

AW 048/325/2

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 Mr Smith
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Mr Ure
 PS/Mr Ridley

FALKLAND ISLANDS: COUNCILLORS' MEETING REPORTING
 ON NEW YORK TALKS

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1. Mr Ridley may be interested to see the attached transcript of the press-conference given by Councillors Monk and Wallace on their return to the Islands from New York.

2. There is much that is encouraging in what the Councillors had to say; and there are grounds for cautious optimism about our eventually being given a mandate to develop negotiations. Certainly the Argentines' basic message got through clearly to the two Islanders; the question is whether they in turn will be able to get the message through to their colleagues and constituents. The transcript confirms our belief that the Councillors were more than content with the way Mr Ridley handled the talks, and attempts to suggest that the Minister was somehow leading them by the nose were firmly rebutted.

3. The important point for us is which direction the transcript suggests the debate should now take. Mr Wallace is quite clear that the Argentines would entertain a leaseback proposal and both Councillors lay emphasis on the political guarantees that the Argentines offered at the talks and on the difficulty of undertaking economic development without their help. Neither Councillor expresses any doubt about HMG's readiness to continue to support the Islanders to the best of our ability, but, whereas Mr Monk implies that we could be persuaded to put in much more money if the Islanders decide against negotiations, Mr Wallace accepts that this is unrealistic. Both are clear that, although there were no threats of the use of force or the withdrawal of services, the Argentines could not be expected to take a negative Islander decision lying down.

4. Neither Councillor goes so far as to suggest that he is in favour of leaseback, even as no more than a basis for negotiation - indeed Mr Wallace even introduces the thought that independence might be a possibility - but the general tenor is that talks should continue and that Islanders should therefore be ready to discuss sovereignty. "The compromise will have to come from us", Mr Wallace says.

5. The transcript is more evidence, if it were needed, that the two Councillors came away from New York with a clear view of the Argentine position, of the limitations on HMG and of the need for Islanders to face up to the problem. The only

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disturbing factor is the timing they envisage for a decision to be made. It is implicit in much of what is said (and this is borne out by Mr Growcott's covering letter) that they do not envisage much happening before the autumn election; Mr Wallace even says a decision must be reached "in the next year or so". There can be no question of the Argentines holding off that long. Mr Fearn has just written to the Governor, following the discussion at Mr Ridley's meeting on 23 March, giving our thoughts on this and seeking his advice on how to speed matters up.

R H Smith
South America Department

26 March 1981

cc: Mr Day

*By and large the islanders
took home the right lessons
from New York. RBurg
26/3.*