIL 1983, DESTEFANIS TOOK CHARGE OF AN ABORTIVE ATTEMPT TO REACH THE FALKLANDS ON BOARD THE MERCHANT VESSEL 'LAGO LACAR', ACCOMPANIED BY SOME 50 RELATIVES OF SOLDIERS WHO DIED ON THE ISLANDS.

THE VOYAGE WAS ABORTED ON THE COAST OF CHUBUT, NEAR PUERTO MADRYN, AFTER THE ARGENTINE AUTHORITIES HAD PROHIBITED THE VESSEL ADVANCING ANY FURTHER INTO THE EXCLUSION ZONE.

THE REPORT OF THE PRESUMED LANDING BY DESTEFANIS COULD NOT BE CONFIRMED BY THE LOCAL AUTHORITIES, AND INTELLIGENCE SOURCES SAID THEY HAD NO KNOWLEDGE OF THE MATTER AT ALL.

IN BUENOS AIRES, PERSONS CLOSE TO THE CENTRE'S LEADER CONFIRMED THAT HE TRAVELLED TOGETHER WITH RAMON PIZARRO, THE ORGANISATION'S SECRETARY.

THE PROCLAMATION PLACED NEXT TO THE NATIONAL FLAG ON THE FALKLANDS BY DESTEFANIS CONTAINS THE FOLLOWING OBSERVATIONS:

'THE NATIONAL FLAG, WHICH FROM THIS MOMENT ON IS FLYING ONCE AGAIN ON THIS POINT OF THE FALKLAND ISLANDS, REAFFIRMS ARGENTINE SOVEREIGNTY OVER THIS TERRITORY ILLEGALLY TAKEN BY FORCE BY GREAT BRITAIN.

WE DEMAND THAT THE OCCUPYING TROOPS BE WITHDRAWN FROM THIS TERRITORY WHICH IS ARGENTINE AND LATIN AMERICAN.

WE DEMAND THAT THE OCCUPYING TROOPS BE WITHDRAWN FROM THIS TERRITORY, WHICH IS ARGENTINE AND LATIN AMERICAN.

WE DEMAND THAT THE BRITISH GOVERNMENT IMMEDIATELY COMPLY WITH THE RESOLUTIONS 1514, 2065, 3160, 31/49 AND 37/9 PASSED BY THE UNITED NATIONS, WHICH DEMONSTRATE THAT THE MAJORITY OF THE NATIONS OF THE WORLD REPUDIATE THE BRITISH COLONIALIST ATTITUDE AND SUPPORT ARGENTINE RIGHTS OVER THE ISLANDS.

WE REPUDIATE THE LACK OF RESPECT FOR HUMAN RIGHTS SHOWN BY THE BRITISH GOVERNMENT IN FORBIDDING THE VISIT BY THE RELATIVES OF THE HEROIC SOLDIERS OF ARGENTINA TO THE GRAVEYARD WHERE THEY LIE, AND WE BESEECH THEM TO DROP SUCH AN INHUMAN AND UNCIVILISED ATTITUDE.

WE BEG MRS THATCHER TO OVERCOME HER IGNOBLE PERSONAL INTERESTS, USING THE BLOOD SHED BY THOUSANDS OF ARGENTINES AND BRITISH TO BUILD THE FOUNDATIONS OF HER POLITICAL CAREER.

MAY WE REMIND BRITAIN THAT THE FORCE OF LAW WILL PREVAIL OVER THE LAW OF FORCE.'

JOY

POWELL-JONES

NNNNN

ce/c



PM/84/55

PRIME MINISTERPrime Minister.

This incorporates your amendment.
 I propose to say, if you agree, that
 subject to colleagues you are content
 for the Foreign Secretary to go ahead on
 this basis.

Argentina/Falklands

Yes

Agree?

A.D.C. 29/8

1. I have been thinking further about how we should respond to the Argentine approach, in the light of the discussion we had at OD on 1 March.

2. We are agreed that there can be no discussion of the sovereignty issue with Argentina. Any talks will have to take place on that understanding. I have considered whether there are any steps we can take to reduce the risk that whatever the agreed basis of the talks, Argentina might subsequently seek to press the sovereignty issue. I think that we shall have to deal with this problem by making it clear to the Argentines that if they persisted in raising the subject, the talks would cease.

3. If talks began, and later broke down because the Argentines sought to discuss sovereignty in the face of our clear warnings, we would be able to show that we had been working for more normal relations and that it was Argentina which had introduced the stumbling block. If, however, we were to fail to respond to the latest Argentine message with workable proposals to get talks going, I am sure that we should find ourselves

/increasingly



increasingly and unnecessarily on the defensive.

4. Arguments in favour of pursuing our original initiative are being deployed from a number of quarters:

- (i) in Parliament, there is a strong feeling in both Houses that we should find a way of reconciling the need for early movement towards more normal UK/Argentine relations with the need to stand firm on sovereignty over the Falklands; the same point is reflected in most press comment;

- (ii) in our business community there are signs of impatience that we have not been able to move towards more normal trading and financial relations with Argentina (with consequential benefits for commercial prospects throughout Latin America). The ban on imports from Argentina deprived many British companies of a traditional source of supply (eg wool and hides). A number of other companies stand to gain, for example British Caledonian, who have lost £6 million of revenue a year since the Falklands conflict on their services to Latin America and are keen to restore their lucrative service to Buenos Aires.



(iii) internationally, Alfonsin's arrival has been generally welcomed, and there is a widespread belief, among our Allies as well as in the third world, that we should do all we can to improve the outlook for democratic government in Argentina.

5. The fact that we have exchanged messages with Argentina on the subject of our future relations is public knowledge. If we are seen to discontinue the exchange, we shall lose a fair amount of support both at home and abroad. We can of course ride out domestic criticism, and growing isolation on this subject at the UN. But a decision not to move to talks with Argentina carries other risks, for instance that other countries will be less willing to take seriously our representations on arms sales to Argentina.

6. For all these reasons, we are agreed that our interests will be best served by finding a basis on which talks can begin. We have told the Argentines of the six points we propose to discuss. They in turn have put forward three additional points. These are set out in the Annex to this minute. They are formulated in highly tendentious terms and we could clearly not accept them as items on an agreed agenda. We should make it plain to Argentina in advance of the talks that these matters fell plainly within our responsibilities for the Falklands. If they nevertheless sought to raise them during the

/talks



talks, I do not think that we should react by breaking off the discussions. That would give the impression that we were on the defensive. I believe that we should instead firmly rebut the Argentine points, along the lines set out in the Annex. We would also warn the Argentines in advance, that if they did raise their points, we would feel entitled to raise similar questions on their nuclear activities, and on their own military dispositions in the region.

7. There remains the most difficult question: how to achieve a clear separation between the talks themselves and any statement on sovereignty which the Argentines insist on making for the record. We need to bear in mind that the sharper the distinction, the greater the opportunity for the Argentines to blame us for failure to get talks going, on the grounds of our restrictive approach. The best way for us to proceed would be as follows:

- (i) we would reply through the Swiss stating that sovereignty was not for discussion, but that we were ready for talks aimed at normalising relations. We would ask the Swiss to confirm, if asked, that we preferred not to have a formal agenda, but would raise all six points we have proposed. We would also make clear that any attempt by the Argentines to raise their points would be dealt with along the lines set out in paragraph 6 above.



(ii) we would tell the Swiss separately that if the Argentines raised the question of sovereignty, the Swiss should make clear that this was not a subject for discussion in the talks. The Swiss should go on to add that if Argentina wished to repeat its position on sovereignty for the record, this would have to be done quite separately from the talks. The Swiss would then add that they would expect us to rebut it, and state our own position absolutely firmly, which they would convey to the Argentines. But they would explain that it was their understanding of our position that a separate exchange of statements for the record along these lines would not lead us to call off the talks before they began.

The Argentines would no doubt publicise their statement, and we should have to do the same. It would not, therefore, help to create a favourable atmosphere for the talks. But a self-contained exchange of statements, quite separate from the talks themselves, offers the best prospect of getting the talks started on the basis I have described. It would not, of course, prevent the Argentines from trying to shift the blame to us if the talks failed to start. But our own position would be a defensible one.



8. I invite my colleagues on OD to agree that we should respond to the Argentines on the lines set out above. As we have already had a full discussion in OD, I hope that for the sake of speed it may be possible to agree this without a further meeting.

9. I am copying this minute to our colleagues in OD and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

28 March, 1984

ANNEX

ITEMS PROPOSED BY ARGENTINA

(A) "The Lifting of the Protection Zone which the United Kingdom purports to have established in the South Atlantic"

1. We have said that we will not keep the Protection Zone indefinitely, but that we cannot be rushed into lifting it. The moment of its lifting is not in itself a matter for negotiation: it is for the British Government to alone to decide when the removal of the Protection Zone is justified on military and political grounds. But if the Argentines insist on discussion, we should take the opportunity to seek from the Argentines a formal assurance about the cessation of hostilities and perhaps also a renunciation of the use of force in the future.

(B) "A halt to the fortification of the Islands, to the construction of the strategic airfield, and to the war-like concentration in the area"

2. If the Argentines raise this, we should tell them firmly that there can be no question of halting construction of the Mount Pleasant airfield and its ancillary infrastructure, which is essential in both security and economic terms. If the Argentines persist in raising this question we should have to insist on

/examining



examining their military dispositions and intentions in the area

(C) "Guarantees that nuclear weapons or artifacts will be withdrawn from the region"

3. This reflects Argentine allegations during and after the Falklands campaign that we were in breach of the obligations we had assumed under the Treaty of Tlatelolco, which prohibits the development or deployment of nuclear weapons in Latin America.

4. There can be no question of agreeing to discussions designed to elicit "guarantees". If the Argentines nevertheless tried to introduce a nuclear item, we should repeat what we have already said in public: that "we have scrupulously observed its obligations under Additional Protocols I and II of the Treaty in not deploying nuclear weapons in territories for which the United Kingdom is de jure or de facto internationally responsible and which lie within the Treaty's zone of application and in territories in which the Treaty is in force". And we should make the point that our obligations under Tlatelolco are only to those states in the region which are Parties to the Treaty (Argentina has not ratified the Treaty and it is they who have reason to be defensive in this area). We should also insist on discussing nuclear developments in Argentina.

FCO/FAC/7/84

Select Committee on Foreign Affairs
MEMORANDUM BY THE FOREIGN AND COMMONWEALTH OFFICE
FALKLAND ISLANDS

PS

PS/Lady Young

PS/Mr Whitney

PS/PUS

Sir J Bullard

Sir I Freeland

Sir W Harding

Mr D Thomas

Mr Houston

- * FID (5)
- * UND
- * Mr Aust (Legal Advisers)
 - Research Dept
 - Defence Dept
 - News Dept (Mr Johnston)
 - PS to Prime Minister No 10 ✓
 - ODA (Mr Gilbert, BCD) (4)
 - MOD (DS11)
- * Parliamentary Unit (2)

- * Chancery UKMIS New York
- * Chancery Washington
 - Chancery BIS Buenos Aires
 - Sir R Hunt, Port Stanley

NOTE: This paper is circulated for information and official use only. It will not be published by the FAC until oral evidence is given by the FCO probably in May.

* with enclosure

N. P. R.

A. J. C. 74.

17
13/4

FCO/FAC/7/84

SELECT COMMITTEE ON FOREIGN AFFAIRS

Memorandum by the Foreign and Commonwealth Office

FALKLAND ISLANDS

I. PRESENT PROGRESS TOWARDS THE RESTORATION OF NORMAL DIPLOMATIC AND COMMERCIAL RELATIONS BETWEEN THE UNITED KINGDOM AND ARGENTINA

1. Since June 1982, the British Government have consistently sought to reduce tension and restore more normal relations between the United Kingdom and Argentina.

2. On 22 July 1982, HMG announced the lifting of the 200-mile Total Exclusion Zone, established on 30 April, and its replacement by a Protection Zone of 150 miles. Through the Protecting Powers, we asked the Argentine authorities to ensure that their warships and military aircraft did not enter the Zone. Argentine civil aircraft and shipping were also requested not to enter the Zone unless by prior agreement with the British Government. They have never applied for such permission. In 1982 and 1983 there were several Argentine incursions into the Protection Zone; these included a well-publicised flight into the Zone in August 1983 by an Electra aircraft of the Argentine naval airforce. Bona fide applications to enter the Zone would be given serious consideration by the British authorities.

3. Agreement was reached between Britain and Argentina in September 1982 on the reciprocal lifting of the financial restrictions imposed at the time of the conflict. Britain has implemented this in full; Argentina only partially.

4. Following the September agreement, the Danish Presidency of the European Community made an approach to the Argentine authorities, in October 1982, to suggest discussion of the full normalisation of economic and commercial relations between the Community and Argentina. This approach was repeated by the Danish Presidency in December 1982, by the FRG in the same capacity in April and May 1983, and by Greece in July 1983. The Argentines insisted that talks could only take place if Britain agreed to comply with UN Resolutions which called for negotiations about sovereignty over the Falkland Islands.

5. In June 1982, the Argentine authorities informed us of their intention to terminate the bilateral Air Services Agreement (ASA) with immediate effect. We replied that we would treat this as formal denunciation of the ASA and pointed out that the Agreement could be terminated only on

the expiry of the required twelve months notice. In May 1983 we proposed to the Argentines that the Agreement should be allowed to continue in force. The Argentines did not respond to this suggestion.

6. Since July 1982, the British Government have made clear to the Argentines on a number of occasions that we would be prepared to facilitate the return of their dead from the Islands. We have also said that we remain prepared in principle to accept a suitably prepared visit by a bona fide group of relatives under arrangements made and supervised by the International Committee of the Red Cross.

7. Following the elections in Argentina on 30 October 1983, the British Government expressed its welcome for the restoration of democracy there. This was done through an on-the-record statement by the FCO and through statements by Ministers in Parliament and in the press (see para 9 below).

8. The Prime Minister sent a message, through the Swiss Protecting Power, to President Alfonsin on the occasion of his inauguration on 10 December. It read:-

"On the occasion of your inauguration I wanted to let you know that, although we have many differences, we can all take pleasure in the restoration of democracy to Argentina, believing it will bring freedom and justice to all your people. Today brings new hope to your country."

President Alfonsin replied the next day, in the following terms:-

"I thank you for your words regarding the restoration of democratic institutions in Argentina. I agree with your appreciation on the existence of differences between Argentina and the United Kingdom. In this respect it would be worthwhile mentioning the old English proverb 'where there's a will, there's a way.'"

9. Also on the occasion of President Alfonsin's inauguration on 10 December, the Swiss State Secretary for Foreign Affairs handed a message from HMG to the Argentine Foreign Minister, Dr Dante Caputo. This read as follows:-

'Following the general elections in Argentina the British Government issued a formal statement, and the Prime Minister has commented on the outcome of the elections, both in the House of Commons and in an important newspaper interview. Reference has been made to these statements in the Argentine press.'

It may, nonetheless, be helpful for the new Government of Argentina to have the precise texts of these.

On 31 October 1983 the Foreign and Commonwealth Office issued the following statement about the Argentine elections:

"We welcome this step towards the restoration of democracy in Argentina. We hope that the new Government will be more inclined to respond positively to the ideas we have put forward to secure the restoration of normal relations between our two countries. This is the only realistic way towards the restoration of confidence between us."

Answering a question about the elections in Parliament on 1 November, Mrs Thatcher said:

"We are always pleased when a country returns to democracy. There can be no question about that. I hope now that that country has returned to democratic ways, it will be prepared to consider better economic relations between itself and Britain."

Mrs Thatcher also said in her newspaper interview published in the Daily Mail on 7 November 1983:

"I am willing to enter into talks. We want good commercial relations, diplomatic relations, we want normal relations. But I am not entering into talks about sovereignty."

10. The Government followed up this exchange by putting to the Argentine authorities some specific ideas for the restoration of bilateral relations. These were conveyed to the Argentine Ministry of Foreign Affairs by the Swiss Protecting Power on 26 January.

11. On 1 February, the authorities in Buenos Aires issued a communiqué, amplifying a statement made by President Alfonsín in Caracas the same day. The Communiqué:-

- a) called for the resumption of talks between Britain and Argentina at the United Nations;
- b) said that the immediate object of these talks would be to restore the situation existing before the Falklands conflict;

- c) called for the talks to be held within the framework of three UN General Assembly resolutions passed since 1965 calling for negotiations between Britain and Argentina and of UN Security Council Resolution 505/82, which called on the Secretary-General to use his good offices to achieve a cessation of hostilities and arrange the sending of UN Observers to guarantee the cease-fire;
- d) declared that the necessary condition for the talks would be the lifting of Britain's exclusion zone (sic) around the Falklands and a guarantee that Britain would stop fortifying the Islands and concentrating armed forces in the area;
- e) suggested that the presence of United Nations Peace-Keeping Forces could be considered as a possible means of providing such a guarantee;
- f) concluded that this would lead to a de jure cessation of hostilities and allow the normalisation of commercial, economic and diplomatic relations.

12. The FCO issued an on-the-record statement on 2 February, reiterating the Government's determination to stand by all their commitments to the Islanders, at the same time seeking to improve bilateral relations with Argentina. It continued:-

"The administration and protection of the Falkland Islands is a clear British responsibility. It follows that there is no rôle for the United Nations in the protection of the Islands.

The need is to re-establish mutual confidence between Britain and Argentina. The correct way of setting about this is to seek to improve bilateral relations through the Protecting Powers, and to move from that to try to establish a normal pattern of business between the two countries.

We do not envisage keeping the Protection Zone indefinitely, but we cannot be rushed into lifting it. We need a formal declaration by Argentina that hostilities are at an end and to be fully satisfied that Argentina renounces the future use of force."

Later on 2 February, the FCO issued the following further on-the-record statement:-

"The Argentine Government have published what they

describe as a six-point plan for the settlement of the Falkland Islands dispute. The main points of this are known to be unacceptable to the British Government. Sir Geoffrey Howe, commenting this morning on a Press Conference by President Alfonsin, made clear:-

- (a) First that there is no rôle for the United Nations in the protection of the Falkland Islands; and
- (b) Secondly that before the Protection Zone can be lifted, we need to be fully satisfied that Argentina renounces the future use of force.

Sir Geoffrey Howe recalled that the need now is to re-establish mutual confidence between Britain and Argentina. The Prime Minister's message to President Alfonsin on 10 December was a first step, intended to pave the way towards more normal relations. Since then we have been actively exploring ways of carrying this forward. Last week, we put some specific ideas to the Argentine Government in a confidential approach through the Swiss Protecting Power. We look forward to receiving the Argentine reply."

13. These public exchanges, though significant, were not in themselves part of the formal process of re-building relations between our two countries, working through the Protecting Powers. The next stage in this came on 17 February when we received, through the Brazilian and the Swiss Protecting Powers, a reply to our message of 26 January. The Argentine reply made a number of serious and substantive points, which are being studied carefully by Ministers and officials. We shall reply to the Argentine message in due course.

14. We have made no secret of the fact of these exchanges through the Protecting Powers. But we continue to believe that their content should remain confidential.

15. At every stage, we have made it clear that we do not intend to enter into negotiations about sovereignty over the Falklands.

16. Also, as the Prime Minister said in the House of Commons on 15 March 1984, it would be difficult to restore diplomatic relations until Argentina has said that hostilities towards us have permanently ceased. Even then, we would, as pointed out in the first statement on 2 February (para 12 above), need to be fully satisfied that

Argentina renounces the future use of force. Throughout 1982 and 1983 there was a flow of bellicose statements from members of the Argentine Junta, senior officers of the armed forces and politicians, holding open the threat of renewed hostile action against the Falkland Islands. These inevitably contributed to the maintenance of the state of tension in the area. It is only with the advent of President Alfonsín's régime that the Argentine authorities have begun to indicate that they intend to pursue their claim by peaceful means.

II. FALKLAND ISLANDS : INTERNAL CONSTITUTIONAL DEVELOPMENT

1. A Select Committee of the Falkland Islands Legislative Council was established in January 1982 to review the Constitution. Its work was interrupted by the Argentine invasion; when it was resumed after the conflict, the Committee decided that, although their original mandate had been comprehensive, the time was inopportune to discuss matters other than those concerning the internal structure of government, in particular the electoral system.
2. About a thousand questionnaires were circulated seeking the views of the electorate on what constitutional changes should be made. Two hundred and one questionnaires were completed and returned to the Committee who decided that the answers could be accepted as the views of a representative cross-section of the community and used as the basis for their Report. A copy of the Report, which is a public document, is attached.
3. The Report of the Select Committee was laid on the table of Legislative Council on 15 August 1983. It was then forwarded by the Civil Commissioner to the Secretary of State for Foreign and Commonwealth Affairs with the recommendation that it should be implemented as soon as possible.
4. The Minister of State (Lady Young) discussed the Select Committee's Report informally with the Chairman of the Select Committee in London on 18 October and it was then discussed by Ministers, under the Prime Minister's chairmanship. Lady Young conveyed HMG's views in a confidential letter to the Civil Commissioner. She followed this up during her visit to the Islands in January with detailed discussions with the Falkland Islands Government. There was agreement on almost every single point, but there were one or two issues which needed further study; we hope this will soon be completed.
5. Work is meanwhile well advanced on the drafting of the new constitution which will then be put to the Falkland Islands Government for their consideration.

III FALKLAND ISLANDS TALKS : THE ANGLO-ARGENTINE
NEGOTIATIONS (JANUARY TO MARCH 1982), THE PEACE TALKS (APRIL
TO JUNE 1982) AND THE REASONS FOR THEIR FAILURE

1. General Leopoldo Galtieri became President of Argentina on 22 December 1981, after ousting the previous incumbent, General Roberto Viola. He assumed office in the knowledge that he would remain Commander-in-Chief of the Army until late 1982 and was thus expected to have appreciably more power than his predecessor. Dr Nicanor Costa Méndez was appointed Foreign Minister in the new Government. The FCO view of the implications of these political developments was that the basic Argentine position regarding the Falklands was unlikely to change, but that a more forceful approach could be expected.

A JANUARY - MARCH 1982

2. On 27 January, the Argentine Foreign Ministry handed HM Ambassador in Buenos Aires a bout de papier setting out at length the Argentine position on their claim to sovereignty, and calling for serious negotiations culminating in the recognition of Argentine sovereignty over the Falkland Islands and the Dependencies. The paper proposed an accelerated rate of progress to resolve the problem "peacefully, definitively and rapidly". It envisaged the creation of a permanent negotiating Commission to meet alternately in Buenos Aires and London with a mandate to reach a solution within a year. During that year the Commission would be open to denunciation by either side at any time without prior warning to the other side. The document emphasized that British recognition of Argentine sovereignty over the "Malvinas", South Georgia and the South Sandwich Islands remained a sine qua non requirement for the solution of the dispute.

3. HM Ambassador in Buenos Aires was instructed to deliver a Note on 8 February to the Argentines safeguarding the British position on sovereignty while confirming to them Britain's wish to continue negotiations in order to achieve "an early and peaceful solution to this dispute which can be accepted by all concerned, namely the British and Argentine Governments and the people of the Falkland Islands".

New York Talks (26-27 February 1982)

4. Talks were held in New York with Mr Richard Luce leading the British delegation (which included two Falkland Islands Councillors) and Sr Enrique Ros, Under-Secretary of State, leading the Argentine delegation. The Argentines pressed for a substantive response to their proposals within a month and, in any case, for the Commission to meet for the first time on 1 April 1982. After setting out its position,

the British delegation presented a working paper on how it saw the framework within which a permanent negotiating commission would operate.

5. The talks ended with agreement on an informal working paper setting out the purpose of the Commission and on a joint communiqué for simultaneous publication in London, Buenos Aires and Port Stanley. The communiqué stated:- "The meeting took place in a cordial and positive spirit. The two sides reaffirmed their resolve to find a solution to the sovereignty dispute and considered in detail an Argentine proposal for procedures to make better progress in this sense. They agreed to inform their Governments accordingly".

6. Despite agreement at New York that no details of the Argentine proposals should be released without joint consultation, the Argentine MFA released a statement on 1 March which reflected a significantly harder line than the agreed communiqué, disclosed the full scope of the talks and suggested that if there was not an early solution of the dispute, Argentina would "choose freely the procedure which best accords with her interests". Mr Luce sent a personal message to Sr Ros deploring the breach of confidentiality and adding that, while HMG wished to make progress, he was deeply disturbed at what might be interpreted as threats.

7. The Argentine proposal for a Commission was considered in London during early/mid March and Falkland Islands Councillors were consulted on the text of a draft message from Lord Carrington to Dr Costa Mendez, setting out the British point of view. It was intended to publish the text of this message once negotiating arrangements were announced. The message was not despatched to Buenos Aires because on 19 March the Argentine flag was raised on South Georgia by a party of Argentines who had landed from the naval support vessel "Bahia Buen Suceso". The visit had been organised by Sr Constantino Davidoff, who had a contract with Christian Salvesen for the removal of scrap from the disused whaling stations on South Georgia.

8. After a series of diplomatic exchanges, HMS Endurance was ordered to proceed to South Georgia. After further exchanges aimed at securing the removal of the Argentine personnel on South Georgia, Dr Costa Mendez accused HMG on 28 March of "a disproportionate and provocative response" and attempted to link the incident with the failure to make progress in the negotiations. A proposal by Lord Carrington to send a personal emissary to Buenos Aires was rejected by the Argentines on 1 April when Dr Costa Mendez told HM Ambassador that the Argentine Government considered the South Georgia incident closed and no longer wished to employ the diplomatic channel to solve the crisis.

9. Further attempts to avert the crisis, through the United Nations and through a direct appeal from President Reagan to President Galtieri, failed. Argentine forces landed at Port Stanley in the early hours of 2 April 1982.

B PEACE TALKS: APRIL - JUNE 1982

10. Immediately following the Argentine occupation, the UN Security Council, meeting at Britain's request, considered a draft resolution which demanded an immediate cessation of hostilities and the immediate withdrawal of all Argentine forces from the Falkland Islands and called on the Governments of Argentina and the United Kingdom "to seek a diplomatic solution to their differences and to respect fully the purposes and principles of the Charter of the United Nations". The draft was adopted on 3 April as Security Council Resolution 502. Although the Resolution was mandatory, Argentina refused to comply with it.

11. Britain's inherent right of self-defence recognised by Article 51 of the UN Charter would have justified the adoption of purely military means for settling the crisis. From the outset, however, the Government directed major efforts towards achieving the peaceful implementation of Resolution 502.

12. In its diplomatic efforts to achieve a solution, the Government was prepared to discuss possible arrangements for supervising the withdrawal of Argentine forces and for a degree of international involvement in the administration of the Islands. At the same time, however, it remained resolute in its adherence to certain principles, notably the need to uphold international law through the ending of the situation created by Argentine aggression, the implementation of Resolution 502, and freedom for the Falkland Islanders to participate, through their elected representatives, in the running of their own affairs and to express their wishes about the Islands' future. In addition, while ready to enter negotiations for a long-term settlement of the dispute, the Government stated that it was only prepared to do so on condition that there was no prejudgement of the outcome.

Initiative by Mr Alexander Haig

13. The first diplomatic attempt to secure an interim settlement, based on Resolution 502, was made by the then US Secretary of State, Mr Alexander Haig, with the full support of the British Government. In April Mr Haig visited London and Buenos Aires twice in a bid to obtain a settlement. On 21 April Mr Pym told the House of Commons that any satisfactory negotiation had to deal with arrangements for

Argentine withdrawal, the nature of any interim administration on the Islands, and the framework for negotiations on a long-term solution to the dispute.

14. During his visit to Washington (22 April) Mr Pym had discussions with Mr Haig and met the Senate Foreign Relations Committee to present the British case regarding the dispute. On 29 April the Senate adopted by 79 votes to 1 a resolution declaring that the US could not remain neutral and should work to achieve a full withdrawal of Argentine forces. On 4 May the House of Representatives urged Argentina to withdraw and called for full diplomatic support for Britain.

15. After Mr Pym's return to Britain, Mr Haig had further talks in Washington with the Argentine Foreign Minister, but no progress was made. Negotiations foundered because of Argentina's refusal to accept compromise proposals elaborated by Mr Haig. These involved the withdrawal of Argentine and British forces, the ending of economic sanctions, the establishment of a British/US/Argentine interim authority to maintain the agreement, continuation of the traditional local administration with Argentine participation, procedures for encouraging cooperation in the development of the Islands, and a framework for negotiations on a final settlement. Although these proposals presented certain difficulties, Britain expressed willingness to consider them, but Argentina rejected them by demanding wording which would give it an assurance of eventual sovereignty or an immediate de facto role in governing the Islands with a view to an eventual transfer of sovereignty.

16. Following the Argentine refusal to compromise, President Reagan ordered on 30 April the suspension of all military exports to Argentina, the withholding of certification of Argentine eligibility for military sales and the suspension of new Export/Import Bank credits and guarantees and of commodity credit guarantees. In addition, Mr Reagan promised a positive response to requests from Britain for material support for its forces.

Further Proposals

17. On 1 May, Mr Pym flew to Washington to discuss with Mr Haig the new situation created by Argentina's rejection of Mr Haig's negotiating efforts. During their discussions the following day, Mr Haig gave Mr Pym a brief outline of new ideas which he said the Americans and Peruvians were discussing, but agreed with Mr Pym that further clarification was needed. Mr Pym also made it clear that he would have to discuss any new proposal with his colleagues in London on his return. The results of these discussions were telegraphed to London at 22.15 GMT, thereby providing the British Government with the first news of the new

proposals. Three hours earlier, in response to the perceived military threat, the Argentine cruiser, General Belgrano, had been attacked in the South Atlantic. Meanwhile, Mr Pym flew to New York for discussions with the UN Secretary-General.

18. After further discussions of the proposals put forward by Mr Haig and President Belaunde of Peru, during which Britain also put forward practical ideas to take account of the Argentine as well as its own position, Britain signified on 6 May its willingness to accept interim arrangements providing for a complete and supervised withdraw of Argentine forces from the Islands matched by a corresponding withdrawal of British forces; an immediate ceasefire following Argentine agreement to withdraw; the appointment of a small group of countries acceptable to both sides who would supervise withdrawal, undertake the interim administration in consultation with the Islanders' elected representatives and assist in negotiating a definitive agreement on the status of the Islands without prejudice to Britain's own principles or the wishes of the Islanders; and the suspension of existing exclusion zones and the lifting of economic sanctions. These proposals were rejected by the Argentine Government, which continued to insist that a transfer of sovereignty should be the precondition of negotiations for a final settlement.

UN Secretary-General's Initiative

19. The next attempt to achieve a peaceful settlement was undertaken by Sr Perez de Cuellar who, in an aide-memoire given to Britain and Argentina on 2 May, put forward a number of proposals intended to be without prejudice to the rights, claims or positions of either party. They included the withdrawal by an agreed date of Argentine troops from the Islands and of British forces from the area around the Islands; negotiations by both Governments to seek a diplomatic solution to their differences by an agreed date; the rescinding by both sides of blockades and exclusion zones and the ending of hostilities; the ending of all economic sanctions; and transitional arrangements under which these measures would be supervised and interim requirements met. As he made clear in his statement to the Security Council on 21 May, the Secretary-General believed that the implementation of Security Council Resolution 502 was imperative.

20. On 6 May Britain replied positively, accepting the Secretary-General's general approach, but also making it clear that Resolution 502 had to be implemented without delay and that a ceasefire had to be unambiguously linked to the commencement of Argentine withdrawal within a fixed number of days.

21. From 7 May Sr Perez de Cuellar had some 30 separate meetings with both sides. During these negotiations, as in earlier ones, Britain made repeated efforts to establish whether Argentina was willing to be sufficiently flexible to make a reasonable interim agreement possible. These efforts were unsuccessful.

British Proposals of 17 May

22. On 17 May Britain presented its final proposals to the UN Secretary-General in the form of a draft interim agreement between Britain and Argentina. This provided for complete Argentine withdrawal from the Islands within 14 days; a withdrawal of all British and Argentine armed forces to at least 150 nautical miles radius from the Islands (also within 14 days); international verification of the withdrawals; the lifting of exclusion zones; and the lifting of economic sanctions against Argentina. A UN administrator was to administer the government of the Islands in conformity with traditional laws and practices and in consultation with the Legislative and Executive Councils, the Islanders representative institutions developed in accordance with the terms of Article 73 of the UN Charter. Britain also expressed its readiness to enter into negotiations, under the auspices of the UN Secretary-General, for a peaceful settlement of the dispute and to seek completion of the negotiations by 31 December 1982 provided that no outcome should be either excluded or pre-determined.

23. In its reply, received by Britain on 19 May, Argentina wanted the withdrawal of forces to be completed in 30 days followed by their return to their normal bases and areas of operation. The administration of the Islands was to be the exclusive responsibility of the UN which would have been free to appoint advisers in equal numbers from the small Argentine population and the much larger population of British origin. Argentina also wanted free access for its nationals to the Islands with respect to residence, work and property, and opposed the British view that the UN administrator should exercise his powers in conformity with the laws and practices traditionally observed in the Islands. As for negotiations concerning the Islands' future, Argentina stated that the issue should be initiated without prejudice to the rights, claims and positions of the two parties but would not accept an additional phrase stating that the outcome should not be prejudged. Argentina also resisted a provision in the British draft designed to ensure that the interim arrangements should remain in place until a definitive agreement about the future of the Islands could be implemented. Britain was unable to accept Argentina's response because of the unbalanced provisions concerning withdrawal, the destruction of the previous democratic system of government on the Islands,

opportunities for Argentina to change the character of the Islands in its favour, and terms of reference for long-term negotiations which led in only one direction.

Security Council-Resolution 505

24. On 26 May the Security Council unanimously passed Resolution 505 reaffirming Resolution 502 and requesting the Secretary-General to undertake a renewed mission of good offices and urging both parties to cooperate fully with a view to ending the hostilities in and around the Islands. While supporting the resolution and promising full cooperation with the Secretary-General, Sir Anthony Parsons stressed that the only acceptable condition for a ceasefire was that it should be unequivocally linked with an immediate commencement of Argentine withdrawal.

25. Reporting to the Security Council on 2 June, the Secretary-General said that he had met separately the British and Argentine representatives and had requested them to provide a statement of the terms they considered acceptable for a ceasefire. Both Governments had complied but, although he had explored various approaches in seeking agreement, there was no possibility of a ceasefire mutually acceptable to both sides. Sir Anthony Parsons made plain that a ceasefire not linked to an Argentine withdrawal was inconsistent with Resolution 502 and that the call for an unconditional ceasefire would leave Argentine forces in position.

26. On 4 June the Security Council voted on a draft Resolution requesting both parties to cease fire and to initiate, simultaneously, the implementation of Resolutions 502 and 505. The draft resolution received 9 votes with 4 abstentions. Britain and the US voted against. The draft was accordingly not adopted. Explaining Britain's opposition to the draft Resolution, Sir Anthony Parsons said that it did not meet the criteria of an immediate ceasefire linked inseparably to the immediate and total withdrawal of Argentine forces from the Islands.

THE REASONS FOR FAILURE OF THE PEACE TALKS

27. The Government's approach in all the negotiations was based on important principles, which Ministers had set out repeatedly in Parliament:-

- a) International Law. Argentina's unlawful aggression had to end and Security Council Resolution 502 had to be implemented. Aggression must not be rewarded, or small countries across the world would feel threatened by neighbours with territorial ambitions.

- b) Freedom. The Falkland Islanders were used to enjoying free institutions. The Executive and Legislative Councils were established with their agreement and functioned with their participation. Britain insisted that any interim administration in the Falkland Islands must involve democratically-elected representatives of the Islanders, so as to enable the latter to continue to participate in the running of their own affairs and to ensure that they could express freely their wishes about the future of the Islands, in accordance with the principle of self-determination.
- c) Sovereignty. Britain has no doubt of her sovereignty over the Falkland Islands, having administered them peacefully since 1833. Nevertheless, successive British Governments had been willing, without prejudice, to include the question of sovereignty in negotiations with Argentina about the future of the Falkland Islands. In the negotiations following the invasion by Argentina, between April and May 1982, the Government had been prepared for an interim agreement to provide for new negotiations about the future of the Islands, so long as there was no prejudgement as to the outcome of negotiations.

28. The principal reasons for the failure of the post-invasion peace efforts are clearly set out in the Prime Minister's speech to the House of Commons on 20 May 1982. This speech followed the Government's receipt of the Argentine rejection of Britain's final proposals for a peaceful settlement of the dispute, which had been presented to the UN Secretary-General on 17 May. Specific points, which were all totally unacceptable to the United Kingdom, included the following:

- a) The Argentine draft interim agreement applied not only to the Falklands but also to South Georgia and the South Sandwich Islands. The Argentines demanded that all forces should withdraw, including British forces on South Georgia, and return to their normal bases and areas of operation.
- b) The Argentines required that the interim administration should be the exclusive responsibility of the United Nations which should take over all executive, legislative, judicial and security functions on the Islands. They rejected any role for the Islands' democratic institutions.
- c) The Argentines envisaged that the interim administration would appoint as advisers equal

numbers of British and Argentine residents of the Islands, despite their large disparity.

- d) The Argentines required freedom of movement and equality of access with regard to residence, work and property for Argentine nationals on an equal basis with the Falkland Islanders.
- e) With regard to negotiations for a long-term settlement, the Argentines stipulated that the object was to comply not only with the United Nations Charter but also with various resolutions of the General Assembly, including several from which the UK had originally dissented on the grounds that they favoured Argentine sovereignty.
- f) Finally, if the period provided for the completion of the negotiation expired, the Argentines demanded that the General Assembly should determine the lines to which final agreement should conform.

29. The Prime Minister also said in her speech on 20 May 1982 that throughout the process of negotiation we had been met with Argentine obduracy and procrastination, and that one was bound to ask whether the Junta sought merely to confuse and prolong the negotiations while remaining in illegal possession of the Islands. From the course of the negotiations, and Argentina's persistent refusal to accept Resolution 502, we were bound to conclude that its objective was procrastination and continuing occupation, leading eventually to sovereignty.

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10 DOWNING STREET

From the Private Secretary

27 March 1984

ARGENTINA: FALKLANDS

Thank you for your letter of 23 March enclosing a revised draft of the proposed minute by the Foreign and Commonwealth Secretary.

The Prime Minister has no comments on the minute itself. But she would be grateful if the Foreign and Commonwealth Secretary could consider certain changes to the Annex.

In paragraph 2 of the Annex she would like the first sentence to be followed simply by:

"If the Argentines persist in raising this question we should have to insist on examining their military dispositions and intentions in the area." (This replacing all the rest of the paragraph).

