

Ref. A04114

PRIME MINISTER

Falkland Islands

(OD(81) 2)

## BACKGROUND

OD last discussed the Falkland Islands on 3 December 1980. The Committee then invited the Foreign and Commonwealth Secretary to report further when the Islanders had made known their considered reactions to the suggestions put to them. He was also invited to consider the course of further contacts with the Argentine Government; to arrange for Parliament to be reassured as to the Government's policy; and to investigate the possibility of improving the financial position of the Islanders' position as regards interest on their savings deposits and the raising of capital for development. The Home Secretary was invited to give further consideration to how non-patrial Islanders should be treated under the proposed Nationality Bill.

2. In OD(81) 2 the Foreign and Commonwealth Secretary reports the outcome of the Islanders' consideration of the Government's proposals. They do not like any of the ideas put to them and implicitly reject the leaseback proposal favoured by Lord Carrington and Mr Ridley. But they agree to negotiations with Argentina designed to achieve a freeze on the dispute for a fixed period. Such a freeze was one of two specific possibilities mentioned by Mr Ridley to the House of Commons on 2nd December (Hansard col. 196); leaseback was the other.

3. Lord Carrington does not think that a freeze will be acceptable to Argentina. But he regards the Islanders' acceptance of the principle of negotiations, in which they themselves would take part, as an important step towards accepting that their own interests require a settlement of some kind with the Argentines. He therefore recommends that freeze negotiations should be attempted; and to avoid trying Argentine patience further he wants this done before the Government in Buenos Aires changes at the end of March (which will involve new faces but not new policies). He calculates that the Islanders will slowly and reluctantly come round to the leaseback idea as it becomes clear that

no more attractive basis for the necessary settlement is negotiable.

4. OD were worried in December that, even if the Islanders accepted the need for a settlement, Parliament here might object that this was merely the result of pressure by the Government. You will need to judge how far this danger has now subsided.

5. The Home Secretary has responded to this remit by sending you and the rest of the Committee a minute on 12th January about the position of the Falkland Islands under the Nationality Bill. This made clear that on the revision of the Immigration Rules 600-700 Islanders would have no right of abode in the United Kingdom and proposed a pledge that their position would be given "the most sympathetic consideration". Mr Whitelaw said that he would assume OD agreement unless anyone commented by 15th January; no one did. Lord Carrington's paper refers to Mr Whitelaw's proposal without specifically challenging it; but he warns that the Islanders may seek further concessions on this sensitive subject in the future. Lord Carrington is of course only too aware that any such concessions would set an awkward precedent for other dependents, eg Gibraltar, where larger numbers would be involved.

6. Since Lord Carrington's paper was written the Argentine Government have felt obliged to protest to us over stories about immigration to the Falklands from St Helena and the United Kingdom. As a further sop to public opinion they also want the next round of talks held sooner rather than later.

7. Mr Ridley, the Attorney General and the Chief Whip have been invited to attend OD for this item.

#### HANDLING

8. You will wish to ask the Foreign and Commonwealth Secretary to introduce his paper. He will probably ask Mr Ridley to expand on it, and particularly on the detailed reactions of the Legislative Council of the Islands. The following points should then be covered in discussion:-

- a. Are the Foreign Secretary and Mr Ridley confident that they can cope with any Parliamentary suspicions that the Islanders are being hustled to their doom? Do the Chancellor of the Duchy and the Chief Whip share such confidence?



- b. Do the Foreign Secretary and Mr Ridley believe that the Argentines really wish to settle this dispute? Or is it a quarrel which they cherish because of the benefits it confers in terms of national unity? If so, is there a risk that they may progressively raise their demands as the negotiations progress?
- c. What does the Home Secretary's proposed assurance of "most sympathetic consideration" of their position really mean in relation to the 600-700 Islanders who will not have a right of abode in the United Kingdom? If they will in fact be admitted to this country if and when they want to be, would it not be sensible to say so at some stage? If it were specifically linked to a future negotiation about leaseback, such a statement might sugar that pill for the Islanders and at the same time minimise the awkward precedent (because leaseback would be unique).
- d. What progress have the Foreign Secretary and Chancellor of the Exchequer made on OD's worries about savings deposit interest and development capital? Paragraph 5b of OD(81) 2 suggests not much.
- e. Paragraph 5b of the paper also talks about a possible need for increased "British Government finance" for the Islands. Does the Foreign Secretary expect to cater for this from within the Aid Budget?
- f. Do the Foreign Secretary and Mr Ridley see any danger that the Argentines will refuse to negotiate if it is clear that only a freeze is contemplated?
- g. Is the immigration row a storm in a teacup or potentially serious?
- h. What does the Defence Secretary think about (i) the cost and (ii) the practicability of defending the Islands if negotiations fail (or never start) and the Argentines resort to military threats?

## CONCLUSION

9. Subject to the points made in discussion you might guide the Committee to agree to the proposal that the Government should confirm to the Argentines their agreement to further talks in late February/early March with the Islanders present, and should announce a date. You may also wish either to endorse the Home Secretary's proposed assurance to the Islanders about access to the



United Kingdom under the Nationality Bill as going far enough; or to establish that it would be helpful to gain the support of the Islanders to the leaseback idea if authority were given for a more specific assurance of admission to the United Kingdom to be given in due course.

RA

ROBERT ARMSTRONG

28 January 1981

CONQUEROR