

10/1/12
Thank you.

Mr Temple 198

We spoke and agreed that Mr Laidley
would not want to see this record
& that it should therefore be kept only
for depl't purposes. You wanted
however to cast a personal eye
over it.

P R Fearn 19/7

AW 040/325/2		
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16 JUL 1981		
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INDEX	PA	Action Taken

✓ Mr Ure

cc: PS/Mr Ridley
PS/PUS
Mr Day

FALKLAND ISLANDS: STRATEGY MEETING

1. I attach the Department's draft record of the meeting on 30 June. We do not propose to circulate it widely, but it will be useful to have on file an account of the day's discussions.
2. We propose to have the record typed in final form next week. If you, or any other recipient of this minute, have comments, perhaps you could let me have them by close of play on 14 July.

P R Fearn

P R Fearn
South America Department

9 July 1981

Mr Fearn

Please speak on Monday.

7 Bu 10/7.

Keep on
file as
draft
16/2 CEB

Mr Smith
Mr Bishop

After discussion with Mr Ure &
PS/Mr Laidley, we need not
circulate this record further. It
can now be put on file.

P R Fearn 10/7

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

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Reference

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CAVEAT.....

SUBJECT: RECORD OF A MEETING HELD IN 1 CARLTON GARDENS, ON 30 JUNE 1981

Present:

- Mr Nicholas Ridley MP (Minister of State, FCO)
- Sir Michael Palliser (PUS)
- Mr Derek Day (DUSS)
- Mr John Ure (AUSS)
- Mr Anthony Williams (HMA Buenos Aires)
- Mr Rex Hunt (Governor, Port Stanley)
- Mr Robin Fearn (Head SAMD)
- Mr Roland Smith (SAMd)
- Mr K Temple (PS/Mr Ridley)
- Mr O Bright (SAMd)

Notetakers: Mr Alex Smith (SAMd)
Miss Kay Coombs (SAMd)

FALKLAND ISLANDS

Introduction

1. Mr Ridley opened the meeting at 1100 by asking Mr Williams to describe the current situation as seen from Buenos Aires.
2. Mr Williams thought that, in tactical terms, the present situation was reasonably good. The dispute with Chile distracted attention away from the Islands and the UK had a number of friends in the Argentine establishment who thought that there was an intermediate position which /could

Enclosures—flag(s).....

could be reached on the Falklands dispute. On the other hand Argentina was not functioning well at the moment; this meant that its leaders were under more pressure than usual and might be tempted to look for an easy foreign policy success to distract attention away from domestic discontent. There was therefore a greater risk of the UK being used as a whipping boy. In his view, the situation was in hand, but if we were to continue to keep it under control, it would be necessary to provide the "moderates" with evidence of our good intentions. This was his tactical analysis; but there were also underlying difficulties. There was no question of the problem going away. Negotiations had been going on for 16 years without any tangible progress, and the situation was becoming less favourable as time went by. A solution would have to be found if the Argentines were not to come to the view that negotiations were pointless. Despite much consideration both in the UK and in Argentina, only one solution has been identified which might form an acceptable basis for an end to the dispute: leaseback. There was no guarantee that leaseback would be acceptable to a majority of Argentines, any more than to a majority of Islanders, but it had to be worth trying. If we allowed the leaseback initiative to die, then we would be left with no way out of our dilemma. Furthermore, if we did not actively seek to promote leaseback, then we ran the serious risk of it dying on us.

3. Mr Fearn then gave an account of the meeting between Mr Ridley and Sr Ros in Paris on 15 June (already reported in FCO telno 186). There had been two main purposes: to establish a personal relationship with Comodoro Cavandoli's successor, and to convince the Argentines of our determination to reach a settlement. Both sides confirmed their view that leaseback seemed to provide the best basis for a solution. Mr Ridley had made it plain to Sr Ros that, while we understood the difficulties ^{posed by} of the Argentine Government, there could be no question of our acting other than in

in accordance with the Islanders' wishes. HMG would face serious difficulties in Parliament and in public if we were to renege on this policy. Sr Ros had been generally relaxed, but it was clear that ~~they~~ expected a further round of talks to take place after the Islands' elections in October. One point of particular interest was the emphasis placed by Sr Ros on the question of oil exploration in the South Atlantic. This was never developed into any suggestion that economic cooperation might be discussed in advance of sovereignty concessions. It might, however, be that the Argentines would be prepared to discuss such cooperation in parallel with sovereignty. There was only one ~~issue~~^{point} which might have been interpreted as an Argentine threat: Sr Ros' comment on the widespread feeling in Argentina that all Argentine attempts to soften Islanders' hearts by providing essential services met only a negative response and that there might in consequence be no purpose in continuing negotiations. The meeting had overall achieved what it was designed to do, and we could be reasonably confident that, barring internal upsets in Argentina, there would be no Argentine pressure on us until after the Islands' elections. Mr Ridley added that he had suggested to Sr Ros that there might be merit in the Argentines' proposing, say in July, that further talks should be held, so that we could use this evidence to the Islanders of Argentine pressure. Sr Ros had been cagey about this idea. Mr Williams thought (and Mr Ridley and Mr Fearn agreed) that it was probable that Sr Ros had had no brief on this point, and was reluctant to wake the 'sleeping dog' of the military Junta who would necessarily have to be consulted before any such move.