Secondly, the Prime Minister would prefer the last sentence of the Annex to read:

"We should also insist on discussing nuclear developments in Argentina."

Provided that Sir Geoffrey Howe is content with these changes, the minute could now be circulated to OD.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

JCR

CONFIDENTIAL



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

*Content that this paper
should be circulated to
OD and dealt with by
correspondence?*

23 March 1984

*I have amended
the Annex for
consideration re*

Dear John,

A.C. 26/13.

Argentina: Falklands

attached.

Thank you for your letter of 21 March recording the discussion between the Prime Minister and Sir Geoffrey Howe about the proposed further minute to OD.

I now enclose a draft which has been revised to take account of the points made by the Prime Minister. The principal changes are to paragraphs 6 and 7(i), but there are also some changes in the Annex.

Sir Geoffrey has seen this draft minute and is content with it. I should be grateful to know whether the Prime Minister agrees that it may be circulated to OD.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

Draft minute from Secretary of State to Prime
Minister

Argentina/Falklands

1. I have been thinking further about how we should respond to the Argentine approach, in the light of the discussion we had at OD on 1 March.

2. We are agreed that there can be no discussion of the sovereignty issue with Argentina. Any talks will have to take place on that understanding. I have considered whether there are any steps we can take to reduce the risk that whatever the agreed basis of the talks, Argentina might subsequently seek to press the sovereignty issue. I think that we shall have to deal with this problem by making it clear to the Argentines that if they persisted in raising the subject, the talks would cease.

3. If talks began, and later broke down because the Argentines sought to discuss sovereignty in the face of our clear warnings, we would be able to show that we had been working for more normal relations and that it was Argentina which had introduced the stumbling block. If, however, we were to fail to respond to the latest Argentine message with workable proposals to get talks

going, I am sure that we should find ourselves increasingly and unnecessarily on the defensive.

4. Arguments in favour of pursuing our original initiative are being deployed from a number of quarters:

(i) in Parliament, there is a strong feeling in both Houses that we should find a way of reconciling the need for early movement towards more normal UK/Argentine relations with the need to stand firm on sovereignty over the Falklands; the same point is reflected in most press comment;

(ii) in our business community there are signs of impatience that we have not been able to move towards more normal trading and financial relations with Argentina (with consequential benefits for commercial prospects throughout Latin America). The ban on imports from Argentina deprived many British companies of a traditional source of supply (eg wool and hides). A number of other companies stand to gain, for example British Caledonian, who have lost £6 million of revenue a year since the Falklands conflict on their services to Latin America and are keen to restore their lucrative service to Buenos Aires.

(iii) internationally, Alfonsin's arrival has been generally welcomed, and there is a widespread belief, among our Allies as well as in the third world, that we should do all we can to improve the outlook for democratic government in Argentina.

5. The fact that we have exchanged messages with Argentina on the subject of our future relations is public knowledge. If we are seen to discontinue the exchange, we shall lose a fair amount of support both at home and abroad. We can of course ride out domestic criticism, and growing isolation on this subject at the UN. But a decision not to move to talks with Argentina carries other risks, for instance that other countries will be less willing to take seriously our representations on arms sales to Argentina.

6. For all these reasons, we are agreed that our interests will be best served by finding a basis on which talks can begin. We have told the Argentines of the six points we propose to discuss. They in turn have put forward three additional points. These are set out in the Annex to this minute. They are formulated in highly tendentious terms and we could clearly not accept them as items on an agreed agenda. We should make it plain to Argentina in advance of the talks that these matters fell plainly within our responsibilities for the Falklands. If they nevertheless sought to raise them during the talks, I do not think that we should react by breaking

off the discussions. That would give the impression that we were on the defensive. I believe that we should instead firmly rebut the Argentine points, along the lines set out in the Annex. We would also warn the Argentines in advance, that if they did raise their points, we would feel entitled to raise similar questions on their nuclear activities, and on their own military dispositions in the region.

7. There remains the most difficult question: how to achieve a clear separation between the talks themselves and any statement on sovereignty which the Argentines insist on making for the record. We need to bear in mind that the sharper the distinction, the greater the opportunity for the Argentines to blame us for failure to get talks going, on the grounds of our restrictive approach. The best way for us to proceed would be as follows:

- (i) we would reply through the Swiss stating that sovereignty was not for discussion, but that we were ready for talks aimed at normalising relations. We would ask the Swiss to confirm, if asked, that we preferred not to have a formal agenda, but would raise all six points we have proposed. We would also make clear that any attempt by the Argentines to raise their points would be dealt with along the lines set out in paragraph 6 above.

(ii) we would tell the Swiss separately that if the Argentines raised the question of sovereignty, the Swiss should make clear that this was not a subject for discussion in the talks. The Swiss should go on to add that if Argentina wished to repeat its position on sovereignty for the record, this would have to be done quite separately from the talks. The Swiss would then add that they would expect us to rebut it, and state our own position absolutely firmly, which they would convey to the Argentines. But they would explain that it was their understanding of our position that a separate exchange of statements for the record along these lines would not lead us to call off the talks before they began.

The Argentines would no doubt publicise their statement, and we should have to do the same. It would not, therefore, help to create a favourable atmosphere for the talks. But a self-contained exchange of statements, quite separate from the talks themselves, offers the best prospect of getting the talks started on the basis I have described. It would not, of course, prevent the Argentines from trying to shift the blame to us if the talks failed to start. But our own position would be a defensible one.

8. I invite my colleagues on OD to agree that we should respond to the Argentines on the lines set out above. As

we have already had a full discussion in OD, I hope that for the sake of speed it may be possible to agree this without a further meeting.

9. I am copying this minute to our colleagues in OD and to Sir Robert Armstrong.

CONFIDENTIAL

DSR

ANNEX

ITEMS PROPOSED BY ARGENTINA

(A) "The Lifting of the Protection Zone which the United Kingdom purports to have established in the South Atlantic"

1. We have said that we will not keep the Protection Zone indefinitely, but that we cannot be rushed into lifting it. The moment of its lifting is not in itself a matter for negotiation: it is for the British Government to alone to decide when the removal of the Protection Zone is justified on military and political grounds. But if the Argentines insist on discussion, we should take the opportunity to seek from the Argentines a formal assurance about the cessation of hostilities and perhaps also a renunciation of the use of force in the future.

(B) "A halt to the fortification of the Islands, to the construction of the strategic airfield, and to the war-like concentration in the area"

2. If the Argentines raise this, we should tell them firmly that there can be no question of halting construction of the Mount Pleasant airfield and its ancillary infrastructure, which is essential in both security and economic terms. We could add:

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*delete - Council
in numerous
reply*

a) that it is also intended to play a vital part in the economic development of the Islands, and

delete -

b) that our dispositions are for the defence of the Islands only and are not designed for wider strategic purposes.

Members' discussion raising the question whether we should
~~We could go on to question the Argentines about their own~~
~~on examining the~~
military dispositions and intentions in the area

→ that if we have to visit them

(C) "Guarantees that nuclear weapons or artifacts will be withdrawn from the region"

3. This reflects Argentine allegations during and after the Falklands campaign that we were in breach of the obligations we had assumed under the Treaty of Tlatelolco, which prohibits the development or deployment of nuclear weapons in Latin America.

4. There can be no question of agreeing to discussions designed to elicit "guarantees". If the Argentines nevertheless tried to introduce a nuclear item, we should repeat what we have already said in public: that "we have scrupulously observed its obligations under Additional Protocols I and II of the Treaty in not deploying nuclear weapons in territories for which the United Kingdom is de jure or de facto internationally responsible and which lie within the Treaty's zone of application and in territories in which the Treaty is in force". And we should make the point that our

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DSR

obligations under Tlatelolco are only to those states in the region which are Parties to the Treaty (Argentina has not ratified the Treaty and it is they who have reason to be defensive in this area). We ^{should also mention} ~~could drive the point~~ home by ^{doing this} ~~questioning~~ them about nuclear developments in Argentina.

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do ✓

10 DOWNING STREET

From the Private Secretary

22 March 1984

Dear Councillors,

The Prime Minister has asked me to thank you for your recent message expressing your confidence and trust in Sir Rex Hunt as Civil Commissioner. The Prime Minister was grateful for your message and will be taking it fully into account in reaching a decision on how long Sir Rex should stay in Port Stanley. She also agrees with your view that the Civil Commissioner must be someone who is able to gain the confidence of the people of the Falklands. We shall be in direct touch with Sir Rex Hunt about his future in due course.

Your sincerely

A J. Gles.

The Members of the Falkland Islands Executive and Legislative
Councils

✓



10 DOWNING STREET

PRIME MINISTER

I attach a message which the Falkland Islands Councillors have sent to you about Sir Rex Hunt, together with a reply which I would send in your name. Agree reply?

A.S.C.

[Handwritten signature]
[Handwritten initials]

22 March 1984

pl. despatch

message via F.I.C.O.

A.S.C. 27/3.

3 Duty Clerk Ho 10.
1 file

Mr Coles

27582 CABOFF G
2412 CWBOOTH FK

TO : THE HON THE PRIME MINISTER
10 DOWNING STREET - LONDON

FROM : ALL THE FALKLAND ISLANDS' MEMBERS OF
EXECUTIVE AND LEGISLATIVE COUNCILS

DEAR PRIME MINISTER,

WE WISH TO PLACE ON RECORD OUR OPINION THAT A CHANGE
IN CIVIL COMMISSIONER AT THIS TIME WOULD BE INAPPROPRIATE.
WITH CHANGES TO THE CONSTITUTION AHEAD, POSSIBLE
RENEWED CONTACTS BETWEEN HER MAJESTY'S GOVERNMENT AND
ARGENTINA TO IMPROVE THEIR BILATERAL RELATIONS EXPECTED,
WE FEEL IT IS IMPORTANT FOR THE CONFIDENCE OF THE PEOPLE OF
THE FALKLANDS, THAT WE HAVE SOMEONE, AS CIVIL COMMISSIONER,
WE KNOW AND TRUST IN POST.

WE THEREFORE ASK THAT SIR REX HUNT, WHO WE UNDERSTAND
COMPLETES HIS TOUR OF DUTY SHORTLY, RETURN TO POST AFTER
LEAVE, FOR A FURTHER PERIOD TO COVER THESE CHANGES.

+++

WELL RECEIVED PLEASE +?

YES OK KKK

TKS BI BI +++++
27582 CABOFF G

FROM THE CHAIRMAN



Coalite Group PLC

21st March, 1984

Dear Mr Coles

A.J.C. 22/3

Thank you for your reply of 15th March to mine of 9th March. *h.a.*

I shall indeed be pleased to write further to the Prime Minister regarding my experiences on the subjects of immigration and exploratory and commercial fishing - and hopefully post it within the next week or so.

Yours sincerely,
C. E. Needham

C. E. Needham

A. J. Coles, Esq.,
Private Secretary to the Prime Minister,
10 Downing Street,
London SW1.

Castle Group PLC



ARGENTINA: Relations

Pt 36.



10 DOWNING STREET

From the Private Secretary

21 March 1984

Argentina/Falklands

At their meeting this morning the Prime Minister and the Foreign and Commonwealth Secretary discussed the proposed OD minute enclosed with your letter of 14 March.

The Prime Minister said that the main difficulty which she saw in the proposed note was the way it dealt with the three points which Argentina wished to add to our own six points for discussion at the talks. She believed that we should make it plain to Argentina in advance of the talks that we would not be able to discuss these matters. If Argentina nevertheless raised them we should have certain points to make in reply. For example, if the Argentines raised item B ("A halt to the fortification of the Islands ... etc.) we would counter this with questions about Argentina's military dispositions, its armaments etc. and we would make plain that we were entitled to defend the Islands. Similarly, if Argentina raised item B (nuclear weapons), we should raise the question of nuclear developments in Argentina.

The Prime Minister said that it would be wrong to imply that Argentina had any right to discuss these questions with us.

It was agreed that the paper would be adjusted to deal with these points and that the Prime Minister would be shown it again prior to its circulation to OD.

BF

A. J. COLES

NR

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CC PC



Foreign and Commonwealth Office

London SW1A 2AH

21 March, 1984

Dear Richard,

Civil Commissioner: Port Stanley

A.J.C. 27/3

p.a.

We have, as you know, been considering when and how to replace Sir Rex Hunt as Civil Commissioner in the Falkland Islands. A number of names from a wide range of backgrounds have been put forward but we have yet to find someone who would be a clear fit.

Sir Geoffrey Howe has discussed with the Prime Minister what should be done, bearing in mind the considerable degree of public interest in the question, not least in the Falkland Islands themselves. It has been decided that it would be right in the circumstances to ask Sir Rex Hunt to stay on for another eighteen months, giving us time to identify a suitable successor who would arrive in about September 1985. We recognise that this solution to the present problem is not ideal but it seems the least bad of the alternative, given all the circumstances.

The Prime Minister told Parliament on 27 February that an announcement would be made when in the normal course of events the time came to replace the Civil Commissioner. Once Sir Rex Hunt has been told of the decision that he should stay on, we will make an announcement through our News Department, unless of course there are Parliamentary Questions to be answered in the meantime.

I am copying this to Mike McCulloch (ODA), Janet Lewis-Jones (Lord President's Office), Murdo Maclean (Chief Whip's Office) and John Coles (No 10).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private SecretaryRichard Mottram Esq
Ministry of Defence

Argentina: Relats Pt. 36.

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see PC



Foreign and Commonwealth Office

London SW1A 2AH

21 March, 1984

Dear John,

Civil Commissioner: Falkland Islands

Thank you for your letter of 12 March enclosing a copy of a message to the Prime Minister from the Members of the Falkland Islands' Executive and Legislative Councils asking that Sir Rex Hunt should stay on. You may like to consider replying as follows:-

for you manage
"The Prime Minister has asked me to thank you for your recent message expressing your confidence and trust in Sir Rex Hunt as Civil Commissioner. The Prime Minister was grateful ~~to know your good opinion of Sir Rex Hunt~~ and will be taking it fully into account in reaching a decision on how long he should stay in Port Stanley. She also agrees with your view that the Civil Commissioner must be someone who is able to gain the confidence of the people of the Falklands. We ~~will~~ be in direct touch with Sir Rex Hunt about his future in due course!".

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

Argentina relations pt 36

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10 DOWNING STREET

From the Private Secretary

15 March 1984

The Prime Minister has asked me to thank you for your letter of 9 March.

Should you wish, as you suggest, to let the Prime Minister have a further letter about your experience in dealing with matters such as immigration and exploratory and commercial fishing, the Prime Minister will be glad to read your account. In the light of this, perhaps we could look again at your request for a meeting with the Prime Minister.

JC

C.E. Needham, Esq.

A handwritten signature in dark ink, appearing to be 'C.E. Needham'.

PRIME MINISTER

Mr. Needham of the Coalite Group has written to ask whether you will receive him to talk about the Falkland Islands. I had a good deal of contact with him during the Falklands crisis and do not think he rates the claim on your time. I therefore propose to take up his alternative offer and ask him to write about the problems he says that he has been having in Whitehall when trying to discuss immigration to the Falklands and commercial fishing. Agree?

A. & C.

Yes - but should
~~not~~
like to see him
as well
not.

14 March 1984



PM/84/50

PRIME MINISTERArgentina/Falklands

1. I have been thinking further about how we should respond to the Argentine approach, in the light of the discussion we had at OD on 1 March.
2. We are agreed that there can be no discussion of the sovereignty issue with Argentina. Any talks will have to take place on that understanding. I have considered whether there are any steps we can take to reduce the risk that whatever the agreed basis of the talks, Argentina might subsequently seek to press the sovereignty issue. I think that we shall have to deal with this problem by making it clear to the Argentines that if they persisted in raising the subject, the talks would cease.
3. If talks began, and later broke down because the Argentines sought to discuss sovereignty in the face of our clear warnings, we would be able to show that we had been working for more normal relations and that it was Argentina which had introduced the stumbling block. If, however, we were to fail to respond to the latest Argentine message with workable proposals to get talks going, I am sure that we should find ourselves increasingly and unnecessarily on the defensive.
4. Arguments in favour of pursuing our original initiative are being deployed from a number of quarters:
 - (i) in Parliament, there is a strong feeling in both Houses that we should find a way of reconciling the need for early movement towards more normal UK/Argentina relations with the need to stand firm on sovereignty over the Falklands; the same point is reflected in most press comment.

/(ii)



(ii) in our business community there are signs of impatience that we have not been able to move towards more normal trading and financial relations with Argentina (with consequential benefits for commercial prospects throughout Latin America). The ban on imports from Argentina deprived many British companies of a traditional source of supply (eg wool and hides). A number of other companies stand to gain, for example British Caledonian, who have lost £6 million of revenue a year since the Falklands conflict on their services to Latin America and are keen to restore their lucrative service to Buenos Aires.

(iii) internationally, Alfonsin's arrival has been generally welcomed, and there is a widespread belief, among our Allies as well as in the third world, that we should do all we can to improve the outlook for democratic government in Argentina.

5. The fact that we have exchanged messages with Argentina on the subject of our future relations is public knowledge. If we are seen to discontinue the exchange, we shall lose a fair amount of support both at home and abroad. We can of course ride out domestic criticism, and growing isolation on this subject at the UN. But a decision not to move to talks with Argentina carries other risks, for instance that other countries will be less willing to take seriously our representations on arms sales to Argentina.

6. For all these reasons, we are agreed that our interests will be best served by finding a basis on which talks can begin. Whether or not there was a formal agenda, the substance would be our six points together with some or all of the additional three Argentine points. These are each in varying

/degrees



degrees unwelcome. But, rather than challenge the Argentine's right to raise them, I think we should be prepared to listen and to put our own position on each item firmly on the record. We could do so effectively without going beyond our present public position. I summarise in the Annex to this minute what we should say on each of the three issues proposed by Argentina.

7. There remains the most difficult question: how to achieve a clear separation between the talks themselves and any statement on sovereignty which the Argentines insist on making for the record. We need to bear in mind that the sharper the distinction, the greater the opportunity for the Argentines to blame us for failure to get talks going, on the grounds of our restrictive approach. The best way for us to proceed would be as follows:

- (i) we would reply through the Swiss stating that sovereignty was not for discussion, but that we were ready for talks aimed at normalising relations. We would ask the Swiss to confirm, if asked, that we preferred not to have a formal agenda, but would raise all six points we have proposed and understood that the Argentines might raise their three;
- (ii) we would tell the Swiss separately that if the Argentines raised the question of sovereignty, the Swiss should make clear that this was not a subject for discussion in the talks. The Swiss should go on to add that if Argentina wished to repeat its position on sovereignty for the record, this would have to be done quite separately from the talks. The Swiss would then add that they would expect us to rebut it, and state our own position absolutely firmly, which they would convey to the Argentines. But they would explain that it was their understanding of our position that a separate

/exchange



exchange of statements for the record along these lines would not lead us to call off the talks before they began.

The Argentines would no doubt publicise their statement, and we should have to do the same. It would not, therefore, help to create a favourable atmosphere for the talks. But a self-contained exchange of statements, quite separate from the talks themselves, offers the best prospect of getting the talks started on the basis I have described. It would not, of course, prevent the Argentines from trying to shift the blame to us if the talks failed to start. But our own position would be a defensible one.

GEOFFREY HOWE

Foreign and Commonwealth Office
14 March 1984

ANNEX

ITEMS PROPOSED BY ARGENTINA

(A) 'The Lifting of the Protection Zone which the United Kingdom purports to have established in the South Atlantic'

1. We have said that we will not keep the Protection Zone indefinitely, but that we cannot be rushed in to lifting it. The moment of its lifting is not in itself a matter for negotiation: it is for the British Government alone to decide when the removal of the Protection Zone is justified on military and political grounds. But to refuse discussion of this item would deprive us of an opportunity to use the subject as a means of eliciting from the Argentines the formal assurance about the cessation of hostilities and perhaps also a renunciation of the use of force in the future.

(B) 'A halt to the fortification of the Islands, to the construction of the strategic airfield, and to the war-like concentration in the area'

2. We should tell the Argentines that ~~there can be no~~ *we shall complete* question of halting construction of the Mount Pleasant airfield and its ancillary infrastructure, which is essential in both security and economic terms. ~~But we could also take the opportunity to make clear to them that~~ *A* although we are constructing Mount Pleasant for military reasons, because of the actions of President Alfonsin's predecessors, the new airfield ~~is intended to~~ *will* play a vital part in the economic development of the Islands. *This matter cannot be discussed further.* Discussion of this item would also provide an opportunity to reiterate (for the benefit of all countries in the region) that our dispositions are for the defence of the Islands only and are not designed for wider strategic purposes.

/(C)



(C) 'Guarantees that nuclear weapons or artificats will be withdrawn from the region'

3. This reflects Argentine allegations during and after the Falklands campaign that we were in breach of the obligations we had assumed under the Treaty of Tlatelolco, which prohibits the development or deployment of nuclear weapons in Latin America.

4. There can clearly be no question of agreeing to discussions designed to elicit 'guarantees'. But to exclude nuclear matters altogether would generate suspicion and could needlessly put us on the defensive.

5. If the Argentines seek to introduce a nuclear item, we should simply repeat what we have already said in public: that "we have scrupulously observed its obligations under Additional Protocols I and II of the Treaty in not deploying nuclear weapons in territories for which the United Kingdom is de jure or de facto internationally responsible and which lie within the Treaty's zone of application and in territories in which the Treaty is in force". And we should make the point that our obligations under Tlatelolco are only to those states in the region which are Parties to the Treaty (the Argentines are not, and it is they who have reason to be defensive in this area).



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

Agree that the paper should
be circulated to OD?

14 March 1984

Or do you want another
talk with the Foreign Secretary?

A.F.C. 14/3.

Further discussion,
not.

Jan John,

Letter to F/CO.

Argentina / Falklands

A.F.C. 24/3.

I enclose a minute from the Foreign Secretary to the Prime Minister on Argentina/Falklands. The Foreign Secretary discussed this with the Prime Minister this morning and, if the Prime Minister is content with it, would propose to circulate it to OD colleagues. He would of course be happy to have a further word with the Prime Minister about it first if she wished.

Yours,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



10 DOWNING STREET

Mr Coles

To see the attached, which
is mainly (but not
exclusively) about the
Falklands.

I propose to ask the FCO
and DEN to co-ordinate
a draft reply for PS
signature.

Agree?

Dave
14/3



March 13, 1984

Dear John,

I think it possible you, & the Prime Minister, may be interested in seeing the enclosed two reports on the Argentine prepared for Lazard's by their Buenos Aires representative.

Yrs ever

Angus Thorne

I do not think these
pages add to the Prime
Minister's knowledge.

A.T.C. 5/3
p.a.

FEDERICO J. DUMAS

POLITICAL SITUATION

Election Results

The outcome of the general elections held on October 30 was undoubtedly a surprise, in part because the Radical party was the winner, but fundamentally due to their landslide victory over the Justicialista party; prior to elections opinions were divided as to which of the two parties would be the first minority, in any case there seemed to be a parity of forces.

It is the first time since their inception 40 years ago that the Peronists lose in an open election. The most positive aspect is that those who really lost were the peronist union leaders active in politics, who were quite predominant in certain key positions in the Justicialista party, with an image of autocratic and violent leadership. This defeat will most probably change the rigid internal structure of the party, opening it up to some democracy.

Political analysts interpret these results as a vote in favour of democracy and peace, of law and order, and against autocratic governments. The electorate has applied reasoning in casting its vote, it has not been guided by emotions.

It is probably a reflection of a basic change in the political situation in the country from that which has prevailed over the last 4 decades, and of a change in its social structure, which could be briefly described as follows:

--The free-negotiation salary policy applied between 1976 and 1980 produced a higher spread in wages. Those who benefited from this policy were the highly qualified personnel, who now clearly saw the inconvenience of returning to the justicialista policy of levelling wages, imposed by the unions.

--The 1980 Population Census reflects an important reduction in employment in industry and farming and an increase in those employed in services, mainly in the self employed who reached a 19% of total employment, both these occupations being typical middle class.

--The strongest social group of peronism in its origin was the lowest classes, mainly country people who had emigrated to Buenos Aires suburbs, who have now been replaced by inmigrants from neighbouring countries, who as foreigners do not vote.

The justicialista candidate for the Governorship of Buenos Aires Province symbolized this type of peronism. Obviously many voters, former peronists included, who had already improved their social standing, as already mentioned, wanted to establish

differences with this low class peronism and felt much more at ease with the radical candidate, Dr. Alfonsín.

This is why there is a hopeful renewed confidence in a new path which is just starting for the country. Hopeful because the path to consolidate political stability is not easy.

The Radical party is considered a party of democratic principles, not only because of their internal party politics but because they have a tradition of respect for individual rights and freedom of expression. They are considered to be in the same line of thought as the social democratic governments of western Europe.

The vote count on the presidential tickets showed a clear margin for Dr. Alfonsín of the Radical party with 52% over 40% of Dr. Luder of the Justicialista party. The remaining parties, which in 1973 elections accounted for 25% of the votes, only obtained 8%; those who suffered the greatest loss were the center parties which dropped from 20% to 1%, their electorate having backed Dr. Alfonsín. The backbone of the Radical party is the middle class, having attracted in this election the vote of the higher class but also part of the upper low class peronists. A factor to be borne in mind is that close to 1/3 of the electorate were young people voting for the first time.

The Radical party holds a clear majority in the Lower House with 52% of Congressmen, but the situation in the Senate is not so favourable as the Justicialistas have 21 Senators and the Radicals 18 over a total of 46. Six of the remaining belong to three provincial parties, 4 of which clearly back the Radicals, but the other 2, which can be the deciding votes, have not stated their position. Former President Frondizi's Party, MID, has one Senator. Decisions in the Senate have a high political importance as they are to approve promotions and retirements in the Armed Forces, the nomination of national judges and ambassadors.

At the provincial level the results have been somewhat different because the Justicialistas have 12 Governors, the Radicals 7 and the remaining 3 belong to provincial parties. It is noteworthy that the Radical governors were elected in the country's more important provinces, excepting Santa Fe: Buenos Aires, Córdoba and Mendoza, and they also control the city of Buenos Aires where the Mayor is appointed directly by the President.

Domestic Policy

The idea that a stable political system is necessary exists today among a wide part of the Argentine population. Instability is one of the most notorious Argentine vices.

It has been the reason for the pendular movements between authoritarian regimes and almost always populist regimes, having as a consequence that it has been impossible to think about long term policies, produced a vacuum of power and finally violence.

Agreement of opinion exists among argentines about the political formula for the legitimate practice of power. Democratic culture is not possibly built in a day, and is not the result only of the general consensus of a reaction against the opposite. Nevertheless, historical lessons have been very strong in the last 13 years to overpass.

The spectacular popular demonstration, wholesome and joyful, during the inauguration of a civil President with full constitutional legitimacy has been very unlike the inauguration, 10 years ago, of the peronist government in the middle of violence and domestic confrontation.

There are noticeable changes in political perception, the most significant one is the importance that a great part of the society assigns to the proceedings rather than to the results, which explains the noteworthiness of a dilemma that 10 years ago has been almost irrelevant: "democracy vs. authoritarianism". The Radical Party perceived those changes and used it as their symbol in the political campaign, which gave them the victory in the elections on last October 30.

The presidential message at Congress is a continuation of this line, where the ethic dimension of life and politics was the main thread. The objective of the current policy is to strengthen not only the government, but also a whole democratic system. The society must learn to live within a constitutional system, which will not be easy.

A potential bipartidism has arisen in the last elections: radicalismo and justicialismo accounting for 92% of the votes, with the latter one having been a minority for the first time in 40 years. But at the same time a new federal structure appears with 12 justicialista Governors, 7 Radicals and 3 of very representative provincial parties.

These results and Dr. Alfonsín's personal idiosyncrasy has consolidated the civil presidential power, within a constitutional structure. His leadership as head of the party and as candidate have been undeniable factors for a sort of electoral coalition and the victory.

This coalition made up of radical, center, youth, some low middle class and workers vote, dissimilar in nature, worries the Radical Party as well as the opposition.

Certainly today the Radical Party's position is placed in the center of the political spectrum, and from there it will

have to determine the way to consolidate in the future. It may slide to the left were it will have to dispute with the Justicialista Party a great part of its members and votes; it may slide slightly to the other side in order to strenghten the October 30's coalition, getting great part of the right, confronting a labour party. At the present time there is no clear evidence as to which will be its position.

The Radical Party is facing an internaly very weak Justicialista Party, which will have to restructure deeply to keep in the future its significant role.

Mrs. Peron's brief visit -she is President of the party and settled in Spain- didn't help to clarify the situation. She surrounded herself mainly by notable individuals belonging to the party's political wing, whose importance in ballots is doubtfull, leaving aside the union wing, considering them responsible for the defeat in the last elections.

These union leaders are now facing a union reorganization Bill submitted by the Executive to the Congress through which the stability of many of them will be in danger. This will be the new government's hardest struggle in Congress, the result of which is still uncertain because of the parity of forces in the Senate.

Beyond any detail, the debate going on is the control of the sources of power which the Justicialista Party has commanded for over 35 years, being the most powerful electoral force and managing itself in consecutive governments with extraconstitutional powers. Nobody assumes that the intent is to take away from the justicialistas their huge power and give it to the radicals, but if this power is more equitably distributed it would benefit not only the Radical Party but also the political stability of the country.

So far the political initiative is totally in the hands of the Radical Party that has to take advantage of the consensus which new governments have to strengthen even more its position. The ability and celerity in handling the disappeared and human rights issues allows one to assume that in the strictly political area it will be difficult to take this initiative away from them.

The Government, certainly, will try to maintain public interest on political matters, domestic as well as international, to have more time for the economic area to show results; for the time being nobody is demanding results with the exception of the economic team itself, or maybe the political team of the radicalismo.

International Policy

Argentina's strengthened image resulting from the last elections will undoubtedly be used by the new government to achieve the proposed objectives in this area.

The presence of many and high level foreign delegations in the inauguration ceremony shows that Argentina's isolation has ended. This isolation and loss of prestige before the international community of developed countries had its origin in three main points: institutional instability, human rights violations and lack of seriousness in handling the South Atlantic war.

The reactivation and normalization of international relations has been endorsed by the support and solidarity from most countries of the world and in particular by social-democratic governments.

The President stated clearly his will to solve Argentina's two serious international problems through peaceful negotiations, rejecting the use of force.

Definite actions are in process to reach, as soon as possible, a base treaty necessary to formalize the final agreement with Chile on the Beagle Channel conflict, based upon the peace proposal by the Vatican in 1978.

Certainly opinions will be heard against any agreement that does not contain the appropriation of the territory in dispute. Fortunately these opinions are from a minority group, of extreme nationalist extraction, not important but noisy, and will not be considered by the Government at the time of final decisions.

Mrs. Thatcher's personal message to Dr. Alfonsín sent through Italian Prime Minister Bettino Craxi, has been interpreted as the first step from Great Britain towards the normalization of diplomatic relations with Argentina. This gesture was a surprise given the obvious state of hostility between the two countries.

The Argentine Chancery's present desires are to obtain the reduction of the exclusion zone of 150 miles around the Islands and to convince Great Britain to stop the construction of a military airport on the Island. In return Argentina will be willing to officially suspend the state of hostility.

The resumption of negotiations for the recognition of sovereignty will be a second instance, estimating that there will be a long struggle in the international organizations, with more favorable conditions at this time.

Other diplomatic action will be developing close ties with Western Europe, in particular with Spain, France and Italy, basic countries of the European Common Market.

Relations with the Soviet Union and communist countries has not been specifically mentioned in the presidential message, but as the main buyer of argentine products, the Soviet Union will be considered with preference, especially in commercial topics, to improve its position as provider of equipment.

The Argentine Republic has never had close and extremely good relations with the United States in modern times. Since the South Atlantic war the relations have been quite strained, but with the change to a democratic government there have been clear indications of a reversal in this situation. Nevertheless a significant improvement towards close relations will be slow and not easy. Dr. Alfonsín is very much in accordance with the basic principles of the american people but he does not coincide with the policies of the conservative government of President Reagan. Anyway he is very much aware of the importance of the United States, specially on economic matters, so working relations shall be maintained on a pragmatic basis.

Hereto the United States has taken all the actions for improving the relations. The presence of Vicepresident Bush at the inauguration, the appointing of a new Ambassador, President Reagan's decision to lift the arms embargo have been corresponded just with a formal reply from the Argentine Chancery.

Relations with Japan will be at an intermediate level, positive but not intense, principally based on economic and trade matters of interest to both countries. However, given the absence of any negative position from the radical government to the Japanese government, the fluency and improvement in the relations will mainly depend on the diplomatic representatives of both countries, as well as the businessman.

Prime importance shall be given in international affairs to the relation with Latinamerican countries, in particular with neighbouring countries even though their internal political power structure is quite different from that now prevailing in Argentina. As mentioned above the dispute with Chile is expected to be resolved very shortly giving way to a much closer relationship including economic and commercial integration between both countries, with the materialization of projects which have had an unofficial approval for analysis since a few months ago.

Economic integration with Brazil is a most important matter which has been very difficult to achieve in a significant way over the past two decades. This situation is not expected to be changed significantly in the near future due in particular to the difficulties in the external sector of both countries. Nevertheless particular projects which might not find conflicting interests in the other country would probably find a favourable disposition from the governments for their implementation.

January 1984

ECONOMIC REPORT - JANUARY 1984

OFFICIAL ECONOMIC DOCUMENT

The present government's economic team is beginning to hear criticisms and receive claims regarding its action from different sources. These form two groups, on referring to the lack of a consistent global economic plan, and the other stating that the present policy is only a continuation of the former administration's one whose objectives were of a monetary type and led towards recession.

President Alfonsín himself came out in defense of his team and its economic plan, strongly attacking his detractors, accusing them of being "the Process's technocrats". The President's attitude of taking upon himself the responsibility of the economic action being taken, can cause him some problems in the future, if the objectives proposed are not accomplished.

So as to face these criticisms, the Ministry of Economy issued a paper entitled "Outline of an immediate programme to reactivate the economy, increase employment and real salaries and attack the obstacle of inflation". But this goal was not completely fulfilled. The 30 pages were not enough to subdue critics: the first group continues claiming the non-existence of a plan which should include, apart from the goals, those means to accomplish them, and the second group still considers the programme as monetarist and recessive.

Those who claimed about the means, received a description of the goals, and those who protested about the objectives, received promises beyond real possibilities, which may turn into a "boomerang" in a not too distant future. Part of the opposition will no doubt carefully keep the paper with the intention of showing it up in January 1985.

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The document contains a criticism, as could be expected, of the former government and then a listing of the 1984 programme's main objectives, summarised as follows:

- 1 - The programme proposes a reduction of the budget deficit from 14% of G.D.P. in the 4th quarter of 1983 to 4% at the end of 1984 and to continue this way during 1985 until it is eliminated.
- 2 - Currency issuing due to deficit will be reduced from a monthly average of 12,5% in 1983 to a 5% in December 1984.
- 3 - It is expected that the Monetary Regulation Account's deficit, that represented 4,5% of G.D.P. in the last quarter of 1983, will be reduced to 2% by the 4th quarter of 1984, by means of the progressive reduction of the minimum cash requirement.
- 4 - The expansion of the banking system credits to private activity will be strictly adjusted to the need of "moderately stimulating demand" and of increasing the working capital of the corporations, without inflationary consequences.
- 5 - Interest rates could reach a monthly rate of 4% by the end of 1984 for deposits and 4.8% per month for loans, in face of a 4% monthly inflation rate.
- 6 - "High Cost Branches" of the financial system will be eliminated and merging of banks will be stimulated to reduce operating costs.
- 7 - At short term, instruments of "an agreed upon price policy will be adjusted, through which companies will be able to transfer their cost increases (to prices), without introducing inflationary expectations and absorbing through cost reductions those increases which will produce improvements in the wages in real terms".

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- 8 - "It will be essential to avoid over and undervalued exchange rates".
- 9 - Real wages are supposed to increase approximately 6 and 8% between end of 1983 and end of 1984, in direct relation with an equivalent drop of the real interest rates.
- 10 - A non-inflationary improvement of salaries would represent in 1984 an active element in the growth of effective demand, together with a cautious credit expansion towards the private sector and the progressive drop of interest rates. Initially, reactivation will also be favoured by housing and agricultural expansion programmes. A 5% increase in overall GDP is expected.
- 11 - With a trade balance surplus of US\$ 3.5 billion it will be possible to pay only a part of the interests of the foreign debt, while a definite way of solving these problems is found, with the cooperation of the governments of creditor countries in order to obtain refinancing terms and reduction of interest rates.

It is not fair to claim immediate solutions, to all the problems inherited, furthermore it is generally accepted that the authorities have produced an adequate diagnosis of the situation, accentuating priority on inflation and on the monetary loss of control produced by the fiscal sector. At the same time, it is difficult to find anyone who does not share the above mentioned objectives.

Nevertheless, what is in doubt, and with enough reason, is if this plan, as defined, will be accomplished or not. This plan has objectives which are hardly compatible and therefore it is easy to think that some of them will have to be postponed to give way to those of first priority.

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The lack of explanations of "how" these goals can be accomplished has produced the loss of credibility in those goals. Considering the significant budget deficit, as an example, the public expenses, which are the most important cause of deficit, are only superficially mentioned in the document. The only cause of expense reduction mentioned specifically are military expenses, but no reference is made to public enterprises becoming private companies, or reduction of government employees.

In economy, actions are preferred to words, so that this discussion about the document's contents, and whether it has or lacks a sound basis, will become clear when the government starts taking the necessary steps and results are analyzed.

FEBRUARY'S ECONOMIC OUTLINES

The economic authorities maintained the strategy of announcing together the increase of salaries, public services fares and interest rates for February.

Last month's average increases of the most important economic factors are detailed as follows:

	Variation percentage over previous month		
	Dec 83	Jan 84	Feb 84
Salaries	18.5	12.0	11.0
Public services fares	22.9	10.0	10.0
Official exchange rate	21.6	16.4	12.5 (*)
Interest rate (**)	15.5	12.5	11.0
Expected inflation			
at the beginning of the month	30/35	10/11	10/10.5
at the end of the month	17.7	11.5	?

(*) Keeping end of January's rythm

(**) Active rate, monthly percentage.

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As can be observed, the economic authorities are intensifying the strategy initiated in January of inducing inflation to decline, based on an anticipated implicit trend to which the different factors are aligned.

