

Mr Harding
PS/Mr Ridley

That you
of [Signature]

ARW 040/325/2		
RECEIVED 18 JAN 1980		
DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

FALKLAND ISLANDS: MR RIDLEY'S DINNER ON 16 JANUARY 1980

1. Mr Ridley will be holding an informal dinner on 16 January at which the scope for solutions to the Falkland Islands dispute will be considered.

2. As aids to thought, I attach the following papers:

- A Annex A: a very brief summary of pre-1977 proposals;
- B+ Annex B: a fuller summary and explanation of the
C-G proposals advanced by both sides in the 1977-79 negotiations;
- H Annex C: a schematic analysis of likely elements of the
I lease-back proposal (on which we have sought the views of Buenos Aires and of the Governor).

3. Copies are being given to others attending the Dinner (Mr Williams, Mr Hunt, Mr Duggan).

[Signature: P. R. Fearn]

P R Fearn
South America Department

11 January 1980

[Signature: Mr Harding]
14 Jan. (received today)

CONFIDENTIAL

(WS)

ANNEX A

THE FALKLAND ISLANDS DISPUTE: PRE-1977 PROPOSALS

CONDOMINIUM INITIATIVE

Ministers agreed in May 1974 to explore Anglo-Argentine condominium over the Islands. The Councillors' reaction was guarded but they did not object. The proposal was put to the Argentines in June; they counter-proposed joint administration, following cession of sovereignty to Argentina. This was unacceptable to UK and Islanders and the condominium proposed was withdrawn. The Argentines have subsequently made clear that a condominium is not an acceptable solution, as it does not give them full sovereignty.

SOVEREIGNTY FREEZE

Islanders suggested in 1976 that the UK might suggest to Argentina a freeze of 50 years on all sovereignty discussions. Not surprisingly, the Argentines rejected this outright.

ARGENTINE "LEASE-BACK" PROPOSAL

In May 1975 the Argentine (Peronist) Foreign Minister proposed a form of lease-back, i.e. transfer of sovereignty, lease-back for 15 years and a joint development programme. Because of the general worsening of relations and the Shackleton incident, this proposal was not taken up by the UK until after the military coup. The new Government did not revert to the proposal but issued their 8 year joint administration proposals in August, 1976.

(WS)

ANNEX B

THE FALKLAND ISLANDS DISPUTE: ANGLO-ARGENTINE NEGOTIATIONS
1977-79

Summary

1. Rome, July 1977 (Official level)

Argentina: insists on full transfer of sovereignty but accepts need for transitional period.

UK: suggest "mixed approach", i.e. different solutions for the Islands, the Dependencies and the maritime zones.

Comment: no conclusions. Both sides testing the water.

2. New York, December 1977 (Ministerial)

Argentina: presses its 8 year joint administration plan, submitted in September, together with a list of safeguards for Islanders and a request for authorisation for Argentine interests to take over the Falkland Islands Company.

UK: rejects joint administration scheme and again puts forward "mixed approach" in a sovereignty working paper. Submits papers on oil, fish and krill.

Comment: most positive of the 4 rounds, chiefly because Argentines understood our "mixed approach" proposals to mean that we were prepared to cede sovereignty quickly in the Dependencies and their maritime zones without any corresponding agreement on continued British sovereignty over the Islands themselves. They were later disillusioned.

3. Lima, February 1978 (working groups)

(i) Political

Argentina: claims islands do not generate continental shelves and these are therefore outside scope of negotiations.

UK: rejects this. Puts forward ideas on Southern Thule.

Comment: stalemate on continental shelf and sovereignty. Basis for advance on Thule.

(ii) Economic co-operation

Argentina: proposes the establishment of a tripartite (Argentina, UK, Islander) organisation to develop resources.

UK: unenthusiastic. Revives papers put forward at New York.

Comment: no progress on either sovereignty or economic co-operation. Argentines stressed that they were only prepared to discuss economic co-operation as a package involving sovereignty concessions.

4. Geneva, December 1978 (Ministerial)

Argentina: agrees Thule and accepts some maritime co-administration proposals (similar to their own) in principle but rejects their being discussed under the sovereignty umbrella. Insists on transfer of sovereignty over Dependencies as price for co-administration.

UK: tables Thule solution and paper on co-administration of maritime zones.

Comment: progress on Thule (but subsequently dashed by Islanders) but none elsewhere. No movement on sovereignty.

5. New York, March 1979 (Official)

Argentina: agrees to operate in spirit of Thule agreement but refuses to discuss maritime zones in isolation from territory.

UK: insists on sovereignty umbrella over all discussions.

Comment: unproductive, even a step backward because of Argentine disappointment on Thule agreement.

Argentine position throughout has been that the aim of negotiations is to transfer sovereignty to Argentina. If they are assured of full sovereignty, they are prepared to consider transitional arrangements and forms of economic co-operation.

UK position throughout has been that any solution must be a package covering all the various elements. UK must retain sovereign rights over the Islanders. Economic co-operation in the Dependencies' maritime zone could be effected to our mutual advantage without compromising sovereignty position.

THE FALKLAND ISLANDS DISPUTE: ANGLO-ARGENTINE NEGOTIATIONS:
1977/79

1. Four negotiating rounds have been held under the terms of reference announced by the two Governments on 26 April, 1977.

Rome, July 1977

2. This meeting was at official level. The Argentines made it clear that they did not consider that the principle of self-determination was applicable to the Islanders. We made it equally clear that Islander views could not be ignored and that no settlement could be imposed upon them. Any solution would have to be fully acceptable to the Islanders before it could be brought before Parliament.

3. The Argentines insisted that no Argentine Government could contemplate anything short of full transfer of sovereignty as a final solution to the dispute. But they recognised there would have to be a transitional period before this took place.

4. We floated the idea of a "mixed approach"; different sovereignty options might be applied to the Islands themselves, the Dependencies and their maritime resources.

5. No specific proposals on economic co-operation were discussed. But we made it clear that we considered the continental shelf and 200 mile fishing zone generated by the Falklands and Dependencies were an integral part of the dispute. The Argentines appeared to accept this in Rome but in Lima in February, 1978 developed a different argument in respect of the continental shelf (see para 10 below).