4. Mr Hunt gave the view from the Islands. The new Legislative Council was bound to be more difficult than the present one. Adrian Monk and Stuart Wallace were campaigning strongly on the platform that sovereignty was not for sale at any price. Most of the other candidates were taking the same line. Even the normally moderate Financial Secretary, Harold Rowlands, now felt the same way: that any solution would have to be imposed by HMG - it would never be reached

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with the agreement of Islanders. In the Governor's view, Mr Wallace mirrored the general feeling in Port Stanley. Of the present Council he expected Messrs Wallace, Blake and Bowles to be re-elected and, if they stood, Mr Goss and Mr Miller also. Moderates like Mr Luxton and Mr Pitaluga were not prepared to stand. They said that they did not have the time, and this was true; but a major part of their reluctance was the fear that they would not be elected on a platform of support for HMG's policies. None of this meant that the Councillors would necessarily be against further talks with the Argentines, but there was no support for talks on the cession of sovereignty. Mr Day asked whether there had been any discussion in the Islands, of the inevitable consequences of a breakdown of negotiations. Mr Hunt said that Mr Wallace, who was in the forefront in these matters, was confident that he knew the scope for Argentine retaliation against the Islanders. There would be great inconvenience, but the Islanders were prepared to put up with it. Mr Monk, in particular, felt that HMG was painting too gloomy a picture; he doubted whether the Argentines would take any very extreme steps. Mr Williams felt this was because the Islanders had never had the likely consequences spelt out to them in detail.

5. Mr Ure agreed. He had just returned from his first visit to the Islands and he had gained the distinct impression that although Mr Ridley's visit in November 1980 had made the Islanders start thinking about their situation more seriously, the impetus had since been lost. For very good reasons, HMG did not wish to be seen to be putting any pressure on the Islanders; but, without ^{persuasion} ~~pressure~~, the Islanders would never come to the decision we wanted. Mr Ure recalled that he had been dealing with the Falkland Islands earlier than ^{almost} ~~any~~ one else present at the meeting and he could confirm what the Ambassador had said - that we had been trading highly on Argentine good-will for a very long time. If it was now our intention to try to buy some more time,

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it must be used for a clear purpose. Time was running out; perhaps only a few months were left. He felt leaseback was the only runner but he agreed that it would not be a contestant for much longer unless we took early action to sell our policy in the Islands. The most important single factor in influencing the Islanders' views was the public debate in the UK. Although Islanders tended to discount what officials told them, they paid considerable attention to the statements of certain politicians and other people whom they respected. In his written report he had suggested that Mr Ted Rowlands might be persuaded to return to the Islands. This was one idea; another was that the public support of ~~an~~ elder statesman, like Lord Home, might be sought for HMG's position. He had discussed with contacts in Chile the question of alternative arrangements, should the Argentines withdraw their services. The Chileans had been sympathetic but could see no way to replace services, unless there had previously been a total breach in ^{their} relation with Argentina. In his view the same would apply, probably more so, to Uruguay. Even if another South American country were prepared to provide services, such a solution could only be temporary and might at any time come to an end under Argentine pressure. Mr Fearn agreed. Islanders had never taken this message to heart. He asked whether Mr Ure had raised contingency planning with them during his visit. Mr Ure said he had, but the Islanders' principal reaction was that contingency planning was a British problem; they ^{after thought no} refused to think further than that if the runway were extended, it would solve most of their difficulties. Mr Hunt thought that the Islanders were slightly more realistic than this. They were already giving thought to the possibility of a charter air service between the Islands and Punta Arenas in Chile using eg a Twin Otter, which would have to be purchased for the FIG air service. Mr Williams agreed that the Argentines might be unlikely physically to prevent such a service; but ~~such a service~~ ^{it} would require use of Argentine airspace and the Islanders should be in no doubt about the Argentines' ability to make life difficult for them. Mr Hunt said that Islanders believed that they had a great deal of support in the UK which would always ensure that they were not cut off.

