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OD PAPER

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SECURITY CLASSIFICATION

Top Secret,
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To:-

From

Telephone No. Ext.

Department

PRIVACY MARKING

..... In Confidence

FALKLAND ISLANDS

- 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.
- 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

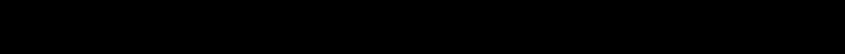
New York last month (Annex 6).

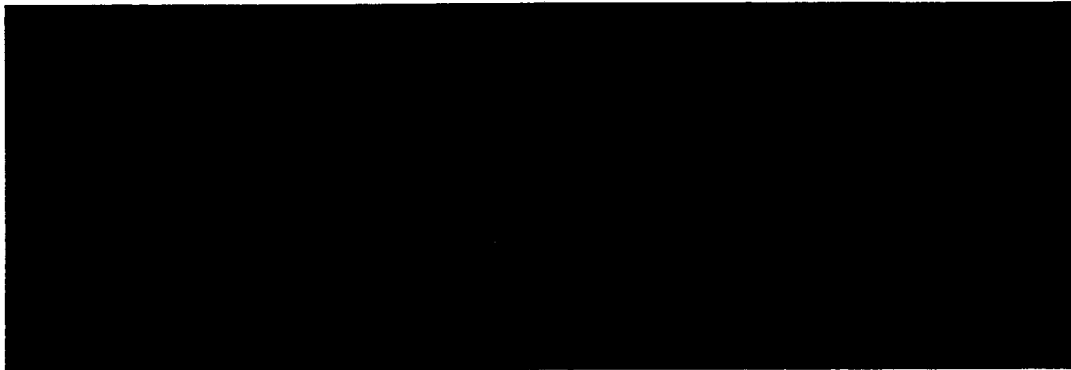
