

Mr. Duggan
Mr. [unclear]

Mr. Davidge
CEB
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Secretary of State

THE FALKLANDS DISPUTE

1. I discussed briefly with you my talks in New York on 28/29 April with the Argentines. These convinced me that there is a slim possibility of a solution to this dispute: but that it is one worth pursuing (in the first place covertly). We need shortly to put proposals to OD.

The Present Position

2. A continuation of the present sterile argument is not in our interests. The Falkland Islands are in decline: the economy is stagnant, morale is low and people are leaving. The political uncertainty caused by the dispute prevents our exploiting any resources in the area, whether fish or oil. It distorts our political relations with Argentina (and Latin America more widely) and hinders the development of our commercial relations. Any future exchanges on the issue with the Argentines will be very difficult if we continue to stone-wall. They will not allow us to continue talking unless the question of sovereignty is on the table. Otherwise, we can sooner or later expect trouble; and will have to accept a continuing and costly commitment to maintaining the economy and the defence of the Islands.

A Possible Solution

3. I believe that the Argentine interest is more in the acquisition of titular sovereignty than in absorbing the Islanders or settling in the Islands, which are of no economic or strategic interest to them.

4. If given titular sovereignty (over the Islands, the Dependencies, the Continental Shelf and maritime zones), the Argentines might be prepared to agree on a package which would include:

- (a) the lease-back of the Islands and the Dependencies, possibly for an indefinite period but at least for a

/sufficiently

long time as not to inhibit the economic development of the Islands;

(b) for the period of the lease, continued British administration of the Islands and the Islanders and preservation of their democratic and British way of life, possibly with some token Argentine presence eg a flag and/or a resident Representative;

(c) Anglo-Argentine cooperation to extend fishing rights to the exclusion of third parties and for proper exploitation and conservation of the resources;

(d) Anglo-Argentine cooperation in the exploration for and development of any oil deposits;

(e) Argentine financial assistance to develop the economy of the Islands eg by investment in agriculture (grasslands, sheep, meat processing and packing) and banking.

Disadvantages

5. Any arrangement involving a transfer of sovereignty (which would require an Act of the British Parliament), however advantageous overall, will cause great anxiety in the Islands and certainly an outcry in the UK, including some of our backbenchers

6. More widely, many people in the UK and in the Islands would view with distaste the prospect of Britishers, used to the democratic process, being required to live, if only technically, under a military Junta with a deservedly bad reputation.

Advantages

7. We would end the dispute which is damaging to us internationally: at the United Nations we are in a minority of one.

8. We would avoid considerable potential expense, eg from defending the Islands against military attack or from under-pinning the economy to prevent its collapse in the face of hostile Argentine economic, or administrative, actions (withdrawal of communications

/and

and oil supplies).

9. Our relations with Argentina would improve, leading to increased commercial and arms business and the opportunity to start exploiting the resources of the South West Atlantic area.

10. With the ending of uncertainty, the Islanders would have a good prospect of an assured economic and political future.

Tactics

11. The concurrence of the Islanders will be essential. I believe that enough of them could be brought to accept a solution on the above lines. If so, the ground would be cut from under the feet of the opposition in the UK. We would be seen to have fulfilled our commitment to the principle of self-determination and our obligation to respect Islander wishes.

12. If some prospect of titular sovereignty is opened to the Argentines, I think that they will be ready to cooperate in helping us overcome our political difficulties, of which they are aware. Once the principle of lease-back has been established, there need be no haste; the details could be worked out carefully over a suitably extended period of time.

13. I would be able to explore the possibility of a settlement on these lines secretly with my opposite number in the Argentine Government, without it being known, and without commitment.



21, May 1980

Nicholas Ridley