6. Mr Ridley outlined the domestic political considerations. In his view, there was no scope for acting against the Islanders' expressed wishes. His visit to the Islands in November 1980 had represented a considerable expenditure of political capital. The Cabinet had reluctantly allowed him to try this initiative, but they would never sanction overruling the Islanders. He did not think that there would be any problem in selling the leaseback proposal in the UK provided Islanders had endorsed it previously: there was no other way. In Parliament, the Labour Party opposed Government policy on the Falklands, partly because it meant dealing with Argentina, a country they disliked on doctrinal grounds, and partly because of the general unpopularity of any moves to cede sovereignty over the Falklands. Mr Ridley had discussed this with Ted Rowlands personally; he sympathised, but had made clear that he could never give his support in public to the Government initiative on leaseback. Indeed, even if the Islanders were to endorse leaseback it was still possible that the Labour Party might vote against it. The Government was therefore obliged to rely on Conservative votes alone. As he saw it, there were only two choices before us; either we must persuade the Islanders to accept leaseback, or we should call it a day. The PUS had two comments at this stage. The first was that he was sure that the options of alternative transport via Chile and Uruguay were unworkable and should not be pursued. Second, he endorsed Mr Ridley's views on the domestic situation. The Government would not wish to defend overruling the Islanders. He could well understand why the Islanders were unwilling to give in to us on negotiations. They were simple people and they clung to simple ideas: in their view, talks with Argentina were designed for one purpose only, to get the UK off the dispute book. But it was in the Islanders' perceived best interests to keep us on the hook; that was why they opposed negotiations.

General Discussion

7. The introductory statements over, Mr Ridley asked the Governor for a view on how the Islanders might be persuaded. This seemed to be an almost insuperable problem.

/If

If HMG's representatives tried to talk to the Islanders, we were accused of applying pressure; if we did nothing, then the Islanders' views remained unchanged. Islanders' reactions appeared totally illogical; eg the recent news that ^{HMS} Endurance would be withdrawn had reportedly led to a hardening of attitudes in the Islands against negotiating with the Argentines, when a more rational response would have seemed to be a recognition that UK was becoming less able to defend them, and that negotiations should therefore be resolved satisfactorily. Was it possible to persuade the Islanders? During his last visit he had gained the distinct impression that some of the more thinking people (eg the Financial Secretary) had, to some extent, been bargaining. If we were to offer inducements, would there be any movement? Mr Hunt replied that the simple truth was that the Islanders wished to have nothing whatsoever to do with the Argentines. They thought the Argentines were terrible people and not to be trusted. Islanders read about Argentina's grave internal problems, and the recent mass arrest of trades union members and they wanted nothing to do with such a system. Nor did the Argentine attitude to the Falklands on practical questions help. The failure to consult the Islanders about the halving of the LADE flights was a prime example. The Islanders did not believe that any terms which could be agreed for a leaseback settlement could ever provide them with the guarantees that they wanted. They could therefore see no reason for playing their trump card, sovereignty.

8. Mr Ure thought that it would be an impossible task to persuade the Islanders ever to trust the Argentines. But it might be possible to persuade them that they would not have to: ~~ie that Britain's commitment to the Islands would remain the same under the terms of a settlement as now.~~ Mr Hunt thought Islanders would not believe this. They would say that once we had agreed on the principle of ceding sovereignty, we would never again be able to claim it back. The PUS felt that legal advice would probably endorse this view. Mr Williams agreed. In any case if a crisis were to arise during leaseback it would not be over the principle of sovereignty, it would be over some relatively minor administrative point which would not provide sufficient grounds for the sort of action the Islanders would want us to take.

*to the Argentines
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agreement, then
could such an
agreement as
being lapsed?*

9. Mr Williams agreed that, provided the status quo could be maintained, there was no reason why the Islanders should come to agree that there was a need to move. The point was that it was unlikely to be possible to maintain the status quo much longer. All the signs were that if there were not some movement soon then the Argentines would make trouble. He agreed with Mr Ure that realistic ideas did not take root in the Islands of their own accord. They had to be grown as seedlings in the UK and imported. Mr Fearn thought that this would be very problematic. The Islanders' mood militated against seedlings taking root. He wondered whether the domestic political constraints would necessarily preclude holding talks with the Argentines on leaseback, even if the Islanders did not consent. It was only through negotiations that the implications of leaseback could be convincingly presented. Mr Ridley was sure that we could not negotiate if the Islanders actively disapproved. If they could be persuaded not to shut the door on negotiations, that would be acceptable; but if they turned the idea down, negotiations could not be considered. Mr Hunt thought that the Councillors' eventual response would be that we could talk to the Argentines about anything except sovereignty.