3. Our objectives in the dispute include the following:

- (i) To defend the right of the British settlers to remain under British administration.
- (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 politically explosive at home (an Argentine assault would provoke dramatic choices between appeasement and war).
- (iii) To ensure that the UK derives advantage from the economic resources of the area: possibly oil and certainly fish (Annex 7).

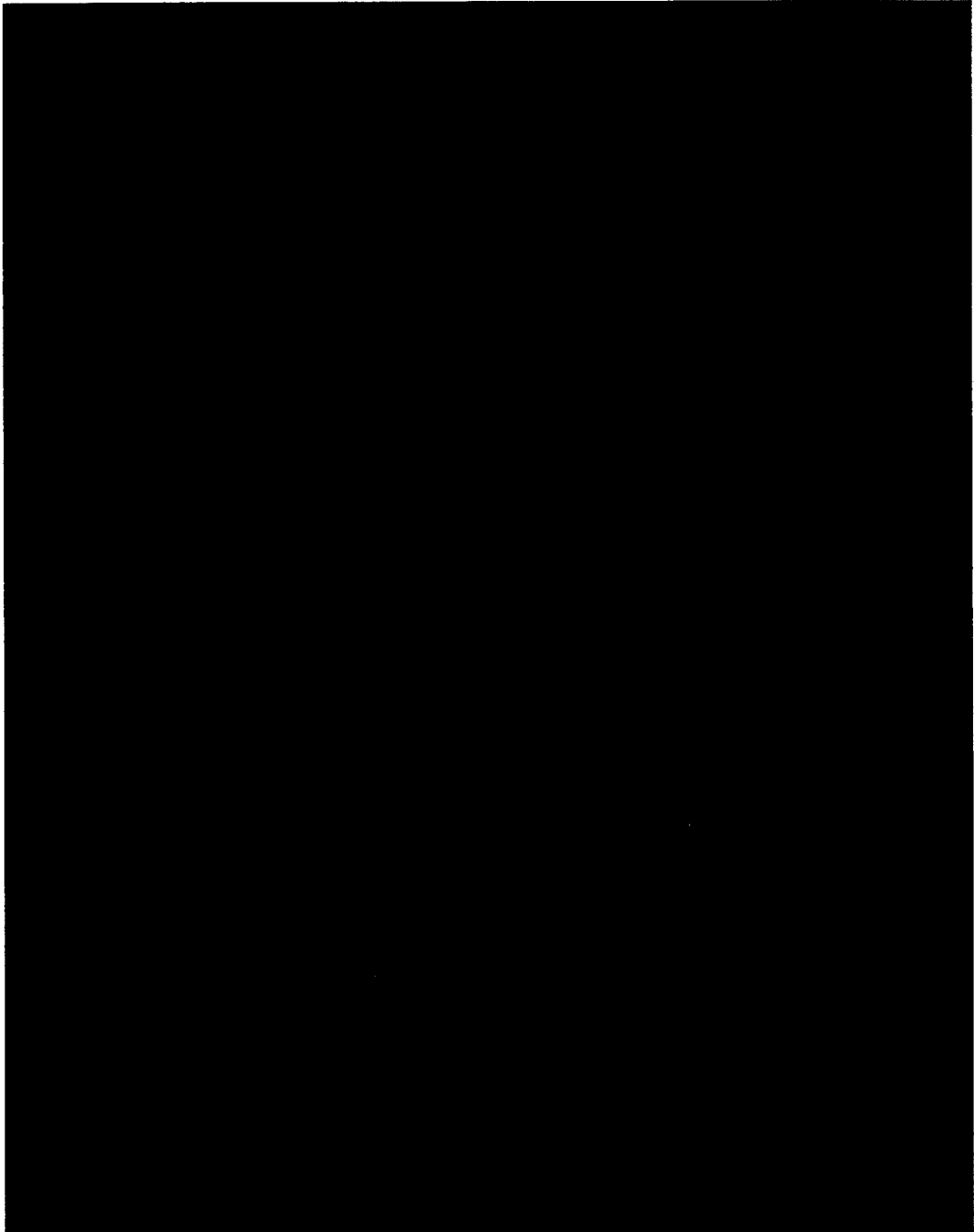
4. Argentine objectives appear to include:

