

SIR ROBERT ARMSTRONG

THE FALKLANDS: BRITISH OBJECTIVES

1. OD(SA) instructed me to prepare an assessment of British objectives in relation to a long-term settlement of the Falkland Islands issue. Papers are being produced urgently on possible forms of future status for the Islands and on our interests in the dependencies. But such papers need to be based on a clear definition of the Government's attitude towards the future of the Islands. If we are working on the sort of lines that have governed the attitude of successive administrations, papers can readily be prepared but, if the guidelines are changed the options will be different. I recognise that there is a chicken-and-egg quality to this. It is difficult for Ministers to formulate objectives precisely when work on position papers is still underway. But I think that at this stage certain political and diplomatic predictions can be made clearly enough for me to define some fundamental issues on which early guidance is needed. The primary purpose of this minute is to examine the consequences of any fundamental shift in Government policy about sovereignty: and to outline the likely reaction to any such shift of Argentina, other Latin American countries, the Americans and other allies, as well as the consequences for Soviet opportunism in the region.

2. I should make it clear that necessary work is not being held up meanwhile. The Assessments Staff are urgently preparing papers on:

- a. Prospects for internal stability in Argentina;
- b. Soviet strategic interests and opportunities in the area.

I hope these will be available at the beginning of next week. An FCO paper on British interests in the dependencies and the place of the dependencies in the possible arrangements currently under discussion with Mr Haig is also nearly ready.

3. Current exchanges through Mr Haig have been on the basis of Security Council Resolution No 502; they have addressed arrangements for Argentine withdrawal, the nature of an interim administration of the Islands, and the framework for the negotiation of a long-term solution to the dispute. They have not touched directly on the substance of such a solution. But, on the terms of reference for the long-term negotiations, there have been major differences between the two sides. The Argentines dismiss the notion of consulting the wishes of the Islanders and insist that Argentine sovereignty is not negotiable; we do not accept the latter proposition and are also insisting that in any long-term solution the wishes of the Islanders must be paramount.

4. This British position has been broadly in line with that of successive Governments. In particular it has been Britain's consistent position over many years that our fundamental concern was to safeguard the wishes of the people of the Falkland Islands, but that, subject to these, we were prepared to discuss the issue of sovereignty without prejudice. (A selection of policy statements by this and previous administrations is at Annex A). Very little emphasis has hitherto been put on the strategic importance of the region to Britain; and it has been taken as axiomatic that its economic potential and opportunities for us therefrom could **best** be exploited in co-operation with the Argentine. It has for many years been accepted that western strategic interests in Latin America as a whole were for the Americans to assess and protect as necessary. This assumption has been the basis of United States' policy since the inception of the Monroe doctrine. America's allies have implicitly worked on the same assumption.

5. The Prime Minister on the other hand has suggested in several of the OD(SA) discussions that the Government should be thinking in terms of a continuation of British sovereignty both over the Falklands and over the dependencies, more particularly South Georgia. She has also asked whether, in the aftermath of the Argentine invasion, and given the inherent unreliability of Argentina, we should any longer be prepared to discuss the issue of sovereignty (whether of the Falklands or of its dependencies) with

this or any other Argentine government; and whether at the most we should not confine ourselves to considering other forms of status for the Islands - independence, some form of US or UN presence, security guarantees etc. In short, should we not be considering whether a new policy of this kind is required in the light of the new situation in the region and in particular of:

- a. The strategic significance to the West of the Falklands, South Georgia and Sandwich in the new circumstances;
- b. The confirmation of the inherently unstable nature of Argentina, the consequent fragility of any agreement reached with an Argentine Government; and
- c. The susceptibility of Argentina to even more extreme and unguided regimes in the future, including the possibility of a left-wing take-over and the consequent opportunities for the Russians - the gaining of naval facilities in the Falklands or its dependencies etc.

6. These are all cogent and legitimate questions. If the answers to them were in the affirmative, we should recognise that this would represent a fundamental shift in British policy on the issue of sovereignty. What would be the likely reactions abroad?

- i. The Argentine reaction.

The only safe assumption is that refusal by HMG to agree to further negotiations on the issue of sovereignty would result in due course in further armed hostilities. The recapture of the Islands and subsequent refusal to negotiate on their status would leave Argentina profoundly embittered, whatever the complexion of its future governments, dedicated to maximise opposition to Britain in the area and to a further invasion of the Islands when and if this became feasible. To the extent that Britain was supported by its friends and allies this opposition would be directed at western interests in general and the greatest pressure would be placed on the United States to take the Argentine side on the sovereignty issue.

Previous statements on sovereignty were without prejudice to our interests

ii. General Latin American attitudes.