10. Mr Ridley agreed that it was right as a first step to try and improve public opinion in the UK. He proposed an investigation of what ideas might best survive transplantation from the UK to the Islands. The PUS said that persuading the Islanders would be, as usual, a matter of finding the right combination of carrot and stick. We had to accept that we had very little carrot (money) and at the same time could not wield the stick in public. It would be very hard for HMG to admit in public that we could not effectively deal with the problem posed by Argentine economic sanctions or even aggression. Mr Hunt reported that Islanders did not believe that the Argentines would take the military option. They expected economic sanctions and were prepared to go without if necessary. In the Islanders' view, all HMG had to do was to show determination; they were convinced they could survive. Mr Williams thought that while the

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withdrawal of LADE flights and the fuel supply might appear to us to be sanctions, to the Argentines this would be no more than the ending of loss-making activities which had failed to achieve their purpose of winning over the Islanders' hearts and minds. The most likely next step was that they would take their case back to the UN. It was not possible to say what the result of such action would be, but the Argentines were probably better placed now than they had been before, and would certainly win resounding support for their position. There would then be renewed UN pressure on the UK to negotiate. The Argentines would put pressure on their South American neighbours, not to 'comfort the enemy' by replacing withdrawn services. It was always possible that, eventually, a mad General or Admiral would take some adventurous military action against the Islands; as he had explained earlier, the more time that went by, the less the moderates would be able to prevent such occurrences. The Islanders had to be made to see that the Argentine Armed Forces, in particular their Navy, were growing in power, while the Royal Navy's influence in the area was declining. He thought all this was a gradual process, taking perhaps five or six years in all, but once the process had started it might be difficult to stop.

10. The FUS wondered whether it was possible to persuade Islanders that this scenario was a very real one, and that it would mean a progressive deterioration of their situation. Was there any scope for persuading them that it would be better to discuss matters with the Argentines now than to do so later under pressure? Mr Hunt described the Islanders' present state of mind as a "Dunkirk spirit", convinced they could last out against anything the Argentines might do. He had no idea how long this would survive in the face of Argentine pressure. Mr Ridley asked what would be the effect on this Dunkirk spirit, if the Argentine services were cut off and the Islanders had to rely on very infrequent sea services for all their transport and goods. Mr Hunt was sure that this would only strengthen their resolve to have nothing to do with the Argentines.

Mr Ridley

Mr Ridley wondered, in that case, what influences could possibly make them change their minds. Threats seemed to have no effect, nor efforts to win over hearts and minds, nor did efforts on our part to persuade them to accept our view of the matter. Mr Smith asked whether the prospect of a deteriorating economy might be used to our advantage. Mr Hunt repeated that the Financial Secretary himself was now opposed to leaseback.

12. Mr Ure was sure that there was nothing the Argentines could do to change matters. Their gestures were seen by the Islanders as attempts at infiltration. But in his view the Minister underestimated the influence of his last visit. Only HMG could change the Islanders' minds. Mr Hunt agreed. When Mr Ridley had visited, he had had a receptive audience, particularly in the Camp. Since then, it was true that Councillor Monk had done much to undermine what was achieved, but this still seemed the best road. Mr Ridley asked why, if his visit had been a success, his message had since been dissipated. He wanted to know whether there was a chance of success if we launched a major campaign in the UK. Mr Hunt said that supporters of leaseback in the Islands had kept their heads well down, and those that had been sitting on the fence had been wooed into the opposition camp. The moderates had not wanted to take on Councillors Monk and Wallace. He was not confident that a campaign would be successful, but he could see no other choice. Mr Ridley thought that it was important to be sure from the outset that a campaign would be successful. Otherwise, we would be raising our domestic profile on this issue to considerably no avail. If we were to fail we should lose considerable face, and there might be even worse risks as regards Argentina. Mr Williams doubted whether the Argentines would criticise such a campaign, but it had to be borne in mind that there were many steps the Argentine Government could take which would, without materially affecting the Islands, create great political problems in the UK, eg by harassing third country ships in Falklands waters or establishing more stations on uninhabited islands. Mr Day thought it important for us to be clear what we would be prepared to do if the

Argentines took action such as this. He doubted whether there could be any response to such actions which would satisfy domestic opinion. Could we afford to replace the service and the fuel supply, and take the steps necessary to provide an adequate defence for the Falklands? He thought not. Mr Ridley agreed that it would be hard to get proposals costing such a large amount of money through Cabinet, but he was convinced that they would get through Parliament with ease, such was the support for the Islanders' cause.

13. Mr Fearn considered that our present policy could only be described as pussyfooting; if we carried on this way we would get nowhere. It was important to be able to present our position firmly and this inevitably meant coming more out into the open both in the UK and in the Islands. Sporadic visits to the Islands were however unlikely to be effective. Perhaps we should get new Councillors to London after the election. But before we could undertake a more open line, Ministers would have to accept the political consequences. Mr Ure agreed that this was a political minefield. But if the Argentines were to take retaliatory action, HMG would be revealed as impotent. The Cabinet should be aware of this risk. Mr Ridley thought that the Cabinet would agree, if reluctantly, to a campaign to bring home to domestic opinion and the Islanders the realities of the situation, but only if they could be convinced that such a campaign had a good chance of success. He again asked the Governor what the chances were. Mr Hunt could say no more than that he was doubtful that such measures could be successful. Mr Ridley felt that this was not a good enough basis on which to launch a campaign. There would be no point in starting up all this trouble in Parliament and elsewhere without better assurances of the chances of success.

