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CABINET
DEFENCE AND OVERSEA POLICY COMMITTEE

FALKLAND ISLANDS

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

1. As agreed in OD on 2 July, exploratory and confidential talks have taken place with the Argentines to see whether a solution of the dispute envisaged in OD(80)46 would be possible. The Argentines have cooperated fully in ensuring that these exchanges have been kept confidential.
2. The reasons for continuing exchanges with the Argentines are unchanged. The future of the Islands remains uncertain. Their economic decline and the poor morale of the Islanders continue. The dispute is preventing the development of the resources of the region (fish and any oil) to the benefit of the Islanders and ourselves. Our relations with Argentina will only improve to our commercial advantage while they see a meaningful prospect of progress in the dispute.
3. The talks, on which I propose to brief the Committee in more detail orally, showed that there is a reasonable possibility of reaching a settlement. The Argentine Foreign Minister subsequently expressed his satisfaction to me in New York with our contacts so far. But the change of President in Argentina in March 1981 means that we should seek to capitalise on the progress we have made. President Videla and his Ministerial team are keen to leave a tidy situation on relinquishing office. We could make use of the present favourable opportunity to get them to commit themselves (and their successors) firmly to the concept of leaseback. Subsequent negotiations on the detailed terms would then take some time.

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4. We are still not committed to anything with the Argentines. They realise that our contacts have been strictly ad referendum to Cabinet. But they would be taken aback if we were to pull out at this stage. The new Argentine Government might well be less amenable, particularly if control of the Foreign Ministry were to pass from the Air Force to the more nationalistic and hard-line Navy. This could have serious consequences for the Islands and could lead to an expensive and dangerous confrontation.

5. If we decide to proceed, we should now sound out the Islanders. The Argentines realise that we cannot take our contacts further without Islander support. I would propose that Nicholas Ridley should visit the Islands soon. He would want to secure the endorsement of Islanders for formal negotiations with the Argentines on the possibility of a solution based on leaseback. He would not go into the details of any solution with Islanders at this stage.

6. I seek the agreement of my colleagues to our continuing to move towards formal negotiations with the Argentines, provided the Islanders agree.

C.

Foreign and Commonwealth Office
4 November 1980