

010 *Mr Carrington!*

*P.S. I don't think Lord Carrington is in any doubt about my views.*

*I cannot possibly agree to the proposed course of action.*  
*Ant.*

Ref A0280

PRIME MINISTER

Falkland Islands

Lord Carrington's minute to you of 20 September proposes that in the margins of the UN General Assembly meeting next week he should suggest to the Argentine Foreign Minister that negotiations should start soon between Mr Ridley and his Argentine opposite number over the future of the Falkland Islands. In these negotiations we should, for the first time, formally put to the Argentine the suggestion that we might concede sovereignty over the Falklands and the Dependencies in return for a leaseback to ensure continued British rule for as long as possible, ie at least 30 years. Lord Carrington does not appear to intend himself to put forward this suggestion next week. But if you see any difficulty in what he is proposing he asks for an urgent indication of this before he leaves for New York at the weekend.

*No*

2. Lord Carrington and Mr Ridley who has recently returned from the Islands believe further sterile negotiations and delay benefit no-one. The Falklands Councillors seem willing to consider a lease-back provided the lease is long enough (eg 99 years). A settlement with the Argentines would open the way to development of the Islands; exploration of possible oil deposits in sea areas between them and Argentina, and the declaration of a 200-mile fishing zone to obtain licencing revenue from the fishing fleets already in those waters. It would also greatly improve prospects for Anglo-Argentinian trade (eg the Falkland Islands dispute seems to have been a major factor in our loss last year of an Argentinian contract for six frigates and a positive gesture soon might turn the balance for GEC in a £100 million nuclear turbine contract now under discussion). Lastly agreement with Argentina, which has rival claims for sovereignty in Antarctica, might strengthen our eventual prospects of preferential access to potential large mineral and hydrocarbon deposits there.

*Why can't development proceed now?*

*It doesn't - see Tom North memo*

3. The Department of Trade and Ministry of Defence are likely to support any line likely to bring a settlement. The Ministry of Agriculture, Fisheries and Food have been unable to interest our fishing interests in these prolific but distant waters and so are unlikely to have strong views. But the Department of Energy and CPRS have shown interest in the hydrocarbon potential and will need re-assurance that no unnecessary concessions are made. However it seems unlikely that we could ever develop and benefit from any such resources in the face of Argentine opposition.

*And they must be measured with care?*

4. The key difficulty is likely to be political. We are committed to putting no proposals to Parliament which do not have the support of the Islanders. They have always resisted any suggestion of concession to Argentine pressure, despite their close dependence on Argentina and the welcome now given to Argentinian cruise tourists. The bad human rights image of the Argentine Military Government has not helped. It will be very difficult, despite the first new hopeful reactions reported by Mr Ridley, to bring the Islanders and their lobby (backed by the Falkland Islands Company which sees a threat to its sheepfarming interests and control) to agree. But it may not be impossible and the alternative options look bleak.

*No*

5. I suggest you may wish to agree, subject to the views of colleagues, to Lord Carrington's proposals but to add that you take it that a surrender of sovereignty in exchange for a lease-back will not be formally proposed to the Argentinian Foreign Minister before the Falkland Island Councillors and the Governor have been informed of our intentions and before Ministers have been given more time to consider and comment on the political and other implications.

*John*

JOHN HUNT

21 September 1979



COPIED



21 SEP 1979



10 DOWNING STREET

Prime Minister.

You may wish to discuss  
this with Lord Carnarvon  
<sup>20.9</sup>  
to-morrow at lunch. The last  
couple of lines of Sir J. Hunt's  
<sup>21.9</sup>  
minute are important. The  
Nott's office have rung to say  
that they think he would be  
anxious that the Foreign Secretary  
should not at this stage indicate  
anything more than willingness  
to negotiate. (Mr Nott is away  
at present).

Russ

21.9.