14. The PUS thought it would be useful to discuss what it was that we were proposing to sell to the Islanders. Mr Day did not think we were selling specific proposals. What we would propose would be essentially an educational programme and, necessarily, a long process. We had to convince the Islanders that the status quo was no longer an available option. Mr Fearn wondered whether the

Argentines would allow us enough time to undertake such a process. Mr Day said that as Islanders could not be persuaded quickly, we should also need to persuade the Argentines to remain patient. Mr Williams said it was important to prevent Islanders from turning down a further round of talks outright; they simply did not believe that the status quo could not continue. Mr Ridley found this understandable: Islanders did not see the classified papers about Argentine intentions that were available to HMG.

15. ^{wondered whether} The PUS ~~feared that we would not be able to~~ ^{would be convinced} convince the Cabinet of the need to take any domestically unpalatable decisions. Mr Smith wondered whether it would help if the Argentines were to take some of the action we envisaged against the Islands. Mr Day thought not. It could only reveal our own impotence. He wondered whether the Argentines would accept the proposed educational process as a good enough reason for refraining from any action.

16. The PUS asked whether it was possible to tell the Islanders that they could not impose decisions on us and for us to be prepared to hold talks without them. This would undoubtedly cause political problems in the UK and the Islands, but it would buy us some time with the Argentines. Providing we stressed to all that the Islanders' wishes remained paramount and that any agreements reached at the talks would be put eventually to the test in the Islands and in Parliament, he thought this line could be tenable. Mr Ridley thought such a proposal would be highly dangerous. The Government could not rely on its back-benchers to support it in this situation. The PUS accepted this but thought that the answer, in that case, might be to allow things to get worse, and hope that this would have some effect on the Islanders. Mr Ridley reiterated that such pressures seemed to have no effect whatsoever on the Islanders. It was illogical, but they were counterproductive. The Islanders had to be persuaded. He recalled that he too had had to be persuaded about the value of our initiative; it should not be impossible for us to persuade the Islanders in the same way. Mr Ure recalled

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that what had most helped to win Mr Ridley over to the initiative, was the fact that we set ourselves limited objectives. He proposed that when the new Councillors had assumed power, we should put our efforts into persuading them not to slam the door outright. We would seek to hold talks on an open agenda, at which Island representatives would be welcome, if they wished to attend. At the same time, we could initiate a quiet campaign to change the attitude of the media and politicians. In this way we could without raising the temperature, achieve what we wanted.

17. Mr Ridley said that as official Ministerial visits seemed to have so little impact, there might be value in putting the whole matter in professional hands and employing a full time professional staff to sell the initiative to the Islanders. Mr Williams wondered whether there was any scope for reducing the confidentiality of our exchanges with the Argentines on the dispute. The main problem for both the UK and Argentina was that ill-informed people made the running. Public debate could only be useful if it was well-informed. Mr Fearn agreed: but this again meant that we must be prepared to come out fully into the open on our view of the situation. Mr Ure thought there were many ways we could pursue our policy providing we first had the necessary political sanction. Mr Ridley again asked whether a campaign would achieve the desired effect. Mr Hunt replied that it had to be worth a try. However, while the moderates might respond, he doubted whether the majority would ever accept leaseback. Mr Ridley was concerned about the level of the campaign that would be required in the UK. 90% of the population were on the Islanders' side. Mr Day thought that 99% of the population did not even know where the Falklands were. It was only a majority of the remaining 1% which supported the Islanders. Mr Ridley disagreed; he had repeatedly been approached by people in the UK to reproach him for the Government's policy.

18. The PUS remained of the view that we would only have a chance of improving matters once our inability to defend and support the Islands in any effective way had been exposed.

/Mr Williams

Mr Williams thought this was a dangerous road. Even those Argentines who might be counted our friends would find it difficult to prevent little incidents growing into major ones. Mr Fearn thought that we would in any case find it difficult to negotiate on the retreat; opinions would harden in the Islands and in the UK against talking to the Argentines.

19. Mr Day said that we could explain to the Islanders that we and they shared a major problem, which HMG would find it increasingly difficult to help solve. It would therefore be important to come to an early decision on a solution. Mr Smith asked how the Islanders would react if talks were held with the Argentines without Islander approval. Mr Hunt conceded that some Councillors would indeed be relieved to have the decision taken from them; but he thought that the difficulties the remainder would cause would be overwhelming. Mr Ridley considered that we should do what we could to buy time from the Argentines and use it to mount an educational campaign.