In spite of the unexpected prices rise, produced mainly by beef, last months' results can be considered acceptable, nevertheless, most of these results were due to a careful administration of price increase authorizations to companies subject to direct control from the Secretary of Commerce. The companies have not yet started demanding price increases, as most of them applied preventive increases in anticipation of the present control.

This control system might soon crack as a consequence of accumulated pressure. Therefore progressive efforts are already being made to initiate a system of price agreements between the different sectors of production in order to avoid deviations from the original system, so well known during 1973-75, such as supplies shortage, overpricing, loss of quality, etc.

OTHER NEWS

- During January the Central Bank's international reserves increased in US\$ 554 million. The permanence of the expansive action of the foreign sector showed that the acceleration of delayed import payments were not enough to offset the monetary impact of the foreign currency income obtained from crop sales.

- During the month of January, the black market dollar rate increased considerably, passing from \$a 25/dollar on December 31st to \$a 35/dollar the last day of January. This variation substantially modified the gap between the official and black market rate, from 11% to 35% during the same period.

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- During January liquidity was significant. The best example of this is the interest rate of the interbank market, which was below the regulated official rate. The result of this high liquidity was the before mentioned free dollar increase, as the investors in the face of interest rate reduction, preferred to channel their funds towards foreign currencies, which had remained almost the same as from November.

- This liquidity also produced its effect in the Stock Market. The constant rise of quotations was not affected by the tax reforms, price controls and other problems which can affect industry, and produced a 50% improvement, which can be considered extraordinary.

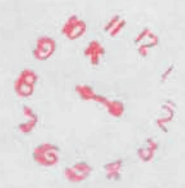
- Seasonal problems of short supply, worsened by heavy rains, which made roads impassable for transporting cattle, were the factors causing the high beef prices. This 51% increase made the retailer price index of January increase two points, and having been sharper towards the second half of the month, it will also have a strong impact on February's indexes. Furthermore, this disparity of domestic price regarding the international one is worsening the economic situation of the packing beef sector dedicated to exports, and it can be expected that the first consequences of this will be seen during February.

- The new import system valid until June 30, 1984, was made public. As we anticipated in our last report, it is based on three groups of products. One of them prohibits the importation of a long list of products from livestock to cars; a second group which includes mainly capital goods is subject to previous approval from the Secretariat of Commerce, while a third group (pharmaceutical and medical raw materials) must be subject to the approval of the Ministry of Health and Social Welfare. As for the rest, the issue of permits is automatic.

Buenos Aires, January 1984



15





Sir Antony Acland KCMG KCVO
Permanent Under-Secretary of State

Foreign and Commonwealth Office

London SW1A 2AH

13 March 1984

General Sir John Stanier
GCB MBE ADC Gen
Chief of the General Staff
MINISTRY OF DEFENCE

My dear John,

POSSIBLE ROYAL VISITS TO THE FALKLAND ISLANDS

In my letter of 17 November 1983 I undertook to have another look at the question of a visit to the Falkland Islands by the Duke of Kent.

I understand that the Royal Regiment of Fusiliers are being withdrawn to the UK from the Islands on 17 March and that consequently a visit by the Duke of Kent is no longer a practical proposition. I also believe that Princess Anne's programme for this year now precludes a visit to the Islands.

I think that this is probably for the best, since any visit would generate a good deal of publicity and it is not clear how far we may have got in trying to normalise our relations with Argentina. If, later on, the Duke of Kent or some other member of the Royal Family wished to revive the idea of visiting the Falkland Islands we would certainly be glad to look at the matter again with you.

Yours ever

Antony

Antony Acland

cc: Field Marshal Sir Edwin Bramall GCB OBE MC, MOD
The Rt Hon Sir Philip Moore GCV O KCB CMG, Buckingham Palace
Sir Clive Whitmore KCB CVO, MOD
F E R Butler Esq, 10 Downing Street

Argentina relations Pt 36

M 4 MAR 1984



CONFIDENTIAL

MJ

12 March 1984

Civil Commissioner, Falkland Islands

I enclose a copy of a message which the Prime Minister has received from the members of the Falkland Islands Executive and Legislative Councils asking that Sir Rex Hunt should, on completion of his tour of duty, and after leave, return to his post.

13
I should be grateful for a draft reply for my signature on behalf of the Prime Minister.

AJC

Peter Ricketts Esq
Foreign and Commonwealth Office.

CONFIDENTIAL

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FROM THE CHAIRMAN

CF: PPS POC D

14/3

CF. have papers re FALKLANDS



Coalite Group PLC

PERSONAL

9th March, 1984

The Rt. Hon. Margaret Thatcher,
Prime Minister,
10, Downing Street,
London S.W.1.

R12

Dear Prime Minister

Having persuaded Eric Varley to leave politics for industry, I accept my full share of responsibility for the fact that Mr. Benn is now back in the House to represent Chesterfield. I view that with mixed feelings but hope that he will continue true to form and produce a balance of advantage in the right direction for the near future and for the next election.

Before leaving that subject, the people of Bolsover and Chesterfield, where I have spent my whole life, really are very different in temperament and attitudes from nearby South Yorkshire and are therefore particularly unfortunate regarding the images now projected for them at Westminster.

pk.32 | May I now turn briefly to my main concern which is the Falkland Islands. As you suggested in your last reply on this subject, I have worked with Cranley Onslow and the successive F.C.O. and O.D.A. people and have met Janet Young a couple of times since she took over. However, apart from dealing with the Unions in the mid 1970's, I don't think I have ever felt such a degree of exasperation, with so little progress for so much effort. Before the war, my own view of the top three priorities for the Islands were the airfield, an influx of new people and commercial fishing to bolster the fragile economy. That view has not changed. The airfield has made marvellous progress because it has had the advantage of your personal determination and the decision making after that has been with M.O.D. alone. My mental analogy on other significant matters, with so many parties involved, is that of trying to swim through treacle. If you so wish, I will gladly set out my detailed experiences on matters such as immigration and exploratory and commercial fishing, on both of which I have tried to take the initiative. But if you could possibly spare the time, I would appreciate enormously an opportunity for an informal chat with you on so many aspects of the Falkland Islands. May I just say that I was delighted to see your initial approach to Sr. Alfonsin and what appear to have been encouraging responses. It is to be hoped that his administration will survive and flourish.

/As I write to you

As I write to you, I see we have a few miners pickets assembling at the Office entrance in connection with our proposed closure next week of the Randolph Coke-Oven plant in Durham, which we acquired and saved from bankruptcy three years ago. The simple facts of the position are that coke-making in the U.K. is un-competitive in world markets and private production cannot compete at home against loss-making production from the nationalised industry, which itself has much surplus coking capacity and will soon have to close coking plants as well as collieries.

I do hope, as no doubt you will, that Ian McGregor will be able to foil Scargill in his determined attempts to engineer a national miners strike without a ballot but the signs are not particularly encouraging. It is a possibility for which we have all been preparing as best we can but would be a battle which the Government and the Industry could both well do without at this juncture. The long term damage would be incalculable.

It is notable at present that you are receiving even more advice in public than usual, from all sorts of quarters. I hope and feel sure that they will not persuade you to depart from your determined stance on the policies needed to repair the damage of the 1970's, along which road you have already brought us a long way. The lessons take much longer to learn throughout the public sector, however, but the facts of life are gradually getting home and the populace at large has shown that they know you are on the right track and want you to succeed.

With Best Wishes,
Yours Sincerely
C. E. Needham

C. E. Needham

ALY
LEWIS
PL 36

75 CAROFF G
412 CARROTH FK

TO: THE HON THE PRIME MINISTER
10 DOWNING STREET - LONDON

FROM: ALL THE FALKLAND ISLANDS' MEMBERS OF
EXECUTIVE AND LEGISLATIVE COUNCILS

DEAR PRIME MINISTER,

WE WISH TO PLACE ON RECORD OUR OPINION THAT A CHANGE
IN CIVIL COMMISSIONER AT THIS TIME WOULD BE INAPPROPRIATE.
WITH CHANGES TO THE CONSTITUTION AHEAD, POSSIBLE
RENEWED CONTACTS BETWEEN HER MAJESTY'S GOVERNMENT AND
ARGENTINA TO IMPROVE THEIR BILATERAL RELATIONS EXPECTED,
WE FEEL IT IS IMPORTANT FOR THE CONFIDENCE OF THE PEOPLE OF
THE FALKLANDS, THAT WE HAVE SOMEONE, AS CIVIL COMMISSIONER,
WE KNOW AND TRUST IN POST.

WE THEREFORE ASK THAT SIR REX HUNT, WHO WE UNDERSTAND
COMPLETES HIS TOUR OF DUTY SHORTLY, RETURN TO POST AFTER
LEAVE, FOR A FURTHER PERIOD TO COVER THESE CHANGES.

+++
WELL RECEIVED PLEASE ++

YES DE KWK

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GRS 90
UNCLASSIFIED
FM MADRID 011520Z MAR 1984
TO ROUTINE FCO
TELEGRAM NUMBER 137 OF 1 MARCH
INFO ROUTINE BRITISH INTERESTS SECTION, BUENOS AIRES, WASHINGTON.

ARGENTINA

1. THE ARGENTINE FOREIGN MINISTER MADE A BRIEF TECHNICAL STOPOVER IN MADRID ON 29 FEBRUARY EN ROUTE TO MEXICO FROM GENEVA. HE SPOKE TO JOURNALISTS AT THE AIRPORT, AND ALL THE MAIN NEWSPAPERS CARRIED REPORTS ON INSIDE PAGES. THESE HEADLINED HIS REMARKS ON THE FALKLANDS, ALTHOUGH SR CAPUTO ANSWERED ONLY ONE QUESTION ON THE SUBJECT. ASKED WHAT HOPE THERE WAS FOR RECOVERING THE FALKLANDS IF THE QUESTION OF SOVEREIGNTY WAS NOT OPEN TO DISCUSSION AS FAR AS BRITAIN WAS CONCERNED, SR CAPUTO SAID THAT THIS WAS ALSO THE CASE FOR ARGENTINA. NEGOTIATIONS WERE THEREFORE IN A HIGHLY COMPLEX SITUATION, BUT HE BELIEVED THAT THE ARGENTINE GOVERNMENT HAD FOUND A WAY ROUND THE PROBLEM IN QUOTE AN ANSWER UNQUOTE SENT TO THE BRITISH GOVERNMENT ON 16 FEBRUARY. CAPUTO APOLOGISED THAT HE COULD NOT GIVE MORE DETAILS, OUT OF COURTESY TOWARDS THE BRITISH GOVERNMENT. BUT HE SAID HE HOPED THAT THE EFFORT OF IMAGINATION WHICH ALL WERE MAKING, TOGETHER WITH GOODWILL, MIGHT RESOLVE THE DELICATE AND COMPLEX SITUATION CREATED BY THE FALKLANDS PROBLEM.

FLYNN

(REPEATED AS REQUESTED)

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PRIME MINISTER

c Sir Robert Armstrong

OD: Argentina/Falklands

BACKGROUND

1. The Committee agreed on 25 January (OD(84)1st Meeting) that a message be conveyed via the Swiss to the Argentine Government suggesting six practical subjects which might be discussed between the two sides as a first step in the re-establishment of normal diplomatic and commercial relationships.

The text of the message is attached to the Foreign and Commonwealth Secretary's minute to you of 29 February. The Argentine reply (text also attached to Sir Geoffrey Howe's minute) stresses the importance the Argentine Government attaches to the re-establishment of normal relations, but states that the resumption of a dialogue must lead to negotiations on sovereignty over the Falkland Islands and Dependencies within the framework of the United Nations. The Argentines also propose that three further items be added to the agenda for any talks: the lifting of the Falkland Islands Protection Zone (FIPZ); halting the "fortification" of the Islands (including an end to the construction of the strategic airfield), and the withdrawal of "nuclear weapons or artifacts" from the region.

2. The Foreign and Commonwealth Secretary's minute of 29 February suggests that the tactics of handling a response to Argentina should be seen against the background of the British objectives of maintaining our commitment to the Falkland Islanders; of excluding negotiations on sovereignty; and moving towards more normal commercial and other relationships with Argentina. He also draws attention to the international pressure on us to negotiate which is building up from the United States and elsewhere.

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3. On the three additional Argentine agenda items themselves, the Foreign and Commonwealth Secretary offers the following preliminary observations:

(a) The FIPZ

No -
Lifting the FIPZ in response to a formal Argentine declaration of peaceful intention would strengthen the arguments for a substantial reduction in the Falkland Islands garrison. It might therefore be left as a card to be played later, possibly as part of a deal, to be pursued separately from the main talks, involving both a cessation of hostilities and a lifting of the FIPZ.

(b) "Fortification" etc.

?
There is no question of halting the construction of the airfield; but there could be some awkwardness if political relations with Argentina run ahead of our ability to show any flexibility on force levels, because of the timetable imposed by the construction of the airfield. (This points to a cautious and measured approach towards the normalisation of relations.)

(c) Nuclear guarantees

||
The United Kingdom could rely on the point that we have scrupulously observed our obligations under the Treaty of Tlatelolco not to deploy nuclear weapons in territories in the Latin American region for which the United Kingdom is responsible. The Foreign and Commonwealth Secretary believes that we should not object to this subject's inclusion.

4. The Foreign and Commonwealth Secretary goes on to identify four possible options for responding to the Argentine message:



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(a) to halt this attempt to negotiate in view of the nature of the Argentine message;

(b) to reiterate our willingness to talk on the basis of the United Kingdom proposals;

No

(c) to accept the Argentine proposal for preliminary talks without any agreed agenda but with a formula which fully reserves our position on sovereignty;

No

(d) to accept talks on the basis of our original six points and the three additional Argentine ones, but again with a formula fully reserving our position on sovereignty.

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He advises against Options (a) and (b); and considers Options (c) and (d) against the background of the distinction which the Argentines have drawn between preliminary and substantive talks and the need for more convincing evidence than that reported in the comments by the Argentine Minister for Foreign Affairs to the Swiss (telegram No 65 of 28 February also attached to the Foreign and Commonwealth Secretary's minute) that in practice the Argentines would be able to accept an agenda for substantive talks which did not include the sovereignty issue. (Information from other sources suggests that the Swiss may have formed an over-optimistic assessment of Argentine intentions in this respect from their discussions with Senor Caputo.) The Foreign and Commonwealth Secretary comes down in favour of a modified version of Option (d), under which the United Kingdom would propose that the talks should start without accepting the Argentines' distinction between "preliminary" and "substantive"; and there should be no formal agenda, although it would be understood that the substance would comprise the United Kingdom's six points and the Argentines' three. The sovereignty issue could, if it is raised by Argentina, be dealt with in opening statements after which talks would move on to other issues.



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5. The Lord Chancellor may not be able to be present because of judicial business. The Secretary of State for the Environment, the Chief Secretary, the Attorney General, the Minister for Overseas Development, the Chief of the Defence Staff and Sir Ian Sinclair have been invited to attend.

HANDLING

6. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. The main points to establish are -

(a) Notwithstanding the fact that the Argentine reply contains some unacceptable elements, is the Committee agreed that the approach should not be rejected out of hand, given their earlier decision that it should be our intention progressively to re-establish normal relations with Argentina? In particular, is there sufficient evidence to suggest that the Argentines are prepared to budge from their formal position that preliminary exchanges should lead to substantive negotiations on sovereignty within the framework of the United Nations resolutions?

(b) What are the best tactics as regards the agenda for the talks? Would agreement to the inclusion of the Argentines' three points be seen by them as a sign of weakness at an early stage, or rather as an earnest of the sincerity of our intentions? Would the Foreign and Commonwealth Secretary's proposal that there should be no formal agenda allow the Argentines to avoid in the discussions the areas to which we attach importance (economic and trading relations, etc.), despite the informal understanding about the ground to be covered which he has proposed?



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(c) Is this course consistent with the programme of capital works now being envisaged to sustain the garrison on the Falkland Islands, given that not all this programme can reasonably be presented as necessary to the construction and commercial requirements of the airfield?

CONCLUSION

7. Subject to the points made in discussion, you could guide the Committee to agree that -

(i) proposals should be put to Argentina as recommended by the Foreign and Commonwealth Secretary in his minute;

(ii) a message to this effect should be sent to Argentina through the Swiss Protecting Power.

A D S Goodall

A D S Goodall

29 February 1984



cc pc

PM/84/37

PRIME MINISTER

Argentina/Falklands

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1. We shall be considering at OD on 1 March what our next steps should be in the light of the Argentine reply to our message of 26 January. The texts of both messages are attached, together with Berne telegram number 65 reporting Caputo's comments to the Swiss on 27 February.

2. The Argentines acknowledge that the normalisation of bilateral relations is desirable. But they see the resumption of a dialogue as leading, eventually though not at the outset, to negotiations on sovereignty. This faces us with an exceedingly difficult task. We have three main objectives to reconcile:

- (i) to maintain our commitment to the Falkland Islanders;
- (ii) to exclude negotiations on sovereignty;
- (iii) to move towards more normal commercial and other relationships with Argentina.

3. Most other countries have much simpler aims. They want to get back to business as usual with the new Argentine regime, and they want to prevent the UK/Argentina dispute from obstructing that process.

4. The Americans take this view because of their interest in re-establishing their influence in Latin America. The Europeans share this interest, though less directly. The third world have in general little sympathy with our case, for the usual anti-colonialist reasons. Even those countries which formally acknowledge our position are increasingly disposed to encourage us to negotiate. They see this - as third parties are almost bound to do - as the only sensible way of approaching a dispute. The arrival of a democratic government in Argentina,



and the fact that President Alfonsin is well known on the Social Democratic circuit, will add to the pressure on us.

5. At home, some shift is taking place in public opinion. There is a growing impression that we now have an opportunity to achieve a more rational relationship with Argentina, by restoring normal trade and other relations. There are also some signs of growing concern at the cost of defending the Islands, but very little disposition as yet to see a major rundown of our forces on the Islands.

6. If we are to hold our position, we need to be particularly adroit in the management and presentation of our case. We must be seen to be doing our best to improve relations and reduce tension. At the same time we must explain why there are certain key issues of principle on which no reasonable person can expect us to enter into negotiations, still less to give way.

7. A possible agenda for talks with Argentina is taking shape. The Argentine reply accepts that the six points we put to them for discussion represent positive steps towards more normal relations. These six points were:

- (i) the reciprocal lifting of trade restrictions;
- (ii) the lifting of all outstanding financial restrictions;
- (iii) arrangements for the return of the Argentine dead from the Islands, or failing that, an Argentine next-of-kin visit;
- (iv) the restoration of the air services agreement between Britain and Argentina;
- (v) the resumption of cultural, scientific and full sporting contacts;
- (vi) the up-grading of official relations.

In addition we wish to secure a formal cessation of hostilities, but have not put this forward as an agenda item (see paragraph



10(a) below). The Argentines want to add three further items:

- (a) lifting the Falkland Islands Protection Zone;
- (b) halting the "fortification" of the Islands, the construction of the "strategic" airfield, and the "warlike concentration" in the area;
- (c) withdrawal of "nuclear weapons or artefacts" from the region.

8. The Argentines have said that the preliminary exchanges on the above subjects should lead to formal negotiations on sovereignty in the presence of the UN Secretary-General - though the latest telegram suggests that they may not insist on UN involvement. They add that they would give due consideration to the interests (not the wishes) of the Falkland Islanders and to the possibilities for economic and other co-operation in the area. They claim that this would be in effect a return to the Anglo-Argentine agreement of 1977 for negotiations on "future political relations, including sovereignty".

✓ 9. The linkage of preliminary talks to negotiations on sovereignty is clearly unacceptable. So is any suggestion that the talks should take place under UN auspices.

10. Each of the three new points which the Argentines have put forward raise difficulties. But it is worth considering whether we need to object to the Argentines raising them if talks begin. My views are as follows:

Yes we do.

(a) Lifting the Falkland Islands Protection Zone (FIPZ)
 The best quid pro quo would be an Argentine declaration of de jure cessation of hostilities or some other formal renunciation by Argentina of the future use of force. But that might strengthen the Argentines' hand in pressing for the withdrawal or substantial reduction of our garrison. It may therefore be best to pursue a deal involving cessation of hostilities and lifting the FIPZ separately from the main talks or at least only at a later stage (we shall in any case



avoid any suggestion of "secret talks" on this or any other subject).

(b) "Fortification", the airfield, etc

There can be no question of halting the construction of the Mount Pleasant airfield and its ancillary infrastructure, which is essential in both security and economic terms. This would have to be made clear to the Argentines when they raised the subject, as they inevitably would. But the airport will not be completed for another two years: only then will we have the flexibility to make major reductions in the garrison. We must also recognise that there could be some awkwardness if political relations with Argentina run ahead of our ability to show any flexibility on force levels, because of the timetable imposed by the airport. We shall be considering some aspects of this further on the basis of the Defence Secretary's paper for OD(FAF). It would be a tactical mistake to allow any administrative reductions in the size of the garrison to be exploited as a response to Argentine pressure. But we may be able to present them in a way which tends to undermine Argentine misrepresentation of our "military build-up" in the Falklands.

(c) Nuclear guarantees

If we were to accept discussion of this item, we would have to reply on our usual formula relating to the United Kingdom's observance of the Treaty of Tlatelolco (which prohibits the development or deployment of nuclear weapons in Latin America). This is that Britain has "scrupulously observed its obligations under Additional Protocols I and II to the Treaty in not deploying nuclear weapons in territories for which the United Kingdom is internationally responsible within the Treaty's zone of application and in territories in which the Treaty is in force". Nuclear means of propulsion are specifically excluded from the Treaty's provisions. Discussion of nuclear issues could entail propaganda pitfalls, but would help to demonstrate our bona fides, both to Argentina and to others. We need not, therefore, object to it.

/11. I see



11. I see four possible options for responding to the Argentine message:

- (a) to decide in the light of the Argentine reply that we do not want to go down this road;
- (b) to repeat that we are prepared to talk but on the basis of our original proposals;
- (c) to accept the Argentine proposal for preliminary talks without any agreed agenda but with a formula which fully reserves our position on sovereignty;
- (d) to accept talks on the basis of our original six points and the three additional Argentine ones, but again with a formula fully reserving our position on sovereignty.

12. To reject the Argentine proposals as in (a) and (b) above, would almost certainly rule out constructive dialogue for some time. The more promising ground lies in Options (c) and (d), but we shall need to think very carefully in the light of Caputo's remarks how precisely to respond.

No 13. Option (c) is superficially attractive in that it would allow talks to start without immediate difficulties over the sovereignty issue. But it is clear from what Caputo has said that the Argentines will regard the task of the preliminary talks as to establish an agenda for the substantive negotiations. We would need more convincing evidence than Caputo's comments as reported in the Berne telegram that the Argentines would in practice be able to accept an agenda for substantive talks which did not include sovereignty. There can be no certainty that Option (d) would get around this problem. It would oblige us to accept a more constraining agenda and the Argentines might well revert to the sovereignty issue. The best course might be to propose that talks should start without accepting the Argentines' distinction between "preliminary" and "substantive" and without a formal agenda, although it would be understood between us and the Argentines that the substance would comprise our six points and their three points. The

/sovereignty



It cannot - we know our experience with Gibraltar on this basis.

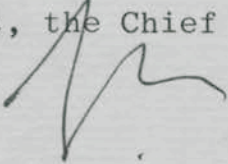
sovereignty issue could be dealt with, if the Argentines insist that it must be raised, by statements of each side's position, after which the talks would move on to other issues.

14. I have deliberately left to one side the possible declaration of a 200 mile Exclusive Fisheries Limit (EFL) around the Islands. But it might find a place on the agenda later: the Argentine reply indicated readiness to consider economic and scientific co-operation in the area.

15. The Argentine reply takes up our point that we would not welcome secret talks, and Caputo has since confirmed that the talks themselves should not be secret, although their substance should remain confidential. Caputo added that they could not however agree that the agenda should remain confidential. This may well lead to difficulties if, as indicated above, the Argentines insist that sovereignty should feature.

16. In sum, I invite my colleagues to agree at OD on 1 March that we put to the Argentines Option (d) as modified in paragraph 13 above. If Argentina accepts this, details such as the venue for the discussions and the participants could be settled by the British and Argentine Ambassadors in Berne. We need, if possible, to regain and keep the initiative.

17. I am copying this minute to our colleagues in OD, and to the Secretary of State for the Environment, the Chief Secretary to the Treasury, the Attorney General, the Minister for Overseas Development, the Chief of the Defence Staff and to Sir Robert Armstrong.


GEOFFREY HOWE

Foreign and Commonwealth Office
29 February 1984

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TO FLASH BERNE

TELEGRAM NUMBER 22 OF 26 JANUARY

MIPT: RELATIONS WITH ARGENTINA

1. FOLLOWING IS TEXT OF SPEAKING NOTE.

BEGINS: THE BRITISH GOVERNMENT HAVE ASKED THE SWISS PROTECTING POWER TO APPROACH THE GOVERNMENT OF ARGENTINA, TO CONSIDER MEANS OF FOLLOWING UP THE EXCHANGE OF MESSAGES ON 10 DECEMBER BETWEEN MRS THATCHER AND PRESIDENT ALFONSIN. THE BRITISH GOVERNMENT REPEAT THEIR WELCOME FOR THE RETURN OF DEMOCRACY TO ARGENTINA. THEY BELIEVE THAT THE POSSIBILITY OF TALKS BETWEEN BRITAIN AND ARGENTINA AT OFFICIAL LEVEL ABOUT THE PROGRESSIVE NORMALISATION OF RELATIONS BETWEEN THE TWO COUNTRIES SHOULD NOW BE CONSIDERED. IT WILL BE NECESSARY HOWEVER FOR BOTH SIDES TO RECOGNISE THE REALITIES OF THE SITUATION AND THE CONSTRAINTS UNDER WHICH THE OTHER IS OPERATING.

2. WITH THIS IN MIND, THE BRITISH GOVERNMENT PROPOSE THAT ANY DISCUSSIONS SHOULD BE WITHOUT PREJUDICE TO THE POSITIONS OF THE UNITED KINGDOM AND ARGENTINA RESPECTIVELY ON THE QUESTION OF SOVEREIGNTY OVER THE FALKLAND ISLANDS, AND INDEED, THAT SOVEREIGNTY WOULD NOT BE DISCUSSED.

3. IT IS PROPOSED THAT THE AGENDA FOR DISCUSSION COULD INCLUDE:

- A. THE RECIPROCAL LIFTING OF RESTRICTIONS ON TRADE BETWEEN THE UNITED KINGDOM AND ARGENTINA.
- B. THE LIFTING OF ALL OUTSTANDING FINANCIAL RESTRICTIONS.
- C. ARRANGEMENTS FOR THE RETURN OF THE ARGENTINE DEAD FROM THE FALKLAND ISLANDS OR, FAILING THAT, FOR A NEXT-OF-KIN VISIT.

- D. THE RESTORATION OF THE AIR SERVICES AGREEMENT BETWEEN THE TWO COUNTRIES.
- E. THE RESUMPTION OF CULTURAL, SCIENTIFIC AND FULL SPORTING CONTACTS.
- F. THE UP-GRADING OF OFFICIAL RELATIONS.
4. THERE HAVE BEEN SUGGESTIONS FOR SECRET TALKS. THE BRITISH GOVERNMENT WOULD NOT WELCOME SUCH A PROCEDURE, SEEING NO NEED TO CLOAK IN SECRECY MEETINGS ABOUT THE NORMALISATION OF BILATERAL RELATIONS. MOREOVER, THERE WOULD BE SERIOUS DANGERS OF MISUNDERSTANDING IF THERE WERE TO BE CLANDESTINE DISCUSSIONS, AND WORD OF THESE WERE TO LEAK.
5. REGARDING PRESENTATION, SIR GEOFFREY HOWE HAS SAID PUBLICLY THAT BOTH SIDES ARE DEVELOPING A WILL TO BEGIN TAKING STEPS TOWARDS RESTORING A NORMAL RELATIONSHIP. IF BRITISH SPOKESMEN ARE ASKED ABOUT THE PRESENT SWISS APPROACH TO THE GOVERNMENT OF ARGENTINA, THEY PROPOSE TO CONFIRM IN GENERAL TERMS THAT MEANS OF CARRYING THIS PROCESS FORWARD ARE BEING EXPLORED. BUT THE SWISS AND BRITISH GOVERNMENTS HAVE NO INTENTION OF STIMULATING PUBLICITY AT THIS EARLY STAGE. THE PUBLIC PRESENTATION OF TALKS BETWEEN BRITISH AND ARGENTINE OFFICIALS CAN BE DISCUSSED ONCE TERMS OF REFERENCE HAVE BEEN AGREED.
6. THE BRITISH GOVERNMENT LOOK FORWARD TO KNOWING THE VIEWS OF THE GOVERNMENT OF ARGENTINA ON THESE SUGGESTIONS. THEY CONSIDER IT MOST IMPORTANT TO FOLLOW UP THE EXCHANGE OF MESSAGES THROUGH EXCHANGES IN AREAS ON WHICH IT IS REALISTIC TO EXPECT EARLY PROGRESS. THE BRITISH GOVERNMENT HOPE THAT THIS CAN LEAD TO THE ESTABLISHMENT OF A RENEWED CLIMATE OF MUTUAL CONFIDENCE IN WHICH OUR RELATIONS CAN BE MANAGED IN A PRACTICAL AND PRODUCTIVE WAY. ENDS.

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UNOFFICIAL TRANSLATION OF ARGENTINE NOTE HANDED TO THE SWISS
AMBASSADOR IN BUENOS AIRES ON 17 FEBRUARY 1984

Mr Ambassador,

I have the honour to ask Your Excellency to bring the following reply to the attention of the British Government:

'The Argentine Government, inspired by its dedication to peace, favours contacts which might mean a first exchange of ideas leading to the opening of substantive negotiations at the appropriate time. It follows from a realistic appraisal of the totality of relations between Argentina and the United Kingdom that those substantive negotiations cannot overlook the vital subject of sovereignty if a complete solution to the dispute is to be achieved. Such negotiations about sovereignty over the Falkland Islands [Malvinas], South Georgia and South Sandwich Islands must be held within the framework of the relevant United Nations resolutions, with ^{the} participation ['intervencion'] of the Secretary General as envisaged in those resolutions. A global negotiation such as that proposed by the Argentine Government would also give due consideration to the interests of the inhabitants of the Islands and likewise to the subject of economic and scientific-technological co-operation in the area. It must be made clear that the Argentine Government wishes to remove the obstacles which impede the normalisation of relations between the two countries, and understands that the aim of that normalisation is a return to the pre-conflict situation in all its dimensions. In this connexion the proposed plan does not add anything substantially new to those issues which were expressly endorsed in the joint Argentine-British communiqué of 26 April 1977.

'As will be known, that communiqué was brought to the attention of the international community through parallel notes presented by the Permanent Representatives of the Argentine Republic and the United Kingdom at the United Nations in June 1977.

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"The Argentine Government has analysed with great interest the British Government's proposal of 26 January 1984 in which they suggest an agenda to include the following points:

- (A) The reciprocal lifting of restrictions on trade between the United Kingdom and Argentina.
- (B) The lifting of existing financial restrictions.
- (C) Arrangements for the transfer of the Argentine dead from the Islands, or, in the absence of this, for a visit by next-of-kin.
- (D) The reactivation of the air services agreement between the two countries.
- (E) The resumption of cultural, scientific and sporting contacts.
- (F) The raising of the level of official relations.

"The Argentine Government considers that this British initiative constitutes a positive step insofar as it suggests the possibility of an exchange of ideas at official level which could lead towards the progressive normalisation of relations between the two countries.

"Recognising the desirability of examining these questions in depth, the Argentine Government is persuaded that other unavoidably important questions which exist between the two countries, and which require immediate attention, must also be included.

"It therefore believes that it is essential to add the following subjects:

- (A) The lifting of the Protection Zone [sic] which the United Kingdom purports to have established in the South Atlantic.
- (B) A halt to the fortification of the Islands, to the construction of the strategic airfield and to the warlike concentration in the area.
- (C) Guarantees that nuclear weapons or artifacts will be withdrawn from the region.

"An agenda comprising the subjects proposed by Argentina and the United Kingdom could then permit contacts to begin.

/'Similarly,

"Similarly, the Argentine Government wishes to convey to the United Kingdom the spirit in which it is approaching the problem of bilateral relations. In this connection, the Argentine Government:

(1) Attaches very great importance to the definitive normalisation of relations between the Argentine Republic and the United Kingdom.

(2) Considers that to achieve this, it is essential - and this is its wish - to put an end, through peaceful means, to the dispute over the Falkland Islands [Malvinas], South Georgia and South Sandwich Islands.

(3) Also agrees about the undesirability of secret meetings, negotiations or talks, it being a fundamental point of its foreign policy to keep public opinion informed in accordance with the democratic style which has been restored in the Argentine Republic.

(4) Considers that at the present time it would be highly desirable to explore the matter sincerely and in good faith, taking into account all the elements involved and thus enabling each side to assess the future prospects for a formal negotiation.

(5) Considers, as has been previously indicated, that the presence of United Nations peace-keeping forces in the Islands, in place of other military forces, would serve to re-establish a better atmosphere in the area and safeguard the security of the inhabitants.

(6) Considers that in order to fulfil a determined wish to put a final end to the division existing between the two countries the most advisable course would be to hold a preliminary and open exchange of ideas, at an appropriate time informing the Secretary General of the United Nations of the content thereof. These informal exchanges would pave the way towards subsequent negotiations which would be held in the presence of the Secretary General of the United Nations by virtue of the mandate of good offices received from the General Assembly."

With my warm respects to Your Excellency,

(signed Caputo).

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TO IMMEDIATE FCO
TELNO 65 OF 28 FEBRUARY

MY TELNO 60: RELATIONS WITH ARGENTINA

SUMMARY

1. ARGENTINE MINISTER FOR FOREIGN AFFAIRS VISITED BERNE ON 27 FEBRUARY. EXTENSIVE AND CONSTRUCTIVE DISCUSSIONS TOOK PLACE ON UK/ARGENTINE RELATIONS. THE SWISS CONSIDER CAPUTO'S VISIT TO HAVE BEEN USEFUL AND ENCOURAGING.

DETAIL

2. STATE SECRETARY RECEIVED ME AT 08.00 ON 28 FEBRUARY FOR ONE HOUR IN ORDER TO CONVEY AN ACCOUNT OF YESTERDAY EVENING'S MEETING. BRUNNER (HIS SUCCESSOR DESIGNATE) WAS ALSO PRESENT. PROBST SAID THAT DISCUSSION OF ANGLO/ARGENTINE MATTERS HAD BEEN DELIBERATELY RESERVED UNTIL AFTER THE FORMAL TALKS AND DINNER, WHEN AUBERT, PROBST AND BRUNNER WITHDREW FOR A RESTRICTED DISCUSSION WITH CAPUTO, ARGENTINE AMBASSADOR KATZENSTERIN AND CAPUTO'S CHEF DE CABINET ROMERO. AUBERT RAISED THE POSSIBILITY OF PRELIMINARY TALKS BEING HELD ABOUT THE AGENDA FOR LATER SUBSTANTIVE TALKS MAKING IT CLEAR THAT HE WAS NOT DOING SO ON THE BRITISH BEHALF. HE SAID THAT IF TALKS IN SWITZERLAND WERE ACCEPTABLE TO BOTH PARTIES, BERNE COULD OFFER A FRAMEWORK AND TAKE RESPONSIBILITY FOR THE INITIATIVE. THE LEVEL AND COMPOSITION OF SUCH TALKS WAS FOR DISCUSSION BUT THEY COULD PERHAPS START BETWEEN AMBASSADORS, POSSIBLY WITH SUPPORT FROM CAPITALS.

3. CAPUTO EXPRESSED AGREEMENT WITH AUBERT'S IDEA. HE THOUGHT BRASIL OUGHT ALSO TO BE REPRESENTED AND SUGGESTED THAT SINCE TWO OR THREE ROUNDS OF PRELIMINARY TALKS WOULD BE NEEDED THEY COULD ALTERNATE BETWEEN BERNE AND BRAZILIA. THE QUESTION OF WHETHER THE SUBSEQUENT SUBSTANTIAL TALKS SHOULD BE HELD IN NEW YORK OR ELSEWHERE COULD BE LEFT OPEN AT PRESENT. THE TWO MINISTERS AGREED THAT A STEP-BY-STEP PROCEDURE WAS NEEDED.

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4. CAPUTO ALSO ACCEPTED THAT THE AIM OF THE PRELIMINARY TALKS SHOULD BE TO ESTABLISH AN AGREED AGENDA FOR THE SUBSTANTIVE TALKS. HE EXPRESSED THE VIEW THAT THE MAIN THING WAS TO ESTABLISH CONTACT AND TO GET DIRECT TALKS GOING AFTER WHICH PROGRESS WOULD HE THOUGHT BECOME EASIER. HE CONFIRMED HIS AGREEMENT IN PRINCIPLE THAT TALKS SHOULD START IN BERNE ON THE UNDERSTANDING THAT THERE SHOULD BE A BRAZILIAN PRESENCE.

5. ON THE QUESTION OF SOVEREIGNTY CAPUTO SAID THAT THE ARGENTINE SIDE COULD NOT TAKE PART IN ANY TALKS WITHOUT RAISING THIS SUBJECT BUT HE WAS READY TO ACCEPT THAT AN ARGENTINE STATEMENT AND A BRITISH RESPONSE SHOULD CLOSE THE DISCUSSION WHICH SHOULD THEN MOVE ON. CAPUTO EXPLAINED THAT THE ARGENTINE GOVERNMENT WOULD HAVE TO BE ABLE TO TELL THEIR PARLIAMENT THAT THE ARGENTINE POSITION HAD BEEN STATED. AT THE SAME TIME HE RECOGNISED THAT DISCUSSIONS ON SOVEREIGNTY WOULD LEAD NOWHERE UNTIL CONFIDENCE HAD BEEN RESTORED BETWEEN THE TWO GOVERNMENTS AND WAS THEREFORE BETTER LEFT ASIDE AFTER THE INITIAL EXCHANGE OF STATEMENTS.