/New York,

- 2 -

New York, Ministerial Meeting, December, 1977

6. After Rome, the Argentines moved quickly to try to speed up the momentum of the negotiations and to focus attention on sovereignty. On 13 September, they put forward 3 proposals under cover of a bout de papier:

- a) a scheme for an 8-year joint administration of the Islands leading up to a transfer of sovereignty to Argentina;
- b) a list of 18 safeguards for the Islanders, (for study in the negotiations), intended to preserve "the socio-cultural and economic values of the Islanders";
- c) a request that the British Government should authorise the acquisition by Argentine business interests of a majority of shareholding of the Falkland Islands Company.

7. The Argentines came to New York anxious to secure some visible sign of progress. On sovereignty, Mr Rowlands told the Argentines firmly that their eight year joint administration scheme was out of the question. The Minister floated our own ideas on "mixed approach" and tabled a working paper (which the Argentines have subsequently called the "Rowlands Sovereignty Working Paper"). We here pointed out a distinction between uninhabited and inhabited territories. The aim was to try to get a package deal in which we kept the Falkland Islands under British Administration. We suggested that a possible settlement might contain some of the following broad characteristics:

/a)

a) The Dependencies and their maritime zones

Since there was no permanent population the British Government would be ready to consider some fresh sovereignty arrangements in favour of Argentina. For the Dependencies, special arrangements would need to be worked out in South Georgia for the BAS headquarters. Port facilities, in the event of fish/krill industries becoming established, would also need careful study. The fresh sovereignty arrangements, as they affected the maritime zones, would be intended to reflect the real interests of both our countries and to ensure that orderly and controlled development of resources was possible. The question of control and access of third parties in the maritime zones would need to be given close consideration. The overall aim would be to promote development in this area;

b) The Falkland Islands and their maritime zones

The paramount concern of the British Government was for the British inhabitants. It would therefore be essential that sovereignty rights in respect of the Falkland Islanders should continue to rest with Britain. This would enable the Islanders to maintain, under their own system of administration and government, their British way of life. The maritime and continental shelf resources lying beyond the territorial sea of the Islands, should be the subject of special arrangements designed to produce a framework for economic activity beneficial to the parties concerned; The key theme "it would be essential that sovereign rights in respect of the Falkland Islanders should continue to rest with Britain" was intended to prepare the ground for the possible introduction of leaseback.

/c)

- 4 -

- c) Both HMG and the Argentine Government had expressed concern that all the parties of the area should benefit from economic development. The ideas above would contribute to a system of Anglo/Argentine economic co-operation providing such benefit.

But the sovereignty paper was deliberately opaque. Mr Rowlands refused to be drawn and made no reference to lease-back at all.

8. The Argentines said that although they did not accept our mixed approach idea as a basis for a final settlement, they believed our ideas merited further study.

9. This meeting was the most positive of the four rounds of negotiations. The Argentines felt that we were ready to make concessions relating to the Dependencies and their maritime zones. Agreement was also reached on the establishment of two working groups at official level to meet in Lima in February, 1978. One working group was to cover political relations (including sovereignty) and the other economic co-operation.

10. Mr Rowlands subsequently met Island Councillors in Rio de Janeiro to brief them on New York talks. Our ideas on "mixed approach" were included in the briefing. Councillors reserved judgement on ideas relating to the Dependencies and their maritime zones. We felt that Councillors were now beginning to accept that some concessions needed to be made on our side if we were going to win from the Argentines the concessions needed to keep the Islanders under British rule. Mr Rowlands also discussed, but left open for the time being, the question of Councillor participation in the next plenary round of talks.

/Meeting

- 5 -

Meeting of Working Groups, Lima, February, 1978

11. In the political relations group, we raised the Argentine base on Thule; and also the Argentine assertion (stated at the beginning of the meeting) that Islands did not generate a continental shelf and that this area was not for inclusion in the negotiations.

12. On Thule, we floated the idea of an arrangement, on Antarctic Treaty lines, to provide for the British and Argentine scientific activities in the Dependencies to be conducted without prejudice to sovereignty. The Argentines found the idea imaginative and promised to let us have their considered views subsequently.

13. But we could not budge them on the matter of the continental shelf. (Their attitude was governed by the dispute with Chile over the Beagle Channel for which they wished to establish the principle that disputed islands did not, for sovereignty purposes, generate maritime zones). We firmly rebutted the Argentine line and said that we could not take sovereignty discussions any further until this issue was satisfactorily resolved.

Economic Working Group

14. There were exchanges on both oil and fishing. The Argentines proposed joint expert study groups to quantify resources and plans for development. The Argentines also tabled a paper proposing an Argentine majority holding company (with UK and Islanders as shareholders), whose charter would be the economic development of both the Islands and the Dependencies and, where appropriate, maritime resources. They suggested that such an organisation might take over the Falkland Islands Company. We reserved our position on this emphasising that any such proposals could only be pursued with the agreement of the Islanders.

/15.

15. The Lima talks produced a stalemate but the outcome was one which suited us. In shifting their ground on the Falkland continental shelf, the Argentines gave us a welcome excuse to slow down the negotiating process. No dates were fixed for any further meeting.

Preparations for Further Talks

16. Between the Lima talks and the Ministerial round in Geneva in December, 1978, exchanges continued through the diplomatic channel to solve the problem of maritime zones and Southern Thule. The two Foreign Ministers met in New York in September, 1978. The Argentines agreed that they would ~~discuss~~ "discuss" maritime zones within the scope of the negotiations; and that they would also be willing to discuss our ideas for resolving the problem of Southern Thule. Dr Owen also made it clear that there could be no substantive discussion of Falkland sovereignty before the general election. In the light of this talk, the then Secretary of State agreed that negotiations could now resume at Ministerial level.

Ministerial Negotiations, Geneva, December 1978

17. On Thule our objective was to secure agreement under which the sovereignty implications of the Argentine station on Thule would be removed. In this we succeeded in successfully negotiating the draft scientific co-operation agreement.

18. We also decided to put forward ideas for a Co-Administration Scheme, under the sovereignty umbrella, of the Dependencies maritime zones. We saw the idea as representing the first step towards economic co-operation in the South West Atlantic and at the same time deflecting Argentine attention from sovereignty. It was hoped to constitute an effective means of bringing under control the large scale fishing activities of Third countries in

/Dependencies'

Dependencies' waters; and at the same time to bring benefits to ourselves, the Falkland Islanders and Argentina.