- (i) Achieving nominal sovereignty for reasons of national pride. The Argentines do not seem to want to "occupy" 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.

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6. Conclusion I therefore invite my colleagues to authorise me to resume talks with the Argentines at Ministerial level

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and to explore, without commitment, political and economic solutions including a possible leaseback arrangement. I would keep the Committee informed of progress and would consult on all matters of concern to other Departments. We would merely announce that we were continuing a series of talks already in being.

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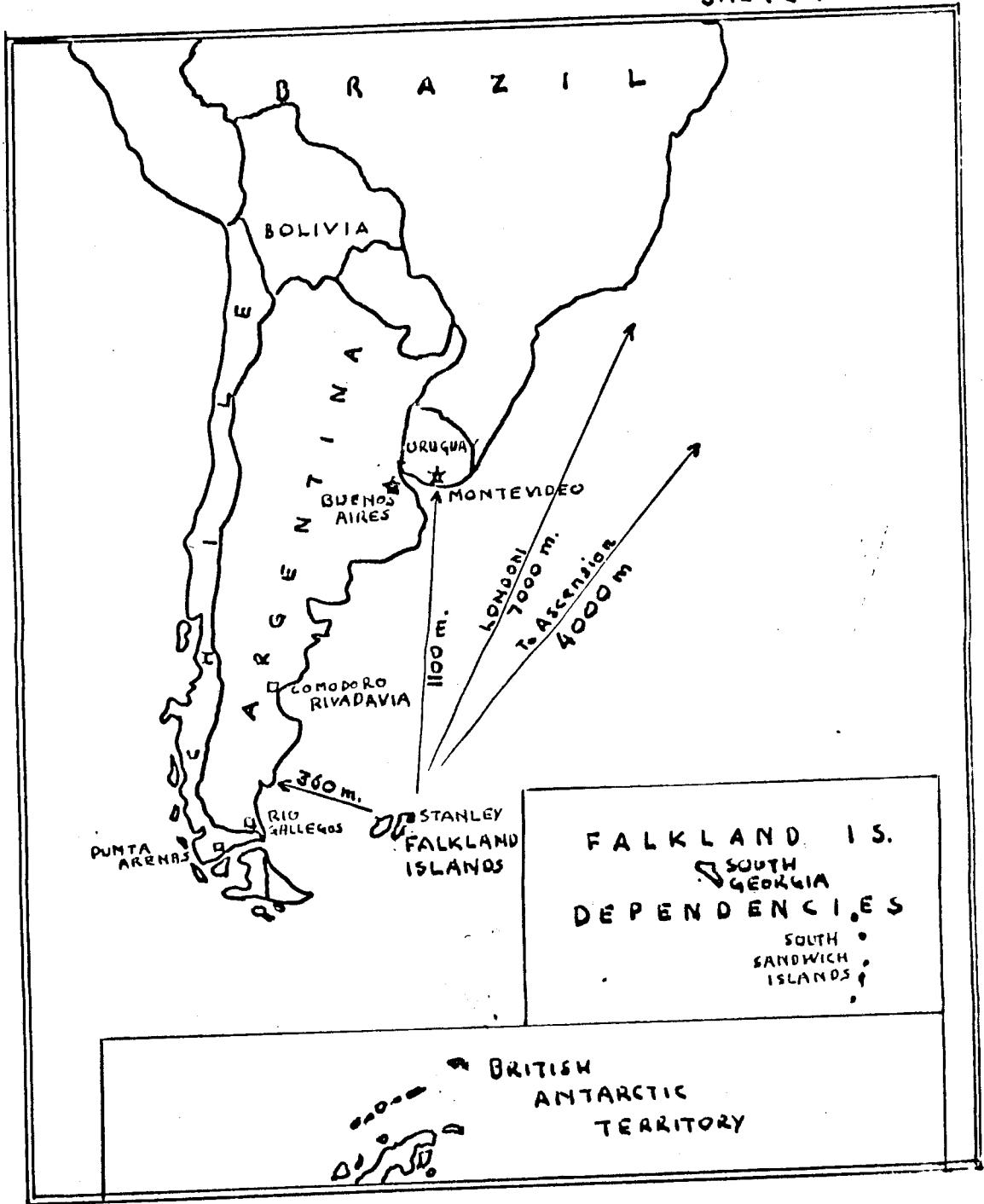
FALKLAND ISLANDS

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- 9 Falkland Islands: Sovereignty Options

FALKLAND ISLANDS AND THE SOUTH-WEST ATLANTIC

SKETCH MAP



FALKLAND ISLANDS: TERMS OF REFERENCE FOR NEGOTIATIONS (WRITTEN PARLIAMENTARY ANSWER BY THE SECRETARY OF STATE, 26 APRIL 1977)

The British and Argentine Governments have now reached agreement on the Terms of Reference for negotiations about the Falkland Islands dispute, as follows:

The Governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland have agreed to hold negotiations from June or July 1977 which will concern the future political relations, including sovereignty, with regard to the Falkland Islands, South Georgia and South Sandwich Islands, and economic cooperation with regard to the said territories, in particular, and the South West Atlantic, in general. In these negotiations the issues affecting the future of the Islands will be discussed, and negotiations will be directed to the working out of a peaceful solution to the existing dispute on sovereignty between the two states, and the establishment of a framework for Anglo-Argentine economic cooperation which will contribute substantially to the development of the Islands, and the region as a whole.

A major objective of the negotiations will be to achieve a stable, prosperous and politically durable future for the Islands, whose people the Government of the United Kingdom will consult during the course of the negotiations.

The agreement to hold these negotiations, and the negotiations themselves, are without prejudice to the position of either Government with regard to sovereignty over the Islands.

The level at which the negotiations will be conducted, and the times and places at which they will be held, will be determined by agreement between the two Governments. If necessary, special Working Groups will be established.