6. ON CONFIDENTIALITY PROBST SHEWED ME A TEXT WHICH HE HAD PASSED TO CAPUTO BASED ON AND CLOSELY FOLLOWING PARAS ONE AND TWO OF YOUR TELNO 42 AS TRANSMITTED IN MY LETTER TO MUHEIM. HE HAD ALSO TOLD CAPUTO OF MY PREPARATORY DISCUSSION WITH MUHEIM AND THAT WE SHOULD BE MEETING THIS MORNING. CAPUTO COMMENTED THAT THE ARGENTINE PARLIAMENTARY COMMISSION WOULD HAVE TO BE KEPT INFORMED ABOUT ANY TALKS AND WOULD HAVE TO BE TOLD OF THEIR AGENDA. WHILE HE AGREED THEREFORE THAT SUCH TALKS COULD NOT BE QUOTE SECRET UNQUOTE AND AGREED ALSO THAT THE SUBSTANCE OF DISCUSSIONS SHOULD REMAIN CONFIDENTIAL, HE COULD NOT AGREE TO MAINTAIN CONFIDENTIALITY ABOUT THE AGENDA.

7. IN FURTHER DISCUSSION BETWEEN PROBST, BRUNNER AND CAPUTO IT WAS ENVISAGED THAT THE PRELIMINARY TALKS SHOULD TAKE PLACE UNDER THREE HEADS OF DISCUSSION:-

- (A) CONFIDENTIALITY OF THE TALKS SEMI COLON
- (B) EXCHANGE OF STATEMENTS ON SOVEREIGNTY SEMI COLON
- (C) AGENDA FOR SUBSTANTIVE TALKS.

8. PROBST THEN TURNED TO THE CLUB OF PARIS, WHICH HE HAD RAISED WITH CAPUTO IN THE CONTEXT OF A GENERAL ENQUIRY ABOUT ARGENTINE INTENTIONS CONCERNING THEIR DEBT PROBLEM. CAPUTO SAID THAT HIS GOVERNMENT WAS IN A DILEMMA OVER THE QUESTION OF A BRITISH PRESENCE AT THE NEGOTIATING TABLE IN PARIS. FOR REASONS

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OF DOMESTIC POLICY THE PARIS CLUB TALKS COULD NOT BE ALLOWED TO COINCIDE WITH TALKS ON UK RELATIONS WITH ARGENTINA. CAPUTO ASKED WHETHER SWITZERLAND COULD REPRESENT THE UK AT THE PARIS CLUB, WHICH WOULD GREATLY EASE THE SITUATION FOR ARGENTINE PUBLIC OPINION. TO THIS PROBST REPLIED THAT THE SWISS AUTHORITIES AWAITED A REPLY FROM LONDON AND WERE THEMSELVES WILLING IN PRINCIPLE TO RESPOND TO ARGENTINE REQUEST.

9. MORE GENERALLY, CAPUTO ASSURED THE SWISS THAT HIS GOVERNMENT WERE EARNESTLY AND GENUINELY LOOKING FOR A SOLUTION TO THE PROBLEM OF RELATIONS WITH GREAT BRITIAN AND WISHED TO START TALKS ON THIS SUBJECT. AT THE SAME TIME HE MADE IT CLEAR THAT THE ARGENTINE GOVERNMENT HAS AN INETRNAL PROBLEM IN THIS RESPECT. LEVEL OF TOLERANCE FOR ANY NEW DEPARTURE BY THE GOVERNMENT ON THIS SUBJECT WAS LOW AND THE MILIATRY AND THE PERONIST OPPOSITION WERE LOOKING FOR OPPORTUNITIES TO CRITICISE THE GOVERNMENT. WHILE HE ACCEPTED THAT THERE WAS A SIMILAR PROBLEM ON THE BRITISH SIDE, IT WAS THERE LESS IMPORTANT BECAUSE WE HAD NOT SUFFERED THE TRAUMA OF LOSING A WAR. THE GOVERNMENT THEREFORE HAD TO BE VERY CAUTIOUS AND WEIGH EVERY STEP CAREFULLY. CAPUTO EXPRESSED THE HOPE THAT THIS WOULD BE UNDERSTOOD IN LONDON WHILE AT THE SAME TIME GIVING AN ASSUANCE THAT WE COULD COUNT ON A SERIOUS AND BUSINESS-LIKE APPROACH FROM ARGENTINA AND ON HIS COUNTRY'S GENERALLY WESTERN ALIGNMENT.

10. PROBST AND BRUNNER ALSO TOLD ME THAT CAPUTO HAD MADE A FAVOURABLE IMPRESSION ON HIS SWISS INTERLOCUTORS. HE EXPRESSED HIMSELF CLEARLY IN EXCELLENT FRENCH AND HAD SHOWN A SYSTEMATIC, ANALYTICAL AND LOGICAL TURN OF MIND. HE HAD PROVED MATTER OF FACT AND WILLING TO CORRECT PAST MISTAKES, NOT GIVEN TO THE USUAL LATIN AMERICAN RHETORIC. PROBST COMMENTD THAT IF THE NEGOTIATIONS EVENTUALLY TOOK PLACE AT THAT LEVEL HE THOUGHT THAT CAPUTO WOULD BE A STRONG NEGOTIATOR BUT AT THE SAME TIME AN INTELLIGENT PARTNER WITH WHOM YOU COULD DO BUSINESS.

11. ON PUBLICITY FOR YESTERDAY'S TALKS PROBST CONFIRMED THAT (AS FORESEEN IN MY TUR) SWISS SPOKESMAN IN REPLY TO PRESS ENQUIRES WOULD NOT GO BEYOND CONFIRMING THAT MATTERS RELATING TO THE SWISS MANDATE WERE DISCUSSED.

POWELL-JONES

LIMITED

FID

WED

PUSD

PS

PS/LADY YOUNG

PS/MR. WHITNEY

PS/PUS

SIR. W. HARDING

MR. D. THOMAS

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FALKLAND ISLANDS GENERAL (ADVANCES)

38

PS
PS/LADY YOUNG
PS/MR WHITNEY
PS/MR RIFKIND
PS/PUS
SIR J BULLARD
SIR I SINCLAIR
SIR W HARDING
MR WRIGHT
MR ADAMS
LORD N G LENNOX
SIR C TICKELL
MR D C THOMAS

MR CARTLEDGE

ED/PUSD (2)

ED/SAMD

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ED/NEWS DEPT

ED/EPD

ED/EC(D)

ED/UND

ED/PLANNING STAFF

PS/NO 10 DOWNING ST. (3)

ASC

PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD

PS/CHANCELLOR)
MISS M E CUND) TREASURY
MR LITTLER.)

SIR R ARMSTRONG)
MR A D S GOODALL) CABINET OFF
DIO)

MR M A PATTISON, FID, ODA

MR A FORTNAM IAT/ D. TRANSPORT

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FM BIS BGKB

RBEQMLAFB IMMEDIATE FCO

TELNO 127 OF 21 FEBRUARY

OUR TELNO 118, PARA 3

FOLLOWING IS TRANSLATION OF 'LA PRENSA' ARTICLE OF 19 FEBRUARY

'THERE IS NO DOUBT THAT THE RECENT PROPOSAL BY BRITAIN TO FIND A SOLUTION TO THE PROBLEM OF THE FALKLANDS IS BASED ON THE DEFENCE OF HER POSITION AS A COLONIAL POWER. TO A CERTAIN EXTENT THIS PROPOSAL BY THE INVADING COUNTRY WAS BROUGHT ABOUT BY THE OPEN SUPPORT FOR THE ARGENTINE CAUSE FROM LATIN AMERICA AND THE MAJORITY OF OTHER NATIONS OF THE WORLD. THE MAIN POINTS ESTABLISHED BY BRITAIN CONCERN THE RE-ESTABLISHMENT OF BILATERAL RELATIONS IN THE FIELDS OF ECONOMY, FINANCE, COMMERCE AND CULTURE, IN WHICH BRITAIN HAS TRADITIONALLY REAPED THE GREATER BENEFIT.

IN THE PRESENT CIRCUMSTANCES, AND APART FROM THE JUST REASONS FOR HER STANDPOINT, ARGENTINA IS IN A POSITION TO MAINTAIN HER HISTORIC CLAIM OF SOVEREIGNTY OVER THE ISLANDS OF THE SOUTH ATLANTIC. ALTHOUGH THE BRITISH PROPOSAL WAS CONSIDERED 'INTERESTING' BY ARGENTINE AUTHORITIES, IT MUST BE UNDERSTOOD THAT THIS OPINION, AS HAS BEEN OFFICIALLY POINTED OUT, IN NO WAY WEAKENS ARGENTINA'S POSITION IN THE DISPUTE.

ARGENTINA CAN COUNT ON VARIOUS IMPORTANT FACTORS IN HER FAVOUR AMONG THEM THE VIRTUAL PARALYSATION OF TRADE WITH BRITAIN, AND THE ENORMOUS COST OF THE BRITISH MILITARY OCCUPATION, ESTIMATED AT 1,500 MILLION DOLLARS PER YEAR.

THE ABOLITION OF THE 'EXCLUSION ZONE', IMPOSED TO OUR DETRIMENT SINCE APRIL 1982, WHICH OUR COUNTRY DEMANDS AS A BASIS FOR ONCE

THE ABOLITION OF THE 'EXCLUSION ZONE', IMPOSED TO OUR DETRIMENT SINCE APRIL 1982, WHICH OUR COUNTRY DEMANDS AS A BASIS FOR ONCE AGAIN TAKING UP THE THEME OF THE DISPUTE, WOULD FAVOUR BRITISH INTERESTS, IN AVOIDING THE EXPENSE OF PATROLLING THE SEA AND AIR SURVEILLANCE IN THE AREA. THIS DRAIN ON THE ECONOMY, IN ADDITION TO THE CRITICISM LEVELLED AT THE BRITISH GOVERNMENT NOT ONLY IN THE INTERNATIONAL FIELD, BUT ALSO IN BRITAIN ITSELF, ALL ADD WEIGHT TO THE ARGENTINE CAUSE.

THE NEXT CHANGE OF GOVERNMENT IN BRITAIN, WHATEVER THE ELECTION RESULTS - SINCE WITHOUT THE CONSERVATIVE PARTY ITSELF OPINIONS ARE AT VARIANCE WITH MRS THATCHER'S POLICY - IS ANOTHER POINT THAT COULD BRING ABOUT CHANGES IN BRITAIN'S FOREIGN POLICY, SINCE ACCORDING TO WHAT HAS BECOME COMMON KNOWLEDGE, THE BRITISH PUBLIC IS UNWILLING TO WITHSTAND AD INFINITUM THE COST OF THIS PIRACY.'

MIPT

JOY

POWELL-JONES

NNNN

PS/HR WATNEY
 PS/HR RIFKIND
 PS/POS
 SIR J BULLARD
 SIR I SINCLAIR
 SIR W HARDING
 MR FRIGET
 MR ADAMS
 LORD N G LENNOX
 SIR C TICKELL
 MR D C THOMAS
 MR CARTLEDGE

ED/POSD (2)
 ED/SAID
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 ED/NEWS DEPT
 ED/ED
 ED/BOD(E)
 ED/ED
 ED/PLANNING STAFF

PS/S OF S FOR DEFENCE
 MR J STEWART ASST STAFF MOD
 PS/CHANCELLOR)
 MISS M E GUND) TREASURY
 MR LITTLER)
 SIR R ARMSTRONG)
 MR A D S GOODALL) CABINET OFF
 DIO)
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TO IMMEDIATE FCO

TELNO 128 OF 21 FEBRUARY

OUR TELNO 118, PARA 3
 MPT

TRANSLATION OF 'LA NACION' ARTICLE OF 19 FEBRUARY 84

PARLIAMENTARY VISIT

'THE RETURN TO THE FUNCTIONING OF THE NATIONAL INSTITUTIONS ON ONE HAND, AND ON THE OTHER THE GENERAL CONVICTION AMONG THE POLITICAL SECTORS THAT DIPLOMATIC NEGOTIATIONS ARE THE MOST SUITABLE MEANS OF BRINGING TO A SATISFACTORY CONCLUSION THE PROBLEM OF THE FALKLANDS, ARE HELPING TO STRENGTHEN THE POSITION OF OUR UNDENIABLE RIGHTS IN THE INTERNATIONAL FIELD.

CERTAIN RECENT EVENTS IN THIS RESPECT ARE SHOWING A MORE POSITIVE CHANGE IN THE SITUATION OF OUR NATIONAL INTERESTS, ACCOMPANIED BY A GROWING PUBLIC INTEREST IN THE PROBLEM RETURNING TO THE NEGOTIATING TABLE, AVOIDING EMOTIONAL REA TIONS WHICH SERVE NO PURPOSE.

ONE OF THESE RECENT EVENTS COULD BE THE PROPOSAL PUT FORWARD BY BRITISH MEMBERS OF PARLIAMENT, OF THE LABOUR PARTY AS WELL AS SOCIAL DEMOCRATS AND LIBERALS, OF VISITING ARGENTINA IN ORDER TO GAIN FIRST HAND KNOWLEDGE OF THE PROBLEM. WITH THIS IN MIND, ONE OF THE PRESIDENT'S SPECIAL AMBASSADORS RECENTLY COMMENTED THAT SUCH A VISIT WOULD BE CONVENIENT, SINCE OUR CAUSE WOULD BE STRENGTHENED IF THEY WERE TO HAVE DIRECT CONTACT WITH LEGAL STAND-

SUCH A VISIT WOULD BE CONVENIENT, SINCE OUR CAUSE WOULD BE STRENGTHENED IF THEY WERE TO HAVE DIRECT CONTACT WITH LEGAL STAND-POINTS AND GEOGRAPHICAL FACTS WHICH SUPPORT OUR RIGHTS, AND GIVE A SOUND BASIS TO ARGENTINA'S POSITION.

ON THE OTHER HAND, THIS PROPOSAL BY THE UNOFFICIAL BRITISH LEGISLATORS IS IN KEEPING WITH THE VERY DIFFERENT POSITIONS ADOPTED BY THEIR OWN GOVERNMENT CONCERNING NEGOTIATIONS WITH OUR COUNTRY, EXPRESSED ALSO BY SECTORS OF BRITISH PUBLIC OPINION AND EVEN BY THE BRITISH PRESS. SUCH A VISIT SHOULD ALSO CONTRIBUTE TO IMPROVING THE IMAGE OF RELATIONS THAT HAVE ALWAYS BEEN IN KEEPING WITH THE NEGOTIATIONS HELD CONCERNING THE PROBLEM.

JOY

U
POWELL-JONES

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PP CARACAS
RR HAVANA
RR TOKYO
GRS 909
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FM FCO 211230Z FEB 84
TO IMMEDIATE ATHENS
TELEGRAM NUMBER 48 OF 21 FEBRUARY
AND TO CERTAIN OTHER POSTS
MIPT : RELATIONS WITH ARGENTINA

1. FOLLOWING IS TEXT OF ARGENTINE REPLY.
BEGINS

THE ARGENTINE GOVERNMENT, INSPIRED BY ITS DEDICATION TO PEACE, FAVOURS CONTACTS WHICH MIGHT MEAN A FIRST EXCHANGE OF IDEAS LEADING TO THE OPENING OF SUBSTANTIVE NEGOTIATIONS AT THE APPROPRIATE TIME. IT FOLLOWS FROM A REALISTIC APPRAISAL OF THE TOTALITY OF RELATIONS BETWEEN ARGENTINA AND THE UNITED KINGDOM THAT THOSE SUBSTANTIVE NEGOTIATIONS CANNOT OVERLOOK THE VITAL SUBJECT OF SOVEREIGNTY IF A COMPLETE SOLUTION TO THE DISPUTE IS TO BE ACHIEVED. SUCH NEGOTIATIONS ABOUT SOVEREIGNTY OVER THE FALKLAND ISLANDS (MALVINAS), SOUTH GEORGIA AND SOUTH SANDWICH ISLANDS MUST BE HELD WITHIN THE FRAMEWORK OF THE RELEVANT UNITED NATIONS RESOLUTIONS, WITH THE PARTICIPATION OF THE SECRETARY-GENERAL AS ENVISAGED IN THOSE RESOLUTIONS. A GLOBAL NEGOTIATION SUCH AS THAT PROPOSED BY THE ARGENTINE GOVERNMENT WOULD ALSO GIVE DUE CONSIDERATION TO THE INTERESTS OF THE INHABITANTS OF THE ISLANDS AND LIKEWISE TO THE SUBJECT OF ECONOMIC AND SCIENTIFIC-TECHNOLOGICAL COOPERATION IN THE AREA. IT MUST BE MADE CLEAR THAT THE ARGENTINE GOVERNMENT WISHES TO REMOVE THE OBSTACLES WHICH IMPEDE THE NORMALISATION OF RELATIONS BETWEEN THE TWO COUNTRIES, AND UNDERSTANDS THAT THE AIM OF THAT NORMALISATION IS A RETURN TO THE PRE-CONFLICT SITUATION IN ALL ITS DIMENSIONS. IN THIS CONNEXION THE PROPOSED PLAN DOES NOT ADD ANYTHING SUBSTANTIALLY NEW TO THOSE ISSUES

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WHICH WERE EXPRESSLY ENDORSED IN THE JOINT ARGENTINE-BRITISH COMMUNIQUE OF 26 APRIL 1977.

AS WILL BE KNOWN, THAT COMMUNIQUE WAS BROUGHT TO THE ATTENTION OF THE INTERNATIONAL COMMUNITY THROUGH PARALLEL NOTES PRESENTED BY THE PERMANENT REPRESENTATIVES OF THE ARGENTINE REPUBLIC AND THE UNITED KINGDOM AT THE UNITED NATIONS IN JUNE 1977.

THE ARGENTINE GOVERNMENT HAS ANALYSED WITH GREAT INTEREST THE BRITISH GOVERNMENT'S PROPOSAL OF 26 JANUARY 1984 IN WHICH THEY SUGGEST AN AGENDA TO INCLUDE THE FOLLOWING POINTS:

- (A) THE RECIPROCAL LIFTING OF RESTRICTIONS ON TRADE BETWEEN THE UNITED KINGDOM AND ARGENTINA.
- (B) THE LIFTING OF EXISTING FINANCIAL RESTRICTIONS.
- (C) ARRANGEMENTS FOR THE TRANSFER OF THE ARGENTINE DEAD FROM THE ISLANDS, OR, IN THE ABSENCE OF THIS, FOR A VISIT BY NEXT-OF-KIN.
- (D) THE REACTIVATION OF THE AIR SERVICES AGREEMENT BETWEEN THE TWO COUNTRIES.
- (E) THE RESUMPTION OF CULTURAL, SCIENTIFIC AND SPORTING CONTACTS.
- (F) THE RAISING OF THE LEVEL OF OFFICIAL RELATIONS.

THE ARGENTINE GOVERNMENT CONSIDERS THAT THIS BRITISH INITIATIVE CONSTITUTES A POSITIVE STEP INSOFAR AS IT SUGGESTS THE POSSIBILITY OF AN EXCHANGE OF IDEAS AT OFFICIAL LEVEL WHICH COULD LEAD TOWARDS THE PROGRESSIVE NORMALISATION OF RELATIONS BETWEEN THE TWO COUNTRIES.

RECOGNISING THE DESIRABILITY OF EXAMINING THESE QUESTIONS IN DEPTH, THE ARGENTINE GOVERNMENT IS PERSUADED THAT OTHE UNAVOIDABLY IMPORTANT QUESTIONS WHICH EXIST BETWEEN THE TWO COUNTRIES, AND WHICH REQUIRE IMMEDIATE ATTENTION, MUST ALSO BE INCLUDED.

IT THEREFORE BELIEVES THAT IT IS ESSENTIAL TO ADD THE FOLLOWING SUBJECTS:

- (A) THE LIFTING OF THE PROTECTION ZONE (SIC) WHICH THE UNITED KINGDOM PURPORTS TO HAVE ESTABLISHED IN THE SOUTH ATLANTIC.

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(B) A HALT TO THE FORTIFICATION OF THE ISLANDS, TO THE CONSTRUCTION OF THE STRATEGIC AIRFIELD AND TO THE WARLIKE CONCENTRATION IN THE AREA.

(C) GUARANTEES THAT NUCLEAR WEAPONS OR ARTIFACTS WILL BE WITHDRAWN FROM THE REGION.

AN AGENDA COMPRISING THE SUBJECTS PROPOSED BY ARGENTINA AND THE UNITED KINGDOM COULD THEN PERMIT CONTACTS TO BEGIN.

SIMILARLY, THE ARGENTINE GOVERNMENT WISHES TO CONVEY TO THE UNITED KINGDOM THE SPIRIT IN WHICH IT IS APPROACHING THE PROBLEM OF BILATERAL RELATIONS. IN THIS CONNECTION, THE ARGENTINE GOVERNMENT:

(1) ATTACHES VERY GREAT IMPORTANCE TO THE DEFINITIVE NORMALISATION OF RELATIONS BETWEEN THE ARGENTINE REPUBLIC AND THE UNITED KINGDOM.

(2) CONSIDERS THAT TO ACHIEVE THIS, IT IS ESSENTIAL - AND THIS IS ITS WISH - TO PUT AN END, THROUGH PEACEFUL MEANS, TO THE DISPUTE OVER THE FALKLAND ISLANDS (MALVINAS), SOUTH GEORGIA AND SOUTH SANDWICH ISLANDS.

(3) ALSO AGREES ABOUT THE UNDESIRABILITY OF SECRET MEETINGS, NEGOTIATIONS OR TALKS, IT BEING A FUNDAMENTAL POINT OF ITS FOREIGN POLICY TO KEEP PUBLIC OPINION INFORMED IN ACCORDANCE WITH THE DEMOCRATIC STYLE WHICH HAS BEEN RESTORED IN THE ARGENTINE REPUBLIC.

(4) CONSIDERS THAT AT THE PRESENT TIME IT WOULD BE HIGHLY DESIRABLE TO EXPLORE THE MATTER SINCERELY AND IN GOOD FAITH, TAKING INTO ACCOUNT ALL THE ELEMENTS INVOLVED AND THUS ENABLING EACH SIDE TO ASSESS THE FUTURE PROSPECTS FOR A FORMAL NEGOTIATION.

(5) CONSIDERS, AS HAS BEEN PREVIOUSLY INDICATED, THAT THE PRESENCE OF UNITED NATIONS PEACE-KEEPING FORCES IN THE ISLANDS, IN PLACE OF OTHER MILITARY FORCES, WOULD SERVE TO REESTABLISH A BETTER ATMOSPHERE IN THE AREA AND SAFEGUARD THE SECURITY OF THE INHABITANTS.

(6) CONSIDERS THAT IN ORDER TO FULFIL A DETERMINED WISH TO PUT A FINAL END TO THE DIVISION EXISTING BETWEEN THE TWO COUNTRIES THE MOST ADVISABLE COURSE WOULD BE TO HOLD A PRELIMINARY AND OPEN EXCHANGE OF IDEAS, AT AN APPROPRIATE TIME INFORMING THE

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SECRETARY GENERAL OF THE UNITED NATIONS OF THE CONTENT THEREOF.
THESE INFORMAL EXCHANGES WOULD PAVE THE WAY TOWARDS SUBSEQUENT
NEGOTIATIONS WHICH WOULD BE HELD IN THE PRESENCE OF THE
SECRETARY GENERAL OF THE UNITED NATIONS BY VIRTUE OF THE
MANDATE OF GOOD OFFICES RECEIVED FROM THE GENERAL ASSEMBLY.
ENDS

HOWE

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FID
CABINET OFFICE

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FALKLAND ISLANDS

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CC Argentina. Relats
I have spoken quarterly to

(1)

Lord Thomas.

A.F.C. 2/2

PRIME MINISTER

Hugh Thomas rang today with two points.

b-a.

He has been invited to take part in a round table discussion in Moscow in May. Our side of things is being organised by Chatham House. He wanted to know whether I saw any objection. I said that I thought it would be a good idea to take part, but that I would check with you. Do you have any objection?

Good idea - not

His second point was that the press had reported that he had been invited to visit Buenos Aires. The truth was that some time ago he had been asked to go there next November to deliver a lecture. He had written back to the effect that he might go but he had not made up his mind. There was no more to it than that. I said that at the present time, when we were attempting to take steps towards the improvement of relations, it might be muddling for him to go. The Argentines would probably misinterpret it.

A.F.C. 2/2

not

20 February 1984



Foreign and Commonwealth Office

London SW1A 2AH

17 February 1984

ms

Dear John,

Falklands/Argentina: Reply from Argentine Foreign Minister

We received late this evening the text of a letter in Spanish from the Argentine Foreign Minister to the Swiss Ambassador in Buenos Aires. This constitutes the Argentine reply to our confidential approach through the Swiss of 26 January. I enclose a preliminary translation of the Argentine reply, together with a shorter summary of its main points. The Argentines have already made public the fact that they have conveyed a reply to us, but we have not yet had any reports to suggest that they have made the contents public.

We propose to take the line in public, if asked, that we have received a reply and are studying it.

We shall be letting the Prime Minister had advice on the substance of the Argentine reply early next week.

B+

Yours ever,

Peter Ricketts

(P F Ricketts)
Private SecretaryA J Coles Esq
10 Downing Street

SUMMARY OF THE ARGENTINE FOREIGN MINISTER'S LETTER TO THE SWISS AMBASSADOR IN BUENOS AIRES

- (i) The Argentine Government favours a first exchange of ideas leading to substantive negotiations which cannot exclude sovereignty.
- (ii) Such negotiations on sovereignty over the Falkland Islands, South Georgia and the South Sandwich Islands should take place in the framework of relevant UN resolutions and with appropriate intervention by the UN Secretary-General.
- (iii) The proposed global negotiation would take due account of the interests of the inhabitants of the Islands.
- (iv) The Argentine Government wishes to eliminate all obstructions to the normalisation of relations between the two countries with the object of returning to the situation before the war.
- (v) The Argentine approach is essentially that set out in the Joint Anglo/Argentine Communiqué of 26 April 1967, which was jointly convened to the UN in June 1967.
- (vi) The Argentine Government has analysed with great interest the British Government's proposals of 26 January 1984 and considers that this British initiative constitutes a positive step in so far as it suggests an exchange of ideas at an official level leading to the progressive normalisation of bilateral relations.
- (vii) Such exchanges must also include the following themes:
- (a) Raising the Protection Zone (correctly named) in the South Atlantic.
 - (b) Ending the fortification of the Islands, construction of the strategic airport and the military concentration in the area.
 - (c) Guarantees that nuclear arms or artefacts be withdrawn from the region.
- (viii) An agenda comprising the themes proposed by Argentina and the UK would allow contacts to be initiated.
- ^{ix}
(viii) In its approach to bilateral relations the Argentine Government:
- (a) assigns great importance to the definitive normalisation of Anglo/Argentine relations;
 - (b) considers ^{that} to this end the dispute over the Falkland Islands and Dependencies must be ended by peaceful means;

/(c)

- (c) agrees that secret meetings or negotiations are undesirable;
- (d) considers desirable a sincere exploration in good faith of all aspects of the problem allowing each side to consider the future prospects for formal negotiations;
- (e) considers that a UN peace-keeping presence in the Islands would improve the atmosphere and safeguard the security of their inhabitants;
- (f) considers the best way forward to be a preliminary exchange of ideas whose outcome should be conveyed to the UN Secretary-General. Such informal exchanges could lead the way to subsequent negotiations in which the UN Secretary-General could exercise the good offices mandated by the UN General Assembly.

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PRELIMINARY TRANSLATION OF ARGENTINE REPLY

Mr Ambassador:

I have the pleasure of addressing Your Excellency to ask you to be kind enough to bring the following reply to the attention of the British Government:

The Argentine Government, inspired by its dedication to peace, favours contacts which might mean a first exchange of ideas leading in due course to substantive negotiations. A realistic appraisal of the overall range of relations between Argentina and the United Kingdom makes it plain that those substantive negotiations cannot ignore the vital subject of sovereignty if a total solution to the dispute is to be achieved. Such negotiations about sovereignty over the Malvinas, South Georgia and South Sandwich Islands must be held within the framework of the relevant United Nations resolutions and with such intervention of the Secretary General, as those resolutions ascribe to him. A global negotiation such as that proposed by the Argentine Government would also grant due consideration to the interests of the inhabitants of the Islands as well as to the subject of economic and scientific/ technological cooperation in the area. It must be clear that the Argentine Government wishes to remove those obstacles which are impeding the normalisation of relations between the two countries; and it understands that the aim of that normalisation is a return to the pre-conflict situation in all its aspects. The framework of proposals must therefore not be significantly different in its substantive aspects from those which were expressly confirmed in the joint Anglo-Argentine communiqué of 26 April 1977.

As will be known, that communiqué was brought to the attention of the international community through parallel notes presented by the Permanent Representatives of the Argentine Republic and the United Kingdom to the United Nations in June 1977.

The Argentine Government has analysed with great interest the British Government's proposal of 26 January 1984 in which they suggest an agenda to include the following points:-

- (a) The reciprocal lifting of trade restrictions between the United Kingdom and Argentina.
- (b) The lifting of existing financial restrictions.
- (c) Arrangements for the return of the Argentine dead from the Islands, or, in the absence of this, for a visit by close relatives.
- (d) The reactivation of the air services agreement between both countries.

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/(e)

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(e) The resumption of cultural, scientific and sporting contacts.

(f) The raising of the level of official relations.

The Argentine Government consider that this British initiative constitutes a positive step insofar as it suggests the possibility of an exchange of ideas at official level leading towards the progressive normalisation of relations between the two countries.

Recognising the desirability of a profound examination of these questions, the Argentine Government is persuaded that there must also be included other questions of imperative importance which exist between both countries and which require immediate attention.

It therefore believes that it is essential to add the following subjects:-

(a) The raising of the Protection Zone which the United Kingdom purports to have established in the South Atlantic.

(b) A halt to the fortification of the Islands, to the construction of the strategic airfield and to the warlike concentration in the area.

(c) Guarantees that nuclear weapons or artifacts will be withdrawn from the region.

An agenda composed of the subjects proposed by Argentina and the United Kingdom could then allow contacts to begin. At the same time, the Argentine Government wishes to transmit to the United Kingdom the spirit of bilateral relations. The Argentine Government:

(1) Attaches great importance to the definitive normalisation of relations between the Argentine Republic and the United Kingdom.

(2) Considers that to achieve this - and this is what it wants - it is essential to put an end, through peaceful means, to the dispute over the Malvinas, South Georgia and South Sandwich Islands.

(3) Also agrees about the undesirability of secret meetings or talks, it being a fundamental point of its foreign policy to keep public opinion informed in accordance with the democratic style which now prevails in the Argentine Republic.

(4) Considers

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(4) Considers that at the present time it would be highly desirable to explore the matter sincerely and in good faith, taking into account all the elements involved and allowing each side to visualise the future perspectives of a formal negotiation.

(5) Considers, as it has indicated previously, that the presence of United Nations peace-keeping forces in the Islands, in place of other military forces, would serve to re-establish a better atmosphere in the area and ensure the security of their inhabitants.

(6) Considers that in order to fulfil a determination to put a final end to the separation existing between the two countries, the most advisable thing would be to hold, on a preliminary basis, an open exchange of ideas at the right moment giving an account of its content to the Secretary General of the United Nations. These informal exchanges would prepare the way for subsequent negotiations which would be held with the assistance of the Secretary General of the United Nations by virtue of the mandate of good offices received from the General Assembly.

With my warm respects to Your Excellency

(signed Caputo)

17 JAN 1961

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4 5 6 7 8 9



10 DOWNING STREET

From the Principal Private Secretary

16 February 1984

Dear Brian,

Sir Anthony Jolliffe telephoned me yesterday to report that he had received a telex from his contact in Argentina, Dr. Spilsinger. Sir Anthony said that he had not had any other contact with Dr. Spilsinger since he had previously spoken to me.

The message ran as follows:

"Dr. Spilsinger has had a meeting with the person you know. The Minister handed Dr. Spilsinger the following message as an informal note":

'If your counterpart is willing to have a meeting, he must let it be known through the official channel of his Government by means of the same route. I will answer affirmatively. I am in no position to grant accreditation. I consider that the way I suggest makes it unnecessary and gives me assurances as to the veracity and reality of the suggested encounter.' "

Sir Anthony Jolliffe said that he did not know who was referred to by "the person you know" in the first sentence but thought that it must mean the Minister for Foreign Affairs. He agreed with me that the latter part of the message was difficult to understand.

After asking Sir Anthony Jolliffe whether I could give him my frank impression, I said that there was some reason to think that Dr. Spilsinger might be trying to give an impression to the Argentine Government that, through his acquaintance with Sir Anthony Jolliffe, he had access to the British Government. Sir Anthony Jolliffe said that he thought that this was quite likely. In answer to a question from me, he said that he had it in mind not to reply to this telex message. I said that I thought that this course was very wise. I was sure that the British Government would not want to use this channel.

Yours ever,

Robin Butler

Brian Fall, Esq.,
Foreign and Commonwealth Office.

so



Falkland Islands Government

LONDON OFFICE
29 Tufton Street
Westminster, London SW1P 3QL
Telephone: 01-222 2542
Telex: 8950476 FIGLON

15th February 1984

THE FALKLAND ISLANDS : A memorandum to the Foreign Affairs Committee, House of Commons, from the Falkland Islands Government Representative in London.

1. Introduction

The Falkland Islands Government Office in London. (Extracts from Terms of Reference approved by Joint Councils in 1982)

- a) The Falkland Islands Government Representative in London, Mr. Adrian Monk OBE, is the Falkland Islands Government's official spokesman in the United Kingdom. He deals with Her Majesty's Government, Parliament, the press and the public as advised by the Falkland Islands Government.
- b) He deals with applications from would-be immigrants and, when accommodation is available, he selects suitable applicants for settlement in the Falklands Islands following priority guidelines laid down by the Falkland Islands Government.
- c) He assists the Overseas Development Administration in the selection of suitable candidates for OSAS and TC posts.
- d) He disseminates information about the Falkland Islands in the United Kingdom.
- e) He acts as a procurement agent for supplies from the United Kingdom as requested by the Falkland Islands Government.
- f) He does all in his power to foster Falkland Islands Government interests in the United Kingdom.
- g) Once the Falkland Islands Development Corporation is established, he will be its official representative in the United Kingdom. His main role as FIDC representative will be to attract private investment to the Falkland Islands.

2. Preamble

The Falkland Islands Government (FIG) and people are not gloomy about the future. We believe that the outlook is bright. As was so ably expressed by Sir Rex Hunt, the Civil Commissioner; "out of Galtieri's folly we can build, and are building, a brighter and better future for Falkland Islanders than anything that could have been expected before the Invasion."

3. Defence

- a) We now have security as we never had before. The uncertainty over Britain's future commitment to the Falklands has gone. Not only have the Prime Minister and other ministers stated in the most unequivocal terms that there is no possibility of discussing the sovereignty of the Falkland Islands with Argentina; they have demonstrated their commitment by deciding to build the airport.
- b) Given the security that the British Forces now provide and the commitment to ensure that security for the foreseeable future, the Falkland Islands Government can plan constitutional and economic developments in the knowledge that Britain will protect and respect the fundamental rights of Islanders to self determination. Naturally, we should welcome a reduction in the scale of the garrison, but for the time being it is the minimum level necessary. Relations between the forces and civilians are excellent.

4. Development

- a) With development aid from the British Government, the Falkland Islands Government and people look with confidence to a period of development; 54 housing units should be soon completed and these, together with a continuing programme of more modest housing, should enable immigrants with basic skills to be attracted and housed. Already, however, Falkland Islanders returning to the Islands exceed those who have left (the population has risen by about 80) and expatriates taking up contracts exceed those leaving. This does not include those on MOD or ODA contracts. There is renewed confidence and the population trend is upward for the first time since 1931.

- b) In the commercial field, four new businesses have opened in Stanley and a commercial bank has established a branch. In addition to two farms purchased prior to the Argentine Invasion, one other large farm has been purchased and subdivided and another is in view for sale. A woollen mill is being established at Fox Bay on the West Falkland and an inshore fisheries project is planned. Share farming on some Falkland Islands Company islands has been started.
- c) A major source of current revenue is from coin and philatelic sales, the Crown Agents having opened special offices in London and New York to cope with the demand.
- d) The United Kingdom Government has made available £31m over five years for development. A Chief Executive officer, Mr. David Taylor, has been appointed to administer this in conjunction with O.D.A. and under the control of the Falkland Islands Development Corporation which will be established in the Islands when the United Kingdom Government approves its constitution.
- e) A great deal of the money will have to be devoted to infrastructural improvements and additions. Examples are; a new deepwater jetty so that fishing vessels and others can be fuelled, watered and serviced; improvements and extensions to the electricity supply and fresh water supply; road extensions and improvement; agricultural grants and support and other necessary funding.
- f) All these extensions and improvements will, of course, tend to require increased maintenance expenditure in the future which cannot be met from development grants but must be met from Falkland Islands Government current revenue, hence the desire to license fishing operators for instance.

5. Fisheries

Offshore fisheries and the licensing of operators offer great potential. This is probably the only way Falkland Islands

Government revenue can be significantly increased in the short to medium term. These developments are, however, wholly dependent on the United Kingdom Government declaring an exclusive offshore zone around the Falkland Islands and Dependencies. It is the unanimous view of Legislative Council that this zone should be declared.

6. Internal Constitution

The Joint Councils set up a Constitutional Committee which has made its recommendations to HMG for consideration. The recommendations would provide for an elected majority in Executive Council, as is the case in Legislative Council, and to give the opportunity to more people to stand for election. The Falkland Islands Government wishes to proceed step by step on constitutional reform.

7. International factors

- a) In the international field the Falkland Islands Government counsel patience. A period of peaceful reconstruction and consolidation is needed. It is probably time to say that Islanders would prefer the British Government to try to establish its ordinary commercial, communication and diplomatic links with Argentina again without the Falkland Islands Government being actively involved and always provided there was no change or implied future change to the sovereignty position.
- b) If these links can be re-established with Argentina and South America generally and the Falklands had a period of peaceful consolidation and development, then the Falkland Islands Government and people could assess their position in the framework of improved international relations and decide how they wanted to develop in the future. In other words to exercise their right to self determination.



10 DOWNING STREET

From the Private Secretary

7 February 1984

The Prime Minister has asked me to thank you for your letter of 11 January about the possible declaration of a 200-mile exclusion fisheries limit (EFL) around the Falkland Islands.

The Prime Minister and her colleagues well understand the arguments in favour of declaring a 200-mile EFL, to which they are continuing to give their closest attention. The very fact that it has been under consideration for so long demonstrates that it is far from being the simple issue - especially in its international aspects - that some people imagine. If we are to take due account of all the factors, and avoid risks of repercussions in the longer term that could outweigh short-term benefits, the question is formidably complex. I am sorry that I cannot for the moment give you a more positive reply.