19. Our negotiating intentions were explained to Island Councillors. We reminded them that they were free to participate themselves in the talks if they so wished. But they told us that they continued to prefer us to negotiate on their behalf and to report back to them.

9

20. In the event, both sides tabled outline papers on Co-Administration of the Dependencies Maritime Zone. The Argentines saw no problems in our ideas over the mechanics as far as fishing was concerned and agreed on the need for urgent action to deal with third parties. They agreed that action would be required to declare a 200 mile fishing zone. They suggested this should be done jointly but did not explain how they would reconcile this with their existing legislation covering the waters in question. But they rejected the idea of a Co-Administration Scheme under the sovereignty umbrella. Instead they wanted a transfer of sovereignty over the Dependencies as the price for Co-Administration of a fishery zone; and they wanted to exclude the continental shelf. We told them firmly that none of this was on. It was left that all these ideas would be looked at in subsequent meetings.

21. There was no substantive discussion on sovereignty. The Argentines repeated their position of principle, and tried to draw us out on the sovereignty changes we had in mind in the Sovereignty Working Paper tabled by Mr Rowlands in New York, December 1977. We rejected the idea that the aim of the negotiations was simply to transfer sovereignty to Argentina and stressed that there could be no consideration of fresh sovereignty arrangements in favour of Argentina in the Dependencies without Argentine acceptance that sovereignty rights in respect of the Falkland Islanders should continue to rest with Britain.

/Consultation

Consultation with Island Councillors

22. Here there was a setback. Mr Rowlands met a delegation of Island Councillors in Rio in January, 1979 to brief them on the Geneva talks. The meeting went well and the delegation raised no objections to the Southern Thule scheme. When they reported back to their colleagues in Port Stanley, however, the Falkland Councillors as a whole decided that they could not accept the scheme at all. They felt that unless the scheme applied only to Thule, we were, in effect, giving the Argentines some sort of status in the rest of the Dependencies. They saw it as the beginning of a process of concession which would lead to the loss of sovereignty over the Falklands.

New York, March, 1979 (at official level)

23. The talks were low key. No progress was made on any of the issues of substance. On the scientific co-operation agreement, we told the Argentines in frank language about Councillors' reservations and of our consequent inability to sign. This came as a severe disappointment to them, as they were ready to do so. They refused to consider any changes to the text but did agree to leave the document lying on the table and to conduct any future scientific activities "in the spirit of the draft". They also repeated ministerial assurances provided in Geneva that no further stations in the Dependencies were intended.

24. This exchange soured the atmosphere for the talks as a whole and although there was lengthy discussion on fishery co-operation, no progress was possible. The Argentines continued to insist that any agreement should include not only maritime areas but should be extended also to the land areas of the Dependencies and affect sovereignty. We again rejected this and argued that any co-operation scheme must be under the sovereignty umbrella.

25. On sovereignty, there were lengthy but inconclusive exchanges. The Argentines once again insisted that any final solution must include concessions on sovereignty over the Falkland Islands, whilst we repeated that we flatly rejected any assumption that this must be so. We told them that the best solution would be for them to give up their claim, that the people of the Islands should continue to have the right to choose, that sovereign rights overall should lie with Britain and that their Institutions, laws and way of life should develop in this framework. Nevertheless, we were still willing to negotiate in accordance with the terms of reference, particularly in order to find ways to develop the resources of the area for the benefit of those who lived there.

26. The Argentines were visibly most disappointed at the outcome. There was no decision on a further meeting.

(WS)

FALKLAND ISLANDS: TERMS OF REFERENCE FOR NEGOTIATIONS (WRITTEN PARLIAMENTARY ANSWER BY THE SECRETARY OF STATE, 26 APRIL 1977)

The British and Argentine Governments have now reached agreement on the Terms of Reference for negotiations about the Falkland Islands dispute, as follows:

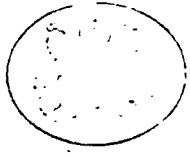
The Governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland have agreed to hold negotiations from June or July 1977 which will concern the future political relations, including sovereignty, with regard to the Falkland Islands, South Georgia and South Sandwich Islands, and economic co-operation with regard to the said territories, in particular, and the South West Atlantic, in general. In these negotiations the issues affecting the future of the Islands will be discussed, and negotiations will be directed to the working out of a peaceful solution to the existing dispute on sovereignty between the two states, and the establishment of a framework for Anglo-Argentine economic co-operation which will contribute substantially to the development of the Islands, and the region as a whole.

A major objective of the negotiations will be to achieve a stable, prosperous and politically durable future for the Islands, whose people the Government of the United Kingdom will consult during the course of the negotiations.

The agreement to hold these negotiations, and the negotiations themselves, are without prejudice to the position of either Government with regard to sovereignty over the Islands.

The level at which the negotiations will be conducted, and the times and places at which they will be held, will be determined by agreement between the two Governments. If necessary, special Working Groups will be established.

WS



[15 50]

TRANSMISSION

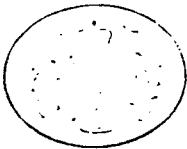
The Ministry of Foreign Affairs and Worship present their compliments to the Embassy of the United Kingdom of Great Britain and Northern Ireland and have the honour to attach three proposals of the Argentine Government, within the framework of the subjects which are comprised in the negotiations which HMG and the Argentine Government have initiated.

The above mentioned negotiations comprise two themes; sovereignty over the Malvinas Islands, South Georgia and South Sandwich Islands and economic cooperation with respect to these territories in particular and to the South West Atlantic in general. Of these two themes, that which concerns the Argentine Republic and which has motivated her more than a century old claim and her repeated action in international fora is the restitution of the above mentioned Islands in order to make possible the full exercise of her sovereignty over them.

Now that the round of negotiations held last July has been held with the results known to both Governments, it is the opinion of the Argentine Government that the negotiations should be continued, ^{intensively} before the next meeting anticipated for the month of November. It was with this object in view that an aide memoire was delivered on 16 August proposing the creation of two working groups; sovereignty and economic cooperation.