THE BRITISH AND ARGENTINE HISTORICAL AND LEGAL CLAIMS TO THE
FALKLAND ISLANDS AND DEPENDENCIES

HISTORICAL

A. THE BRITISH CLAIM

1. The British title rests primarily on Britain having acquired certain prescriptive rights by virtue of 146 years (i.e. since 1833) of open, continuous, effective and peaceful possession, occupation and administration of the Islands.
2. Before 1833, the situation as regards discovery, occupation and title was confusing: the first British settlement was established in 1765-6 at Port Egmont (West Falkland Island) by Commodore John Byron who took formal possession of the harbour 'and all the neighbouring islands' for King George III; in 1767 the French (who had previously established a settlement) sold their rights to Spain; in 1770 the British were expelled by a Spanish force but Spain subsequently agreed to a return to the status quo. Britain withdrew her settlement in 1774 for reasons of economy but, like Spain, maintained her title to the Islands. The Spaniards retained a small settlement until 1811. For about 10 years during the period of the emergence of an independent Argentina (1811-1821), the Islands were uninhabited and seem to have been regarded in practice as terra nullius.
3. In 1833 Britain reassumed her exercise of rights of sovereignty in the Islands by sending a British warship to expel the remnants of the Argentine settlement. British administration of the Islands was resumed; the first British Governor was appointed in 1843.

/B.

B. THE ARGENTINE CLAIM

4. Since Britain took possession in 1833, Argentina has protested that she is entitled to sovereignty over the Islands. Her claims are primarily based on the grounds that:

- a) she has inherited Spain's previous titles to the Islands (relinquished in 1811, the year of the Declaration of Independence from Spain);
- b) she effectively occupied the Islands from 1820 to 1833 when they had reverted to a status of terra nullius (in 1829 an Argentine Political and military governor was appointed);
- c) the Islands belong to Argentina by right of geographical contiguity, since they are on the Argentine continental shelf;
- d) the Islands' present colonial status is anachronistic;
- e) the Islands' economy has been neglected and would benefit from close association with Argentina.

5. Argentina also argues that the initial forceful occupation and settlement of the Islands and the expulsion of Argentine nationals in 1833 vitiates the whole period of British possession thereafter, and cannot form a good basis for title.

C. THE DEPENDENCIES

6. The Dependencies of South Georgia (annexed by Captain Cook) and the South Sandwich Islands (discovered by Cook but not annexed until 1908), are administered by the Falkland Islands Government. There has been a British Government station on South Georgia since 1909; now the site of an all year round British Antarctic Survey Station.

7. Argentina has from time to time put forward claims to the Dependencies and continues to do so. These claims have at different times been based on proximity to Argentina and alleged inheritance of title from Spain. Argentina first claimed South Georgia in 1927 and the South Sandwich Islands in 1948. Her Majesty's Government rejects all these claims, as without legal or historic foundation.

D. TALKS

8. Anglo/Argentine exchanges on the Falklands date from 1966, following the December 1965 United Nations Resolution inviting both parties to hold discussions and to find a peaceful solution. The exchanges have been intermittent and have taken different forms. The most active periods have been 1967/8, 1972/3 and 1977/9. Differences over sovereignty have been central: we have never been able to get the Argentines to accept our view that sovereignty cannot be transferred against the wishes of the Islanders; we have refused to accept the Argentine formula recognising only the "interests" of the Islanders. On the other hand, there has been progress on practical measures to improve the lot of the Islanders through co-operation with Argentina. In 1971, agreements were signed on air and sea communications, postal services, education and medical facilities for Falkland Islanders in Argentina and customs measures. In 1974, agreements were signed facilitating trade and the carriage of goods between the Islands and Argentina and to allow the Argentine State Petroleum Company (YPF) to supply the Islands with petroleum products. The 1976 Shackleton Economic Survey of the Islands concluded that Argentine economic co-operation was essential for a viable economic future.

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LEGAL ARGUMENTS

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ANNEX 4

ECONOMIC HOSTAGES TO FORTUNE

1. Measures of economic harassment/warfare against the Islands and against wider British interests represent a soft option which Argentina could implement without difficulty and at no great cost to herself. There are a number of possibilities.