You will know from the press and from the transcripts sent to you by the FCO of Lady Young's speeches and press conference that there was a good deal of discussion of this subject during the Minister of State's visit to the Islands. She emphasised in her address to the Public Meeting in Port Stanley on 16 January that the Government are alive to the urgency of the matter. Lady Young said:-

"The strong arguments in favour of declaring an EFL are well understood in London and I can assure you that this is something which is being given the closest attention at the highest level."

In reply to a question later on the same occasion, Lady Young said:-

"I do appreciate that you want a 200-mile fishing limit. I recognise your concern on conservation grounds that the fish stocks may run out in the not too distant future and I'm very conscious that you earn a lot of

/money K

money from harbour dues on vessels that are currently fishing and of course would get a bigger income if there were some licensing arrangements. So we are very conscious in London of the arguments about the fisheries zone. And it is because we are conscious of those arguments that we have been considering them very seriously and I would like you to accept that this is a matter that we have very much before us. There are complications about it. It isn't quite as straightforward I think as some people might think and I'm sure all of us would hope, but I can assure you that it is something about which we are concerned."

I really cannot go beyond this at present.

You ask whether there is some way in which interested parties could be brought together for a discussion. I understand that any British companies or individuals expressing interest in commercial fishing operations around the Falkland Islands are advised to contact the Falkland Islands Government in Port Stanley, and that some have indeed done so. At the London end, there have been preparatory meetings between officials of the ODA and the FCO and representatives of the companies most interested in Falklands fisheries, e.g. Coalite, Taiyo and Messrs Marr and Boyd. This dialogue will no doubt continue, and the FCO, the ODA and your own authorities in Port Stanley will I am sure remain in contact with you as the situation develops.

A. J. COLES

A.B. Monk, Esq., OBE.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

6 February 1984

Boss

Type letter pl.
A.J.C. 2

Dear John,

Falkland Islands: Fisheries Limits

As requested in your letter of 12 January, I enclose a draft reply, for your signature, to a letter from the Falkland Islands Government representative in London, Mr Adrian Monk, about the possibility of declaring a 200-mile exclusion fisheries limit (EFL) around the Falkland Islands. We have held back this draft to take account of discussion at OD on 31 January: we do not believe that the conclusions of that meeting affect our public line; at least for the time being. We must, if anything, err on the side of caution.

Mr Monk is a retired Falklands farm manager and former Councillor, who has represented the Falkland Islands Government here since the opening of its Office in January 1983. He is in regular contact with the FCO. His letter to the Prime Minister follows one published in The Times of 19 November on the same subject, and the motion adopted by the Falkland Islands Legislative Council on 22 November: he has enclosed copies of both of these with his letter. He wrote to Lady Young shortly before the Falklands debate in the House of Lords on 6 December, similarly drawing the Minister of State's attention to the Legislative Council motion.

Mr Monk was due to call on Lady Young on 26 January, together with representatives of the Falkland Islands Association at their request, but the Association asked for a postponement.

In his final paragraph, Mr Monk indicates that he may have in mind a joint meeting of Whitehall officials, himself, members of the Falkland Islands Committee and representatives of the British fishing industry. As the draft reply indicates, firms or individuals who might be interested are generally always encouraged to contact the Falkland Islands Government direct. Coalite did so with its proposals for a joint fisheries venture with the Japanese

/company

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company Taiyo. Officials in the Foreign and Commonwealth Office and the ODA have been closely involved in this and have regularly discussed the prospects with Mr Monk.

Yr ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Private Secretary
10 Downing Street

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

A B Monk Esq
Falkland Islands Government
Office
29 Tufton Street
London SW1P 3QL

Copies to:

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SUBJECT:

.....In Confidence

CAVEAT.....

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Enclosures—flag(s).....

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/ She

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'The strong arguments in favour of declaring an EFL are well understood in London and I can assure you that this is something which is being given the closest attention at the highest level.'

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'I do appreciate that you want a 200-mile fishing limit. I recognise your concern on conservation grounds that the fish stocks may run out in the not too distant future and I'm very conscious that you earn a lot of money from harbour dues on vessels that are currently fishing and of course would get a bigger income if there were some licensing arrangements. So we are very conscious in London of the arguments about the fisheries zone. And it is because we are conscious of those arguments that we have been considering them very seriously and I would like you to accept that this is a matter that we have very much before us. There are complications about it. It isn't quite as straightforward I think as some people might think and I'm sure all of us would hope, but I can assure you that it is something about which we are concerned.'

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AR $\frac{7.}{2}$

6 FEB 1964





Home Director Foreign and Commonwealth Office

London SW1A 2AH

A.J.C. 1/2.

3 February 1984

Dear John,

You might be interested to have the enclosed copy of an article in New Society of 12 January entitled "Argentina and Democracy", together with our comments. The author, David Stephen, was Special Adviser to Dr Owen when Foreign Secretary and has good contacts in Argentina, including with President Alfonsin and other leading members of the Argentine Radical Party whom he met when he worked, in the 70s, for the Latin American branch of the International Universities Exchange Fund. He has kept up his links with them and was the only Briton to receive an official invitation to the inauguration ceremonies in Buenos Aires on 10 December. He has been in touch with the Department on a number of occasions and gave his impressions from the inauguration, many of them on the lines recorded in the enclosed article.

The article is, in our view, a perceptive piece. Argentina has something of a manic depressive record: the current political euphoria is consistent with this. Another important point is that Argentina has belatedly (and unwillingly) discovered its Latin American identity instead of trying to remain pseudo-European. Towards the end of the article, Stephen mentions the Radicals' wish to cite progress over the Falklands as well as the Beagle Channel as grounds for continued cuts in military expenditure: this has become a familiar theme, but he was one of the first observers to draw attention to it.

The Foreign Secretary has read this article with interest, and suggested that you might consider showing it to the Prime Minister.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

ARGENTINA AND DEMOCRACY

DAVID STEPHEN

BEING British in Argentina has always been hazardous. Even years before the war, a visit to a shoe-shop, and a confession that you were British, would bring the assembled shop assistants round to raise questions about the sovereignty of the Falklands or, even more ominously for the soccer-illiterate, about England's World Cup prospects.

Today any casual social contact involves instant decisions about how to play your Britishness. "Perhaps I could pretend to be Dutch," I say to myself—but then even my swarthy Latin-looking interlocutor could turn out to be of Dutch extraction and might speak the language perfectly and find me out. So, except with dangerously nationalistic-looking drunken revellers, to whom I might be prepared to pretend to be French, I take the line that I am British; that unfortunate things have happened, etcetera; but that now that the fascist junta has gone, everything is different.

Everyone agrees with that. Things *are* different now. On the night of President Alfonsín's inauguration last month, crowds thronged the streets all night. Bars and restaurants stayed open. People wished each other "Happy Democracy!" The faintly menacing character of Argentine crowds I had known in the past had gone.

My Argentine friends—who are at least as well informed on the Falklands war as any "specialist" in Britain—wanted to talk dispassionately about past events. Three Argentine journalists have just published a detailed account, collected from Argentine and American sources, of how the war and the talks were conducted at the Argentine end. The sailor in the junta, Admiral Anaya, is revealed as a pathetically narrow-minded and bigoted nationalist; the Foreign Minister, Costa Méndez, and President Galtieri as far out of their depth in high-level world power politics. The air force man, Lami Dozo, comes out as realistic and balanced; the British almost invariably—in diplomacy as in military affairs—as "professional." "A third-rate country with a first-rate diplomatic service" is one comment about Britain in the book.

Argentines want to know about Francis Pym and his relations as Foreign Secretary with the Prime Minister, about Tam Dalyell MP and his attempts to reconstruct the events (including the sinking of the *Belgrano*), which followed the launching of the Peruvian peace plan. They ask me what nuclear weapons Britain plans to install on the islands. They repeatedly ask why a few hundred families on the islands should apparently count more than 40,000 Anglo-Argentines or the Welsh-speaking sheepfarmers of Patagonia.

I try to point out that Mrs Thatcher does not head a fascist junta, and that she did not start the war. I echo President Alfonsín's brilliantly laconic reply to Mrs Thatcher's goodwill message: "Where there's a will, there's a way." "Mrs Thatcher's got a will all right," replies one Argentine friend.

What was staggering about the Alfonsín in-

auguration was the high-level presence from western Europe. Before the Falklands war, Argentina was already a member of the "Fourth World"—one of the pariah nations like Chile, South Africa, Taiwan and (to some) Israel. Other countries, like the United States under President Carter, or the French or Italians, wanted good relations. But they found it impossible to deal normally with a country with such an appalling human rights record.

Because the generals who led the 1976 coup had been careful to secure the tacit support of the Communist Party (which supported the "war against subversion" to smash the urban guerrillas), and because the Soviet Union is a major customer for Argentine grain, meat and wine exports, the communist world always softpedalled on Argentine human rights abuses. The Soviet Union and Argentina often supported each other at the United Nations Human Rights Commission. Chile's General Pinochet decided to emulate his hero, Franco, and declare a world crusade against communism. His human rights violations are better known and publicised; in fact, they are less horrendous than those of the Argentine junta.

During the war, the EEC countries supported Britain's call for economic sanctions against Argentina. France, in particular, gave important logistic help as the Task Force steamed south. Yet the French and Italian Prime Ministers came to Buenos Aires in December to welcome the return of democracy. There were high-level delegations from all other EEC countries, as well as the Prime Ministers of the two applicant nations, Spain and Portugal. From the United States, Vice-President Bush was there. There was no one from the British government at all.

Argentines are almost wholly European-descended. They care passionately about relations with Europe. Apart from the ever-present joy at the return of democracy, there was joy at this evidence of return to respectability, and above all to a European democratic fold.

But the atmosphere generally was different from the atmosphere of the Argentina I knew some years ago. Raúl Alfonsín's speeches are clear and simple. They seem to lack the bragging accent, the theatrical nationalism, which Perón brought to Argentine politics, and which a long line of would-be emulators, all the way down to Galtieri, have tried to imitate. There were no extravagant promises. Only the promise to be honest and work within the law. There was an acceptance that Argentina is a nation on its back. But the blame is located fairly and squarely with the country's political incompetence, with un-democratic juntas making a fool of the people and of the nation.

Alfonsín has grappled with the fact that—like Britain, though in a different league—Argentina is a downwardly mobile nation. "Fifth in the world in 1920—equal with Canada—fiftieth today" was one of Alfonsín's campaign themes. One of his key aims is to set Argentines thinking about the reasons

David Stephen was the only British guest at President Alfonsín's inauguration. He was invited by the President on a personal basis, having worked in Argentina on human rights in 1975-76. He is currently director of the UK Immigrants Advisory Service



Poverty in a country that should be rich. Above: Soup kitchen in the suburbs of Buenos Aires

for this extraordinary plight in a country so well-endowed with natural resources.

Until Alfonsín, much of Argentina had been mesmerised by the loss of power and prestige which took place around 1930. In that year, the great era of the Radical Party came to an end. The military marched in and began the cycle of civilian populism and authoritarian reaction which prevailed until Alfonsín's election last year. The Radical Party itself remained stunned by 1930. Until Alfonsín became its leader in 1982 and woke it up, it was largely a nostalgic party of provincial worthies seeking a return to their previous glory. (There was a Radical President for three years from 1963, but only because the main party, the Peronists, were banned by the military in that election.) For its part, Peronism offered the solutions of the Italy of the thirties for the Argentina of the forties and fifties; and, finally and disastrously, for Argentina in the seventies.

The Falklands defeat has decisively defeated the military as actors in Argentine politics. It revealed them not only to be politically inept (as everyone knew) but professionally incompetent as well. Alfonsín is quickly seizing the opportunity to recast the army in a modern professional mould, and to channel public resentment constructively into legal moves against corrupt and brutal officers.

The depth of military penetration into civilian life is constantly being revealed. There were rackets of one sort or another, involving death squads doubling as security firms with lucrative contracts, or the sale of goods removed as "booty" from the homes of subversives after raids. One of the most macabre scandals—and Alfonsín is pledged to bring everything out into the open—involves a child

adoption racket, whereby childless police and service families were given for adoption the orphan children of subversives who were "disappeared."

Argentina is a nation that loves children. Tales abound of police torturers forming loving relationships with children whose mothers and fathers they tortured to death. The new, democratic government has hinted that such children may have to be returned to their families, and the legality of their adoption re-examined.

Alfonsín took 52 per cent of the popular vote, far higher than anything his party had ever achieved in the past. To score such a vote, he must have had the support of large numbers of the traditionally Peronist working class and of many conservatives. His mandate is to re-form the political regime.

Will he be able to do so? The obstacles he faces are not the traditional military ones. There seems little doubt that the military are well and truly broken politically. The obstacles are economic.

The figures here are staggering. It is shocking enough to discover that the £1 of ten years ago is now worth about 25p. But the statistics in Argentina are of an altogether different magnitude. An Argentine economist calculated recently that the Argentine peso has been devalued by seven million per cent since 1970. Most Argentine banknotes are still leftovers from the last overhaul of the currency. You have to take four noughts off to get the right sum in today's money—so 1,000,000 pesos in the old notes is now 100 pesos, or about £3.

The fastest fall in the value of the Argentine peso (which was maintained at an artificially high value against the dollar under the military junta) took place between the end of the South Atlantic war and the coming to power of the democratic

government—in other words, in about 18 months from June 1982 until December 1983. The total devaluation in this period was about 1,700 per cent. Inflation is now running at an annual rate of about 400 per cent, though some economists are working on an estimated 600 per cent for 1983-84. As *Panorama* once said, "This is one country where it is literally cheaper to paper your walls with banknotes than with wallpaper."

The foreign debt is about 30 billion pounds—a staggering amount for a population of 28 million people, of whom about ten million are economically active. The true figure may be more, or it may be less. The Treasury minister, when asked by reporters what the exact total of Argentina's foreign debt was, replied, "I wish I knew."

Anything that responsible leader-writers said in Britain in the mid-seventies (when inflation was topping the 25 per cent mark) about the socially corrosive effect of inflation, needs to be magnified and multiplied when considering the plight of Argentina.

The question is whether, despite the overwhelming political consensus for a democratic revolution, the economy can be managed in such a way as to stabilise ordinary economic relations and transactions. Hyperinflation *à la* Weimar means that, to ordinary people, the economy seems to be simply out of control. Nothing is stable. Wage and salary earners find it totally impossible to plan or even to think ahead. The gains of a bitter labour dispute can be wiped out by inflation in less than two months. Contrived delays in the signing or payment of contracts can turn profits into losses within days.

No one doubts that it will be immensely difficult for the democratic government to bring the economy under control, and to re-establish confidence in the currency. In theory, the politics ought to come first. It should be possible, given a large measure of political consensus, to secure the con-

ditions for agreement on tough measures of economic stabilisation. These will have to involve wage restraint. But this is not a popular concept where drops in real wages of over 50 per cent were secured by the junta at the barrels of machine guns.

The international debt problem is probably more manageable. Argentines greatly dislike being in hock to the international bankers. They blame the juntas for buying too many arms. They hate being in the company of Brazil and Chile as Latin American debtor nations.

But therein may also lie a solution. Under Alfonsín, the supercilious Argentina of the past, making racist jokes against Brazil's blacks or Bolivia's Indians, has gone. The Argentines, proud of their "whiteness" and their European descent, don't like to be thought of as Latin Americans. But they now realise that they *are* Latin Americans. Alfonsín is building a foreign policy based on a new identification with the issues of Latin America.

One of his most popular campaign themes emphasised this. Europe, he said, united to defend its economic interests, and keeps out our agricultural produce. The only way to deal with the Europeans is to come together ourselves. Re-negotiation of the foreign debt, for example, would be much easier if Argentina cooperated closely with Brazil. An agreement with Chile on the disputed islands in the Beagle Channel, or with Britain on the Falklands, would help to cut the massive military budget. Resources could then go into useful and much-needed social and economic projects.

It might, just, all slip into place. A recent international opinion poll revealed that Argentina is the only country in the world where most people think 1984 will be better than 1983. Argentina is a fascinating, rich, spoilt, self-hating, generous, idealistic and manic-depressive country. It may at last have exorcised its demons (through the Falklands war), and have found a mature and sensitive leader who can cure its neurosis.

THE REAL WORRY ABOUT PUBLIC EXPENDITURE

MICHAEL STEWART

A reply to Sir Douglas Hague's article last week

LET me begin by agreeing with the point which Sir Douglas Hague spends the first half of his article establishing. Sir Douglas propounds "what I presumptuously call Hague's Law." The word "presumptuous" does indeed seem appropriate. Twenty-five years ago, economic forecasters in the Treasury were familiar with a concept called the "relative price effect."

Because public sector productivity, as measured, rises more slowly than private sector productivity, for any given overall rate of inflation the price of public sector output will rise relative to the price of private sector output. It follows that if the output of the public sector, in real terms, is to rise in line with the national income, public expenditure, at current prices, must rise as a proportion of the national income. Assuming that there is not to be increasing resort to deficit financing, this must

mean that taxation as a share of the national income will rise.

Thus Hague's Law is simply the relative price effect, and I hope that Sir Douglas will forgive me if I continue to refer to it as such.

Before coming on to the two major difficulties I have with Sir Douglas's article, it may be worth mentioning a minor one. This relates to the lack of ideological bias which Sir Douglas claims for himself ("Most of those to whom I put these arguments imagine that I am making an ideological point, but I am not"). There is a revealing sentence early in the article which must raise some doubts about this: "Some would put the public sector five to ten years behind the private in, for example, the use of word processors." The notion that word processors were in widespread use in the private sector five to ten years ago strikes me as pretty fanciful.

2 February 1984

Falkland
IslandsPrevious
Reference:
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Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that, as agreed in separate Ministerial discussion, action had been taken through the Swiss, as protecting power for the United Kingdom in Argentina, to notify the Argentine Government of the British Government's wish to hold official bilateral talks with Argentina with a view to moving towards the normalisation of relations. It had been made clear that the talks should not be secret and that sovereignty would not, and could not, be on the agenda. The Swiss had passed this message on 26 January and it had been transmitted to the Argentine President, Senor Alfonsin, and to the Argentine Foreign Minister, Senor Caputo, both of whom were away from Buenos Aires. In a public statement the previous day, Senor Alfonsin was reported to have proposed the establishment of a United Nations force on the Falkland Islands and a resumption of negotiations about sovereignty under United Nations auspices, calling on the United Kingdom to cease fortifying the Islands and to lift what he called "the exclusion zone". Senor Alfonsin had, at the same time, repeated that Argentina would press its claim to the Falkland Islands by peaceful means. At first sight this was an unsatisfactory response to the British approach, but it was too soon to make a considered assessment. Meanwhile, British spokesmen would continue to take the line that the British Government was seeking a normalisation of relations with Argentina through the protecting powers, while standing by the assurances given to the Islanders (who had endorsed the need for a better relationship with Argentina); that sovereignty would not be on the agenda; that the Argentine Government had no need to seek assurances from the United Kingdom, which had never had aggressive intentions of any kind; and that the Government was not dismissive of the United Nations but saw no role for it over the Falkland Islands. Nothing should be said which might appear to recognise the Argentine claim; but there could be a cautious welcome for President Alfonsin's indication that Argentina had renounced the use of force in relation to the Falkland Islands

The Cabinet -

Took note.

4
CONFIDENTIAL

PS
 PS/LADY YOUNG
 PS/MR WHITNEY
 PS/MR RIFKIND
 PS/PUS
 SIR J BULLARD
 SIR I SINCLAIR
 SIR W HARDING
 MR WRIGHT
 MR ADAMS
 LORD N G LENNOX
 SIR C TICKELL
 MR D C THOMAS

*ARGENTINA
 Relations*

PS/NO 10 DOWNING ST (3)
 PS/S OF S FOR DEFENCE
 MR J STEWART AUSD STAFF MOD
 PS/CHANCELLOR)
 MISS M E CUND)
 MR LITTLER)

*Pa
 3/2*

SIR R ARMSTRONG)
 MR A D S GOODALL) CABINET OFFICE
 DIO)
 MR M A PATTISON, FID, ODA

MR CARTLEDGE
 ED/PUSD (2)
 ED/SAMD
 ED/FID
~~ED/NEWS DEPT~~
 ED/NEWS DEPT
 ED/ERD
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 ED/UND
 ED/PLANNING STAFF

MR A FORTNAM IAT/ D. TRANSPORT

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 PORT STANLEY ALL EC POSTS

MIPT

1. FOLLOWING IS AN UNOFFICIAL TRANSLATION OF A COMMUNIQUE
 ISSUED YESTERDAY BY THE PUBLIC INFORMATION SECRETARIAT, DEFINING
 ARGENTINA'S POLICY TOWARDS TALKS WITH THE UK OVER THE FALKLANDS:

" IN THE FIRST PLACE, ARGENTINA WILL NEVER GIVE UP HER
 LEGITIMATE RIGHTS OVER THE FALKLANDS. THERE CAN BE NO DOUBT
 ABOUT THE SOLUTION TO THE QUESTION OF THE ISLANDS.

FOLLOWING THE CONFLICT WHICH BROUGHT US UP AGAINST THE UNITED
 KINGDOM, IT WOULD NOT BE UNREALISTIC TO THINK IN TERMS OF SUDDEN
 CHANGES IN RELATIONS BETWEEN THE TWO COUNTRIES.

NOBODY CAN FAIL TO APPRECIATE THAT THE PATH BY WHICH THESE
 RELATIONS ARE RESTORED WILL WITHOUT DOUBT HOLD MANY DIFFICULTIES.

BUT RECENT HISTORY HAS SHOWN THAT COUNTRIES THAT HAVE BEEN
 BITTER ENEMIES HAVE MANAGED TO RESTORE THEIR RELATIONS, AND
 FURTHERMORE, CREATE AN ATMOSPHERE FOR COOPERATION PREVIOUSLY
 UNHEARD OF IN THE WORLD.

THE SECRET THAT ENABLED THE WESTERN COUNTRIES TO RESTORE
 RELATIONS AFTER THE SECOND WORLD WAR WAS THE EXISTENCE OF A CLEAR
 AND WELL-DEFINED DETERMINATION TO RE-ESTABLISH PEACE.

IT IS FOR THIS REASON THAT WE HAVE STATED, AND WE NOW REPEAT,
 THAT PROVIDING THE WILL EXISTS ON BOTH SIDES, WE SHALL FIND A WAY
 TO RECONSTRUCT OUR RELATIONS.

THE WORRYING FACTOR IN THE PRESENT SITUATION IS THAT THERE
 APPEARS TO BE NO SUITABLE WAY OF OVERCOMING THIS IMPASSE, OF
 UNBLOCKING THE PRESENT STATE OF AFFAIRS.

THE WORRYING FACTOR IN THE PRESENT SITUATION IS THAT THERE APPEARS TO BE NO SUITABLE WAY OF OVERCOMING THIS IMPASSE, OF UNBLOCKING THE PRESENT STATE OF AFFAIRS.

THE ARGENTINE GOVERNMENT WISHES TO FIND THE WAY OF RE-ESTABLISHING RELATIONS IN THE FOLLOWING MANNER:

- A. WE ARE WILLING TO BEGIN TALKS WITH THE UNITED KINGDOM THROUGH OUR RESPECTIVE REPRESENTATIVES AT THE UNITED NATIONS.
- B. THE IMMEDIATE AIM OF THESE TALKS IS TO RETURN RELATIONS AND THE TERMS OF THE DISPUTE BETWEEN THE TWO COUNTRIES TO THE STATE IN WHICH THEY EXISTED BEFORE THE CONFLICT.
- C. THESE TALKS MUST TAKE PLACE WITHIN THE FRAMEWORK OF RESOLUTIONS 206, -XX, 37/9 AND 38/12 OF THE UNITED NATIONS GENERAL ASSEMBLY, AND ALSO RESOLUTION 505/82 OF THE UNITED NATIONS SECURITY COUNCIL.
- D. THESE TALKS MUST BE CONDITIONAL UPON THE ELIMINATION OF THE EXCLUSION ZONE ESTABLISHED BY GREAT BRITAIN, AND A GUARANTEE BY THAT COUNTRY THAT SHE WILL NOT CONTINUE WITH THE CONSTRUCTION OF MILITARY INSTALLATIONS AND THE BUILD-UP OF WARLIKE MATERIAL IN THE AREA.
- E. TO MAKE THIS GUARANTEE EFFECTIVE, THE POSSIBILITY SHOULD BE STUDIED OF STATIONING IN THE ISLANDS A UNITED NATIONS PEACE FORCE.
- F. WHEN THE SITUATION HAS THUS BEEN CHANGED, OBVIOUSLY A DE JURE CESSATION OF HOSTILITIES WOULD COME INTO EFFECT, WITH THE CORRESPONDING COMMERCIAL, ECONOMIC AND DIPLOMATIC CONSEQUENCES. **

2. THIS COMMUNIQUE COMPLEMENTS, AND WAS CLEARLY COORDINATED WITH REMARKS MADE YESTERDAY BY RAUL ALFONSIN AT A PRESS CONFERENCE IN CARACAS. ALFONSIN HAD SIMILARLY STRESSED THAT ARGENTINA WOULD NOT SURRENDER HER SOVEREIGNTY CLAIMS TO THE FALKLANDS, BUT THAT SHE OBVIOUSLY ALSO WISHED TO FIND SOME KIND OF SOLUTION WHICH WOULD PERMIT THE INITIATION OF A DIALOGUE WITH THE UK THROUGH THE UNITED NATIONS REPRESENTATIVES OF THE TWO COUNTRIES AND WITHIN THE FRAMEWORK OF UN RESOLUTIONS. HE HAD LIKEWISE INDICATED THAT TALKS MUST BE PROCEEDED BY THE LIFTING OF THE QUOTE EXCLUSION ZONE UNQUOTE AND AN END TO OUR QUOTE FORTIFICATION UNQUOTE OF THE ISLANDS, AND HAD FLOATED THE IDEA OF THE INTRODUCTION OF A UN FORCE.

3. MIFT.

JACKSON-HOULSTO

CROWSON

NNNN

MR. CATFORD

P1. file

I attach a letter which I have received from the Lord Chancellor's Office, covering a paper about public records. So that you may know the provenance of this, I am also enclosing a copy of a letter from John Coles to the Foreign and Commonwealth Office dated 9 ~~March~~^{December} (Flag A).

The question of the Falkland Islands records was resolved by a Cabinet meeting on 15 December when the Prime Minister decided that the Falkland Islands records should be returned to the Public Record Office, but that legislation should be considered in the normal course of business to put right the deficiency in the present legislation which makes it impossible to close documents once they have been open to the public.

You may like to submit the attached document to the Prime Minister with any comments which you want to add. The Lord Chancellor's paper does not call for a decision by the Prime Minister since the Cabinet has already decided, on 15 December, that the question of legislation on the general issue of public records should be considered in the normal course of business. But the Prime Minister will undoubtedly be interested in the points which the Lord Chancellor makes about other deficiencies in the present legislation.

The Prime Minister will, I think, also be interested in another aspect, and that is the arrangements made in No. 10 for us to review the No. 10 records and any comments we have on how well these work. It may be that you have a piece of paper on this which can be readily submitted with the Lord Chancellor's paper. If not, may I suggest that you submit the Lord Chancellor's paper, through me please, and ask the Prime Minister whether she would like a note on the way in which our machinery in No. 10 operates in reviewing the No. 10 papers before either they are submitted to the Public Record Office or an application is made to the Lord Chancellor for their retention or closure.

F.R.B

2 February 1984

Alison

Private Secretary

S/S



John Golder

is very keen to

give some reaction

at the 1230.

If something along

these lines is

acceptable, would

John Golder give

us a ring

before C (A) ?

Done

CONFIDENTIAL

CABINET : 10.00 AM, 2 FEBRUARY

FALKLANDS/ARGENTINA : PRESIDENT ALFONSIN'S PROPOSAL FOR A UNITED NATIONS FORCE ON THE ISLANDS

1. Not a helpful statement by Alfonsin. He knows from our proposals, delivered by Swiss on 26 January, that we regard step-by-step normalisation of bilateral relations as the most realistic way ahead. But he probably has a presentational problem: he may well not be prepared to admit to the Argentine public that he might become engaged in a process from which sovereignty is definitively excluded.

2. Our public line is important. Recommend following as main points in it:-

- (a) We wish to re-establish mutual confidence between Britain and Argentina. Correct way of setting about this is to seek to improve relations through the Protecting Powers, and to move from that to try to establish a normal pattern of business between the two countries.
- (b) No question of this process including discussion of sovereignty over the Falklands. Islanders have publicly agreed that, on this basis, improved bilateral relations offer the most realistic prospect for progress, and for reduced tension in the area.
- (c) No need for Argentina to ask for "guarantees". Our deployments in the Falklands purely defensive, to ensure that tragic events of April 1982 do not recur.

/(d) Do not wish

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- (d) Do not wish to be dismissive of United Nations, but see no rôle for it in the administration or protection of the Falkland Islands. The United Nations itself accepts that Britain is the sole administrating authority for the Falklands: in this capacity we are determined to stand by all our commitments to the Islanders, including their defence.
- (e) President Alfonsin has again demanded lifting of "Exclusion Zone". We did this in July 1982, replacing the 200-mile Zone with the 150-mile Protection Zone. We do not envisage keeping the Protection Zone indefinitely, but we cannot be rushed in to lifting it. We require a formal declaration by Argentina that hostilities are at an end, and to be fully satisfied that Argentina renounces the future use of force. We have noted the statements by President Alfonsin that his Government intend to pursue their claim by peaceful means.

Kenon

Chap

CONFIDENTIAL

NNNN

UKP771 DXA429

020138 :PM-ALFONSIN

ARGENTINA CALLS FOR U.N FORCE ON FALKLANDS:

CARACAS, FEB 1, REUTER - ARGENTINE PRESIDENT RAUL ALFONSIN CALLED TODAY FOR A UNITED NATIONS PEACE-KEEPING FORCE TO SUPERVISE DEMILITARISATION OF THE FALKLAND ISLANDS OVER WHICH ARGENTINA AND BRITAIN WENT TO WAR NEARLY TWO YEARS AGO.

ALFONSIN, IN VENEZUELA TO ATTEND TOMORROW'S INAUGURATION OF PRESIDENT JAIME LUSINCHI, REPEATED PREVIOUS ARGENTINE DEMANDS THAT BRITAIN LIFT ITS EXCLUSION ZONE AROUND THE DISPUTED SOUTH ATLANTIC ISLANDS AND STOP FORTIFYING THEM.

ARGENTINA REQUIRED GUARANTEES BEFORE IT COULD SIGN A FORMAL CESSATION OF HOSTILITIES AS REQUESTED BY BRITAIN, HE TOLD A PRESS CONFERENCE.

+THE ESTABLISHMENT OF A UNITED NATIONS PEACEKEEPING FORCE WOULD FOR US SOLVE THE PROBLEM OF A FORMAL CESSATION OF HOSTILITIES, + HE SAID.

ARGENTINA'S FORMER MILITARY GOVERNMENT INVADED THE FALKLANDS ON APRIL 2, 1982. A BRITISH TASK FORCE RECAPTURED THEM 10 WEEKS LATER AFTER BITTER FIGHTING IN WHICH ABOUT 1,000 MEN DIED.

THE ELECTED GOVERNMENT OF ALFONSIN, SWORN IN ON DECEMBER 10 AFTER NEARLY EIGHT YEARS OF MILITARY RULE, HAS SAID THAT A SETTLEMENT TO THE DISPUTE SHOULD BE NEGOTIATED WITHIN THE FRAMEWORK OF U.N. RESOLUTIONS.

REUTER KG/RMS/DJG (DIP,WAR)

NNNN

UKP772 DXB578

020142 :PM-ALFONSIN =2 CARACAS:(REOPENS)

ALFONSIN SAID ARGENTINA'S SOVEREIGNTY CLAIMS OVER THE ISLANDS WOULD REMAIN A FUNDAMENTAL PRINCIPLE IN ANY NEGOTIATIONS. BRITAIN, WHICH HAS CONTROLLED THE FALKLANDS FOR 150 YEARS, HAS SAID IT WILL NOT DISCUSS SOVEREIGNTY.

ALFONSIN SAID HE HAD NO PLANS TO MEET BARONESS YOUNG, MINISTER OF STATE IN THE BRITISH FOREIGN OFFICE AND HEAD OF HER COUNTRY'S DELEGATION TO LUSINCHI'S INAUGURATION, WHILE IN CARACAS.

HE REPEATED ARGENTINA'S SUPPORT FOR THE CONTADORA PEACE EFFORT IN CENTRAL AMERICA AND CALLED ON THE UNITED STATES TO ADOPT A MORE FLEXIBLE ATTITUDE TOWARDS SOCIALIST GOVERNMENTS IN THE REGION.

HE SAID THE POSSIBILITY OF U.S. INTERVENTION IN CENTRAL AMERICA WAS HINDERING EFFORTS TO SETTLE THE CONFLICT.

ALFONSIN ALSO DREW ATTENTION TO LATIN AMERICA'S 310-BILLION-DOLLAR DEBT PROBLEM, WHICH HE SAID INDUSTRIALISED COUNTRIES STILL FAILED TO REALISE WAS UNDERMINING THE REGION'S EFFORTS TO ACHIEVE DEMOCRACY AND STABILITY.

+IT IS ACTING AS A NEUTRON BOMB IN REVERSE -- WE ARE STILL ALIVE BUT THE PRODUCTIVE APPARATUS IS DESTROYED,+ HE SAID.

REUTER AWS/HED/DJG (WAR, DIP)

Box
acknowledged
by ER 3/2

Prime Minister

MB

I think this a
very useful article
about the present
state of the Argentine.

~~Washington~~

(Wall Street Journal)

Angela
Jan 31 1984

How Argentine Vengeance Endangers Democracy

By EVERETT G. MARTIN

BUENOS AIRES, Argentina—Given half a chance, Argentines seem to run to excess in everything.

They didn't hesitate, for example, to take on Britain in a war when they decided to make their claim on the Falkland Islands. When they have inflation, it has to become the highest in the world. And when they go into debt, it has to be one of the most troublesome in the world. The list goes on and on, and the list of governments that have been broken trying to contain their excess is just as long.

President Raul Alfonsin hasn't been in office much more than a month and already he is suffering from his countrymen's penchant for overdoing. This time their enthusiasm is directed at democracy.

It is understandable that after more than four decades of authoritarian government of one kind or another, most Argentines have little real idea of what democracy is all about. But it seems that to many of them it means unbridled freedom to do whatever the military governments had forbidden.

Thus some young people clash with police over their demand for total freedom to smoke pot. Publishers rush to print pornographic magazines, and movie theaters are showing all the off-color films they can get their hands on.

For the vast majority of the population, the very fact that they now have an elected president means to them that they can go after the blood of the former military strongmen without any fear of the consequences. With typical celerity, Argentines have switched from massive indifference to

uncontrolled outrage over the crimes that were committed against their legal system and human rights in the 1970s by the military when it was crushing the leftist terrorists. "If Alfonsin hung them all from the lampposts tomorrow, it would be the most popular thing he could do," says a journalist appalled at what she considers to be the hypocrisy of her countrymen.

When the military was fighting the so-called dirty war against the terrorists, the vast majority of Argentines didn't care what methods were used to end the terrorist threat. "Every one of us knew someone who had been kidnapped or whose home was bombed," recalls Guillermo Pena Casares, a prominent Buenos Aires attorney. He says residential areas of the city had been declared "liberated zones" by the *Montonero* terrorists, and neighborhoods formed their own vigilante committees to protect themselves. Argentines genuinely feared they were about to lose their country. "Back then," he says, "people considered the military to be heroes." The antiterrorist war was, in fact, the only real accomplishment the juntas could point to after they botched the economy and were humiliated by the British in the war over the Falkland Islands.

Now, Argentines are wallowing in the horror of what the military did to terrorist suspects. Starting with the noon television news shows, they are glued to their sets every day watching gravediggers exhume bodies from mass graves. The diggers are becoming television personalities and oblige the cameras by holding up the most grisly skulls to show where they were punctured by bullets.

A weekly magazine sold out three printings of a 16-page interview with an ex-navy noncom who claims to have been one of the chief torturers at a secret jail inside the navy mechanics training center. With relish, he spares no details recounting how he cut off the hands of victims and obliterated their teeth to hide their identity and strung the victims together like sausages to be thrown into the sea from airplanes.

When former military President Reynaldo Bignone was called to testify in a court case involving two missing Communist youths, crowds gathered outside the courthouse screaming "Murderer!" and, as they tried to rough him up, clashed with his bodyguards.

A foreign banker stationed in Buenos Aires is amazed at the anger that flashes with every new disclosure of the military's crimes. "When I first came here and mentioned human rights to my secretaries," he recalls, "they looked at me as if I were some kind of Communist. Now they won't talk about anything else."

Such unrestrained public concern, even if long after the fact, is, of course, a healthy thing for Argentina's national soul, but it could turn out as the worst thing possible for the survival of its democracy.

Although Mr. Alfonsin was one of the few Argentines concerned about the military's wholesale violations of legal procedures during the anti-terrorist war, human rights groups, such as Madres de la Plaza de Mayo, now accuse him of trying to protect the torturers. It isn't true, of course. The president was only trying to show his

countrymen that democracy means restraint and to prevent them from committing their usual self-destructive excess.

Mr. Alfonsin and the leaders of his Radical Party haven't forgotten that the biggest threat to the country's fledgling democracy is still a military coup. They want to keep the justifiable outrage over human-rights violations from turning into something the military could view as an assault on the armed forces as an institution.

Mr. Alfonsin has carefully limited his search for the guilty to retired senior officers who have lost most of their influence with military institutions. He has ordered past junta members to be tried by military tribunals, but he has tried to exclude from prosecution men in the lower ranks who he says were only obeying orders.

But the way the situation is going, Mr. Alfonsin's approach may not prevail. Bereaved parents of victims of the military's cruelty are bringing charges against their children's captors in civil courts, and low-ranking servicemen are being called to account outside the military system. Mr. Alfonsin's more moderate approach is threatened with sinking into an orgy of vengeance as the civilian trials proliferate.

One student of Argentine affairs, Carleton College Prof. Gary Wynia, warns that "if individual officers are constantly harassed, the military may panic." And panic in terms of the Argentine military usually means seizing the government.

Mr. Alfonsin may have covered himself against this threat, however. The new top commanders he selected for the army, which is the service to worry about, were picked for their loyalty to the constitution and their lack of any connection with the "dirty war" against the terrorists. This is important because successful Argentine coups in recent years have always been conducted by the high command. Uprisings within individual units have been put down without difficulty.

But the danger is real. In the past 31 years, not a single elected government has served out its full six-year term. Argentines shouldn't forget that, if they choose vengeance, they could well be deciding against their own fragile democracy.