20. The morning session ended at 1300.

The meeting resumed at 1400.

1. Mr Ridley summed up the morning session. We were agreed on the need to gain time from the Argentines and at the same time to mount a campaign to win over the Islanders. We should put our cards on the table to the Islanders and explain in detail what we could do for them and what we could not. Only if the Councillors did not slam the door could we continue talks with the Argentines. Mr Hunt thought that some of the Councillors would be quite happy for HMG to carry the ball alone for a while in discussions with the Argentines and then come back to them with some sort of offer from the Argentines. Mr Williams suggested that HMG could draw up a questionnaire of points to put to the Argentines which they would have to clarify (eg guarantees) but Mr Ridley pointed out that during leaseback there could be no question of Argentine encroachment on the British administration. Mr Williams wondered what would happen at the end of the lease. Mr Ridley recalled that he had told the Islanders that at the end of the lease we should try to negotiate a new one. He and the Secretary of State had told the Argentines firmly that the lease should be for at least 100 years.

2. Mr Williams pointed out that the Argentines would not even sit down with us if the question of sovereignty were excluded from the agenda of talks. Mr Day wondered if, since there was soon to be a new Council in the Falklands and there was a new Argentine administration, this would be a good opportunity to renew talks. Would it be possible to talk about economic cooperation? Mr Fearn pointed out that we could not talk substantively about economic cooperation until we had clarified who owned what. Sr Ros had not seemed to object to an open agenda for one further round of talks, but that would be the limit. Mr Ridley said that there was no point in gaining more time unless we intended to do something about educating the Islanders. He did not accept the alternative of throwing down the gauntlet to the Argentines. Mr Williams repeated that the leaseback idea might not be accepted by the Argentines unless it became more positive soon.

3. Mr Ridley said that the trouble was that the Islanders did not believe that the alternatives were as bad as we said they were. They did not know the real facts and did not want to, as they believed that EMG would simply assume its responsibilities. It was therefore necessary to put the cards on the table. He suggested that one programme of educating the Islanders might be

- (i) to show to Councillors all relevant telegrams from Buenos Aires (suitably doctored) so that they could see what was really happening in Argentina;
- (ii) to publish a detailed re-supply plan highlighting the grimmer facts of life;
- (iii) to make sure that Islanders were aware of the real difficulties of defending the Islands.

Mr Temple suggested that it might be possible to cooperate with the Argentines over this, eg so that the Islanders could experience for themselves what would happen if their petrol supply were cut off. However, Mr Day warned of the dangers, since there could be no relying on the Argentines to play the game exactly as we wished. It was agreed that we could not risk charges of collusion with the Argentines.

4. Mr Ridley thought it would be useful to prepare and publish contingency plans, eg an MOD White Paper on defence for the Falkland Islands. Mr Hunt agreed, since the Islanders tended to think that in the face of an Argentine attack EMG would simply send a nuclear submarine.

Mr Williams suggested that the Institute of Strategic Studies might be encouraged to publish a paper on the defence of the Islands. Mr Fearn pointed out that the MOD were preparing a new contingency plan but that this was little more than an up-date of the old one. Mr Ridley said that although we might repulse an Argentine attack, we should need to consider what would happen afterwards.

The Argentines would still be there just over the horizon;

our defence force could not withdraw. We were convinced of the need to come to a solution; it should be possible to convince the Islanders too. The problems should be made public knowledge. Mr Day pointed out that the Islanders would not be concerned over the cost to HMG of re-supply and military back-up, although this might help convince the lobby in the UK. Mr Ure agreed but thought that the realities of re-supply might frighten the Islanders. Mr Ridley stressed that he did not wish to frighten the Islanders but to ensure that they were fully aware of the facts. The PUS pointed out that publication of the facts might encourage the Argentines to become tougher, as they too began to realise how impotent we were. Mr Ridley agreed that we should have to draft very carefully. Mr Fearn pointed out that we needed to say more forcefully to the Islanders that leaseback was the best alternative to the horrors otherwise looming. Mr Williams doubted whether publication of the facts would make the Argentines' attitude tougher. He considered that most Argentines were themselves probably unaware of what their navy could and could not do.

5. Mr Day said that if domestic constraints made it difficult to urge leaseback on the Islanders, why could we not say in public here that, despite the Islanders' rejection, we considered leaseback to be the correct course. Mr Ridley stressed the need to depoliticise the issue: facts were needed more than anything else. Mr Fearn suggested asking the Foreign Affairs Committee to produce a report; the PUS thought this an interesting idea, but pointed out that the Committee might not come up with the answers we wanted. Mr Williams suggested that we should work out the costs and have official talks with the Falkland Islanders about joint contingency planning. Mr Ridley agreed, stressing that the talks should be at official, not ministerial level. Facts, not opinions, were needed. It was necessary to destroy the Islanders' fantasies. Mr Hunt did not think the Islanders were bluffing; they truly believed they had sufficient support

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in the UK to protect them. Mr Ridley considered that this was all the more reason to let them have the facts without hectoring them or pushing them about.