The attached proposals are presented within this context; and without subordinating them to the establishment of the above mentioned working groups; the proposals could be discussed with the working groups and set up. It is hoped that the views of the British Government on these proposals could be known in time for the November round to be of positive benefit for the negotiations. The Argentine Republic is disposed to enter

/s/



the negotiations with the rhythm which the importance of the theme requires, in the knowledge that the failure to do so could bring about the delay of the negotiations with evident prejudice for both parties.

The Argentine Government, which has attached priority and importance to the Malvinas question, does not wish that such a situation should come about nor that the negotiations should be diluted in secondary matters which are not very well defined. Since there is a disposition on both sides to negotiate, the two sides should do so with dedication and with the mental disposition which any serious negotiation requires.

Moreover, the Argentine Government is ready to consider with great interest the proposals which the British Government puts forward about economic cooperation for the Malvinas Islands and the adjacent zones.

The Ministry of Foreign Affairs and Worship repeat to the Embassy of the United Kingdom of Great Britain and Northern Ireland the assurances of their highest consideration.

FREE TRANSLATION OF A DOCUMENT PRESENTED BY THE ARGENTINE DELEGATION

The Argentine Government formulates the following proposal.

1. Establishment of a joint provisional and progressive administrative régime over the Malvinas Islands as a prior step to the time when the Government of the Argentine Republic will assume full constitutional administrative, judicial and legislative functions, responsibility for defence and the conduct of foreign affairs in the Malvinas Islands, at which time the British Government will recognise complete Argentine sovereignty.
2. Joint Administrators will be the President of the Argentine Republic and Her Britannic Majesty.
3. The Joint Administrative régime will be for eight years. When it ends the Argentine Government will assume the government of the Islands in the way foreshadowed in paragraph 1.
4. Both during the period of the joint administrative régime and when the Argentine Republic assumes the government of the Islands, guarantees and safeguards of the rights of the Islands' populations will be applied in accordance with the régime to be agreed with the British Government.
5. The Joint Administrative régime will have the following terms.
 - (a) The Argentine and British flags will fly jointly on buildings and on public occasions.
 - (b) The natives (inhabitants) of the Islands will

/have

- have dual nationality, Argentine and British.
- (c) The official languages will be Spanish and English in which official documents will also be published
 - (d) Argentine, British and local currencies will be legal tender in the Islands, and the rate of exchange will be fixed by common agreement.
 - (e) All new legislation must have the agreement of the Joint Argentine Administrator.
 - (f) The existing legislation will be modified as regards ~~the~~ ~~requirements~~ the requirements for residence and work in the Islands in order to allow the establishment of "continental Argentines". At the same time necessary modifications will be introduced so that its citizens can purchase property.
 - (g) The public offices which are at present occupied by British Civil Servants in the Islands will be progressively occupied by Argentine Civil Servants

Administration of the Islands

1. The Joint Administrators will alternately appoint the Governor for a period of two years.
2. The Vice Governor and the Secretary will be appointed for two years by the Joint Administrator, who has not been responsible for the appointment of the Governor during this period.
3. Each Joint Administrator will appoint one of the ex-officio members of the Executive Council.
4. A Development Council will be created which will have as its responsibility the planning of development and the execution of the respective plans which it will place before the Governor for his approval. It will

/ccmpor

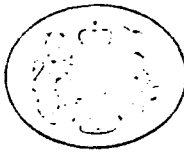
S E C R E T

British

posed of a Director appointed by the Joint ~~Argentine~~ Administrator, ~~a Sub-Director nominated by the Joint British Administrator,~~ and "ad honorem" representatives of active local interests, including the representatives of Argentine state firms which will be active in the Islands.

5. Later the creation of other organisms will be examined with the objective of implementing the Joint Administrative Régime proposed.

S E C R E T

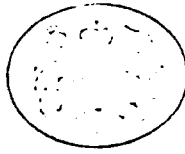


ANNEX 11

DRAFT LIST

With regard to the safeguards which could be studied in the course of the negotiations between the Argentine Republic and Great Britain with a view to preserving the socio-cultural and economic values of the inhabitants of the Malvinas Islands, the following subjects are proposed on a merely illustrative basis:-

- (1) Full exercise of civil rights.
- (2) Unrestricted freedom of worship.
- (3) Recognition of the probatory force of the civil registries in all their effects.
- (4) Special study of the problem which could be raised by the institution of divorce.
- (5) Total respect for private property, the system of inscription and registration, notarial practices etc.
- (6) Study of the social services situation.
- (7) Gradual application of Argentine labour legislation.
- (8) Issue of provisional identity document in Spanish and English.
- (9) Recognition of educational qualifications.
- (10) Prima facie recognition of the juridical personalities of the companies and legal associations legally established in the Islands.
- (11) Special measures to avoid double duties or taxes on capital or harm to the Islanders as a result of their incorporation in our fiscal system.
- (12) Gradual use of the Spanish language, passing through a stage, whose duration is to be established, of use of both languages.
- (13) Establishment at an agreed date of dual nationality.
- (14) Recognition of political rights for the inhabitants of the Islands.
- (15) Consideration of penal legislation.
- (16) Encouragement of wool sales.
- (17) Right to purchase property, etc.
- (18) Respect of acquired rights in so far as this does not affect public order, morality and good customs.



The Argentine Government hope that these points might be considered and evaluated and they hope at an appropriate moment to know the views of the British Government.

SECRET



ANNEX III

BOUR DE FAHBER

The Argentine Government are aware of the existence of a proposal made by a business group to purchase the majority holding of the FIC and would like to know if the British Government would be prepared to give the appropriate authorisation for this operation.

It will not escape the notice of FIC that the Argentine Government attach importance to a favourable outcome on this matter since it would be interpreted as an extremely positive gesture on the road to an arrangement of the problem which is the basis of the current negotiations.

SECRET

TRANSLATION OF AIBE JEMOERE

The Argentine Representatives on the Special Consultative Committee created by the Joint Statement of 1 July 1971, have pleasure in addressing themselves to the British Representatives on the Special Consultative Committee in order to refer to the concern which the Embassy has exhibited with regard to the quantity of Argentine currency which remains in the Malvinas Islands as a consequence, amongst other reasons, of tourism. The NFA ^{Comita} ~~states~~ ^{is of the} ~~view~~ that an ~~ideal~~ means of solving the problem of the remainder would be to install an agency of an Argentine bank in the Islands which would have the responsibility of exchanging this money, as well as offering their services to the whole Island community. The opinion of the British Representatives is requested in this matter.