PM/84/22

PRIME MINISTER

Falkland Islands: Possible Declaration of a 200-mile Fisheries
Limit

1. On 29 December I circulated a Memorandum (OD(83)19) on the possibility of declaring a 200-mile Exclusive Fisheries Limit (EFL) around the Falkland Islands. Colleagues will also have seen Timothy Raison's minute to me of 20 January. We are due to discuss this subject in OD at 10.45 on 31 January.
2. The Defence Secretary and Lady Young have meanwhile visited the Falklands. They were made aware of the strength of the Islanders' feeling that it is essential that we declare an EFL, and that we shall be letting them down badly if we do not.
3. OD agreed on 25 January that we should move ahead, through the Swiss Protecting Power, with our proposals for normalising our bilateral relations with Argentina. I have already set action in hand on this, and hope that substantive exchanges will get under way shortly with the Argentines: but, as I suggest in paragraph 6(b) of my Memorandum, the prospects for these could be seriously jeopardised if the question of an EFL were handled in a way which the Argentines regarded as confrontational.
4. I have been reflecting further on these issues and have a number of additional points to add to those in my Memorandum.

/5. It is



5. It is worth underlining that the collaborative approach suggested in the Memorandum would be entirely without prejudice to our position on sovereignty. We have asked the Swiss, in suggesting official discussions on the normalisation of our bilateral relations, to leave the Argentines in no doubt that sovereignty is not and cannot be on the agenda. Nor would it be if we were to explore possible fisheries arrangements with them. As is envisaged for the general normalisation talks, the very most we could possibly accept would be a fall-back position whereby each side could make a short and self-contained statement of their position on sovereignty, for the record; and then agree to discussion of specific practical issues, without prejudice to their stated positions.

6. On the question of policing a unilaterally-declared EFL, to which I refer in paragraph 6(c) of my Memorandum, our obligations would include stopping and arresting the vessels of any third nation which refused to accept our regime. On the present pattern of fishing in the area, this would be liable to include Russian and Polish vessels, thus possibly creating a dispute with the USSR and other states which we succeeded in avoiding throughout the hostilities and subsequently.

7. Tim Raison's minute to me of 20 January illustrated the importance of an EFL if the Falkland Islands are to achieve a balanced budget. The incentives for the Argentines to co-operate with us in this field are less clear cut, and may therefore be worth summarising. Detailed information about the stocks in question (paragraph 8 of the Memorandum) is lacking, but in 1979 the then White Fish Authority estimated the annual value of the potential catch from the waters around the Falkland Islands to be in the region of £108 million (subject to the catching costs). Other calculations suggest that this may have been an under-estimate. Whatever arrangement may eventually be agreed

/for Argentine



for Argentine fishing in the framework of the proposed scheme, there is in any case a reciprocal movement of fish between Falklands waters and those which we acknowledge as Argentine. Argentina thus has a clear interest in the rational, controlled management of the fishery. Moreover, since my Memorandum was circulated, we have received indications that for their own domestic reasons, notably their need to forestall any resurgence of the influence of the military, the Argentine Government wish at least to maintain an impression that progress is being made over the Falklands. It has also been suggested that they might be prepared to discuss compensation with us over joint exploitation of resources, including fisheries. So long as discussion of sovereignty was firmly ruled out, in the way I have described, this factor could work to our mutual advantage.

8. We have to recognise however that the Falkland Islands have more to gain than Argentina from the establishment of an EFL. We shall therefore have to look for imaginative ways of increasing the incentive for Argentina to pursue a collaborative approach with us, despite all the difficulties this would pose for them.

9. I continue to believe that the kind of approach outlined in the Annex of my earlier Memorandum is the least bad of the options available to us in seeking to establish an EFL. If we are to pursue this course, it will have a bearing on the tone of our public statements on Argentina/Falklands. We shall need to do all we can to confirm to the Argentines that we are genuinely seeking a co-operative relationship with them in this as well as in other areas, and I would see advantage in our making an early move to add the subject of fisheries to the agenda already proposed to them for talks on the normalisation of bilateral relations.

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10. I am sending a copy of this minute to our colleagues on OD and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
30 January 1984

CONFIDENTIAL

30 JAN 1964

11 12
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6 5 4



CONFIDENTIAL

B.06956

PRIME MINISTER

c Sir Robert Armstrong

Falkland Islands: Possible Declaration
of a 200 mile Exclusive Fisheries Limit

(OD(83) 19)

Flag A

BACKGROUND

1. The recommendation that a 200 mile exclusive fisheries limit (EFL) be established around the Falkland Islands is the one major recommendation of Lord Shackleton's Falkland Islands Economic Study 1982 on which the Government has not yet announced any decision. The establishment of such a limit would make it easier to introduce effective measures for the long-term conservation of fish stocks and for the control of the size of the fishing fleet in the area. The coastal state state declaring such a limit can also derive revenue from the sale of licences to fish.

2. Lord Shackleton also recommended the expenditure of some £20 million over five years in exploratory fishing with a view to the establishment of a large-scale fisheries operation based on the Falkland Islands themselves; this proposal has not been taken further because, if a 200 mile limit is declared and fish stocks rebuilt, normal commercial considerations might result in private capital undertaking the sort of investment envisaged by Lord Shackleton.

3. In his memorandum, the Foreign and Commonwealth Secretary reports that there is strong pressure in the Falkland Islands for the establishment of an EFL; the Executive Council made a formal request on 22 November. The Foreign and Commonwealth Secretary estimates that revenue from licences and possible joint ventures could

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Flag B

amount to as much as 30 per cent of the Islands' present budget. The Minister for Overseas Development, in his minute of 20 January to the Foreign and Commonwealth Secretary, says he believes this estimate to be conservative, and that the figure could be as high as 90 per cent of the Islands' budget. Mr Raison makes the further point that recent studies indicate that an EFL is required if the Islands' budget is to be balanced without recourse to budgetary aid.

4. The Foreign and Commonwealth Secretary's memorandum examines three possible courses of action as regards an EFL: to do nothing; || to declare an EFL unilaterally; / or to explore with the Argentines, without prejudice to the United Kingdom's position on sovereignty, the possibility of the establishment of a Regional Fisheries Administration in co-operation with them. || To do nothing would result in increasing criticism of British policy by the Falkland Islanders, and present them with budgetary problems. To establish a limit unilaterally would be confrontational, and run counter to the policy agreed by OD on 25 January of seeking a gradual normalisation of Anglo-Argentine relations. The Foreign and Commonwealth Secretary therefore proposes that the possibility of jointly establishing a Regional Fisheries Administration should be added to the agenda of the talks with Argentina which have already been agreed by OD. The Foreign and Commonwealth Secretary's memorandum canvasses the idea that an eventual Fisheries Administration might be operated under the auspices of the Food and Agriculture Organisation, although the Minister for Overseas Development is sceptical. The actual mechanics of the scheme need not be addressed at this stage, since the Foreign and Commonwealth Secretary is inviting the Committee's agreement only to his pursuing further the feasibility of the course of action proposed.


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Further detailed work will be needed on these proposals in the light of the Argentine response to our initial approach. This might also examine the parallel recommendation in the Shackleton report that a 200 mile fishing limit should be declared around South Georgia, the South Sandwich Islands and, as and when it becomes practicable, around the dependencies to the South.

Flag C

5. In his minute of 30 January, the Foreign and Commonwealth Secretary draws attention to the fact that our approach through the Swiss to the Argentines can have left the latter in no doubt that sovereignty over the Falkland Islands is not on the agenda of the proposed talks. The addition of possible fisheries arrangements to the topics for discussion, would not alter this. If the Argentines were to press the point, the most that could be accepted in the fisheries talks would be, as with the other talks, an arrangement whereby each side made at the outset a self-contained statement of their position and proceeded to discuss practical issues without prejudice to these positions.

The Foreign and Commonwealth Secretary also re-emphasises the potential problems (referred to in paragraph 6(c) of his memorandum) of policing a unilaterally-declared EFL; this could involve stopping and searching among others Russian, Polish and Spanish vessels, whose governments do not recognise British sovereignty over the Islands.

6. The Foreign and Commonwealth Secretary also outlines the incentives for Argentina to join us in establishing an agreed fisheries regime in the area, and draws attention to indications that for domestic reasons the Argentine Government wish to maintain an impression that progress is being made in their relations with the United Kingdom, and that they might therefore be prepared to discuss the joint exploitation of resources, including fisheries.

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7. The Chancellor of the Exchequer is unable to attend or be represented because of a meeting on the Budget. The Secretary of State for Defence is out of the country and will be represented by the Minister of State for the Armed Forces (Mr Stanley). The Secretary of State for Trade and Industry is unable to attend because of Parliamentary business and will be represented by the Parliamentary Under Secretary of State, Department of Trade and Industry (Mr Fletcher). The Attorney General, the Chief of the Defence Staff and Sir Antony Acland have also been invited to attend. The Secretary of State for Northern Ireland is not taking up the permanent invitation to him to attend on this occasion.

HANDLING

8. You should invite the Foreign and Commonwealth Secretary to introduce his memorandum. Points to cover in the discussion are -

(a) Does the Committee agree that it would be desirable to establish a 200 mile exclusive fisheries limit around the Falkland Islands? If so

(b) is the Committee satisfied that a fisheries limit could be introduced with Argentine co-operation without constituting a step towards Argentine involvement in the exercise of sovereignty over the Islands?

(c) Would the establishment of a fisheries regime in agreement with Argentina enable us to get round the policing/enforcement difficulties inherent in a unilaterally declared regime?

(d) Is it agreed that the negotiated approach is to be preferred to a unilateral declaration?

CONCLUSION

9. Subject to the points made in discussion, you could guide the Committee -



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(i) to agree in principle that a 200 mile exclusive fisheries limit should be established around the Falkland Islands;

(ii) authorise the Foreign and Commonwealth Secretary to explore with the Argentines the possibilities of introducing a jointly agreed fisheries regime;

(iii) invite the Foreign and Commonwealth Secretary to bring forward detailed recommendations in the light of the Argentine response to our approach.

David Goodall

A D S Goodall

30 January 1984



10 DOWNING STREET

Prime Minister.

I do not wish to add to the
difficulties of this decision. But
are we quite sure that if we
discuss with Argentina the
questions in para. 4 of the Annex to
OD (83)19 we are not, from a
legal point of view, weakening
our position on sovereignty?

And would we consult the
Islanders about the compromise
solution before or after discussing
it with Argentina?

A. J. C. 30.

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

FOREIGN SECRETARY

OD: FALKLAND ISLANDS: FISHERIES

I have seen your paper OD(83)19 on the arguments for and against declaring a 200-mile Exclusive Fisheries Limit around the Falklands.

2. I agree that there would be disadvantages either in leaving things as they are or in declaring an EFL unilaterally, but that we should not rule out establishing an EFL with a Regional Fisheries Administration. However, fisheries protection and management is expensive, and would presumably be a charge on the Falkland Islands Government, substantially offsetting the financial benefits of licensing. Indeed, with depleting fish stocks, the cost of policing could well be greater than the revenue from licensing. A feasibility study of an EFL should therefore include a full financial appraisal.

3. Since I shall not be at the OD meeting on 31 January, I am copying this minute to the Prime Minister, other members of OD, and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'N.L.' with a flourish underneath.

(N.L.)
30 January 1984

CONFIDENTIAL

30 JAN 1984



RESTRICTED

FROM : M A POWER
DATE : 30 JANUARY 1984

cc PS/Lady Young
PS/Sir A Acland
PS/Sir William Ryrrie
Mr Vereker
Mr Lawless
Mr Palmer FID/FCO

APS/Secretary of State (Mr Ricketts)

FALKLANDS : BREWSTER HOUSES

A. & C. 2/1
h-a.

1. In your minute of 25 January, you recorded that the Secretary of State would be grateful for an urgent review of the factors which have given rise to criticism over two projects in the Falkland Islands: the Brewster houses, and the Stanley airport road.
2. In view of the continuing level of media attention to the housing project, we have completed that review as a first priority, and I now attach a short paper by officials. The Stanley airport road has not attracted similar attention, but we shall be proceeding with our review of that without delay, and I will send you the outcome separately.
3. I should stress that Mr Raison, who is as you know in Uganda, has not yet been consulted about this review, and I have no doubt that he will wish to look particularly at the conclusions which should be drawn from it, when the meeting your Secretary of State proposes takes place. I have also to say that in the time available it has not been possible to agree this paper with the Civil Commissioner, nor with the Crown Agents; but we have no reason to suppose that they would dispute the facts.
4. The paper is classified Restricted because of the references to our concerns about the financial position of James Brewster Associates; that apart, material in the paper can be freely drawn upon in answering media or parliamentary enquiries.
5. As I proposed to him this morning, I am sending a copy of this minute and enclosure to John Coles in No 10, as well as to Bernard Ingham.

M. A. Power.

M A Power
PS/Mr Raison
30 January 1984

RESTRICTED

THE BREWSTER CONTRACT FOR HOUSING IN THE FALKLAND ISLANDSReview by ODA officialsI. The Origins of the Project

1.1 In June 1982, planning began on rehabilitation priorities for the Falklands, in the expectation that fighting would shortly come to an end. The planning was initiated by the FCO Falklands Unit, which included representatives from other Whitehall Departments. At meetings under Ministerial chairmanship, other Departments were brought into discussion of likely priority needs and financial implications.

1.2 Housing was rapidly identified as a major priority. This was confirmed by the Civil Commissioner, who reported on 14 July that 27 houses were required to replace destroyed or damaged units. This would cover families who had lost their housing and replacement staff for certain personnel who were not expected to return.

1.3 ODA professional advisers were invited by the FCO Falklands Unit to investigate potential sources of supply. As with all ordering of goods under the rehabilitation programme, the Crown Agents were to call for tenders and to place an order in the form of an ODA contract. This particular contract would be beyond the scope of the other procurement contracts placed in this phase, but there seemed no realistic prospect of having the contract placed in the name of the Falkland Islands Government, although this would have accorded with normal aid practice.

1.4 Port Stanley provided an outline specification - in response to a commercial enquiry rather than in reply to promptings from London. This did not provide sufficient detail to enable tenders to be invited. The Civil Commissioner felt unable to accept an early visit from an ODA Engineer to pursue both this question and other civil engineering requirements. But Ministers directed that good quality housing should be sought; that, specifically,

/the

the immediate post-war UK image of "prefabs" was to be avoided; and that the units were to be supplied complete with all household needs given the local scarcity of all supplies.

1.5 On this basis, ODA advisers prepared a detailed specification, in the absence of one from the Islands. This was telegraphed to Port Stanley, with an invitation to confirm its acceptability or to propose amendments. After some delay, Port Stanley accepted it. The specification assumed that the contractor would be self-sufficient in supplying and erecting the houses, but would have site services provided by the Falkland Islands Public Works Department.

1.6 On 5 August, Port Stanley confirmed that 27 houses would meet the immediate requirement in the Islands, including that for additional personnel then under recruitment. Indeed, the war damage was not as great as had been feared. But Port Stanley also noted that, if additional units proved to be required, it would be more economical to order them in conjunction with the initial 27. In his fortnightly working group, the then Minister of State (Mr Onslow) raised the question of the longer term housing need. Taking account of the extensive programme of recruitment of experts in hand, and recognising the likelihood of immigration and the desirability of having key military personnel on accompanied postings, Mr Onslow directed that the Civil Commissioner be offered 54 houses.

1.8 The Civil Commissioner was consulted by telephone, and endorsed the need for at least 54 houses. He indicated that a second major site would be available for the second group of 27 houses.

II. Contractual Arrangements

2.1 There has been criticism of the selection of James Brewster Associates for the housing contract. In particular it has been suggested that the company was insufficiently experienced in this kind of work; was too expensive; and used foreign houses.

2.2 Before tenders were invited, enquiries were made of over 30 companies, from a number of countries, regarding their ability to supply and erect prefabricated houses. ODA was anxious to ensure that foreign expertise was not overlooked where it might have been helpful in view of the special climatic conditions in the Falklands. European companies were included to enable the government to take advantage of a European Community offer of some emergency assistance for rehabilitation.

2.3 Suppliers from distant countries were eliminated at this stage on the grounds of unacceptable management delays that could have arisen through contract management supervised from long range. 14 companies (including 3 European ones) were invited by Crown Agents to submit tenders on 5 August 1982 to cover:

- (a) 27 prefabricated houses;
- (b) all building materials (excluding sand and aggregate);
- (c) full furnishing requirements for the 27 houses including equipment, appliances, hard, soft and very soft furnishings;
- (d) plant required for the project;
- (e) catering/messing facilities;
- (f) full shipping, and passages for the workforce;
- (g) full erection and fitting out of houses.

2.4 Eleven companies responded by the closing date of 25 August. ODA's engineering and architectural advisers, in consultation with Crown Agents' engineers, evaluated the tenders. The lowest overall price was submitted by a

/British

British company (Hallams) but their tender did not meet the space specifications. The next lowest (Gee, Walker, Slater) was eliminated because of insufficient relevant construction experience. The third and fourth were, respectively, Brewsters, who quoted £2,133,570; and Octagon Constructions, who quoted £2,236,000. Brewster offered a prefabricated house constructed from units imported from Sweden; Octagon offered a unit of Scandinavian design manufactured in the United Kingdom from imported timber.

2.4 The final choice was based on an assessment of the overall quality of the housing unit; the tender price for the supply-and-erect package; the contractor's requirement for scarce local building materials; the requirement for scarce accommodation and other facilities in the islands for construction labour; and construction experience in comparable conditions. Brewsters were stronger on the first four criteria. However, foreign content represented about one quarter of their quoted price, and in view of the higher British content in the other tender, serious consideration was given to this factor. But when Crown Agents' and ODA's professional advisers, between them, were able to examine samples of both types of houses, they concluded that the imported unit from Myersjo (supplied by Brewster) was definitely superior in both finish and detail.

2.5 On the basis of an oral directive to officials from the then Minister of State at the Foreign Office (Mr Onslow) that houses should be of good quality and design, ODA officials recommended to the then Minister for Overseas Development (Sir N Martin) the selection of James Brewster Associates. The Minister endorsed this recommendation on 13 September 1982.

2.6 On 27 September, 1982 the Department submitted to Sir Neil Marten on the handling of the increased requirement for 54 houses, agreed by Mr Onslow. Splitting the contract between Brewsters and Octagon was a possibility, but following consultation and agreement with the Civil Commissioner, and a visit to the Islands by ODA's engineering adviser, the Department concluded that a single contract for 54 houses should be let to Brewsters. The advantages over two parallel contracts, each for 27 houses, included consistent design, a single point for management and supervision of work, and smaller numbers of imported contract labour - an important consideration given the existing conditions in Stanley. The estimated total cost was £3,668,545, plus an estimated £900,000 for shipping costs. On 16 November 1982 the Crown Agents finalised these arrangements in a contract with James Brewster Associates.

III Execution

3.1 Much of the public criticism has been directed at the execution of this project, and in particular at the shipping delays, the unloading difficulties, and the construction schedule.

Shipping

3.2 The tender submitted by Brewsters included arrangements for shipping. Before the contract was finalised, revised arrangements became desirable for two reasons. First, in the face of growing congestion in Stanley Harbour, all shipments from the UK - civil and military - were to be co-ordinated through the Government Freight Agent. Secondly, doubts emerged about Brewsters' financial position. After careful consideration, Ministers agreed that Brewsters should continue with the contract, but that the contractual arrangements would specify direct payment from Crown Agents to Brewsters' suppliers. This meant that only labour and management payments would pass through Brewsters' hands. These decisions were taken in an effort to avoid further delays and on the basis of private understandings that Crown Agents could take over the contract using Brewsters' suppliers should the company be unable to complete the contract. As part of these arrangements, Crown Agents assumed responsibility for shipping and handled it as part of their work as the shipping of all aid-funded supplies.

3.3. The original ship ordered by Brewster, the "Lucky Rider", was due to sail for Sweden on 13 November to collect the first consignment of housing units. However, it caught fire on 3 November and the Kaprifol was chartered in its place. The Kaprifol picked up a cargo of approximately 10 housing units in Sweden on 11 November 1982 and proceeded to Harwich to pick up all contractors' plant. But there it encountered engine problems, and the shipowners decided to tranship the cargo onto the Linne, a sister vessel, at Cadiz. (This was monitored by the CAs and Brewsters' staff). The Linne was delayed by some 5 days due to heavy weather. Severe port congestion in Stanley meant a 22 day discharge for the Linne, which departed Stanley on 7 January.

3.4 A further shipment on the Alsterberg left Sweden carrying the balance of the first 27 houses. There were no sailing delays but unloading delays amounted to roughly 7 days. Acting through the Government Freight Agent, the Crown Agents chartered the Leicesterbrook to carry the second 27 houses. It sailed on 17 December 1982 and ran into force 10 gales around the German Bight. It put into La Corunna for the restowing of its cargo which had shifted. Following a 3 day delay, the Leicesterbrook sailed for the Falklands where it was delayed for 37 days by port congestion. Two further shipments of housing materials were made without incident on the Singularity and the Kirsten Smits. There have since been several minor shipments of food, furniture and on-going spares all without problem.

Unloading

3.5 Delays in unloading were in the main due to port congestion. That congestion, in turn, was due to a combination of factors including delays en route; high demands (both military and civilian) on the Falkland Islands Company jetty; the availability of Mexefloats for transshipment to the slipway; availability of military personnel who controlled the off-loading of ships. In addition, FIC shipping and inter-island shipping, responsible for moving supplies of economic importance to the daily life of the islands, took priority at the FIC jetty. The unloading of military equipment also tended to take priority over the housing materials.

3.6. The cost of demurrage has been estimated by the Crown Agents at £284,000. An additional £500,000 for shipping arose from an examination by the Crown Agents of the figure of £900,000 for freight estimated by Brewster, which took no account of demurrage. Neither did Brewster envisage that Stanley would be unable to accommodate large deep draught vessels. In the event, the contract required 3 main charters and several smaller shipments, rather than the 3 Ro-Ros originally projected in the Brewster calculations.

/Heavy

Heavy Equipment

3.7 In the original tender document, companies were invited to submit for the provision of equipment which they considered necessary to erect the houses. During the September 1982 visit by its Engineering Adviser the ODA was able to identify at first hand something of the limited capabilities of the Public Works Department as well as the paucity of appropriate equipment and machinery, both heavy duty and transportation. Brewster was therefore advised of the need to provide equipment suitable for the transportation of containers from the jetty to the site and adequate crange for container handling at site.

Local Labour

3.8 Certain assurances were given by the Director of Public Works on the availability of labour to carry out infrastructural works on the project eg roads, sewers and main services. Estimated costs, including the cost of materials to be supplies from the UK, were £1.4 million. By February 1983, it became evident that PWD did not have the capacity originally notified and the Brewster team were then diverted (as they continued to be) to undertaking some of this work, on the instructions of the DPW. This has resulted in delays to the actual construction work which are currently estimated at around 8 weeks. (But it has brought forward the occupation dates for some of the houses.) Delays were also occasioned through the contractors staff having to assist the port squadron in unloading the housing units on arrival. This, together with the actual delays on the shipments themselves, amounted to a further 17 weeks approximately.

Housing Sites and Erection

3.9 Originally 3 sites were identified by the Falkland Islands Government. One was at Race Course Road and 2 single plots were identified within Stanley. Once the decision to build 54 houses had been taken, a further large scale site was chosen at Callaghan Road and later a separate, single plot at Race Course Road East. In all, housing is being erected on 5 sites.

3.10 To date, the contractors have completed 53 foundations.

/46 units

46 units have been roofed and made water tight. 25 houses have been handed over to FIG, of which 20 are now occupied by islanders and by expatriate personnel recruited to assist the FIG. Allocations are the responsibility of FIG's Housing Committee.

3.11 The estimated programme completion date for handing over all 54 houses is end of February 1984; But the indications are that this could slip to late April. This represents an approximate housing build of 3.4 houses per month.

Internal Audit

3.12 It is perhaps worth recording that, in view of the difficulties encountered in the execution of this contract, ODA's concern about Brewsters' financial position, and ODA's own position as a party to the contract, ODA officials in January 1983 invited ODA Internal Audit to examine the arrangements. The Internal Auditors completed their examination on 8 February 1983 and were satisfied with the arrangements from an audit point of view.

IV. The Financial Position

4.1 Much of the public criticism of this project has been directed at the increase in the eventual cost over the original price.

4.2 The original contract price was about £3.7m. But shipping, local expenditure and Crown Agents' fees brought the original estimate of the total project cost to about £6.1m. We believe the eventual cost will be a little under £7m. That will include not only the 54 houses and their contents, but also some physical assets used by the contractors - plant, tools, equipment, containers and an accommodation block - which will revert to the FIG on completion. These assets are worth about £800,000.

4.3 The increase in cost is entirely attributable to the factors described in Section III. All payments have been properly documented and no impropriety of any kind has taken place.

4.4 The current estimate is composed of the following elements:

	£m.
Contract with Brewsters:	3.67
Other Expected Project Costs:	
Shipping	0.90
Local Costs (sewers, roads, electricity)	1.40
Crown Agents' Fees	0.20
Unexpected Project Costs:	
Shipping and Demurrage	0.79
Extra payments to Contractors	0.35
Crown Agents' Fees	0.03
	<hr/>
TOTAL (Rounded down)	7.2
Less: Expected saving on local costs	0.3
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CURRENT ESTIMATE	6.9
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V. Lessons

5.1 Experience gained in the execution of the Falklands housing project has been continuously applied to other aid activities in the Falklands, particularly as concerns transport, management, and the availability of local expertise and materials.

5.2 In particular, and with the benefit of hindsight, there are lessons to be learned in six areas:

(i) Initial Appraisal. Proper appraisal by ODA professional advisers, including a site visit, which is normally a crucial ingredient of project preparation, would have alerted ODA to some of the problems ahead. A visit by an ODA Engineering Adviser earlier than September 1982 would certainly have identified the impossibility of using Ro-Ro unloading facilities, and might have exposed the manpower limitations of the PWD in providing the necessary local services. As explained in Section I this was resisted locally at the time, but in retrospect it was even more important under the exceptional circumstances then applying. All subsequent aid projects in the Falklands have been and will be fully appraised by ODA in the normal manner.

(ii) Short-listing of Contractors.

The selection of contractors who were invited to tender was done too quickly to allow for a full investigation by ODA or the Crown Agents into their experience and capability. Such investigation might have cast doubt on Brewsters' capability in system building and on their financial status, although it has to be said that neither of these factors contributed significantly to the delay and extra cost. In an operation of this kind, which is not unknown in the aid programme (the current effort to establish a new programme quickly

/in

in Grenada is a good parallel) the balance between speed of operation and safety in getting it right has to be carefully drawn.

- (iii) Transport. The likelihood of delay in shipping, and the difficulties of unloading at Port Stanley (which have now largely disappeared), have been taken fully into account in subsequent activities.
- (iv) Local Performance. There is no doubt that ODA's expectations of what support will be available locally, notably from the Public Works Department, have now sharply diminished as a result of the experience of this project. Steps have been taken to improve the PWD's capacity, notably by the appointment of a new Director; but it is still recognised that subsequent projects having a local construction element will have to be resourced largely from the UK.
- (v) Costs. The increase in project cost was just under 15%, due largely to circumstances which are unlikely to be repeated. The lesson of this project lies in the level of cost, rather than the increase. As is clear from Section IV, any project in the Falklands is going to have unusually high elements of transport and management costs. That there was nothing extraordinary about the outcome of this housing project is indicated in the bids received by MOD for 9 married quarters. The lowest bid is £1.57m, and even if this can be negotiated down, the unit cost would still be substantially greater than the eventual unit cost of the Brewster houses.
- (vi) Project Management. It is difficult to judge whether project execution locally would have been smoother if the project management arrangements had been different. But it is possible that the appointment

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of a Crown Agents project manager at an early stage might have led to a more efficient use of local resources and better co-ordination of the various activities involved.

Overseas Development Administration

30 January 1984

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DESKBY 271900Z JAN
FM FCO 271830Z JAN 84
TO IMMEDIATE PORT STANLEY
TELEGRAM NUMBER PERSONAL 2 OF 27 JANUARY
PERSONAL FOR CIVIL COMMISSIONER
RELATIONS WITH ARGENTINA

A.J.C. 207
f.a.

1. STRICTLY FOR YOUR OWN INFORMATION, MINISTERS HAVE DECIDED THAT THE TIME HAS COME TO FOLLOW UP THROUGH THE SWISS PROTECTING POWER THE EXCHANGE OF MESSAGES BETWEEN THE PRIME MINISTER AND PRESIDENT ALFONSIN (OUR TEL NO 591 OF 9 DECEMBER 1983).
2. HM AMBASSADOR IN BERNE HAS ACCORDINGLY ASKED THE SWISS GOVERNMENT ON 26 JANUARY TO INSTRUCT THEIR AMBASSADOR IN BUENOS AIRES TO PROPOSE TO THE ARGENTINES TERMS OF REFERENCE FOR OFFICIAL TALKS AIMED AT NORMALISATION OF OUR BILATERAL RELATIONS. THE SWISS AMBASSADOR IS INSTRUCTED TO EMPHASISE THAT SOVEREIGNTY IS NOT AND CANNOT BE ON THE AGENDA. HE WILL PROPOSE THAT THE AGENDA COULD INCLUDE:
 - A. THE RECIPROCAL LIFTING OF RESTRICTIONS ON TRADE BETWEEN THE UNITED KINGDOM AND ARGENTINA.
 - B. THE LIFTING OF ALL OUTSTANDING FINANCIAL RESTRICTIONS.
 - C. ARRANGEMENTS FOR THE RETURN OF THE ARGENTINE DEAD FROM THE FALKLAND ISLANDS OR, FAILING THAT, FOR A NEXT-OF-KIN VISIT.
 - D. THE RESTORATION OF THE AIR SERVICES AGREEMENT BETWEEN BRITAIN AND ARGENTINA.
 - E. THE RESUMPTION OF CULTURAL, SCIENTIFIC AND FULL SPORTING CONTACTS.
 - F. THE UP-GRADING OF OFFICIAL RELATIONS.
3. THIS APPROACH IS CONSISTENT WITH THE POLICY WHICH LADY YOUNG WAS ABLE TO DISCUSS FULLY DURING HER VISIT TO THE ISLANDS. AS SHE EMPHASISED, WE ARE NOT GOING TO ENTER INTO

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NEGOTIATIONS ABOUT SOVEREIGNTY. BUT IT IS ONLY SENSIBLE, AND IN THE INTERESTS OF THE ISLANDERS AS WELL AS OURSELVES, FOR US TO SEEK TO RESTORE MORE NORMAL BILATERAL RELATIONS BETWEEN BRITAIN AND ARGENTINA. THIS IS NOT INCONSISTENT WITH OUR CONTINUING DETERMINATION TO STAND FIRMLY BY ALL OUR COMMITMENTS TO THE ISLANDERS.

4. THE SWISS WILL BE MAKING CLEAR TO THE ARGENTINES THAT WE WOULD NOT (NOT) WELCOME SECRET TALKS, SEEING NO NEED TO CLOAK IN SECRECY MEETINGS ABOUT THE NORMALISATION OF BILATERAL RELATIONS. BUT WE WISH TO KEEP THE PRESENT APPROACH CONFIDENTIAL. NEWS DEPARTMENT ARE MERELY CONFIRMING IN GENERAL TERMS, IN ANSWER TO QUESTIONS, THAT MEANS ARE BEING EXPLORED OF CARRYING FORWARD THE PROCESS INITIATED BY THE EXCHANGE OF MESSAGES. I SAID IN THE HOUSE OF COMMONS ON 25 JANUARY THAT QUOTE THE RIGHT WAY OF SETTING ABOUT THIS PROCESS IS TO SEEK TO IMPROVE RELATIONS THROUGH THE INTER-MEDIATION OF THE PROTECTING POWERS, AND TO MOVE FROM THAT TO TRY TO ESTABLISH A NORMAL PATTERN OF BUSINESS BETWEEN THE TWO COUNTRIES UNQUOTE. THE PRIME MINISTER, ASKED BY A JOURNALIST IN ROME TODAY WHETHER WE ENVISAGE ITALIAN QUOTE MEDIATION UNQUOTE WITH ARGENTINA, REPLIED QUOTE THE ANSWER IS NO. IF WE FEEL THAT WE ARE LIKELY TO GET ANY FURTHER WITH RESUMING BETTER COMMERCIAL RELATIONS AND TRYING TO ESTABLISH MORE FRIENDLY RELATIONS WHICH WE WOULD LIKE, WE FEEL IT IS BETTER TO DO THOSE NEGOTIATIONS, OR EXPLORE THAT FACT, DIRECT UNQUOTE.

5. IF THERE IS SPECULATION IN THE ISLANDS, E.G. ABOUT REPORTS FROM ROME, YOU SHOULD FOR THE TIME BEING CONFINE YOURSELF TO REPLIES ALONG THE LINES OF THESE MINISTERIAL STATEMENTS. YOU SHOULD NOT REPEAT NOT YET INFORM COUNCILLORS OR OTHER ISLANDERS ABOUT OUR APPROACH THROUGH THE SWISS. WE SHALL BE IN CONTACT WITH YOU AGAIN BY TELEGRAM WHEN THE SWISS REPORT ON THE ACTION THEY HAVE TAKEN IN BUENOS AIRES. UNLESS THEIR REPORT CONTAINS SOME MAJOR SURPRISE, WE WOULD ENVISAGE YOUR BRIEFING COUNCILLORS, IN STRICT CONFIDENCE, AS FOLLOWS:

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- A. THE PRIME MINISTER'S MESSAGE TO PRESIDENT ALFONSIN WAS INTENDED TO PAVE THE WAY TOWARDS MORE NORMAL RELATIONS BETWEEN BRITAIN AND ARGENTINA.
- B. MEANS OF DOING THIS ARE NOW BEING EXPLORED THROUGH THE SWISS PROTECTING POWER.
- C. THE SWISS ARE AT THE PRELIMINARY STAGE OF SEEKING TO ESTABLISH TERMS OF REFERENCE FOR OFFICIAL BILATERAL TALKS. THEY ARE FROM THE FIRST EMPHASISING THAT SOVEREIGNTY IS NOT AND CANNOT BE ON THE AGENDA. WE SHALL ADHERE FIRMLY TO THIS.
- D. IF THE SWISS ESTABLISH THAT THERE IS A REAL PROSPECT OF OFFICIAL TALKS BETWEEN THE ARGENTINES AND OURSELVES, WE SHALL OF COURSE KEEP THE FALKLAND ISLANDS GOVERNMENT CLOSELY INFORMED OF DEVELOPMENTS.

HOWE

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FALKLANDS ISLANDS FILES: DEFENSIVE

Introductory Note

This Note gives defensive material on files from 1927-1929 which mention our title to the Falkland Islands.

Where possible, it may be better that a document should not be quoted verbatim, since this is liable to lead, especially in Parliament, to a call for production of the whole of the original document from which the quotation is taken.

It may be preferable therefore normally to give the contents of any helpful parts of the document rather than a verbatim quotation.

The defensive material has been designed as a quarry of facts and information to be drawn upon, only as may be necessary, to answer specific questions. How much is used would depend upon the nature of the enquiries received.

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Q. 1. Don't the files contain statements casting serious doubt on HMG's view of our title to the Falklands?

A. 1. It is misleading to concentrate on a few isolated and selective expressions of doubt by individual officials; particularly where such statements were made in the context of comment on related but separate issues. The history of the Falkland Islands, particularly in the late 18th century and early 19th century, is a matter of great complexity. It is therefore unsurprising that individual officials will have had different - and in some cases conflicting - views. The fact remains that successive Governments of the United Kingdom have been advised that the legal title of the UK to the Falkland Islands is sound, and have always acted on that basis.

[Examples:

(i) File No FO 371/11959 of 1927 Mr Torr in an FO Memorandum, commenting on a South Orkney problem: "As regards the Falkland Islands our right to them seems to be based mainly on over a 100 years of occupation. Our legal title to them is not really too sound".

(ii) File No FO 371/11959 of 1927 Mr Torr, commenting on his own Memorandum: "It shows unfortunately that our claim to them is not as unquestionable as might be hoped".

(iii) File No FO 370/12737 of 1928 Sir M Robertson, Ambassador Buenos Aires, 3 November 1928: "I have always considered ... that our claim to the Islands was very weak indeed. In point of fact it is based upon force and very little else. This view appears to have been held by successive British Governments since Lord Palmerston ... we maintain our claim by remaining in occupation".

(iv) FO 371/12736 of 1928 Mr Makins, commenting on a possible answer to a PQ by Viscount Sandon (subsequently withdrawn) about sovereignty over the Falklands, South Georgia and South Orkney, wrote that an adequate answer would have to make some distinction between the various islands which "can only bring out the weakness, such as it is, of our position in the Falkland Islands"]

Q. 2 But if our forceful occupation in 1833 was illegal, then surely our whole case is undermined?

A. 2. The strength of our case depends on a detailed legal examination of all relevant events and factors. There are strong arguments to back our case based on the events before 1833. But even leaving those aside, we have been consistently advised that our title can be soundly based on our continuous possession and peaceful occupation of the Islands from 1833.

Our case rests on the facts, prescription and on the principle of self-determination. The individual comments referred to were made over 50 years ago, when our continuous possession had lasted for less than a century and when the status of prescription in international law was less clearly established than it became subsequently. And, finally, the principle of self-determination, now a fundamental principle of the UN Charter and enshrined in subsequent international instruments, was not then recognised as it is today.

If appropriate. The comments in 1927-1929 about the use of force may have been coloured by the efforts in the League of Nations to outlaw the use of force (cf the Pact of Paris for the Renunciation of War). It is by no means clear that the commentator had access at the time to Captain Onslow's despatch (of 19 December 1833) describing the precise circumstances surrounding the re-occupation of the Islands, which made it clear that armed force was not used. Note: [This point was covered, and the full text of Captain Onslow's despatch given, in the FCO memorandum of 17 December 1982, provided for the Foreign Affairs Committee. Text at Annex A]. In any event, as the later Clipperton Island award of 1932 confirmed, the effect of actions must be judged by the law as it existed at the time of the action and not by subsequent standards.

[Examples:

(i) FO 371/11959 of 1927 Mr Torr in an FO Memorandum, commenting on a South Orkney problem: "As regards the Falkland Islands our right to them seems to be based mainly on over 100 years of occupation. Our legal title to them is not really too sound".