Support for Argentina would further solidify. Continuing confrontation with Britain, and with the West in general, would enhance the likelihood of a radical re-alignment in Argentina and neighbouring countries, with increased opportunities for the Russians to exploit. In this context it should not be forgotten that the Argentines pursue their claim on the dependencies with the same sort of intensity as on the Falklands themselves. The present crisis began with the illegal landing of Argentines on South Georgia. They have had an illegal military presence on Southern Thule since 1977. Even though our title to South Georgia is even better than to the Falklands, the Argentine claims, in their own eyes, is just as strong. Most, if not all, of the Latin American Governments take the same view.

iii. General western reactions.

The strong support for Britain from western allies is rooted in opposition to Argentina's use of force and to its unattractive regime and in support for the Islanders' right to self-determination. Most allies have avoided taking sides on sovereignty: but many of them have their doubts about the validity of British rights. The use of force will inevitably lead to demands for action against us in the Security Council. Though we can block mandatory resolutions by the veto, the validity of Security Council Resolution 502 will thereafter be marginal, and at this stage the support of many of our friends will begin to fall away. Our refusal to discuss sovereignty, whether stated before or after the reconquest of the Islands, will further undermine our position with our friends. We could face virtual isolation.

iv. United States' reactions.

The Americans have consistently refused to take a public position on the sovereignty issue. They would probably see a refusal by us to negotiate on this as evidence that we had not been dealing with them in good faith, ie that we had taken Haig for a ride. They would be unlikely in these circumstances to offer any form of security guarantee. Thus, under a

policy of retaining sovereignty, responsibility for deterring further invasions, with all the attendant costs, could remain with Britain alone. The continued tension between Argentina and its neighbours on the one hand and ourselves on the other would be seen in Washington as a serious obstruction to America's overall strategy in Latin America. The "hemispheric" lobby group in the State Department (Enders and Co), in New York (Kirkpatrick) and in Congress (Helms) - so far satisfactorily checked by the wave of popular US support for us - would recover lost ground. The Americans' overriding concern would be the consequences of our actions for Soviet opportunism.

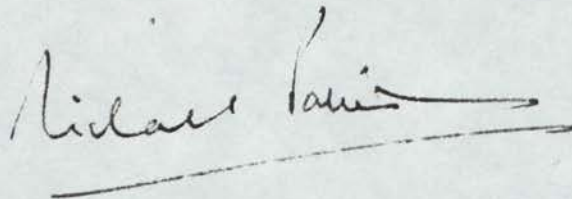
v. Soviet opportunities.

I do not wish to anticipate the expert assessment. But some general judgements can be made with confidence. The Russians will be looking to exploit opportunities in Argentina as a whole. The opportunistic search for influence is the first purpose of their general policy towards the Third World and they have the particular interest in Argentina that she provides a large proportion of Soviet grain imports. They will seek to expand their own exports (eg arms and machinery) and more generally to extend their influence beyond the field of trade. Whatever their concept of their strategic interests in the area they will welcome continuing tension between Britain and Argentina with the resultant discomfiture of the United States and loss of influence for it in Latin America, as an ideal opportunity to expand their own influence. They will see a negotiated settlement of the dispute - on whatever terms - as a hindrance, particularly if, as seems likely, it led to a rapprochement between Argentina and Western Europe, and enabled the Americans to thicken up relations with the Argentines. In short, the Russian interest lies in continuing tension (and preferably strife) between Britain and Argentina.

7. There is one further factor to consider in deciding on any shift of policy on the sovereignty issue: namely, the wishes of the Islanders. It remains the Government's stated policy that these should be paramount. In the past they prevented any serious discussion of the sovereignty issue with Argentina; hence the Argentine invasion. As the Prime Minister has said in Parliament, we

cannot be certain how that will have affected the Islanders' thinking. Their determination to remain a British colony may have been reinforced. But if there has been any kind of change in their attitude to the issue of sovereignty, would the considerations outlined in paragraph 5 above lead us to refuse to discuss sovereignty whatever the Islanders' wishes?

8. To sum up, the Prime Minister and her colleagues will need to decide (and I hope the papers referred to in paragraph 2 above will be helpful in this respect), the critical issue^{of} whether we are prepared to negotiate further on the sovereignty issue, thus implicitly accepting that we could in certain circumstances entertain a transfer of sovereignty to Argentina (of the Falklands alone or including the dependencies). If we are to consider resuming negotiations on the sovereignty issue in due course then an objectives paper such as I have been commissioned to prepare, together with negotiating options, can be quickly written. But if the Prime Minister and her colleagues decide that we should not now countenance negotiations on sovereignty, then our objectives will be different. We shall also need to examine the implications of this decision for the current discussions with the Americans as well as preparing for diplomatic action to explain and defend that new position.



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