Measures against the Islands

2. Argentina could blockade the Islands e.g.
- i) abrogate the Anglo-Argentine Communications Agreement of 1971, cutting passenger links with the outside world and the air freight service. There is no feasible alternative to the air service and normal passenger services would cease;
 - ii) cease to provide fuel: alternative supplies could be provided, by the Falkland Islands Company or by the RN RFA which biennially tops up the Admiralty oil tanks at Port Stanley. A return journey by RFA would cost £0.4 million (£0.1 million real extra cost);
 - iii) cut off supplies of food stuffs, cancel scholarships for Falklands children in Argentina (14 per year) and suspend medical co-operation (50-60 cases per year). Such facilities could only be replaced in the UK;
 - iv) interfere with British shipping to the Islands which are almost entirely dependent on the United Kingdom for their trade. Exports (almost entirely of wool) are marketed via the UK; 85% of imports originate from the UK. MOD have assessed that in such circumstances we should need to provide a Naval Task Force (consisting of a helicopter cruiser or guided missile destroyer, frigates, possibly a fleet submarine and supporting RFAs) periodically to escort shipping to the Islands. Each operation would

/take

take at least 6 weeks and would cost £4.1 million (real extra cost - essentially fuel - £0.4 million).

3. The effect of such measures, or a selection of them, would be cumulative. In the short term, life on the Islands would continue to be tolerable. But a prolonged blockade would have a disastrous effect on Islander morale.

Measures against wider British interests

4. Our economic interests in Argentina are as follows:

- i) Trade: Argentina is our third largest market in Latin America. In 1978, UK exports were £114 million (5.7% of total import market). Argentina exports to UK in 1978 were £153 million. Our major exports are machinery, vehicles and transport and tele-communications equipment: Argentina could orchestrate industrial and/or bureaucratic action against such exports and could easily find replacements elsewhere. Our major imports from Argentina are meat, textiles and oilseeds. (Details attached);
- ii) Major contract business in prospect: GEC are bidding to supply turbines and associated equipment worth £100 million for a nuclear project in co-operation with the Canadians. GEC need the business badly;
- iii) UK Investment: British commercial assets (9% of total Argentine foreign investment) worth over £200 million could be expropriated. British investors include ICI, British Steel, GEC, Shell, Coates, Babcock and Wilcox;
- iv) Invisibles: UK freight receipts from trade carried in British ships to and from Argentina total some £7 million annually;
- v) Outstanding ECGD liability: Argentina has a good payments record but could renege on current outstanding ECGD liability amounting to £120 million on the Arms Account; and £71 million on the Commercial Account;

/vi) Defence

vi) Defence Sales Contracts: could be cancelled, awarded to our rivals or continue to be out of our reach:

- a) Signed - £70 million (Sea Dart missile - £30 m; Westland Lynx helicopters - £35 m; Blowpipe missile system - £5 m);
- b) Under negotiation - £45 m (Aircraft Head-up display equipment - £10m; Ancillary equipment for frigates being built in West Germany - £35 m);
- c) In prospect - £400m (Hawk jet trainer - £100 m; Sea Harrier - £150 m; Mine counter measures vessels - £150 m);
- d) Frustrated - £740 m: the Falklands issue influences sales in two ways. It is our policy still, where possible, not to supply equipment to Argentina with which they could threaten the Falkland Islands. In the last year, the sale of 2 Yarrow support vessels to the value of £40 million was not pursued for this reason. On the Argentine side we are convinced that the issue was an important factor in our failure to land the contract in 1978 for the supply of 6 frigates (worth £700 m).

5. The British community in Argentina numbers some 30,000 of which over 17,000 hold British passports. Argentina's human rights record, past and present, is bad. Individuals could easily suffer harassment, if not worse.