(ii) FO 370/12737 of 1928 Sir M Robertson, Ambassador Buenos Aires, 3 November 1928: "I have always considered ... that our claim to the Islands was very weak indeed. In point of fact it is based upon force and very little else. This view appears to have been held by successive British Governments since Lord Palmerston ... We maintain our claim by remaining in occupation".]

Q. 3. Do not the files show that officials considered that our claim to the South Orkneys was particularly weak, weaker even than our claim to the Falkland Islands?

A. 3. Again the files show different and conflicting expressions of opinion by individual officials - including the assessment that our title to the South Orkneys was in fact "indisputable" (Mr Torr, FO, in FO 371/11959). In addition in 1959 the Antarctic Treaty (to which Argentina and the UK are parties) by Article IV in effect suspended and put in abeyance any competing territorial claims.

[Examples:

(i) FO 371/12737 of 1928 Sir M Robertson, Ambassador in Buenos Aires, 3 November 1928: "I have always considered ... that our claim to the Islands was very weak indeed ... our position in the South Orkneys is to my mind even weaker".

(ii) FO 371/13463 of 1929 Mr Craigie, FO, at an inter-departmental conference on 31 January 1929 to discuss Argentine claims to the South Orkneys, was recorded as saying: "the FO were not impressed with the legal strength of our claim to the South Orkneys and an arbitral decision in our favour was by no means a certainty".

(iii) FO 371/13464 of 1929 Sir M Robertson in Buenos Aires: "The Government of the Falkland Islands do not appear to realise that there is a good deal to be said for the Argentine point of view ... on the South Orkneys our position appears to me to be even weaker".]

Q. 4. But do not the files show that we were prepared to do a deal on the South Orkneys - to cede them to Argentina in return either for a legation site in Buenos Aires or for Argentinian agreement to drop their claim to the Falkland Islands?

A. 4. Proposals of this kind were at different stages in 1927 to 1929 made by different individual officials and met with strong opposition. But they were certainly never made or endorsed by the British Government.

If necessary: a draft Convention was worked out in 1913/14 in Buenos Aires but was not pursued then or later.

[Examples:

(i) CO 78/178/9 Sir M Robertson, Buenos Aires, in December 1927: "I received an official [Argentinian] memorandum ... which suggests that the interrupted negotiations of 1913 with regard to the exchange of sovereignty over the South Orkney Islands for a Legation site at BA should be resumed. I would remind you that these negotiations came to a temporary end with the communication to the Argentinian Government on 10 January 1914, in a private letter from Sir Reginald Tower to Dr Ernesto Bosch, of a draft Convention which was not approved here on account of the phrase "is ceded by HMG". At that time HMG apparently did not desire the negotiations to be finally dropped, but merely suspended until a more favourable occasion arose". The FO commended the proposal to resume negotiations. Sir G Grimbal, Colonial Office, termed cession in return for a Legation site "a sordid bargain", but thought it would be worth considering cession in return for recognition of our claim to the Falkland Islands.

(ii) FO 371/13463 Mr Craigie, in March 1929, informed Sir M Robertson with reference to the proposal for cession in return for Argentinian recognition on the Falklands that "the Secretary of State does not at the present time desire to press this proposal; because he has no evidence that it would commend itself to the Argentine Government. But should such evidence later become available, he feels that this solution of the question should be carefully examined as eliminating once and for all a claim to the Falkland Islands, which may at any time become a source of serious embarrassment to HMG".]

Q. 5. Do not the files show that we were reluctant to go to international arbitration on the Falkland Islands because we thought our legal case too weak?

A. 5. Successive Governments have in fact been advised that our legal title to the Falkland Islands is sound.

Apart from these territorial disputes, our relations with Argentina at that time, both political and commercial, were very good. Arbitration, whatever the outcome, could only endanger those relations, without necessarily securing any compensatory or lasting benefit. It is commonly recognised that any form of litigation is not entirely free of hazards, however strong the case may be; and a certain caution is therefore understandable.

If appropriate: Subsequent events show that no one can be certain of Argentina's reaction to an unfavourable decision by an international tribunal [cf Argentina's rejection of the arbitration award on the Beagle Channel dispute].

If necessary. The UK, in 1947 and subsequently, proposed determination of the issue of sovereignty over the Falkland Islands Dependencies as then constituted by arbitration or by the International Court of Justice. This was because of actual physical encroachments by Argentina and Chile on some of these territories but not on the Falkland Islands themselves. The question of the Falkland Islands being included or excluded did not therefore arise.

[Examples:

(i) FO 371/11959 of 1927 Mr Torr in an FO Memorandum, commenting on a South Orkney Problem: "As regards the Falkland Islands our right to them seems to be based mainly on over 100 years of occupation. Our legal title to them is not really too sound".

(ii) FO 371/11959 of 1927 Mr Torr, commenting on his own Memorandum: "It shows unfortunately that our claim to them is not as unquestionable as might be hoped".

SECRET

Q. 6. Do not the files refer to secret evidence that the UK recognised the Spanish claim to the Falkland Islands in 1770, and to a secret agreement with Spain in 1774?

A. 6. There are references to rumours of this kind. But to our knowledge no proof has ever been advanced, nor documentary evidence of such an agreement produced.

SECRET

[Examples:

FO 371/11959 of 1927 Mr Craigie, FO, commenting on Mr Torr's Memorandum: "Our case in the Falkland Islands controversy is perhaps not a very strong one and it will not be made stronger in the (to my mind very unlikely) event of the Argentine Government now being able to produce hitherto secret evidence that we recognised the Spanish claim in 1770". Mr Torr, FO, in a Cabinet Memorandum of 30 November 1927 describes the rumours about the secret agreement in 1774 as having received "general accreditation". The Memorandum says that from 1774 the Spaniards continued in undisturbed exercise of the right of sovereignty over the Islands until about the year 1808 or slightly later.]

Q. 7. Do not the questions by Mr Beckett (undated) and the answers by Mr Orchard (Library) of 12 June 1929 raise doubts on our title?

A.7. These questions and answers do not add significantly to to the known history of the islands. As recognised by Mr Beckett, they bring out the weakness of the Argentine arguments that they wrere successors in title to Spain.

If necessary

While the answers show that the only occupation by the United Kingdom from 1832 up to the 1840's was by a naval detachment and a few colonists, the number of persons present before then was very limited, many being convicts sent from the mainland.

SECRET

[Example:

3621/3621/405 of 31 May 1929 gives a series of questions by Mr Beckett arising out of his reading of Conf. Print 13336 of 1928 and 13471 of 1928. Neither the questions nor the answers seem to raise novel points.]

SECRET

Q. 8. Does not the memorandum by Mr Beckett dated 13 June 1929 on prescription make clear that the United Kingdom seized the islands in 1832 wrongfully by use of force and that its claim by prescription is weakened by subsequent Argentine protests?

A.8(1) (Provisional Character) This Memorandum was only a preliminary study which its author admitted needed further research.

If necessary

Mr Beckett's memorandum dated 16 June 1929 was an investigation into the law of prescription. It involved, he says, "a considerable amount of research work which I have not yet nearly concluded. It is a question moreover on which I think an opinion founded on an incomplete investigation is possibly more dangerous than no opinion at all".

A.8(2) (Spanish title) His historical outline was only designed to set the scene for his discussion of the law of prescription.

If necessary

Mr Beckett's account of the complex history of events up to 1833 is far from complete. For example, he makes no mention of the leaving of the plaque by the British when they left the islands during 1774 or the British protests against Argentine actions in 1829 and 1832.

If necessary

It is true that he then suggested incidentally that Spain had a clear title by 1800. But his memorandum was not intended as an authoritative legal analysis of the strength of Spanish and British title before 1800. It merely outlined those facts which might make it appropriate to argue on the basis of prescription after 1832 rather than an earlier British title.

A.8(3) (Prescription) On the law of prescription, he concludes an international court would hold that an exclusive possession maintained continuously for 100 years did create a prescriptive source of title which could not now be attacked.

If necessary

While he asserts that force was used in 1832, he says that the USS Lexington in 1831 virtually terminated the occupation of Vernet, the Governor appointed by the Government of Buenos Aires. He describes the occupation established by a deputy governor in 1832 as only "occupation of some sort" over the Island.

He recognises that the use of force can have legal effects and can create legal rights in international law and that the legal effects of an act must be judged by the international law as it existed at



the time of the occurrence. (The Clipperton Island case in 1932 subsequently confirmed strongly this second point). He considers the Argentine protests up to 1845 and reservations of 1908 to 1927, but reaches the conclusion that they would not prevent an international court from deciding that the British prescriptive title was good and could not be attacked.

A.8(4) His conclusion was favourable to the British prescriptive title; he does not however actually refer to the award in the Palmas Arbitration of 24 April 1928 between the US and the Netherlands, which was published in the American Journal of International Law in late 1928. This is one of the main authorities on the law of prescription; it supports Mr Beckett's view that prescription is an established principle of international law, and thus supports the case of the United Kingdom in so far as it is based on prescription.

[Example:

The memorandum, inter alia, says that Spain had a clear title to the Falkland Islands from 1800 up to 1810-13 and there was then "Spanish sovereignty over the islands". The UK recognition of Argentina did not involve recognition of her title to the Islands. The Argentine claim to succeed Spain was "entirely unfounded". But "the British claim to sovereignty dating from the 17th century" was "equally bad". "In 1831 one Vernet, appointed Governor of the Islands by the Government of Buenos Aires, did establish himself there. But the USS "Lexington" in 1831 virtually terminated his occupation". In 1832 "the Argentine appears to have again established an occupation of some sort. There were Argentine protests in 1833, 1834, 1841, 1843, 1844 and 1845".

Mr Beckett's conclusions on the historical side were as follows:

"9. The position, therefore, as I see it is that from 1813 to 1823 neither the Argentine nor Great Britain had a better title than the other to the islands; that in the year 1833 the Argentine had a certain title by occupation, a possessory title which at any rate was good against Great Britain. They were then forcibly, and - in law - wrongfully, ousted and since that date there has been a continuous British possession, but the Argentine Government has protested diplomatically at intervals against our occupation and continued to maintain her own claims".

"10. It seems to me, therefore, that for the purposes of this case Great Britain would have to show that her continuous and exclusive occupation for practically 100 years although illegal in its origin created a new source of title to the islands, which title was now sufficient to override a former possessory title of the Argentine, in spite of the fact that no acknowledgment or acquiescence by the Argentine Government can be shown: for I am inclined to think that the Argentine protests and action above referred to would probably be sufficient to rebut any claim based on acquiescence or estoppel. It is to these facts, therefore, that the investigation has to be directed."

He goes on to discuss prescription but tends to the view that there is no case where prescription prevails in the absence of acquiescence or estoppel on the other side. But, while he has found a number of dicta against it, he says that in all the cases he has investigated "no tribunal has ever been faced squarely with the issue". "At the present stage of affairs I cannot" he says "therefore say that our title to the Falkland Islands would be safe before an international tribunal. A more thorough investigation might or might not enable one to do so".

However, he goes on to state at length examples where a use of force or other events can give rise to legal rights and to



recall that there are plenty of legal authorities that the legal effect of acts must be estimated "by international law in force at the time they occurred". He reaches the final conclusion that an international court "would hold that an exclusive possession maintained continuously for 100 years did create a prescriptive source of title which could not now be attacked."

He based his argument mainly on discussions with the US about the British Guiana arbitrations and an arbitration treaty with the US, and the arbitrations with Venezuela about British Guiana of 1898 and 1904. He does not refer to the Palmas Island award of 24 April 1928.

His minute of 16 July on the jacket says: "I am not sure that the situation is (sic) the moment will require my completing what promises to be a considerable work of research though if that rare occurrence 'a slack time' should happen sometime soon I feel I should like to pursue my researches rather further". This suggests that he may never have pursued it further in this form or at this time].

SECRET

Q.9. In consideration of possible cases which might come under arbitration, in the context of an Anglo-American Arbitration, was not the Falklands cited as a case where we could not afford to go to arbitration?

A.9. This was not a considered evaluation of the arguments in support of our title to the Falkland Islands. It was a passing citation of this issue as an example of a dispute which we did not wish to go to arbitration.

SECRET

SECRET

[Example:

FO 371/12825 of 1928 Sir C Hurst, Legal Adviser FO, commenting on a possible Anglo-American Arbitration Treaty (which never came to fruition): "On questions such as our position in Egypt and our title to the Falkland Islands where our title in law is weak and where, therefore, we cannot afford to go to arbitration, the draft treaty seems to make no provision".]

SECRET

Question 9

Were the Islands taken by force in January 1833 against Argentine protests?

1. The Falkland Islands were not taken by force in 1833. The facts are as follows. In December 1832 the British Admiralty's instructions to go to the Falklands to exercise Britain's rights of sovereignty reached Captain Onslow of the warship HMS Clio. Captain Onslow occupied Port Egmont on West Falkland, which was uninhabited. He put up a signal post dated 23 December 1832, stating that the Islands belonged to Great Britain. Captain Onslow arrived at Puerto de la Soledad on 2 January 1833. He informed the settlement that he had come to take possession of the Islands in the name of His Britannic Majesty, and persuaded the Buenos Airean Commander, Pinedo, and the remaining members of his garrison, to leave peacefully. On arrival at Buenos Aires Pinedo was severely admonished for offering no resistance. The settlement at the time of Onslow's arrival was a small one comprising a number of settlers of various nationalities, several ex-convicts from the penal reserve, and a few farmhands ('gauchos').

2. Captain Onslow's own account of taking possession of the Falklands was sent in a despatch to the British Chargé d'Affaires in Buenos Aires on 19 December 1833.

"I have the honour to report H.M. Ship under my command visited Port Egmont, West Falkland, 20th December, 1832, and found on Saunders Island the ruins of our Establishment. I left, on what appeared to me to have been Fort George, a signal staff, with the following inscription:—

'Visited by H.B.M.S. Clio for the purpose of exercising the Rights of Sovereignty, 23rd December, 1832.'

"Not finding any inhabitants, or the foreign settlement alluded to in the Commander-in-Chief's instructions, at West Falkland, I sailed to Berkeley Sound, East Falkland, where I arrived on the 2nd January, 1833, and found the Settlement with 25 soldiers, under the Buenos Ayrean Flag; also a Schooner of War (the *Sarandi*) under the same colours. I waited upon the Commander of the Schooner, and learnt from him that he commanded both by sea and land. He informed me a mutiny had taken place, whilst he was at sea, amongst the soldiers, they had killed their Commander, and were in a state of great insubordination; so much so, that the settlers were afraid to pursue their avocations, and all appeared anarchy and confusion. I had great trouble to persuade twelve of the 'Gauchos' to remain on the Settlement; otherwise cattle could not have been caught, and the advantages of refreshments to the shipping must have ceased. I acquainted the Buenos Ayrean Commander, *civilly*, with the object of my Mission to these Islands, and requested him to haul down the Flag on shore, and to embark his Force 'he being in a possession belonging to the Crown of Great Britain; that I came to these Islands, to exercise the Right of Sovereignty over them.' At first, he consented to do so, provided I would state to him in writing, my Mission. I did so, but only observed, what I had before verbally communicated to him, and declined any further correspondence on the subject. He visited me at 5 a.m. the following morning, to request me to allow the Buenos Ayrean Flag to fly on shore, till the 5th instant; when he would sail, and take with him the force, and such of the settlers as were desirous to leave the Island. I told him his request, as far as it related to the Flag, was inadmissible, he then consented to embark the soldiers, and left me for that purpose; but I observed he still kept the Flag flying on shore. I landed immediately, hoisted the British Flag, and sent an Officer to haul down the Foreign Flag, and to deliver it on board the schooner. He sailed the evening 4th instant, taking with him part of the soldiers, with several of the inhabitants, who wished to return to Buenos Ayres. The mutineers he had placed in irons, on board the British schooner *Rapid*, by the consent of her Master, previous to my arrival, and had freighted for accordingly to take them to Buenos Ayres. She sailed on the 5th instant."

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B.06949

PRIME MINISTER

c Sir Robert Armstrong

OD: Northern Ireland Electricity Service:
Possible Sale of Electricity Generating Sets
to Argentina

BACKGROUND

LAG A
1. In his minute to you of 9 January, the Secretary of State for Northern Ireland reports renewed Argentine interest in purchasing two oil-fired electricity generating sets owned by the Northern Ireland Electricity Service (NIES) but surplus to their requirements. The value of any eventual sale is likely to be about £100 million. You agreed that it would be useful to discuss this question at OD on 25 January, and that in the meantime the Chairman of NIES should be advised to defer any visit to Buenos Aires to discuss the sale (Mr Coles's letter of 11 January to Mr Lyon).

LAG B
2. The Foreign and Commonwealth Secretary considers that the proposal should be explored carefully, given that a positive approach could help the broader aim of persuading the Argentines to lift their outstanding commercial and financial restrictions (his minute to you of 16 January).
LAG C
LAG D
The Secretary of State for Trade and Industry in his minute of 16 January has drawn attention to the question of how the Argentines would pay for the generators; given the state of the Argentine economy, the Export Credit Guarantee Department would be unlikely to recommend re-opening credit cover in the near future.

3. The Committee's consideration of the problem will be influenced by their decisions on the Foreign and Commonwealth Secretary's proposals on the next steps with the Alfonsin Government (OD(84) 1). If the Committee accepts the

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recommendation that discussion should begin with Argentina on the reciprocal lifting of restrictions on trade between the two countries, they will be unlikely to have reservations of principle over the potential sale. There is also the question of timing. The Argentines seem keen to press ahead with the deal, but there is an argument that the sale should not proceed until discussions about normalisation of relations with Argentina have begun, and there is evidence of a constructive Argentine attitude. As the Foreign and Commonwealth Secretary has indicated, a positive response, conveyed with suitable caution, might help in these discussions.

4. It is possible that, because the Chancellor of the Duchy of Lancaster may have to lead in a Lords Debate at 5.30 p.m. on 25 January, he may not be able to be present. The Chief of the Defence Staff has been invited to attend.

HANDLING

5. You should invite the Secretary of State for Northern Ireland to introduce the discussion. The Foreign and Commonwealth Secretary might then be invited to comment and the Secretary of State for Trade and Industry to expand upon the problem of credit cover. Points to establish in discussion are -

(a) Is the Committee content in principle that the sale should go ahead? If agreed, would this clear the way for the Chairman of NIES to arrange a visit to Buenos Aires on the understanding that this would be for exploratory talks which would stop short of final commitment?

(b) Is it agreed that credit cover should not be made available to Argentina for this sale?


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(c) Is it agreed that a final decision to allow the sale to proceed should be deferred until initial contacts on the normalisation of relations with Argentina have been made, and the Alfonsin Government's preliminary attitude to normalisation established? Would it not then be easier to judge whether a positive response on this proposal would assist these discussions?

CONCLUSION

6. Subject to the points made in discussion, you could guide the Committee to -

(i) Agree that there is no objection in principle to the potential sale of electricity generating sets to Argentina by the NIES and that the Chairman of NIES should go ahead with exploratory talks in Buenos Aires which would stop short of final commitment.

(ii) Agree that credit cover should not be made available for such a sale.

(iii) Agree that a final decision on the sale should be taken in the light of the Argentine Government's response to the proposal that there should be talks with a view to reaching agreement on the progressive normalisation of relations between Britain and Argentina.

David Goodall

A D S Goodall

24 January 1984

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B.06948

PRIME MINISTER

c Sir Robert Armstrong

Argentina/Falklands - Next Steps with
the Alfonsin Government

(OD(84) 1)

BACKGROUND

1. This memorandum by the Foreign and Commonwealth Secretary reviews the present state of British relationships with Argentina, and recommends that we should seek to enter into talks with the Argentine Government at official level about the normalisation of our bilateral relations, concentrating on practical subjects on which agreement should be feasible. The issue of sovereignty over the Falkland Islands would not be on the agenda. The Foreign and Commonwealth Secretary proposes that we should conduct the talks ourselves, making our initial approach through the Protecting Powers; and that, although the talks should be not publicised, our main Allies, and the Falkland Islands Government, should be told in confidence of this step. We should not attempt to embark upon secret talks, since any leakage of their existence could send the wrong signal, particularly to the Falkland Islanders. The Foreign and Commonwealth Secretary is confident that the prospect of developing more normal relations with Argentina would not cause unhappiness in the Falkland Islands provided it is made clear that sovereignty is not on the agenda; indeed Falkland Island Councillors have volunteered in public that they would be content with this approach.

2. More specifically, the Foreign and Commonwealth Secretary proposes that the discussions should cover the lifting of restrictions on trade and finance; the return

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of Argentine dead, or failing that a properly organised next-of-kin visit; the resumption of air services and cultural, scientific and sporting relationships between Britain and Argentina, and the upgrading of official relations between the two countries. The Foreign and Commonwealth Secretary also calls attention to the related issue of bank lending to Argentina, where although it would be technically possible to issue an instruction forbidding future lending by British banks to a country still in a state of hostilities with us, this would appear to run counter to the aim of restoring normal commercial relationships with Argentina. The Foreign and Commonwealth Secretary also mentions the possible sale to Argentina of electricity generating sets (a separate Item on the Agenda) and the establishment of a 200-mile fisheries limit around the Falklands (to be discussed at OD on 31 January).

3. In paragraph 10 of his memorandum the Foreign and Commonwealth Secretary recalls your summing up of the Cabinet's discussion of relations with Argentina on 15 December, when you said that a formal cessation of hostilities must be the pre-condition for any resumption of diplomatic relations with Argentina or lifting of the present Exclusion Zone around the Falkland Islands. What is proposed is, of course, not the resumption of full diplomatic relations, but the first steps on a path which might lead to that outcome if sufficient progress is made in the official talks to convince the Argentines that they should formally declare an end to hostilities. Meanwhile, latest unconfirmed press reports suggest that the Argentine Government are interested in negotiating a resumption of full diplomatic relations, linked with a formal declaration on a cessation of hostilities and a reduction in the Falklands Garrison. It is understood that the Foreign and Commonwealth Secretary will be circulating a supplementary note on these aspects shortly before the meeting.


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4. It is possible that, because the Chancellor of the Duchy of Lancaster may have to lead in a Lords Debate at 5.30 p.m. on 25 January, he may not be able to be present. The Chief of the Defence Staff has been invited to attend.

HANDLING

5. You should invite the Foreign and Commonwealth Secretary to introduce his memorandum. The Defence Secretary might then be invited to comment on any discussions on the subject of relations with Argentina he may have had during his recent visit to the Falkland Islands. The Committee might then concentrate on the key question of whether now is the right time to attempt to improve our relations with Argentina given the advantages which might result. The Foreign and Commonwealth Secretary argues that domestic and international opinion are looking to us for some movement, which, if achieved, would generate more sympathy with our insistence that it is only realistic to start with modest, pragmatic steps. The Committee might then consider the subsidiary question of whether the items proposed for discussion with the Argentines (paragraph 9 of the memorandum) are the right package.

CONCLUSION

6. Subject to the points made in discussion, you could guide the Committee to approve the recommendations set out in paragraph 17 of the Foreign and Commonwealth Secretary's memorandum.

David Goodall

A D S Goodall

24 January 1984

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Prime Minister

ARGENTINA/FALKLANDS: NEXT STEPS

I have seen a copy of the Foreign Secretary's paper Argentina/Falklands: Next Steps which you will be discussing at tomorrow's OD meeting.


I am, of course, anxious to ensure that our shipping and aviation interests can take full advantage of any improvement in relations between Britain and Argentina.

I understand that British Caledonian wishes as soon as possible to resume its scheduled service to Argentina and Chile on the same basis as before the Falklands crisis. In order that this service should be profitable they need, however, to recover the full rights which they enjoyed under the 1965 bilateral Air Services Agreement (which enabled them to carry passengers not only between London and Buenos Aires but between intermediate points and Buenos Aires).

The Argentinians terminated the Air Services Agreement shortly after the invasion of the Falklands. Negotiation of a new Agreement would be a long and difficult process and we might well not obtain such favourable terms as we enjoyed under the 1965 Agreement. I believe therefore that our interests would be best served by restoring our air services relations in their pre-Falklands form. In order to achieve this I suggest that paragraph 9(d) of Geoffrey's paper might be revised to read:-

"The restoration of the Air Services Agreement of 12 January 1965 between the UK and Argentina".

I am sending copies of this minute to the Members of OD and to the Secretary of the Cabinet.


NICHOLAS RIDLEY
24 January 1984



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24 JAN 1984

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Foreign and Commonwealth Office

London SW1A 2AH

24 January 1984

Dear John,

Relations with Argentina

The Foreign Secretary circulated on 19 January a Memorandum (OD(84)1) for discussion on 25 January, recommending the next steps we might take towards more normal relations with Argentina. There have this week been press reports from Buenos Aires that the Argentines may soon make some 'offer' to us: Sir Geoffrey Howe believes OD colleagues might find it useful to have some comments on these before the meeting of OD tomorrow afternoon.

According to the press reports the 'offer' would entail the declaration by Argentina of a formal cessation of hostilities, and of willingness to restore diplomatic and commercial relations. In return, Argentina would require us to lift the Falkland Islands Protection Zone; to make 'drastic' reductions in our force levels in the Falklands; and to make a commitment to engage in talks about the future relationship of the Falklands with Argentina.

Our press line in response has been to reconfirm that there can be no question of our entering into talks about sovereignty; and to point out that a formal cessation of hostilities does not logically require us to take any particular step in return, although it would give welcome impetus to the normalisation of bilateral relations. We have also made the point that we hope for a convincing demonstration over a period of time that Argentina genuinely renounces the future use of force; and that we have noted that the Alfonsin government has consistently stated its commitment to peaceful means of pursuing their claim.

The press reports suggest that the Argentines wish, for their own reasons, to be seen to be proposing 'initiatives'. We have recently had some interesting accounts of the factors influencing the formulation of President Alfonsin's foreign policy. The Italians have told us of a discussion with

/Gobbi

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Gobbi, the junior Minister responsible for Falklands policy in the Argentine MFA. Gobbi told the Italians that President Alfonsin's response to the Prime Minister's interview of 4 January should be interpreted as a wish to maintain an impression of momentum in areas which give him scope to diminish further the power of the Argentine military. Gobbi added that President Alfonsin and his team knew perfectly well that British policy was not really changing, and did not seriously expect us to lift the FIPZ in return for a simple declaration on their part that hostilities were at an end.

We have some collateral for this from a discussion which Gobbi recently had with the head of our Interests Section in the Swiss Embassy in Buenos Aires. Gobbi repeated the line he had taken with the Italians, arguing that President Alfonsin needed success over the Beagle Channel to show the Argentine people that the military did not require extra resources to deal with any threat from Chile; and that he would like to achieve progress in Argentine/UK relations for the same purpose. Gobbi implied that Argentina would not be prepared to take part in talks from which the question of sovereignty was specifically excluded, but accepted that the UK had 'difficulties over discussing sovereignty' and said that the Argentines might be prepared to contemplate some 'substitute concept'.

These reports suggest that the Argentines have decided that an active posture in their policy towards us will best serve their interests. The fact that Gobbi seemed keen to go over the ground with Mr Joy lends further weight to this view. We should assume that the Argentines will be seeking to make the best use of what they will represent as a forthcoming position in advancing their cause with the Americans and West Europeans, and more widely.

I am copying this letter to Private Secretaries to other members of OD and to Richard Hatfield (Cabinet Office).

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street



Chancellor of the Duchy of Lancaster

PRIME MINISTER

THE ARGENTINE AND THE FALKLANDS

I shall probably be unable to come to the Meeting of OD tomorrow as I have to handle a debate in the House of Lords on Airbus.

I agree entirely with the Foreign and Commonwealth Secretary on the line to be followed, namely that the first goal to aim for is a full restoration of commercial (including financial) links. There is a reasonable hope that the Argentines would be willing to go this far even on the basis that sovereignty was specifically excluded as it must be.

Once full commercial relations had been restored we could then move on to the other issues - a declaration of the cessation of hostilities and so on. But here I would expect greater difficulty. The restoration of commercial links is of benefit to both sides and therefore incorporates its own quid pro quo. But a formal declaration of a cessation of hostilities by the Argentine is a different matter. Obviously they would expect a quid pro quo. If this took the form, as it might well do, of a demand for some movement on sovereignty on our part this would have the effect of deadlocking the whole process once again. But even if this happened the progress already achieved on the commercial front would have been very well worth while.

So far as the Northern Ireland turbines are concerned, I do not see how this issue can be separated from the resumption of full commercial relations. This might not happen overnight: and I would see no reason why the turbines should not be an early step along the road, provided it were agreed that we were going to travel all the way down that road.

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I am copying this minute to the other members of OD and to Sir Robert Armstrong.

A.C.

A C

24 January 1984

CONFIDENTIAL

FROM : TIMOTHY RAISON

DATE : 20 JANUARY 1984

Secretary of State

FALKLAND ISLANDS : POSSIBLE DECLARATION OF A 200 MILE EXCLUSIVE FISHERIES LIMIT (EFL)

Since the OD meeting, originally scheduled for 25 January, has been postponed until 31 January (or possibly later), when I shall be in Uganda, I am minuting you now with my reactions to the three options put forward in OD(83)19. ✓ pt 35

2. The first option, to leave things as they are, would in my view be the wrong course to follow, primarily because of the developmental importance of an EFL, but also in the light of the very strong pressure for positive action from many quarters. I see that Janet Young has come under great pressure on this issue during her current visit. Strong political arguments are advanced against the second option, unilateral declaration of an EFL, and I recognise these. I therefore support the third option, to pursue the establishment of the EFL in a non-confrontational way.

3. But I would like to make two points. First, we must not pin the success of our efforts to the proposal in the Annex to the paper. In our view, FAO is most unlikely to be prepared to act as a licensing agent on behalf of the Falkland Islands Government (in the example given in paragraph 3 of the Annex, the North East Atlantic Fisheries Convention, the FAO does not act as a licensing agency) nor to undertake any task likely to draw them into controversy or involve the exercise of judgement. The most we could hope for would be a routine processing of paperwork.

4. Second the paper does not do justice to the economic and developmental importance to the Falkland Islands of establishing a 200 mile EFL. Briefly -

- (a) It is clear from a macro-economic study undertaken by one of my advisers in the Islands last month that balancing the Falkland Islands budget requires an EFL: the alternative - which we may well have to contemplate anyway - is budgetary aid. Budgetary aid would go down very badly in Parliament; would dramatically change the nature of our relationship with the FIG, because we should have to sanction their every expenditure; and would risk eroding public support in this country for our Falklands policy.

/(b)

- (b) The estimate in paragraph 3 of the benefit of licensing to the Islands' present budget is, we believe, a conservative one. It could be as high as £3 million per annum (over 90 per cent, not 30 per cent, of the budget). Inability to police an EFL will not necessarily eliminate this income, as the experience of other similarly placed countries shows.
 - (c) There would be indirect benefits. A licensed offshore fishery would result in a substantial offshore fishing fleet in Falklands waters, providing a long term captive market for bunkering facilities, as well as for other goods and services produced in the domestic economy.
 - (d) It is the absence of a 200 mile EFL that is anomalous. The claiming of 200 mile EFLs is now virtually universal, and the absence of such a claim on the part of the Falklands could be taken as an indication that the UK is not serious on the sovereignty issue.
5. I am copying this minute to the other members of OD and to Sir Robert Armstrong. I am also sending a copy to Janet Young.

TR

T R

Overseas Development Administration
20 January 1984

20 JAN 1984



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

18 January 1984

Dear John,

The Cabinet Office will cover this in
the proposal to business.

A. & C. 15/1

Discussion of Papers on Argentina/Falklands at OD

attached

The Foreign Secretary circulated to OD colleagues on 29 December a Memorandum (OD(83)19) on Falklands Fisheries. The plan was to discuss this in OD on Wednesday 25 January.

Since then, the need for decisions on the next steps in our relations with the new government of Argentina has become more urgent. The Foreign Secretary will shortly be circulating a paper on this subject for discussion at OD on 25 January. He sees advantage in discussing these more central policy questions in advance of consideration of the fisheries paper.

Sir Geoffrey considers, however, that discussion of the proposed fisheries limit should not be delayed too long. Pressure from the Falkland Islanders for an early decision on this issue remains strong, as Lady Young's visit this week has confirmed. He therefore favours taking the fisheries paper at the next opportunity after OD on 25 January. I understand that the OD Secretariat have it in mind to propose discussion of the Fisheries paper at an OD meeting on 31 January. Sir Geoffrey would welcome this. In that case we would re-circulate the Memorandum on Falklands Fisheries as soon as possible after 25 January, amending it to take account as necessary of discussion then.

Sir Geoffrey has minuted separately that he is content with the proposal from the Secretary of State for Northern Ireland that the OD meeting on 25 January should consider the possible sale to Argentina of two electricity generating sets from the Northern Ireland Electricity Service.

I am copying this letter to Private Secretaries of OD Ministers, and to Richard Hatfield (Cabinet Office)

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

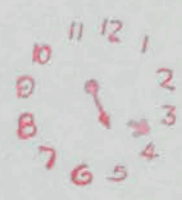
A J Coles Esq
10 Downing Street

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16 JAN 1984



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DESKBY 170900Z

FROM PORT STANLEY 171240Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 24 OF 17 JANUARY

ms

FROM PS/LADY YOUNG FOR PALMER (FID) AND NEWS DEPARTMENT

LADY YOUNG'S VISIT TO THE FALKLANDS: 200 MILE FISHERIES LIMIT

1. YOU WILL KNOW (TELECON ROBERTS/RIDDGWAY) THAT COUNCILLOR TONY

?
BLAKE HAS SAID IN AN INTERVIEW WHICH WAS BROADCAST THIS EVENING ON FALKLAND ISLANDS RADIO THAT LADY YOUNG HAD GIVEN AN ASSURANCE AT HER MEETING WITH THE JOINT COUNCILS ON 16 JANUARY THAT A 200 MILE FISHERIES LIMIT WOULD BE DECLARED WITHIN THE NEXT 12 MONTHS. LADY YOUNG PROPOSES TO ISSUE A CATEGORICAL DENIAL AT HER PRESS CONFERENCE (TODAY) BUT IN VIEW OF POSSIBLE BRITISH MEDIA INTEREST YOU MAY FIND IT USEFUL TO HAVE AN ACCOUNT OF THE RELEVANT PORTIONS OF THE DISCUSSION AT HER MEETING WITH JOINT COUNCILS.

2. LADY YOUNG TOLD THE COUNCILLORS THAT WE WERE WELL AWARE OF THE IMPORTANCE ATTACHED TO A 200 MILE LIMIT IN THE ISLANDS. FISH STOCKS WERE RUNNING OUT AND WE RECOGNISED THAT THE INCOME FROM LICENSING FEES COULD BE OF SUBSTANTIAL BENEFIT TO THE FALKLAND ISLANDS GOVERNMENT. THE ISSUE WAS CLOSE TO THE TOP OF THE AGENDA BUT THERE WERE REAL DIFFICULTIES WHICH HAD TO BE RESOLVED AND NO DECISION HAD YET BEEN TAKEN EITHER WAY. THE COUNCILLORS POINTED OUT THAT THERE WOULD BE POLITICAL REPERCUSSIONS IN THE ISLANDS AND ELSEWHERE (BY IMPLICATION IN BRITAIN) IF IT WERE THOUGHT THAT THE REASON FOR NOT DECLARING A 200 MILE LIMIT WAS THAT IT WOULD UPSET THE ARGENTINES. LADY YOUNG REPEATED THAT NO DECISION HAD YET BEEN TAKEN. ONE OF THE PROBLEMS WAS POLICING: IF A FISHERIES ZONE WERE TO SERVE ITS PURPOSE IT WOULD NEED TO BE ENFORCED EFFECTIVELY. BUT IT WAS WRONG TO SAY THAT HMG WOULD NOT DECLARE AN EFL SIMPLY BECAUSE IT MIGHT UPSET ARGENTINA.

3. SOME COUNCILLORS COMMENTED THAT SELF-POLICING HAD WORKED IN THE PACIFIC: THEY DID NOT SEE WHY IT SHOULD NOT BE APPLIED IN THE FALKLANDS. COUNCILLOR BLAKE SAID THAT IN HIS VIEW POLITICAL FACTORS WERE OUTWEIGHING THESE PRACTICAL CONSIDERATIONS. LADY YOUNG REPLIED THAT SHE COULD NOT GO INTO DETAIL ABOUT THE DISCUSSIONS THAT WERE CURRENTLY UNDER WAY IN LONDON. BUT IT WAS OBVIOUS THAT THE FALKLAND ISLANDS WERE NOT THE SOUTH PACIFIC. SHE WAS THEN ASKED WHETHER SHE COULD GIVE ANY INDICATION OF THE TIMING OF OUR DECISION ON THE EFL. WOULD IT, FOR EXAMPLE.

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/ BE TAKEN

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BE TAKEN WITHIN THE NEXT 12 MONTHS? LADY YOUNG SAID THAT SHE HOPED A DECISION WOULD BE TAKEN BY THEN. SHE COULD ASSURE THE COUNCILLORS THAT THE PROBLEM WAS BEING ACTIVELY CONSIDERED.

4. LADY YOUNG IS DISAPPOINTED THAT BLAKE SHOULD HAVE CHOSEN TO MISREPRESENT HER REMARKS IN THIS DAMAGING WAY TO THE PRESS. SHE HAS MADE CLEAR TO HIM AND TO OTHER COUNCILLORS HER CONCERN THAT THE CONFIDENTIALITY OF THE MEETING SHOULD HAVE BEEN BREACHED IN THIS FASHION. IT MAY BE HELPFUL THAT COUNCILLOR JOHN CHEEK SET THE RECORD STRAIGHT WITH JOHN HAZARD OF THE GUARDIAN WHO TELEPHONED HIM ABOUT THE INTERVIEW EARLIER THIS EVENING.

5. LADY YOUNG FEELS THAT THIS INCIDENT UNDERLINES THE NEED FOR CARE IN DEALING WITH THE COUNCILLORS. SHE WOULD BE GRATEFUL IF YOU COULD WARN MR HESELTINE'S OFFICE OF THE DANGER THAT ANYTHING THAT IS SAID TO THEM WILL LEAK OR POSSIBLY BE MISREPRESENTED TO THE PRESS.

HUNT

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h.a.

PRIME MINISTERPOSSIBLE SALE OF ELECTRICITY GENERATING SETS TO ARGENTINA

I have seen a copy of the Northern Ireland Secretary's minute of 9th January, and I agree with his suggestion that we might discuss the supply of generating sets to Argentina when we look at other aspects of our relations with Argentina at OD on 25th January.