6. Mr Day pointed out that there were pitfalls in publishing contingency plans. The Islanders had a different opinion from HMG of what was right and proper; they might even think that it was a good idea to have such plans ready since they would not be concerned at the cost. Mr Ridley said that the plans must be designed with inbuilt horrors. It would perhaps be useful to indicate that the Islanders would have to pay for re-supply. The PUS wondered whether it would help if a group of Councillors came to the UK after the elections for discussions with eg MOD on the realities of defending the Islands. The draw-back of this was that they would also be exposed to the sympathetic lobby in the UK. Mr Ridley felt that the Councillors would only come mandated to resist any proposals for leaseback. What was necessary was to convince the electorate, not the Councillors, of the horrors which would await them.

7. Mr Hunt pointed out that the Islanders could, if necessary, exist with the four times yearly charter vessel and the visit of the Royal Fleet Auxiliary every 18 months. Travel would be the only real problem, although he thought that many Islanders would still stay on. Mr Fearn stressed that if the Islanders refused to accept leaseback, we could expect increasing harassment. The Islanders would expect us to do something about this, but we should not be able to, and we should be put in a very embarrassing position. Mr Williams said that, although the Argentines did not deliberately aggravate the Islanders at present, they could take action to which we would need to respond on legal grounds, eg occupation of territory. The proposed closure of Grytviken, for example, could be very awkward.

8. Mr Day suggested that we should invite the new Councillors to the UK to go over the facts of the situation. Mr Ridley asked why some of the facts could not be put to them before the election. Both Mr Fearn and Mr Hunt considered that this could be construed as putting pressure on the Islanders. Mr Ridley suggested that some non-political branch of HMG, eg the COI, should publish the facts, as it was important to depoliticise the situation. Mr Day thought this would not be advisable since everybody knew COI was part of HMG. Mr Ridley said that facts were needed, not political opinion. If a politician gave facts he was assumed to be exaggerating, so factual sheets needed to be produced.

9. The PUS was worried by the effect of publishing contingency planning which the Argentines would read. Relations were quite good at present, so they could ask why there was all this aggressive talk about a possible invasion. The time for stock-taking should come after the Falklands' elections when we could present the facts to the Councillors about the alternative we foresaw if they did not sanction further talks. Mr Ridley said again that the Islanders should have the facts to consider during the election. Mr Day said that Cabinet approval would be needed for this first. Mr Fearn and Mr Hunt considered that we should wait until after the elections since before that there was no-one responsible to talk to and any attempt to feed information to the Islanders would be misconstrued as undue interference and pressure.

10. Mr Williams asked whether it would be possible to urge better candidates to stand for Council. Mr Hunt said that he had tried but they had all refused. Mr Ridley said that the problem was to persuade the electorate that the moderates were right and to make them fully understand their situation. Unfortunately the Councillors were not of adequate calibre for this. Mr Day wondered whether the Falkland Islands Committee could exert any influence but Mr Hunt said it had lost credibility in the Falkland Islands over the last 2 years.

/Nationality

Nationality/Re-settlement

11. Mr Fearn asked what inducements could be offered to the Islanders if necessary. Mr Ure said that we had gone as far as possible on nationality; we could not promise more, but ^{we} could make what had been said more widely available. Mr Hunt thought that we should say to the Islanders that they should give leaseback a try for eg 5 years and if they were not satisfied we would re-settle them. Mr Ridley said that if the Islanders were forced to leave because of Argentine non-compliance with the terms of leaseback we should be prepared to re-settle them and offer compensation. Otherwise, the Argentines would probably be prepared to pay a fair price for the land and if the Islanders left voluntarily he saw no reason why we should compensate them. He felt that financial inducement should be the carrot at the end, not the beginning, of negotiations.

Financial matters

12. On the question of supply of capital, Mr Fearn reported that the CDC were reluctant to help out, in part at least because they had come unstuck badly in an earlier freezer plant scheme in the Islands. (Mr Hunt pointed out that they had also come out badly from other investments but that it did not prevent them from further transactions in those countries.) The department had had a meeting with the Bank of England to talk about the new bank and commercial loans. The Treasury would not guarantee such loans but technically the Secretary of State could if the ODA accepted responsibility. It had however been suggested that the best course would be for the Falkland Islanders to take their financial affairs away from the Crown Agents and take them to a merchant bank. As a client of the bank they would then stand a better chance of having a loan authorised. Warburgs had expressed interest. This was a question for the FIG to decide. Mr Hunt said he would put this to the FIG but that the Financial Secretary had always stuck by the Crown Agents who had handled the Falkland Islands portfolio very well.

