

Secretary of State

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FALKLAND ISLANDS

1. I think that we will need a further OD discussion in September on the Falkland Islands, on which we are faced with difficult decisions with domestic political implications.
2. In order to take stock of the situation and of the options, I held a one-day discussion meeting on 30 June with officials at which the PUS, Derek Day, our Ambassador in Buenos Aires, the Governor of the Falklands, John Ure (who had just returned from a visit to the Islands), and the Department were present.
3. We agreed that there is no alternative to the leaseback idea which stood any chance of solving the dispute. However, the prospect for negotiating a sovereignty solution with Islander agreement have receded in recent months. The more realistic approach to the problem generated by my own visit to the Islands last November and during the Anglo/Argentine talks in February, has receded: partly because of the Islanders' ostrich-like mentality and partly because of active campaigning by some Island Councillors (including the two who attended the February talks in New York with the Argentines) against the principle of any transfer of sovereignty. General elections in the Islands in September/October seem certain to lead to a new Legislative Council opposed to substantive sovereignty talks with Argentina.
4. For their part, the Argentine Government seem prepared to wait until after the Island elections before a next round of talks. We might then possibly manage, at most, one more round without specific sovereignty proposals on the table. After that we must expect that

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Argentine patience will run out: and that they will come under strong internal pressure to show results. Argentina's rapidly worsening economic and political problems will make it all the more tempting for her Government to seek a foreign policy success (on either the Falklands or the Beagle Channel disputes). If the Argentines conclude possibly by early next year, that we are unable or unwilling to negotiate seriously, we must expect retaliatory action: in the first instance through the withdrawal of communications, fuel and other facilities, which the Argentines now provide: in the longer run through some form of military action.

5. We have, therefore, to look carefully at the options open to us once the Islands elections have taken place. Simply to play for time except in the very short term, is not one of them since the Argentines say the negotiations have already lasted 16 years, and got nowhere. We have also to accept that our present policy of awaiting a mandate from the Islanders, without ourselves giving a more positive lead, does not seem to be achieving results. I see three possible courses of action:

(a) To decide to open negotiations ourselves with Argentina on a leaseback solution, whether or not we have Islander concurrence or participation. We could argue that the implications of leaseback can only become clear through negotiation; and that the outcome would still remain conditional on the agreement of Islanders and of Parliament. Once such negotiations were underway, the scope for Argentine pressures would be much reduced;

(b) While taking no negotiating action without Islander agreement, to embark on a much more public and active campaign to educate Islander (and UK public) opinion about the facts of the situation as we see them, the consequences of a failure to negotiate, and the corresponding advantages of a sovereignty solution;

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(c) To let the Argentines conclude that we will not talk about sovereignty: and to set in hand contingency action to deal with the consequences most likely to follow a withdrawal from the negotiating process.

6. Each of these options presents considerable difficulties. The first would breach our long-held policy that we will act only in accordance with Islander wishes. The Government would come under intense pressure, not only from the Opposition, but also from our own backbenchers. Public and parliamentary sympathy in the UK lies overwhelmingly with the Islanders. The second would oblige us to come out into the open much more than we have hitherto been prepared to do. We should be exposing our inability to deal in any effective way with the Argentine threat and would be strongly criticised in the UK and the Islands for putting pressure on the Islanders [to bring them to our thinking]. We could of course argue that we were merely depicting the facts of the situation; but our critics would maintain, with ~~some~~ justification, that the facts cannot be divorced from the politics. There would also be no guarantee that such a process of education would in the end be successful in persuading the Islanders, or that the Argentines would find such public discussion of the issue easy to handle. The third option (Fortress Falklands policy) would be politically less controversial. But sustaining the Islands would be difficult in practice and very costly: and we could be involved in a military confrontation with Argentina. We would get no international support. Nor would such a dose of unpleasant medicine necessarily bring the Islanders to recognise the need for a compromise on sovereignty; and, even if it did, we would, ourselves, find it uncomfortable having to negotiate on the retreat. With a view to OD discussion, officials are working on the practicalities and cost-estimates of the various economic and military contingencies which we might face.

7. I believe that the first option, while diplomatically the most advantageous, carries unacceptable political risks; nor could I recommend the third option which is both defeatist and costly (and

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I doubt our colleagues would agree to it). We are therefore left with the middle course, a more active education of public opinion on the realities of the situation. This could be undertaken in several ways, including:

- (a) an invitation to the new Island Councillors to visit the UK after their election;
- (b) in-depth briefings of the UK press;
- (c) the publication of papers underlining the Argentine threat and the problems of dealing with it;
- (d) involvement of private institutions and opinion-formers in the process.

But we have to recognise that we cannot expect others to act for us unless we ourselves are prepared to give a clear lead. We should become very exposed and criticism would be strong. But so long as we stood by our pledge on the paramountcy of the Islanders' wishes and on our commitment to defend and support them to the best of our ability these difficulties should be manageable.

8. I would be glad to discuss this with you.

Nicholas Ridley

20 July 1981

Copies:- LPS
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Head SAmD
Head Planning Dept