2. I am copying this minute to the Northern Ireland Secretary, OD colleagues and Sir Robert Armstrong.

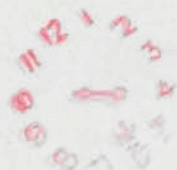
h.a.

Ministry of Defence
17th January 1984

Agencia : Mahan PT 36



18 JAN 1984



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FILE

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OD: - LCO CDL
FCO CO
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LPO + NIO
MOD
LPS

10 DOWNING STREET

From the Private Secretary

17 January, 1984

ARGENTINA: POSSIBLE SALE OF ELECTRICITY GENERATING SETS
BY NORTHERN IRELAND ELECTRICITY SERVICE

Pending the discussion in OD on 25 January, the Prime Minister has noted the contents of the Foreign and Commonwealth Secretary's minute of 16 January and the minute of the same day by the Secretary of State for Trade and Industry.

I am sending a copy of this letter to the Private Secretaries to other members of OD and to John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

A. L. COLES

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

de



CONFIDENTIAL

Prime Minister.

To see, pending OD discussion:

A.J.C. 17.

JH 543

PRIME MINISTER

ms

ARGENTINA - SALE OF GENERATING SETS

The Secretary of State for Northern Ireland has raised the question of a major export to Argentina in the form of two unused 300 MW generating sets belonging to the Northern Ireland Electricity Service. I understand the total project including installation would be worth about £100 million.

2 My officials are already in touch with GEC and NIES and have pointed out that ECGD cover is not at present available and that the restoration of trade relations would not of itself result in the renewal of medium or long term cover. ECGD's policy towards Argentina would be based on their assessment of the Argentine economy, and as Argentina will almost certainly reschedule her debts it is unlikely that ECGD would recommend reopening cover in the near future. I am told that the gist of this message has been conveyed by GEC to their Argentine contacts yet the other side remain keen to negotiate.

3 The urgency which the Argentines have suddenly introduced into the discussions is also a little curious and it has been said that the Argentine Vice President is now taking a personal interest.



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4 We can only speculate as to what the Argentines have in mind. If they are hoping we would grant credit for the project we would have to disabuse them. Until our own proposals for renewing trade relations are sufficiently far advanced, I think it would be imprudent for a nationalised body like NIES to become closely involved. If time permits I think it would be helpful if the matter could be discussed briefly on 25 January when OD considers our relations with Argentina generally.

5 I am copying this to the Secretary of State for Northern Ireland, other OD colleagues and Sir Robert Armstrong.

NT

N T

16 January 1984

Department of Trade and Industry



CONFIDENTIAL

Prime Minister

To note, pending OD.

PM/84/12

A.S.C. 16/11.

ml

PRIME MINISTER

Argentina: Possible Sale of Electricity Generating Sets by Northern Ireland Electricity Service

1. I agree with the proposal in the Northern Ireland Secretary's minute of 9 January that the possible sale of two electricity generating sets by the Northern Ireland Electricity Service should be discussed at the OD meeting on 25 January when we are already due to discuss the next steps in our relations with Argentina. It is however important that we should reach clear decisions on the main paper and, if the question of the generators looks like holding this up, I hope we can refer it to officials for detailed study.

2. A failure by us at least to explore further how much substance there is to these Argentine feelers would be wrong. Quite apart from the potential loss of a major contract, the credibility of our professions of willingness to normalise commercial relations with Argentina would be destroyed. A positive response, conducted with suitable caution, might help our broader aim of persuading the Argentines to lift all their outstanding commercial and financial restrictions.

3. The need for caution is clear. The scale of the deal, its need for export credit cover, and the prospect of early contacts between representatives of a UK public body and Argentine Government officials make the matter politically sensitive. Moreover, financing would require most careful handling in view of the present economic difficulties facing the Alfonsin Government. They may be hoping to negotiate a broader credit arrangement or to persuade us to restore credit facilities. There can be no realistic prospect of early resumption of medium or long-term ECGD cover for Argentina: this would be generally true in any country which is rescheduling its debts.

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4. Despite the obvious difficulties it remains my view that it would be wrong to dismiss the possibility of this business. I hope that the OD meeting will agree at least to instruct officials to explore the ramifications of the proposed deal.

5. I am copying this minute to our colleagues on OD.

A handwritten signature in blue ink, consisting of a stylized, cursive 'G' followed by a series of loops and a final downward stroke.

GEOFFREY HOWE

Foreign and Commonwealth Office

~~16 August 1983~~ ?

16 January 1984

CONFIDENTIAL

ARGENTINA
Relations
Pt 36

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TO IMMEDIATE PORT STANLEY (PERSONAL FOR CIVIL COMMISSIONER)

TELEGRAM NUMBER PERSONAL 1 OF 12 JANUARY

FOR PS/LADY YOUNG AND ROBERTS

TEL NO 008 TO DAKAR: FALKLAND ISLANDS: SPECULATION ABOUT
BRITISH POLICY

1. THERE HAS BEEN FURTHER SPECULATION BOTH HERE AND IN
ARGENTINA ABOUT THE IMPLICATIONS OF WHAT MRS THATCHER SAID
IN HER INTERVIEW WITH SIR A BURNET. TELEGRAMS AND PRESS
COMMENT FROM BUENOS AIRES HAVE REPORTED:

A. THAT THE ARGENTINE PRESIDENT IS REPRESENTING THE PRIME
MINISTER'S REMARKS ABOUT THE FIPZ AS 'A MOST IMPORTANT
STEP':

B. THAT THE ALFONSIN REGIME CONTINUE TO SPEAK IN
UNCOMPROMISING TERMS ABOUT THE NEED FOR ANY SOLUTION
TO BE BASED ON UN RESOLUTIONS WHICH THEY KNOW ARE
UNACCEPTABLE TO US, AND TO PUT AROUND INTERPRETATIONS
OF THE PURPOSES OF OUR MILITARY DISPOSITION IN THE
ISLANDS WHICH THEY REALLY CANNOT SERIOUSLY BELIEVE.

2. IF SHE IS ASKED ABOUT THIS, THE MINISTER OF STATE MAY
FIND HELPFUL THE FOLLOWING AMPLIFICATION OF POINTS IN TUR.

A. THE PRIME MINISTER DID NOT REPEAT NOT SAY THAT WE
COULD NOT TALK TO THE ARGENTINES AT ALL, E.G. ABOUT
BILATERAL COMMERCIAL AND ECONOMIC RELATIONS, WITHOUT A
FORMAL DECLARATION FROM ARGENTINA THAT HOSTILITIES WERE AT
AN END. SHE LAID DOWN NO PRE-CONDITIONS FOR QUOTE TRYING
TO RESTORE MORE NORMAL COMMERCIAL RELATIONS UNQUOTE.

B. ON THE OTHER HAND, MRS THATCHER DID SAY THAT DIPLOMATIC
RELATIONS COULD NOT BE RESTORED WITHOUT AN ARGENTINE
DECLARATION THAT HOSTILITIES WERE AT AN END. AS
PARAGRAPH 3(B) OF TUR SUGGESTED, THIS NEED NOT RULE OUT
INTERMEDIATE STEPS, FOR EXAMPLE LARGER INTERESTS SECTIONS

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IN THE EMBASSIES OF THE PROTECTING POWERS.

C. IT WOULD BE WRONG TO JUMP TO CONCLUSIONS ABOUT PARTICULAR BRITISH REACTIONS IN THE EVENT OF THE ARGENTINES FORMALLY DECLARING A CESSATION OF HOSTILITIES. GUIDANCE TELEGRAM NO 166 OF 15 DECEMBER 1983 EXPLAINED THAT WE NEVER COMMITTED OURSELVES TO ANY PARTICULAR STEP IN THESE CIRCUMSTANCES. SUCH AN ARGENTINE DECLARATION WOULD GIVE A WELCOME IMPETUS TO THE NORMALISATION OF BILATERAL RELATIONS, AND WOULD HELP TO REDUCE TENSION. BUT, AS WE HAVE REGULARLY SAID, WE WOULD ALSO NEED A CONVINCING DEMONSTRATION OVER A PERIOD OF TIME THAT ARGENTINA HAD GENUINELY RENOUNCED THE FUTURE USE OF FORCE. WE DO NOT ENVISAGE KEEPING THE PROTECTION ZONE INDEFINITELY. AS EARLY AS 22 JULY 1983 WE TOOK THE SUBSTANTIAL STEP OF REPLACING THE 200-MILE EXCLUSION ZONE WITH THE PRESENT 150-MILE PROTECTION ZONE.

D. IT IS IMPORTANT MEANWHILE TO EMBARK ON THE PROCESS OF RECREATING MUTUAL CONFIDENCE. THE RATIONAL WAY TO DO THIS IS THROUGH DISCUSSION OF AREAS OF BILATERAL RELATIONS IN WHICH AGREEMENT SHOULD BE ATTAINABLE WITHOUT DIFFICULTY. AS THE PRIME MINISTER PUT IT TO SIR A BURNET, WE WOULD OBVIOUSLY LIKE TO HAVE MORE NORMAL RELATIONS WITH ARGENTINA. THE SECRETARY OF STATE SUGGESTED IN HIS RADIO INTERVIEW ON 11 DECEMBER 1982 (FCO TELNO 595 TO PORT STANLEY) SPECIFIC AREAS IN WHICH PROGRESS MIGHT BE FEASIBLE.

E. WE HAVE BEEN GLAD TO NOTE STATEMENTS BY PRESIDENT ALFONSIN AND HIS COLLEAGUES THAT THEY WISH A PEACEFUL SOLUTION TO THE DISPUTE, BUT THEY CONTINUE TO INSIST THAT THIS MUST BE BASED ON RESOLUTIONS OF THE UN GENERAL ASSEMBLY KNOWN TO BE UNACCEPTABLE TO US. WE HOPE THEY WILL COME TO SHARE OUR CONVICTION THAT IT IS MUCH MORE REASONABLE TO CONTEMPLATE DISCUSSION OF PRACTICAL TOPICS. THIS SHOULD BE THE WAY AHEAD, RATHER THAN ANY ATTEMPT TO DISCUSS SOVEREIGNTY.

HOWE

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Adrian Monk
2/6/2



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10 DOWNING STREET

From the Private Secretary

12 January 1984

FALKLAND ISLANDS: FISHERIES LIMITS

I enclose a copy of a letter which the Prime Minister has received from Mr. Adrian Monk. I should be grateful if you would let me have a draft reply for my signature on behalf of the Prime Minister, to reach this office by Thursday, 26 January.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

289



Falkland Islands Government

LONDON OFFICE
29 Tufton Street
Westminster, London SW1P 3QL
Telephone: 01-222 2542
Telex: 8950476 FIGLON

Ack'd on 12/1

11th January 1984

Rt. Hon. Mrs. Margaret Thatcher, PC MP
10 Downing Street,
London S.W.1.

R12

Dear Prime Minister,

Firstly, may I thank you for your warm and welcome message broadcast to the Islanders before Christmas and wish every success to you endeavours in 1984.

You may be aware from Press reports that an issue is developing over the request by Legislative Council that a fisheries limit around the Falkland Islands be declared to conserve stocks and yield much needed revenue. No doubt Lady Young will report to you on her current discussions in the Islands and I look forward to meeting her in due course myself.

In the meantime, I should like to point out that the Legislative Council's request (enclosed) is based on long standing concern about fishing activities in our putative waters both in the Islands and elsewhere.

At present we have a three mile limit. Argentina was one of the first to declare a 200 mile limit. Currently, some 120 vessels from various nations are fishing off the Falkland Islands. I enclose a report from Fishing News of 18th November 1983 and our letter to the Times on 19th November which substantiates our concern. No British vessels are fishing there.

Various organisations have studied Falklands fisheries, not least Lord Shackleton in 1976 and 1982, the United Nations Development Programme, the White Fish Authority and the House of Commons Expenditure Committee in 1978. There is no doubt about the resources.

We very much hope that a limit may be declared in Falklands waters and secondly, that the British fishing industry devote some attention to our resources. Is there some means by which the interested parties could be brought together for a discussion?

Yours faithfully
Adrian Monk

A.B. Monk

Encs../

REPRESENTATIVE: Adrian Monk OBE



Falkland Islands Government

LONDON OFFICE
29 Tufton Street
Westminster, London SW1P 3QL
Telephone: 01-222 2542
Telex: 8950476 FIGLON

The following is the text of a Motion put forward by
The Hon. L.G. Blake at a Legislative Council Meeting
held on 22nd November 1983:

That this House request Her Majesty's Government in
the United Kingdom to take note and the earliest
action to impliment a fisheries protection zone of 200
miles around the Falkland Islands or such lesser distance
to the median line where Falkland waters impinge on
other exclusive economic zones: To control the unlimited
fishing at present taking place and prevent further
damage to the fish stocks in these waters. Also to
provide revenue which will guarantee a balanced budget
in the future and provide funds for the further development
of these Islands.

Ends.

FALKLANDS RIP-OFF

Foreign fleets cashing-in

FAILURE by the British government to establish a 200-mile exclusive economic zone around the Falkland Islands is allowing foreign fishing fleets to reap a rich harvest.

Spanish and Polish fishing vessels have discovered huge squid grounds to the north of the islands, as well as massive stocks of blue whiting. Around 80 per cent of the fish is reported to be within the 200-mile zone.

A fleet of 20 Spanish trawlers has taken around 20,000-tonnes of squid. Landings have been so heavy that the Spanish government is being forced to announce a ban on imports.

"The market is swamped with Falklands squid and something had to be done," a Spanish fish trader told *Fishing News* last week.

Spanish trawlers had moved from the grounds off South Africa to the Falklands, which had left Spanish markets desperate for hake. Spanish skippers reported fishing so close to the islands that they could see the lights of Port Stanley.

A large Polish fleet is understood to have taken some 100,000-tonnes of squid and blue whiting from the Falklands area. There have been problems with parasites in the blue whiting, because of the density of the stocks, but it is thought that a bout of sustained heavy fishing would clear out the parasites.

While Britain maintains an expensive military presence in the Falklands, there has been no move to protect the area from foreign fishing fleets, nor any negotiations

HARRY BARRETT reports

to allow them to fish under licence. Money from a licensed fishery would help offset the huge cost of the military operation. At the same time Britain is importing huge quantities of blue whiting.

A Whitehall spokesman told *Fishing News* this week that there is only a three-mile territorial limit around the islands at present.

The Shackleton report had proposed that a 200-mile zone should be established

Turn to page two

Rip-off

From page one

and the Foreign Office now has this under consideration. However, the spokesman added that a zone of this size would bring complications.

There would be a requirement to police it and, also, negotiations over the median line with Argentina would be difficult in view of present relations with this country.

The importance which Poland attaches to squid was underlined at the International Seafood Conference held in Vienna last week. Norbert Drazkowski, of the Polish fish export organisation RYBEX, said that one of the recent achievements of the Polish industry had been the wide introduction of new technology for squid tube processing.

"Right now frozen-on-board squid tube is one of our main export items. At this moment we are considering the possibility of installing squid skinning machines on our trawlers to process this product further," he said.

Mr. Drazkowski also revealed that Poland had made a breakthrough in developing machinery for peeling krill, the tiny shrimp-like creature which is in huge abundance in the south Atlantic.

"The taste of krill peeled this way is similar to shrimp," said Mr. Norbert.

LETTERS TO THE EDITOR

Conserving fish in the Falklands

From Mr Adrian Monk and others

Sir, The intention of the Manx Government to extend its fisheries limit (*The Times*, November 17) echoes our own desire and need in the Falkland Islands. At present we, too, have a three-mile limit.

It is now essential that a fisheries conservation programme for various species and licensing to provide the islands with revenue is begun. For our part, we are appointing two fisheries inspection officers to monitor our two-year consortium arrangement with the Japanese Taiyo company, but fishing by others must be controlled.

More than 100 trawlers from West Germany, Italy, Japan, Spain and eastern Europe are currently fishing the waters within our putative extended fisheries zone. Others are proceeding south to the richest fisheries resource in the world, with huge stocks of hake, blue whiting, cod and crustaceans. However large the stocks, some already need protection.

Around the Dependencies (from which revenue would accrue to Britain itself), some 150 million tonnes of the shrimp-like krill could be harvested annually, according to a series of scientific reports, among which is that of the United Nations development programme.

The last words of the House of Commons Expenditure Committee's 1978 report (HC 356: para 268) on the British fishing industry were "... when arrangements for the Falkland Islands are being considered, the fishing potential of the waters around them must be fully taken into account in any negotiations about their future."

Such negotiations were, of course, broken off by Argentina with the invasion of the islands last year. We cannot anticipate their early resumption. We can anticipate a "Klondike" in the South Atlantic, which in earlier times destroyed our whale, seal and penguin stocks.

It is therefore essential, in the interests of both Britain and the Falkland Islands, that a fisheries protection scheme to match that of our South American neighbours is started forthwith.

Yours faithfully,

ADRIAN MONK,

A. BLAKE (Legislative Councillor, Camp),

J. S. CHEEK (Legislative Councillor, West Stanley),

Falkland Islands Government,
London Office,

29 Tufon Street, SW1.

November 17.

FILE

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10 DOWNING STREET

From the Private Secretary

11 January 1984

Northern Ireland Electricity Service: Possible Sale of Electricity
Generating Sets to Argentina

The Prime Minister has seen your Secretary of State's minute of 9 January.

B/E Mrs. Thatcher agrees that the OD discussion on 25 January of relations with the Argentine should include a discussion of the subject raised by Mr. Prior and that meanwhile the Chairman of the Northern Ireland Electricity Service should be advised to defer any visit to Buenos Aires.

I am copying this letter, together with Mr. Prior's minute, to Richard Hatfield (Cabinet Office), in view of the addition to the business for OD on 25 January.

A. J. COLES

John Lyon, Esq.,
Northern Ireland Office.

NR

AJC

ARGENTINA
Nels.

We have been chasing FCO
for the draft reply to US vice
President Bush requested in
your letter of 12 Dec (at May).

It now seems that it has
been overtaken by events. We
understand Roger Bone will
(or has) discuss(ed) it with you.

No further action >

Correct.

AJC " /i. Merd
11/1/04

CONFIDENTIAL Prime Minister.

①



Agree to discuss at OD on 25
January and that meanwhile the
Chairman of the Northern Ireland Electricity
Service should defer any visit to
Buenos Aires?

Yes no

Prime Minister

NORTHERN IRELAND ELECTRICITY SERVICE: POSSIBLE SALE OF ELECTRICITY
GENERATING SETS TO ARGENTINA

In the early months of 1982 the Northern Ireland Electricity Service (NIES) was negotiating with the Argentine authorities for the possible sale of two GEC (300 mega watt) oil-fired electricity generating sets owned by NIES but surplus to their requirements. The generators, ordered in the early 1970's have never been brought into service. The reasons for this are explained in the attached background note. The city of Buenos Aires apparently has environmental conditions similar to those which the sets were designed to meet and in 1982 was the only serious customer for them. The Falklands war intervened before negotiations reached the final stage. Since that time the NIES has been searching for a new customer, but so far has not had much success in interesting potential buyers.

2. Just before Christmas, GEC's agent in Mexico City advised Mr Gaston, Chairman of the NIES, of renewed Argentinian interest in purchasing the generating sets. On our advice he said the sets were still available but would need clearance from the United Kingdom Government before entering any negotiations. Against this background, the GEC agent and Morgan Grenfell representative in Buenos Aires met Argentinian representatives on 23 December. The Argentine side included a government lawyer with authority to negotiate, which indicated that this matter has been considered at the highest level in Argentina. GEC understand that the Argentine authorities are very keen to produce new generating equipment as a practical demonstration of their determination to improve conditions for the general population and industry which currently experience frequent cuts in electricity supply.

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As/....

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3. As an alternative to selling the sets, valued in 1980-81 at some £60m, consideration has been given to converting them for use with coal rather than oil. Although we have yet to take decisions, as to the overall future strategy for the NIES, current indications are that on this particular issue the balance of advantage will lie in disposing of the surplus oil fired sets at the best negotiable price. If the NIES are given authority to negotiate with the Argentine authorities my officials would keep in close touch with the NIES about the progress of negotiations and the arrangements for financing a deal which, in view of the state of the Argentine economy, and ECGD's possible reluctance to provide cover, might be difficult to arrange.

4. It would appear that the approach to the NIES, via GEC, from the Buenos Aires Electricity Authority (SEGBA) is the first one made to the British authority since you made it clear that the Government wished to see a resumption of commercial contacts with Argentina. I recognise that our statements of readiness in principle to restore commercial relations need to be followed up by substantive discussions and that the content and modalities of these are still to be decided in OD on 25 January. But I hope we can agree that, in the meantime, it would be inconsistent with what we have said publicly if we were to respond negatively at this stage to the Argentine approach.

5. If you consider it appropriate the OD meeting on 25 January would provide an opportunity for further discussion of this issue, together with other aspects of the resumption of normal relations with Argentina. However an element of urgency has arisen because on 6 January Mr Gaston received, by telephone, an invitation to visit Buenos Aires between 16 and 23 January for discussions with representatives of SEGBA, a government lawyer and the Argentine Minister for Energy. Thus we need to give him early guidance as to how to respond to this invitation.

6. Subject to your views and those of colleagues in OD, to whom I am sending a copy of this minute, I propose to advise Mr Gaston to say that he is grateful for the invitation to visit Buenos Aires

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but his present commitments are such that he could not make the visit until some time after 25 January. In the meantime, he will of course need to seek detailed guidance from the British Government on the matter and will be in touch again as soon as possible.

7. Mr Gaston already recognises that this issue needs to be handled with considerable caution and he is ready to be guided by us in any contacts he may have with the Argentine authorities. It would be most helpful if I could have views on my proposed advice to him quickly.

Distill

J P

(Approved by the Secretary of State and signed in his absence)

9 January 1984

CONFIDENTIAL



Background Note

Surplus Electricity Generating equipment owned by the NIES

In May 1972, to meet a forecast increase in demand for electricity in Northern Ireland of at least 10% per annum in each year to 1980, it was decided to build a new oil fired 1200 MW power station at Kilroot. Accordingly, four 300 MW generating sets were purchased from GEC. However, because of the increase in oil prices, recession and a weakening demand for electricity only two of the four sets were brought into service. In March 1981 it was decided construction of the third and fourth generating units should be abandoned. The NIES was asked to dispose of the third and fourth sets if a purchaser could be found. Storage currently costs £2m per annum. Since 1981 a full examination of the future electricity generating needs of Northern Ireland has been undertaken. This indicates that electricity demand is unlikely to increase above an average rate of 2% and that when the current plant, which can cope with present demand, needs replacement, coal fired equipment would, both on cost and strategic grounds, be preferred to oil.

The GEC and Morgan Grenfell representatives

The GEC agents who would be acting on behalf of NIES are Mr Jim Foster currently based in Mexico City, who handled the negotiations in 1982 and Mr Eduardo Davidoff, in Buenos Aires. We understand that Mr Davidoff is a well accredited representative of GEC. He is not the Davidoff who precipitated the Falklands conflict by landing on South Georgia nor as far as we have been able to ascertain, is he related to him. The merchant bankers Morgan Grenfell are represented by Mr Robin Deane who would be working alongside Mr Davidoff in Buenos Aires.

PS
 PS LADY YOUNG
 PS MR WHITNEY
 PS MR RIFKIND
 PS/PUS
 SIR J BULLARD
 SIR I SINCLAIR
~~MR GIFFARD~~
 MR WRIGHT
 MR ADAMS
 LORD N G LENNOX
 MR EVANS
 MR URE
 MR CARTLEDGE

PS/NO 10 DOWNING ST. (3)

PS/S OF S FOR DEFENCE
 MR J STEWART AUSD STAFF MOD

PS/CHANCELLOR)
 MISS M E CUND) TREASURY
 MR LITTLER)

SIR R ARMSTRONG)
 MR A D S GOODALL) CABINET OFF
 DIO)

MR M A PATTISON, FID, ODA

ED/PUSD (2)

ED/SAMD

ED/FID

~~ED/DEFENCE DEPT~~

ED/NEWS DEPT

ED/EEB

ED/ECG(E)

ED/UND

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MR A FORTNAM IAT/ D. TRANSPORT

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INFO ROUTINE MOD BANK OF ENGLAND ASUNCION BRASILIA CARACAS
 MONTEVIDEO SANTIAGO UKMIS NEW YORK WASHINGTON CIVIL COMMISSIONER
 PORT STALEY

PRESS SUMMARY

1. IN THREE DAYS OF VARIED HEADLINES, THE MAIN ITEM OF INTEREST WAS PRESIDENT ALFONSIN'S STATEMENT TO REPORTERS ON FRIDAY ABOUT THE FALKLANDS (PLEASE SEE OUR TELNO 22 OF 6 JAN).
2. ALFONSIN REPEATED THAT ARGENTINA IS NOT WILLING TO NEGOTIATE SOVEREIGNTY OVER THE FALKLANDS AND ADDED THAT THE BRITISH DEFENCES ON THE ISLANDS QUOTE MAY BECOME A SERIOUS PROBLEM NOT JUST FOR ARGENTINA BUT ALSO FOR THE SOUTH ATLANTIC UNQUOTE. HE SAID THAT THE PRIME MINISTER'S RECENT STATEMENT ABOUT THE EXCLUSION ZONE WAS A QUOTE VERY IMPORTANT STEP UNQUOTE AND REITERATED ARGENTINA'S WILLINGNESS TO IMPLEMENT THE UN RESOLUTION CALLING FOR NEGOTIATIONS.
3. SUNDAY'S 'CLARIN' REPORTS THAT THE BRITISH GOVERNMENT DOES NOT CONSIDER THAT ALFONSIN'S DECLARATIONS POSE AN OBSTACLE TO THE NORMALISATION OF RELATION. BRITISH GOVERNMENT SOURCES ALLEGEDLY BELIEVE THE TONE OF ALFONSIN'S MESSAGE COINCIDES WITH MRS THATCHER'S STATEMENTS.
4. 'TIEMPO ARGENTINO' REPORTS THAT THE URUGUAYAN FOREIGN MINISTER HAS REAFFIRMED HIS GOVERNMENT'S SUPPORT FOR ARGENTINE SOVEREIGNTY OVER THE FALKLANDS AND ALSO QUOTES A SWEDISH UNION OFFICIAL, FOLKE HAVIC, AS SAYING THAT HIS GOVERNMENT FIRMLY BELIEVES THE ISLANDS SHOULD BE RETURNED TO ARGENTINA.
5. WHEN QUESTIONED ABOUT ECONOMY MINISTER BERNARDO GRINSPUN'S

5. WHEN QUESTIONED ABOUT ECONOMY MINISTER BERNARDO GRINSPUN'S TRIP TO THE UNITED STATES FOR NEGOTIATIONS ON ARGENTINA'S FOREIGN DEBT, ALFONSIN SAID THE GOVERNMENT'S POLICY WILL BE YO QUOTE REFINANCE THE DEBT ACCORDING TO THE NATION'S CAPABILITIES, WHICH ARE DIRECTLY TIED TO OUR EXPORT POSSIBILITIES UNQUOTE. HE ADDED QUOTE WE HAVE ALWAYS SAID WE WON'T PAY ANY ILLEGITIMATE INTEREST CHARGES, NOR ACCEPT RECESSIONARY MEASURES UNQUOTE.

6. AN AGREEMENT BETWEEN ARGENTINA AND CHILE OVER THE BEAGLE DISPUTE WILL BE SIGNED THIS WEEK ACCORDING TO RUMOURS CIRCULATING IN THE VATICAN. 'LA NACION' CLAIMS THAT THE POPE WILL REFER TO THE BEAGLE IN A MEETING WITH THE DIPLOMATIC CORPS ON 14 JANUARY AND WILL MENTION THE AGREEMENT. TODAY'S PAPERS QUOTE A REPORT IN CHILE'S 'EL MERCURIO' THAT THE CHILEAN FOREIGN MINISTER HAS ALSO SAID A SOLUTION TO THE DISPUTE WILL BE ANNOUNCED IN THE NEXT FEW DAYS.

7. FORMER PERONIST DEFENCE MINISTER JOSE DEHEZA HAS EXPRESSED HIS SUPPORT FOR THE GOVERNMENT'S BILL TO REFORM THE MILITARY CODE OF JUSTICE AND CRITICISED THE JUSTICIALIST PARTY'S OPPOSITION TO IT. THE BILL WILL BE DEBATED IN THE SENATE THIS WEEK.

8. RECENT REPORTS OF MILITARY UNREST OVER THE GOVERNMENT'S INVESTIGATION INTO THE 'DIRTY WAR' WERE DENIED YESTERDAY BY RADICAL DEPUTY MARCELO STUBRIN. THIS FOLLOWS SIMILAR DENIALS BY ALFONSIN ON FRIDAY WHO SAID HE WAS CONFIDENT THAT THE ARMED FORCES WERE AT THE SERVICE OF DEMOCRACY.

9. THE THREE NEW MEMBERS OF THE ARMED FORCES SUPREME COUNCIL ARE EXPECTED TO BE APPOINTED THIS WEEK, THUS ENABLING THE COURT TO BEGIN THE TRIAL OF THE NINE FORMER MILITARY JUNTA LEADERS FOR ALLEGED PARTICIPATION IN ILLEGAL REPRESSION.

10. EX-PRESIDENT BIGNONE IS TO APPEAR IN FEDERAL COURT TODAY TO TESTIFY ON HIS ALLEGED INVOLVEMENT IN THE DISAPPEARANCE OF PHYSICIST ALFREDO GIORGI WHO WAS KIDNAPPED IN 1978. OTHER FORMER MEMBERS OF THE MILITARY JUNTA, INCLUDING EX-PRESIDENT VIDELA, HAVE BEEN BANNED FROM LEAVING THE COUNTRY BY A FEDERAL JUDGE IN CONNECTION WITH THE CASE OF CARLOS ESTEUTAN WHO DISAPPEARED IN 1976.

11. ACCORDING TO MILITARY SOURCES THE POSITION OF JOINT CHIEF OF STAFF WILL IN FUTURE BE KNOWN AS THE ARMED FORCES CHIEF OF STAFF AND ITS PRESENT HEAD, BRIG GEN JULIO FERNANDEZ TORRES IS TO BE PROMOTED TO LIEUTENANT GENERAL.

12. THE FOREIGN MINISTRY HAVE ANNOUNCED THAT THE WEST GERMAN FOREIGN MINISTER HANS DIETRICH GENSCHER WILL ARRIVE IN ARGENTINA ON 8 FEBRUARY FOR A TWO DAY VISIT.

13. AN OFFICIAL STATEMENT HAS GIVEN THE COST OF LIVING INCREASE FOR DECEMBER AS 17.7 PER CENT. INFLATION FOR 1983 WAS ESTIMATED AT 433.7 PER CENT, THE HIGHEST IN THE HISTORY OF THE COUNTRY.

JOY

POWELL-JONES

NNNN

PRIME MINISTER'S INTERVIEW

Falklands/Argentina

1. Argentine Foreign Ministry statement. Text not yet received. According to press reports main points are:
 - (i) Call for renewed negotiations for peaceful transfer of Falklands to Argentine sovereignty;
 - (ii) an offer of improved guarantees for the Islanders (reference to their "interests" not "wishes").
2. FCO statement in response made today: along lines of Line to Take below.

Line to Take

3. Not yet received text of statement: we will study it carefully when we do, but does not seem to contain anything very new.
4. Statement appears to be based on the premise that the outcome of negotiations must be transfer of sovereignty to Argentina regardless of the wishes of the Islanders. I have made very clear that I am not entering into negotiations about sovereignty. In our view, the way ahead for Anglo/Argentine relations is to start in practical areas where agreement should be possible. Several British suggestions for this already on the table, for instance:
 - (i) proposals made by Community on our behalf on restoration of commercial relations;
 - (ii) repeated statements of our readiness for a next-of-kin visit.

FALKLAND ISLANDS CENTRAL (ADVANCES)

IMMEDIATE

ADVANCE COPY

PS
PS/LADY YOUNG
PS/MR WHITNEY
PS/MR RIMMOND
PS/PCS
SIR J BULLARD
SIR I SINCLAIR
~~MR [unclear]~~
MR FRIGHT
MR ADAMS
LORD H G LERNOX
MR EVANS
MR URS
MR CARTLEDGE

PS/NO 10 DOWNING ST, (3)
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD

PS/CHANCELLOR)
MISS M E GUND) TREASURY
MR LITTLE)

SIR B ARMSTRONG)
MR A D S GOODALL) CABINET OFF
DIO)

MR M A PATTISON, FID, ODA

ED/PCSD (2)
ED/SAMD
ED/FID
~~ED/RESEARCH DEPT~~
ED/NEWS DEPT
ED/ERD
ED/ECG(E)
ED/URD
ED/PLANNING STAFF

MR A FORTNUM IAR/ D. TRANSPORT

RESIDENT CLERK

UNCLASSIFIED
(F4 PERNE 06C9102)

FM BUENOS AIRES

TO IMMEDIATE FCO
TELNO 22 OF 6 JANJARY

PRESIDENT ALFONSIN'S RESPONSE TO PRIME MINISTER'S ITN INTERVIEW
1. ACCORDING TO A NOTICIAS ARGENTINAS REPORT, PRESIDENT ALFONSIN COMMENTED THIS MORNING THAT QUOTE WHAT THE PRIME MINISTER SAID YESTERDAY (SIC) IS AN IMPORTANT STEP UNQUOTE. HE ADDED THAT QUOTE SHE INDICATES THAT SHE IS NOT PREPARED TO NEGOTIATE ON SOVEREIGNTY OVER THE ISLANDS. WE SAY THAT WE ARE NOT PREPARED TO NEGOTIATE ON SOVEREIGNTY OVER THE ISLANDS EITHER, BUT WE ARE PREPARED TO IMPLEMENT THE UN RESOLUTIONS UNQUOTE.

2. A TELAM DESPATCH ALSO HIGHLIGHTS ALFONSIN'S STATEMENT THAT ARGENTINA WILL NOT NEGOTIATE SOVEREIGNTY AND THAT HIS GOVERNMENT IS READY TO HOLD TALKS WITHIN THE FRAMEWORK OF UN RESOLUTIONS. HE IS FURTHER CITED AS DECLARING THAT QUOTE THEY HAVE BEEN REQUESTING THE CESSATION OF HOSTILITIES FOR A LONG TIME. BUT MEANWHILE THEY CONTINUE WITH THE MILITARY FORTIFICATION OF THE FALKLAND ISLANDS AND WITH THE UTILIZATION OF THE EXCLUSION ZONE UNQUOTE. HE CONTINUED, QUOTE THIS SITUATION CAN PROVE DANGEROUS NOT ONLY FOR ARGENTINA BUT ALSO FOR THE SOUTH ATLANTIC UNQUOTE.

JY



10 DOWNING STREET

From the Private Secretary

4 January, 1984

Falkland Islands Records

The Prime Minister has noted the contents of your letter of 30 December.

J. J. COLES

R. B. Bone, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET

From the Private Secretary

3 January, 1984

Argentina: Arms Sales and Bank Lending

The Prime Minister has noted the contents of the Solicitor-General's minute of 30 December about the possibility of a general instruction being issued by the Bank of England forbidding lending by UK banks to a country in a state of hostilities with the UK.


I am copying this letter to John Kerr (H.M. Treasury) and Peter Ricketts (Foreign and Commonwealth Office).

A. J. COLES

Henry Steel, Esq., C.M.G., O.B.E.,
Law Officers' Department

CONFIDENTIAL

By

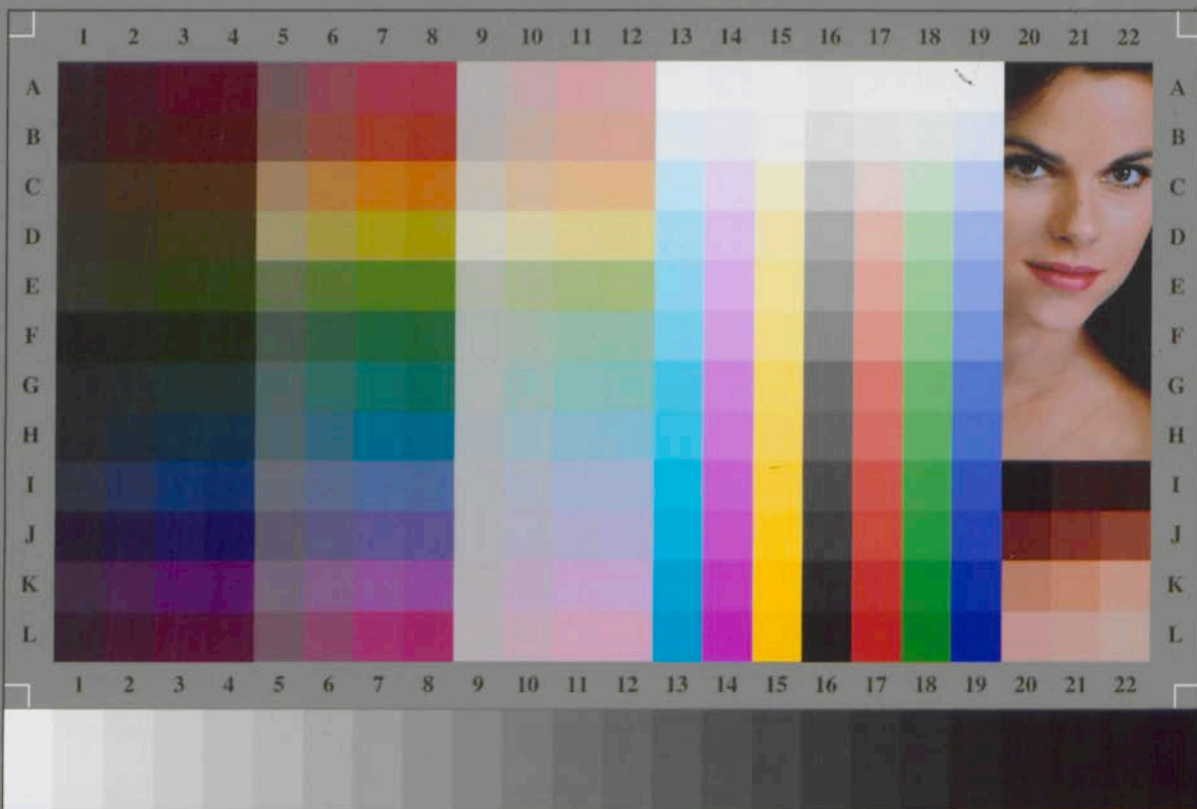
 PART 35 ends:-

Solicitor General to PM 30.12.83

PART 36 begins:-

AJC to Law Officer's Dept 3.1.84

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