/Falkland

Falkland Islands Company

13. Mr Hunt reported that the Falkland Islands Company refused to consider disposing of more land. Mr Ridley agreed that it would eventually be necessary to buy up the land but that there was no great hurry over this. It would be a very difficult proposal to put to Cabinet.

Stamps

14. Mr Fearn mentioned that the Islanders were intending to celebrate the 150th anniversary of re-settlement (in 19 in a big way. They had asked The Queen to visit the Islands and were planning to produce a substantial stamp issue. Even in 1933, when the dispute had been relatively quiet, the production of stamps for the centenary had caused a furore and the Argentines had refused to handle mail. The reaction would be very much stronger this time. The alternatives were

- (i) to stop the issue, which would lead to large loss of revenue as well as provoking strong Islander, and lobby resentment;
- (ii) to alter the designs and make the issue less provocative;
- (iii) to go ahead and bear the brunt of complaints.

It was not our normal policy to intervene in such issues, but The Queen's authority was required for the issue of stamps and She should not be involved in contentious political issues. Mr Williams thought the Argentines would react hysterically and eg impound all mail and Mr Hunt thought that the Islanders would react badly if we tried to interfere. The centenary issue had been highly regarded and there was hope that this one would be too. Furthermore, it would be worth about £400,000 to the Islands' Exchequer. Mr Williams said that it was almost certain that the Argentines would stop the mail and would retaliate in other ways. The issue would be contrary to the spirit prevailing in the negotiations. However, although there would be an appalling uproar there might be

no very serious damage at the end of the day. Mr Ure thought we should use our influence to alter the wording and designs of the issue. Mr Williams said that since the Argentines celebrated Malvinas Day every year, he thought the problem was mainly one of design and drafting. The situation could probably be defused somewhat if he was able to talk to the Argentines first. Mr Ure said that when he had spoken to the Chief Secretary he had got the impression that the Islanders would be prepared to accept some modification of the issue.

Conclusions

15. Mr Ridley summed up.

- (i) We should play for time with Argentina.
- (ii) We should persuade the new Falkland Islands Council to allow us to talk with the Argentines.
- (iii) Up-to-date contingency papers should be prepared to form annexes to an OD paper and perhaps eventually be published.
- (iv) The OD paper should recommend a major education campaign in the UK.

On timing, the PUS suggested that the Secretary of State's approval should be sought in July and the OD paper itself produced in September. Not only would this enable the paper to be linked to the elections, it would also be fresh in Ministers' minds for the September Commonwealth Heads of Government Meeting. There might be value in trying to obtain support for our position from certain Commonwealth Prime Ministers.

16. Mr Ridley and the PUS left at 1615.

/Defence

Defence cooperation

17. Mr Ure asked whether it would help if we were to improve our military contacts with the Argentines eg over South Atlantic defence. Mr Fearn pointed out that joint exercises with the Argentines would pose difficult political problems. Mr Day reminded the meeting of the developing campaign in the Third World on the question of South Atlantic cooperation between Latin America and South Africa. He was nervous at the thought of our developing naval cooperation in the South Atlantic. Mr Williams said that such discussion would have to be bilateral but Mr Day pointed out that we could not avoid any cooperation being put into a wider context. Mr Williams said that the Argentines were worried about the Soviet presence in the South Atlantic and were probably mainly concerned to exchange intelligence about the area. Mr Ure thought that perhaps we could send a senior naval officer explaining why we could not offer more cooperation and saying that we too were worried by the Soviet presence in the South Atlantic and would be prepared to liaise on this. Mr Fearn wondered how this would help us on the Falklands and Mr Day pointed out that we would have to indicate some advantage to HMG of such a visit. Because of the robust human rights lobby here the advantages of such a visit would need to be weighed very carefully.

Endurance and Grytviken

18. Mr Hunt pointed out that if the axing of both were announced at the same time, it would be a terrible blow to the Islanders and would halve our South Atlantic presence in one swoop. Mr Day said that Endurance was a lost cause but that the question of Grytviken was still open. Mr Fearn and Mr Ure thought that NERC were really trying to force the FCO to provide the extra money that they needed. Although Grytviken might be the least scientifically valuable BAS research station, NERC were well aware of the political implications. Mr Hunt thought that plans for withdrawal would have to be ready in the next 2 to 3 months if it were to be closed down at the end of the 1981/82 season. Mr Day thought the department should check with NERC to ensure that their proposal was not carried by default.

19. The meeting ended at 1630.

Distribution

PS
PS/LPS
PS/Mr Ridley
PS/PUS
Mr Day
Mr Ure
SAmD
HMA Buenos Aires
The Governor, Port Stanley