



5 Argentina

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PRIME MINISTERFalkland Islands
(OD(80) 66)

BACKGROUND

OD last discussed the Falkland Islands on 2nd July. The Committee then authorised Mr. Ridley to explore confidentially with the Argentines the possibilities for a solution to the dispute, including that of a surrender of sovereignty and simultaneous lease-back. The Committee agreed that it would need to decide, in the light of the outcome of these exploratory talks, whether the prospects were sufficiently promising to seek the views of the Islanders themselves and then enter into more formal negotiations. The Foreign and Commonwealth Secretary's paper is very discreet about the details of the discussions so far. But his conclusion is that initial Argentine reactions to the concept of a transfer of sovereignty accompanied by lease-back have been sufficiently encouraging to justify Britain going further down this path.

2. Mr. Ridley, who will be present at the OD meeting, talked in August with the Argentine Vice-Minister for Foreign Affairs, Commodoro Cavandoli, and in September the Foreign and Commonwealth Secretary saw the Argentine Foreign Minister (Pastor) in New York. We do not yet know whether the governing junta as a whole would be ready to enter into serious negotiations. An added difficulty is that in a planned reshuffle of posts in the Argentine Government, President Videla will be succeeded by another member of the junta, General Viola, next March. Hence, if OD agree to further exploratory discussions taking place, it will be necessary to have another round with the Argentines before attempting to tell the Islanders what is being mooted. Subject to the Committee's views, Mr. Ridley proposes to visit the Falklands in the next few weeks and, in the course of the stopover he has for practical reasons to make in Buenos Aires, would aim to ensure that the junta as a whole are ready to negotiate on the proposed basis. If the junta's reactions are unsatisfactory, Mr. Ridley would use his visit to the Falklands simply to demonstrate the Government's continuing concern with the Islanders' well-being.

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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 a more detailed account of his latest talks and his ideas for making further progress. While the point of principle at issue - whether there might be circumstances in which we could contemplate the transfer of sovereignty to Argentina - was decided at the Committee's earlier meeting, there are a number of points to press in subsequent discussion:-

- (a) It is hardly surprising that the Argentines should have wished to encourage to concede them sovereignty over the Falklands: was there any corresponding readiness on their part to recognise that the Islanders would wish to continue under British administration for a very long time?
- (b) While the successful conclusion of an agreement with Argentina might be expected to make it less likely that the Argentines would attempt to take physical possession of the Islands, how confident can we be of this? Might the Falklands, as in the past, provide a popular diversion from internal Argentine problems, leaving the United Kingdom with the same commitment as we now have to defend the Islanders, but with an arguably weaker juridical basis for doing so?
- (c) If the Argentines settle their dispute with Chile over the Beagle Channel (which seems possible in the near future) will this lead them to adopt a more aggressive attitude in relation to their claim to the Falkland Islands?
- (d) What would be the expenditure implications of a solution on the lines envisaged by the Foreign and Commonwealth Secretary? Presumably there would be no question of paying anything more than a peppercorn rent to Argentina; but would the Foreign and Commonwealth Secretary expect an eventual deal to include the commitment of public funds to the exploration of the Falklands' natural resources, especially oil? How could we guarantee ourselves a sufficient share of any oil that may be found?



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- (e) What are the likely international repercussions? Would we be likely to come under pressure to surrender sovereignty over other British possessions? Would we be setting a precedent regarded as damaging by the United States or France?
- (f) At what stage should the Government make its intentions public?

CONCLUSIONS

4. Subject to reassurance on the points outlined above, you might guide the Committee to agree that the logic of their decision on 2nd July is that the Minister of State, Foreign and Commonwealth Office (Mr. Ridley) should be authorised to pursue the exploratory talks with the Argentines and, provided that it is clear that there is not likely to be a sudden hardening of the Argentine line e. g. as a result of the forthcoming Government changes, to broach his ideas with the Islanders themselves. The Committee will no doubt wish to be consulted further about the terms under which any subsequent formal negotiations should take place.

RA

(Robert Armstrong)

6th November 1980

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Ref. A03485

MR. ALEXANDER

OD, 7th November: Falkland Islands

In paragraph 2 of his minute to the Prime Minister of today's date about tomorrow's OD discussion on the Falkland Islands, Sir Robert Armstrong explained Mr. Ridley's proposed handling of further discussions with the Argentines. This assumed that the Argentine junta as a whole had not yet considered the ideas put to their Foreign Minister in New York in August.

2. The Foreign and Commonwealth Office have now learned that the Argentine junta are prepared to negotiate on the basis described in paragraph 1 of Sir Robert Armstrong's minute. This removes the need for Mr. Ridley to have substantive discussions in Buenos Aires prior to his proposed talks with the Falkland Islands.

D.J. WRIGHT

6th November, 1980

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