~~BRITISH EMBASSY~~

~~BURNING AIRS~~

~~10 August 1977~~

Silent copies to: M Hickson, SAMD, FCO
G J A Slater, Port Stanley

(WS)

[The Islanders' Paper]

BRITISH WORKING PAPER ON SOVEREIGNTY TABLED IN NEW YORK ON 13 DECEMBER 1977

1. This morning we had a useful and constructive discussion regarding the... At our meeting the British delegation was encouraged by the agreement of the Argentine delegation that the criteria for an eventual settlement, as described by the British side in Rome and further defined today, might provide the guidelines or context against which to consider the various possible options for settlement of the dispute.

2. We believe that the ideas which I shall be outlining reflect closely our criteria in the following ways:

- i they strike a balance between the essential Argentine interest in sovereignty over territory with the essential British concern for sovereign rights in relation to people;
- ii they differentiate in relation to sovereignty between uninhabited and inhabited territory by adopting a "mixed" approach;
- iii they provide for the Islanders the prospect of their being able to maintain their existing way of life and institutions;
- iv they provide a framework within which both governments might contribute to the economic improvement in the life of the Islanders;
- v the development of the major economic resources of the area is facilitated by resolving the dispute between us which has hitherto been a potential obstacle to this.

3. The British Government's approach to the problem before us is based on the fact that we are dealing firstly with the Falkland Islands - which means that we are dealing with people as much as territory. Secondly, we are dealing with the Dependencies - territory in which there is no resident population at all. Thirdly, we are dealing with water and with the sea bed, a third distinct category with special considerations of its own. My Government's prime concern is with people.

with the inhabitants of the Falkland Islands. We are not concerned with territory for its own sake - only as it affects people. Our concern over maritime zones and the sea bed and their possible resources - is not because we want these for ourselves. We seek agreement on the future of these since we believe it wrong that they should remain undeveloped because our sovereignty dispute inhibits development. We also want agreement because we believe that those living in the region should be enabled to derive benefit from the resources - both the Falkland Islanders themselves and Argentina. We seek agreement because we believe Britain still has a special contribution to make to development.

4. Because of this background of the interests and concerns of all parties we think that a possible settlement might contain some of the following broad characteristics:

(a) THE DEPENDENCIES AND THEIR MARITIME ZONES

Since there is no permanent population the British Government would be ready to consider some fresh sovereignty arrangements in favour of Argentina. For the Dependencies, special arrangements would need to be worked out in South Georgia for the BAS headquarters. Port facilities, in the event of fish/krill industries becoming established, would also need careful study. The fresh sovereignty arrangements, as they affected the maritime zones, would be intended to reflect the real interests of both our countries and to ensure that orderly and controlled development of resources was possible. The question of control and access of third parties in the maritime zones would need to be given close consideration. The overall aim would be to promote development in this area;

(b) THE FALKLAND ISLANDS AND THEIR MARITIME ZONES

The paramount concern of the British Government is for the British inhabitants. It would therefore be essential that sovereign rights in respect of the Falkland Islanders should continue to rest with Britain. This would enable the Islanders to maintain, under their own system of administration and government, their British way of life. The maritime and continental shelf resources lying beyond the

territorial sea of the Islands, should be the subject of special arrangements designed to produce a framework for economic activity beneficial to the parties concerned;

- (c) we have both expressed our concern that all the parties of the area should benefit from economic development. The ideas above will contribute to a system of Anglo/Argentine economic co-operation providing such benefit.

5. This approach to a possible overall settlement of our dispute requires major concessions on our part. Nevertheless we believe that the ideas we have advanced provide a constructive and imaginative basis on which both governments could work together to produce not only a developed economic structure in the area of major and mutual benefit to all parties but which, at the same time, strikes a balance between the strongly held positions of both governments regarding sovereignty in the area as a whole. The British Government hopes that the Argentine Government will recognise in these ideas the opportunity not only to resolve a dispute which has existed for over a century but in so doing to create a firm and prosperous future for all those who are concerned with or live in the area.

ANGLO/ARGENTINE NEGOTIATIONS: MINISTERIAL STATEMENT
CLARIFYING BRITISH OBJECTIONS TO THE ARGENTINE PROPOSALS
FOR CO-ADMINISTRATION OF THE FALKLAND ISLANDS

4. This is to record that Mr Rowlands, at the request of the Argentine delegation, handed over a piece of paper at the New York talks (December 1977) clarifying our position on the Argentine proposals for the co-administration of the Falkland Islands. Mr Rowlands' statement read as follows:

"I must make it clear that when we say in our working paper that "sovereign rights in respect of the Falkland Islanders should continue to rest with Britain" we do not have in mind merely an arrangement similar to regimes of extraterritoriality which have existed in the past, under which the Islanders would live in the Islands, be subject only to British laws and to British courts. A regime of this kind for the Falkland Islanders would fall far short of satisfying our requirement that the Islanders' own system of administration and government, their institutions and their way of life should in practice be maintained. What we have in mind is some arrangement under which the actual day-to-day government of the Islands and of their inhabitants would remain British and"

CONFIDENTIAL

laws be determined substantially as at present."

2. It should be understood that the above text constitutes the "supplementary paper presented in New York" to which reference is made in paragraph 6 of the record of the Geneva talks. A copy of this note will now form an addendum to the record of the talks for both New York and Geneva.

