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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.

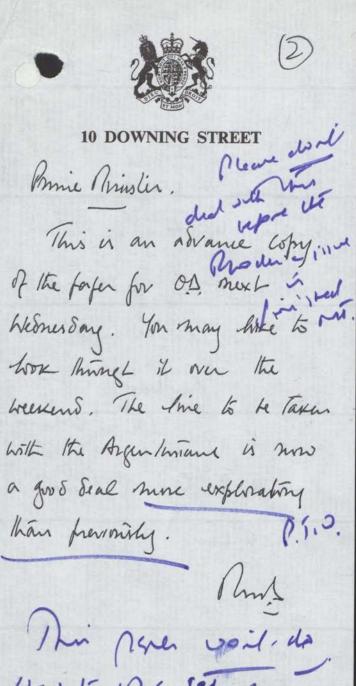
I am sending a copy of this letter to the Private Secretaries to the other members of OD and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

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

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## 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 war Lynn

(R M J Lyne)

M O'D B Alexander Esq 10 Downing Street OD (79)31

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DEFENCE AND OVERSEA POLICY COMMITTEE UN

FALKLAND ISLANDS

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Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

1. The Problem The Falklands are a British colony 350 miles off the work 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. <u>Background</u> 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:
- to defend the right of the British settlers to remain under British administration
- 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:

  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 <u>non-national</u> objective in providing a cause to further the ambitions of individual Argentine officers.
- 5. Three broad options appear open to the UK:
- we could refuse to talk to the Argentines and opt for a would-be "Fortress Falklands". This would 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).
  - 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. <u>Conclusion</u> 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 C

## ' Political

- THE ARGENTINE THREAT: POLITICAL AND MILITARY

  Political

  1. All Argentine regimes subscribe to the sovereign purchased purchas 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