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Argentina

Five

15 October 1979

Falkland Islands

The Prime Minister has seen the Foreign and Commonwealth Secretary's memorandum of 12 October on this subject. She has asked that discussion of the Falkland Islands by OD should be postponed until after the Rhodesian issue has been settled. She therefore does not wish to take the Foreign and Commonwealth Secretary's paper at Wednesday's meeting of OD.

I am sending a copy of this letter to the Private Secretaries to the other members of OD and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

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289



(2)

10 DOWNING STREET

Prime Minister,

Please don't
deal with this
before the

This is an advance copy
of the paper for O.A. next
Wednesday. You may like to
look through it over the
weekend. The line to be taken
with the Argentines is now
a good deal more exploratory
than previously.

P.S.O.

Print

This paper will do
it tells of a set of
circumstances - not justified
in any way - then suggests
to decide where others have

Whaty on work
all up work .

Could you get me
list of all Richard

Luci's current - +
comments on the Jettlands
during the year before
the election?

o/s



Foreign and Commonwealth Office

London SW1A 2AH

12 October 1979

Dear Michael,

FALKLAND ISLANDS

--- I enclose an advance copy of the paper which the Foreign and Commonwealth Secretary is circulating for discussion by OD on Wednesday, 17 October.

yours ever
Roderic Lyne

(R M J Lyne)

M O'D B Alexander Esq
10 Downing Street

1 October 1979

COPY NO

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

FALKLAND ISLANDS

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

Please note - this is very difficult - this is revised in pencil for the

I don't like the phrase - the definition is 2 the options designed not to commensurate the island but to achieve the desire of the Islanders

what?

1. The Problem The Falklands are a British colony 350 miles off the coast of Argentina (Map: Annex 1). The 1,850 Islanders - mostly sheep farmers - are of British descent and wish to remain British. Argentina has a long-standing and active claim to the Islands. The Labour Government reopened exchanges with Argentina about the future of the Islands, including sovereignty (terms of reference at Annex 2). Argentina has been pressing us hard to continue these negotiations; and we need to decide whether to do so, and if so with what intention.

2. Background On historical and legal grounds (Annex 3), we are confident that our sovereignty is soundly based. Nothing in the negotiations so far has eroded this. Equally, no progress has been made. Nicholas Ridley visited the Islands in July to form a first-hand impression and to reassure the Islanders that no solution of their problem would be brought before Parliament unless it had their backing; they are not averse to our continuing talks with Argentina; they are open for an acceptable settlement to be found. Meanwhile Argentina, under a militaristic regime, might at any time subject us to economic pressures (Annex 4) or political and military harassment (Annex 5); although the Argentine Foreign Minister spoke reasonably to me in New York last month (Annex 6).

3. Our objectives in the dispute include the following:
- i) to defend ^{*the right of the British settlers to remain under British administration*} the right of the British settlers to remain under British administration
 - ii) to end a dispute which is damaging to the economy of the Islands (Annex 4) and to our trade with Argentina (Annex 5), damaging to international relations (most of the UN vote against us) and which could provoke a bitter political controversy at home (eg over the action to be taken following an Argentine assault).
 - iii) to ensure that the UK derives advantage from the economic resources of the area: possibly oil and certainly fish (Annex 7).

4. Argentine objectives appear to include:

- i) achieving nominal sovereignty for reasons of national pride. The Argentines do not seem to want to "colonise" the Islands.
- ii) securing a share of the offshore economic resources
- iii) a possible non-national objective in providing a cause to further the ambitions of individual Argentine officers.

5. Three broad options appear open to the UK:

- These considerations are detailed*
- a) we could refuse to talk to the Argentines and opt for a would-be "Fortress Falklands". This would ^{may} ~~almost certainly~~ cause them to cut off vital supplies (eg fuel) and communications (air services) and possibly to harass British shipping. The Islands would be condemned to economic decline and would become a heavy burden on the British aid budget. There would be a serious threat of Argentine invasion, which would require the long-term commitment of substantial British forces (Annex 8). What evidence?
 - b) we could talk to the Argentines but refuse to make any concessions on sovereignty. This would lead to a break-down of the talks, probably sooner rather than later, and reversion to option (a) above.
 - c) we could adopt a more constructive approach. The Argentines will demand sovereignty. We could explore with them various arrangements (Annex 9) as a way of keeping the negotiations going, while preserving our essential interests (paragraph 3). We would seek agreements on economic co-operation to the benefit of both sides, paving the way for profitable developments in the South West Atlantic and Antarctica. The lack of political settlement is preventing the exploitation of possible resources such as oil and fish.

6. Conclusion I therefore invite my colleagues to agree that the FCO should resume talks with the Argentines at Ministerial level. The purpose of the talks in the first instance would be to explore, without commitment, political and economic solutions. I would then propose to report back to the Committee and would consult on all matters of concern to other Departments. We would seek not to rush matters: so long as the Argentines believe we are negotiating seriously, they will desist from precipitate action. Publicly, we would merely announce that we were continuing a series of talks already in being.

Foreign and Commonwealth Office

12 October 1979

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ANNEX 5

THE ARGENTINE THREAT: POLITICAL AND MILITARY

Political

1. All Argentine regimes subscribe to the sovereignty claim over the Falkland Islands and Dependencies. The claim is not just a matter of law but of national honour and machismo. It fits in with military and nationalist pre-occupation with "sovereignty", inspired partly by fear (about national security) and partly by ambition (the historical rivalry with Brazil).
2. The Argentines ability to focus on the Falkland Islands issue is conditioned by internal and external factors. There are few current distractions. Internal subversion, the military's first target after the March 1976 coup, has been largely contained. Economic progress, though with problems about inflation, enabled the armed forces to undertake extensive arms purchases and orders in 1978 (estimated at \$2-4 billion)
3. Other foreign policy issues are less pressing. During 1978, Argentine attention was focused primarily on the dispute with Chile over the Beagle Channel. This came close to a shooting war, prevented at the last minute only by the intervention of the Vatican with its offer of mediation. The Vatican seems likely to play this process long and slow. Differences with Brazil and Paraguay over the exploitation of the hydro-electric potential of the Parana River, whose waters they share, are receding.
4. President Videla is moderate, given neither to gambling nor to flamboyant gestures. Although the Junta has the power to overrule him, he has in office been a force for moderation. He is due to retire in March 1981. His successor may be the Army Commander General Viola, also moderate, but he is also

*Ann. to the
Foreign - 2/81
our national
have no doubt
then to matter?*

no

/scheduled