CONFIDENTIAL

BRIEF NO 3

FALKLAND ISLANDS: ANGLO/ARGENTINE NEGOTIATIONS: 18-20 DECEMBER 1978

CO-ADMINISTRATION AGREEMENT FOR THE MARITIME AREAS AROUND THE FALKLAND ISLANDS DEPENDENCIES

Line to Take

1. We believe that both the Argentine and British Governments have a common interest in identifying areas in which we can work together to promote economic co-operation in the South West Atlantic.
2. We were most encouraged to see from Admiral Montes' message of 29 August to the Secretary of State that the Argentine Government were ready to exchange views on co-operation on economic matters with special reference to fishing in the maritime areas around the Falkland Dependencies.
3. We have been giving consideration to a scheme which would introduce the concept of economic co-operation in the Dependencies. We would envisage the scheme covering both marine living resources and continental shelf resources. We believe that it should be possible to make progress on the implementation of the scheme under the sovereignty umbrella and without prejudice to whatever eventual settlement might emerge.
4. The British Antarctic Survey have produced statistics (a copy of which I will pass to your delegation) which illustrates the extent to which the waters of the South West Atlantic are being fished by third countries. We think there are a number of good practical reasons why our two Governments should give serious consideration to concentrating as a first priority on the control of fishing: not least the fact that other countries are increasing their fishing in the waters of the South West Atlantic and are, in effect, taking advantage of the differences existing between our two Governments.
5. We think the first aim must be to identify potential resources and consider how they might best be quantified. The fact that our two Governments will be co-operating on the convention for the Conservation of

Antarctic Marine Living Resources should lend added impetus to our common purpose - especially since the area covered by that Convention includes the waters around the Falkland Dependencies.

6. As I told Sr Oliveri Lopez in New York, in our view the practical implications of co-administration of the maritime areas of the Dependencies must involve a declaration of a 200 mile fisheries jurisdiction since we must have a juridical basis on which to enter into a co-administration arrangement in respect of fisheries in the area. I hope the Argentine delegation will understand our position on this (Sr Oliveri Lopez will recall that I gave him a note setting out the extent of our maritime rights covering the Falklands and their Dependencies when I saw him in New York).

7. The British Government have given preliminary thought to the concept of a fisheries co-administration agreement within the wider framework of an agreement covering economic co-operation in the maritime areas of the Falklands Dependencies. Our ideas have been outlined in a document which we are now making available to the Argentine delegation. We would be most interested to learn how the Argentine delegation react to these ideas and would welcome an exchange of views.

8. We would hope that if we can reach agreement on the principles we have enunciated both Governments can agree to set up a scheme under the sovereignty umbrella for economic co-operation in the maritime areas around the Dependencies. If this proves the case, we would hope that a start could be made fairly soon since there is, of course, much detailed work which will need to be done by both sides in order to refine the ideas set out in our working document. We would hope that a start could be made on the quantification of fishery resources in the area and that scientists from our two countries should perhaps start exchanging information while progress was being made in parallel (perhaps by working groups) on the detail of a fisheries scheme as such.

SOUTH WEST ATLANTIC: MARINE FISHERY RESOURCES

1. There is no mechanism at present for monitoring catches in the South West Atlantic. The following statistics provided by the British Antarctic Survey are thus an estimate and the best we can provide.

<u>Season</u>	<u>Nation</u>	<u>Estimated Catch (ton)</u>	
		<u>Krill</u>	<u>Fish</u>
70/71	USSR	1300	425,000
71/72	USSR	2100	238,000
72/73	USSR	7400	106,000
	Japan	59	
73/74	USSR	4412	10,000
	Japan	643	
74/75	USSR	6965	96,000
	Japan	2600	
	Chile	60	
75/76	USSR	6309	24,000
	Japan	5000	
	W. Germany	200	
	Poland	575	
	Chile	?	
76/77	USSR	?	52,000
	Poland	30000	
	Japan	12000	
	Taiwan	130	

2. In one season alone (70/71) Russian vessels around South Georgia caught 425,000 tons of fish. We know that last season there was a great deal of activity around the Falkland Dependencies (South Georgia in particular) with fleets totalling 70 vessels in the area.

ARGENTINE PAPER RELATING TO AN ARRANGEMENT FOR ECONOMIC COOPERATION
IN THE FALKLAND ISLANDS DEPENDENCIES MARITIME ZONE

The Argentine government has examined in detail the ideas contained in the working papers presented by the British side in New York in December 1977, in particular that relating to "the Dependencies and their maritime areas". As a result, the Argentine government believes it possible to begin discussing an agreement relating to the islands of South Georgia, the South Sandwich Islands and their maritime areas on the following basis:

(a) The islands and islets which constitute the archipelago of the Georgias and South Sandwich shall be subject to Argentine sovereignty;

(b) In the islands and islets referred to in the above paragraph the United Kingdom shall have available those port facilities which she may require in accordance with agreements which the two sides may make at the appropriate time. Similarly, both sides shall agree on special arrangements relating to the headquarters and activities of the British Antarctic survey;

(c) The administration of the fishing zone situated between 12 miles, measured from the base lines from which the territorial sea is measured, and up to 200 miles shall be conducted by a bi-national organisation called "South Atlantic". The sea-bed and subsoil lying under the fishing zone are excluded from this agreement.

... *Organización Bilateral del Atlántico del Sur*
The organisation, OBAS, might have the following characteristics:-

- (1) A legal personality both under the internal law of both parties and internationally.
- (2) Its organs should be composed of an equal number of delegates from each Party.
- (3) Each Party should have one vote in the organisation or in the organs which may be established. Decisions should be taken unanimously.

(4) Through OBAS the parties should undertake and control activities relating to conservation, exploration, and exploitation and to the control of the living resources in the fishing zone. Such activities may be achieved through the means of a special company made up of Argentine and British capital or through contracts with third parties.

(5) OBAS shall be for a period of ... years. The Parties may extend this period by mutual agreement.

UK requirement

Likely Argentine
requirement*Likely Islander
requirement/Possible
compromise

1. Period of lease	As long as possible; at least 30 years.	As short as possible; 8 years joint administration is is best offer yet.	As UK	30 years
2. Form & Terms	Guaranteed by treaty; internationally underwritten. Rent-free & renewable.	Unlikely to accept provision to renew lease. Might demand rent.	As UK	Guaranteed and rent-free but not renewable.
3. Nationality of Islanders	CUKC status	Immediate dual nationality; full Argentine nationality at at end of lease.	CUKC status and right of abode in UK for all.	If lease is short, Argentines might agree to continued continued CUKC status for present Islanders with perhaps dual nationality for new-born children.
4. Self-government.	As now.	A Full Argentine participation in local government's appointment of governor and civil servants.	As now.	Argentines unlikely to back down on full involvement, but they might agree to make it more symbolic than effective.
5. External relations & Defence.	As now.	Full Argentine involvement.	As now.	Joint Anglo-Argentine responsibility.

