



Argentina

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Ref A02485

PRIME MINISTERFalkland Islands

(OD(80) 46)

BACKGROUND

OD last discussed the Falkland Islands at their meeting on 29 January. The Committee then agreed that, provided that the Island Council confirmed that it was their wish that talks should be resumed, the FCO should resume talks with the Argentines at Ministerial level. Since then exploratory talks have been held by Mr Nicholas Ridley, who will be present with the Foreign and Commonwealth Secretary for this item at Wednesday's meeting. The Attorney General, the Secretary of State for Energy and the Minister of State, Ministry of Agriculture and Fisheries (Mr Buchanan-Smith) will also be present to deal with their departmental interests in the subject.

2. The basic question posed by the Foreign and Commonwealth Secretary is whether we should be prepared on an exploratory basis to discuss with the Argentines the surrender of United Kingdom sovereignty over the Falkland Islands. The legal justification for the Argentine claim to sovereignty is weak. The reasons for the United Kingdom taking this course of action are the entirely practical ones of saving ourselves money (both in maintaining the economy of the Islands and in defending them, if the Argentines threatened to attack them), solving a residual colonial problem, improving our relations with the Argentine, opening the way to developing the resources of the South-West Atlantic, and improving the economic prospects for the Islanders. But despite these practical arguments, there may well be considerable concern expressed in OD about the point of principle involved in a British surrender of sovereignty in these circumstances. The Lord Chancellor is likely to have particularly strong views on this point. At the discussion at OD on 29 January, it was suggested that a British readiness to surrender sovereignty over the Falkland Islands might have implications for the British position elsewhere in the world eg Gibraltar and Hong Kong.



HANDLING

3. You will wish to ask the Foreign and Commonwealth Secretary to introduce his paper. He will probably ask that Mr Ridley should give an account of his exploratory talks with the Argentines in April. The points to establish in subsequent discussion are:-

a. Once we are seen to accept that the Argentine claim to sovereignty over the Falklands is a matter on which we are prepared to negotiate, is there a risk that we shall be pushed down the slippery road to total surrender? The main strength of our case lies in the point of principle that the legal Argentine claim is weak. Once we show that we are willing to relinquish this point of principle, what effective bargaining counters have we got left?

b. How likely is it that the Argentines will allow the United Kingdom to share in the development of the natural resources of the continental shelf once sovereignty over the Falkland Islands has been surrendered?

c. What is the potential value of the resources of that continental shelf? Mr Buchanan-Smith is likely to be doubtful whether the fishing around the Islands is likely to be of much value in the present or foreseeable future. What value does the Secretary of State for Energy put on the potential oil deposits?

d. What is the attitude of the Islanders to a negotiated transfer of sovereignty? Although they number only some 1,800, they have some vociferous supporters in this country. Will a readiness to negotiate over the Falkland Islands have any effect in our position in the UNLOSC negotiations and on our position within the European Community over fish and oil in the continental shelf?

e. What would the international reactions be if the United Kingdom showed itself willing to negotiate with the Argentines over the sovereignty of the Falkland Islands? Would this be regarded as another example of enlightened statesmanship, or simply another sign that Great Britain is on the skids? In the latter case, could increased pressure be expected in other parts of the world to surrender pieces of British real estate?



f. What are the views of the Secretary of State for Defence on defending the Falkland Islands against a determined Argentine assault?

CONCLUSION

4. The Foreign and Commonwealth Secretary suggests in his paper that many people in this country would view with distaste the prospect of a British territory being transferred, however technically, to a military junta with a deservedly bad reputation. But he goes on to suggest that the possibilities ought to be explored. In the light of the Committee's discussion, you will wish to consider whether such an exploration can be conducted without a commitment at this stage, or whether a willingness to explore must imply a willingness to negotiate over sovereignty. The practical arguments put forward by the Foreign and Commonwealth Secretary are strong; but there may be considerable reluctance to relinquish the point of principle involved.

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ROBERT ARMSTRONG

1 July 1980