CONFIDENTIAL

6. Legislation	As now	All new legislation should have their agreement; existing legislation should be brought into line with Argentine law.	As now.	Retain present system, but operate in spirit of Argentine request.
7. Land ownership	No reason not to allow Argentines to buy land.	Argentines to be allowed freely to live, work and own property.	No alien land-ownership	Phased introduction of permits for Argentines to bid for land.
8. Official language	English. If necessary, Spanish as a working language	Immediate introduction of Spanish as joint official language, leading eventually to phasing out of English.	English	Gradual introduction of Spanish as second language.
9. Financial system & economy.	No Argentine involvement in eg taxation <u>But</u> Argentine help to mount projects to develop Islands.	Full involvement as in (4). <i>Introduction of peso as official currency.</i>	No change. British assistance for development	Limited Argentine participation in running of economy and help to develop resources. <i>Pound or peso to be accepted as currency.</i>
10. Flags.	No objection to some Argentine flags.	Argentine flag to have joint status with Union Jack.	Only UK flag & perhaps a few token Argentine ones	More than a token few Argentine flags, but less than equal status with British.

11. Electoral rights	As now.	^{Argentine} citizens living on Falklands to vote in Council elections. Amalgamation of Islands at end of lease into Argentine electoral territory.	As now.	Minimum residence period perhaps 5 years - before enfranchisement. <i>Guaranteed special status for Falklands at end of lease.</i>
12. Off shore resources	Acknowledgement by Argentina of Islands' continental shelf. Resources to be developed jointly for Islanders' benefit.	Probably agree to UK's ideas, if rest of package satisfactory. ?	As UK, but preference for sole British development.	Joint development.

NOTE

* Likely Argentine requirement as expressed in their ^{1978?} 1977 joint administrative paper (attached) and in negotiating rounds. G

✓ Likely Islander views in absence of comment from Governor in teletype of 27 December (attached). I

CONFIDENTIAL

PERSONAL

TELETYPE

FROM: A DUGGAN, SOUTH AMERICA DEPARTMENT

ALW 44/325/1 DATED 27 DECEMBER 1979

FOLLOWING FOR H M CARLESS BUENOS AIRES

GOVERNOR PORT STANLEY (BUENOS AIRES PLEASE PASS)

FALKLAND ISLANDS

1. PENDING DECISIONS ON FALKLANDS POLICY (FOO TELNO 923), WE HAVE BEEN GIVING THOUGHT TO POSSIBLE OPTIONS FOR FUTURE SOVEREIGNTY ARRANGEMENTS FOR THE ISLANDS. WE HAVE RECENTLY SENT YOU A COPY OF OUR RESEARCHES INTO SOME EXAMPLES OF SHARED SOVEREIGNTY (ROBIN FEARN'S LETTER OF 5 DECEMBER). WE HAVE ALSO BEEN LOOKING AT THE LEASE-BACK OPTION AND WHAT IT MIGHT MEAN IN PRACTICE.

2. LEASE-BACK HAS FOR SOME TIME SEEMED THE OPTION WHICH HAD THE BEST CHANCE OF SATISFYING BOTH ARGENTINE AND ISLANDER REQUIREMENTS. BUT IT HAS NEVER BEEN FORMALLY PROPOSED IN THE NEGOTIATIONS AND WE DO NOT KNOW HOW THE ARGENTINES OR THE ISLANDERS WOULD RESPOND. IT REPRESENTS RELATIVELY UNCHARTED TERRITORY. BEFORE CONSIDERING WHETHER OR HOW WE MIGHT PURSUE IT FURTHER, IT WOULD BE INVALUABLE TO HAVE YOUR PERSONAL ADVICE (AND THAT OF THE GOVERNOR), BEFORE YOU LEAVE POST, ON WHAT EXACTLY IT SHOULD (CONTAIN BOTH IN A NEGOTIATING SENSE AND IN TERMS OF WHAT WE MIGHT REALISTICALLY HOPE TO ACHIEVE. PARAGRAPHS A TO L BELOW CONTAIN SOME TENTATIVE THOUGHTS WHICH HAVE YET TO BE DISCUSSED OUTSIDE THE DEPARTMENT.

A. PERIOD OF LEASE

AS LONG AS CAN BE NEGOTIATED. MINIMUM PERIODS BETWEEN 30 AND 99 YEARS DISCUSSED IN WHITEHALL IN 1977. DIFFICULT TO GO BELOW 30 YEARS AND STILL HOPE TO OBTAIN ISLANDER AGREEMENT. THE BEST THE ARGENTINES HAVE YET OFFERED IS 8 YEARS AND THAT WAS IN THE CONTEXT NOT OF LEASE-BACK BUT OF JOINT ADMINISTRATION (ARGENTINE PAPER DATED 13 SEPTEMBER 1977). THEY HAVE, ON SEVERAL OCCASIONS, REJECTED THE NOTION OF A LEASE IN PERPETUITY.

B. FORM AND TERMS

THE AGREEMENT WOULD PROBABLY NEED TO BE ENSHRINED BY A FULL TREATY (SPITZBERGEN PRECEDENT), PERHAPS UNDERWRITTEN BY/ REGISTERED AT THE UNITED NATIONS. INVOLVE VATICAN (OTHER POWERS) AS GUARANTER? WE SHOULD NOT WANT THE LEASE TO BE UNILATERALLY TERMINABLE BUT TO BE RENT-FREE (WE WOULD NEED HOWEVER TO CONSIDER HOW MUCH WE MIGHT BE PREPARED TO OFFER). A CLAUSE PROVIDING FOR RENEWAL IF BOTH PARTIES CONSENTED (ALTHOUGH NOT LIKELY TO BE ACCEPTED BY THE ARGENTINES) TO BE INCLUDED.

C. NATIONALITY

WE SHOULD WANT THE ISLANDERS TO RETAIN FULL CUKC STATUS DURING THE LEASE. THEY WOULD WANT RIGHT OF ABODE IN UK FOR ALL ISLANDERS, REGARDLESS OF PATRIALITY. ARGENTINES SHOULD LOSE FULL NATIONALITY DURING PERIOD OF JOINT ADMINISTRATION, BUT KEEP FULL ARGENTINE NATIONALITY. **CONFIDENTIAL**

ALW 44/325/1

FILED	31 DEC 1979
SEARCHED	
SERIALIZED	
INDEXED	

W's

D. SELF-GOVERNMENT

CONFIDENTIAL

SYSTEM OF INTERNAL SELF-GOVERNMENT AND ELECTION OF COUNCILLORS SHOULD BE PRESERVED IN AS NEAR ITS PRESENT FORM AS POSSIBLE.

LOCAL ADMINISTRATION SHOULD CONTINUE WITH THE MINIMUM OF OUTSIDE INTERFERENCE. ARGENTINES SUGGESTED IN 1977 A SYSTEM WHICH WOULD GIVE THEM AN IMMEDIATE 50 PER CENT INVOLVEMENT IN LOCAL GOVERNMENT; THEY ALSO WANTED ARGENTINE CIVIL SERVANTS TO TAKE OVER FROM BRITISH AND THE GOVERNORSHIP TO BE HELD ALTERNATELY FOR PERIODS OF TWO YEARS BY THE UK AND ARGENTINA. SUCH CONDITIONS WOULD BE UNACCEPTABLE TO US AND THE ISLANDERS.

E. FOREIGN RELATIONS AND DEFENCE

UK SHOULD RETAIN CONTROL. ARGENTINES MAY WELL RESIST THIS AS OH CONTROL IS NORMALLY REGARDED AS AN ATTRIBUTE OF SOVEREIGNTY. BUT THE POWER TO MAKE TREATIES CANNOT BE EXERCISED IN ISOLATION FROM THE LEGISLATIVE POWER TO GIVE EFFECT TO THEM. ARGENTINE CONTROL OF FALKLAND FOREIGN AFFAIRS WOULD BE INCOMPATIBLE WITH OUR OBJECTIVE OF FULL UK ADMINISTRATION DURING THE LEASE. PERHAPS SCOPE FOR UK SHARING RESPONSIBILITY WITH ARGENTINA?

F. LEGISLATION

ISLAND AUTHORITIES SHOULD CONTINUE TO HAVE THE EXCLUSIVE POWER TO MAKE LAWS. ARGENTINES PROPOSED IN 1977 THAT ALL NEW LEGISLATION SHOULD HAVE THEIR AGREEMENT AND THAT EXISTING LEGISLATION BE BROUGHT INTO LINE WITH THEIRS: PROBABLY UNACCEPTABLE BUT WOULD IT BE POSSIBLE TO AGREE TO OPERATE IN THIS SPIRIT?

G. OWNERSHIP OF LAND

AT PRESENT NO ALIEN MAY OWN LAND WITHOUT THE CONSENT OF THE GOVERNOR IN COUNCIL. ANY SCOPE FOR MODIFYING THIS TO MEET THE ARGENTINE REQUIREMENT THAT ARGENTINE CITIZENS SHOULD BE ALLOWED TO LIVE, WORK AND OWN PROPERTY ON THE ISLANDS?

H. OFFICIAL LANGUAGE

WE SHOULD WANT IT TO REMAIN ENGLISH, BUT COULD PROBABLY ACCEPT INTRODUCTION OF SPANISH AS A SECOND WORKING LANGUAGE, EVENTUALLY TO BE GIVEN EQUAL STATUS WITH ENGLISH. SOLE OFFICIAL USE OF SPANISH, ONCE PROPOSED BY ARGENTINES, WOULD BE UNACCEPTABLE.

I. FINANCE

FINANCIAL SYSTEM AND ECONOMY SHOULD REMAIN UNDER THE CONTROL OF THE ISLAND AUTHORITIES. WE COULD PERHAPS AGREE TO THE GRADUAL INTRODUCTION OF ARGENTINE CURRENCY ALONGSIDE STERLING, BUT WE COULD NOT ACCEPT ARGENTINE INVOLVEMENT IN E.G. THE ISLANDS' TAXATION SYSTEM. AS A CONDITION OF THE FORMAL CESSION OF SOVEREIGNTY, WE WOULD SEEK ARGENTINE AGREEMENT TO AND INVOLVEMENT IN A JOINT PLAN TO DEVELOP ON- AND OFF-SHORE RESOURCES AND TO PUT ALL OBSTACLES IN THE WAY OF AN EXPANDED PRIVATE SECTOR PRESENCE E.G. BANKS.

J. FLAGS

ISLANDERS COULD PROBABLY ACCEPT A FEW TOKEN ARGENTINE FLAGS. ARGENTINES HAVE SAID THEY WANT THEIR FLAG TO FLY WHEREVER A BRITISH FLAG IS FLYING THROUGHOUT THE TRANSITIONAL PERIOD.

K. ELECTORAL RIGHTS

CONFIDENTIAL

CONFIDENTIAL

K. ELECTORAL RIGHTS

ARGENTINES WILL PRESUMABLY PUSH FOR EXTENSION OF FRANCHISE TO THEIR CITIZENS LIVING ON THE ISLANDS AND, AT THE END OF THE LEASE, AMALGAMATION OF THE ISLANDS INTO ARGENTINA'S ELECTORAL TERRITORY. PROBABLY NEITHER WOULD BE ACCEPTABLE AT THIS STAGE. WE MIGHT SUGGEST SOME MINIMUM RESIDENCE PERIOD E.G. FIVE YEARS.

L. OFF-SHORE ECONOMIC RESOURCES

THE ISLANDS SHOULD HAVE A 200 MILE EEZ. ARGENTINA SHOULD ACKNOWLEDGE THEIR CONTINENTAL SHELF. RESOURCES SHOULD BE USED FOR THE BENEFIT OF THE ISLANDERS. THE UK AND ARGENTINA WOULD NEED TO COME TO AN AGREEMENT ON THE JOINT EXPLOITATION OF FISH AND POSSIBLE HYDROCARBON AND MINERAL DEPOSITS WITHIN THE EEZ.

3. PLEASE PASS A COPY OF THIS TELELETTER AT THE EARLIEST OPPORTUNITY TO THE GOVERNOR AT PORT STANLEY. IT WOULD BE HELPFUL TO HAVE HIS VIEWS ALSO ON LIKELY REACTION IN THE ISLANDS TO ANY FORMAL CESSION OF SOVEREIGNTY TO ARGENTINA WHICH APPEARS TO BE A NECESSARY PRECONDITION TO ANY LEASE-BACK SOLUTION.

SIGNED G A DUGGAN

NNN.

SENT AT 28/1615Z GG

CONFIDENTIAL