UK-Argentina trade 1977 and 1978

Value in £ thousand

	1977	1978
Imports from Argentina		
Meat and meat preparations	32 980	46 711
Fish, crustaceans, molluscs and preparations	3 015	2 667
Cereals and cereal preparations	11 122	3 793
Vegetables and fruit	2 071	2 572
Coffee, tea, cocoa and spices	8 170	3 771
Tobacco and tobacco manufactures	991	1 928
Oil seeds and oleaginous fruits	207	17 625
Textile fibres and their wastes	22 881	21 792
Metalliferous ores and metal scrap	2 394	3 079
Crude animal and vegetable materials n.e.s.	2 534	1 390
Fixed vegetable oils and fats	5 757	5 440
Organic chemicals	1 000	1 567
Inorganic chemicals	5 393	10 322
Leather, leather manufactures, n.e.s.	5 307	3 783
Textile yarn, fabrics, made-up articles n.e.s.	1 517	3 205
Iron and steel	869	7 116
Office machines and automatic data processing equipment	4 984	5 314
Miscellaneous manufactured articles	2 107	2 663
Various	7 275	8 453
Total imports	120 574	153 191
Exports to Argentina		
Beverages	3 590	4 858
Organic chemicals	4 735	2 982
Dyeing, tanning and colouring materials	3 026	1 129
Medicinal and pharmaceutical products	2 769	2 313
Artificial resins and plastic materials	1 386	1 428
Chemical materials and products n.e.s.	4 248	3 142
Paper and paperboard	1 367	2 290
Textile yarn, fabrics, made-up articles n.e.s.	628	1 294
Non-metallic mineral manufactures n.e.s.	2 557	2 216
Iron and steel	6 297	3 219
Non-ferrous metals	2 406	3 093
Manufactures of metal n.e.s.	1 364	3 088
Power generating machinery and equipment	14 770	8 599
Machinery specialised for particular industries	12 803	18 089
Metalworking machinery	1 095	2 890
General industrial machinery and equipment n.e.s.	10 557	8 253
Office machines and automatic data processing equipment	2 227	1 419
Telecommunications and sound recording	2 796	6 352
Electrical machinery apparatus and appliances n.e.s.	3 366	4 269
Road vehicles (including air cushion vehicles)	2 981	5 406
Other transport equipment	30 996	13 561
Miscellaneous manufactured articles	5 885	6 661
Various	6 442	7 275
Total exports	130 291	113 826

Source: Overseas Trade Statistics of the United Kingdom

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 \$214 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

/scheduled

scheduled to retire at the end of 1979. The Army will appoint successors to both but there will be extensive inter-service and intra-army jockeying for position and power. The Junta will resist any return to meaningful democratic processes, even though pressures may build up, fuelled by economic unrest because of inflation and pursuit of higher wages. Foreign success may be sought to bolster its position.

5. It was in similar circumstances of internal uncertainty in the months before the 1976 coup that Argentina came closest to military action against the Falkland Islands. Ambassadors were withdrawn. The Argentine Navy, under the hawkish Admiral Massera, sought to improve its internal standing by open threats, leading to the firing on the unarmed Royal Research Ship Shackleton. The establishment of a base on Southern Thule in the Dependencies took place in November 1976, after diplomatic exchanges which led to negotiations, had begun. The Argentine Navy has regularly sought to assert Argentine maritime sovereignty in the South West Atlantic, either by licensing mechanisms or by naval and air patrolling, including the use of force against East European trawlers. Admiral Massera retired in September 1978 but retains political ambitions. Since then, the Air Force has had control of the Foreign Ministry but faces increasing criticism for lack of progress on the Falklands issue.

6. The heat was only taken out of the Falklands dispute in 1976 when we showed a willingness to negotiate. The four rounds of negotiations which followed between 1977 and 1979 (Rome July 1977, officials; New York, December 1977, Ministers; Geneva, December 1978, Ministers; New York, March 1979, Officials) were based on the prospect of some deal on sovereignty being possible. We kept the Argentines in play only with difficulty and there was continuing suspicion among the Argentine officials about the genuineness of our intentions. The Argentines became increasingly impatient about British delaying tactics, although they were willing to accept that the imminence of a general election caused us difficulties.

/They

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They have since accepted that the new Government needs time to study the situation. But there is a limit to the time they will wait on us. They have already indicated this in the Aide Memoire given to Mr Ridley as he left Buenos Aires in July, in which the March 1979 round was described as "a regrettable step backwards" and in which they stated "negotiations should be at a more dynamic pace".

Military

7. If the Argentines conclude that there is no prospect of real progress towards a negotiated transfer of sovereignty, there will be a high risk of their resorting to more forceful measures, including direct military action. Argentina has the capability to capture the Islands. In 1977, the Chiefs of Staff considered that Argentina could mount any of the following operations:

- a) A Seaborne landing at up to Brigade strength (using Marines alone) in Naval Transports and Landing Ships supported by up to six Destroyer/Frigates, one Cruiser, two Submarines and one Aircraft Carrier (operating helicopters and A/S aircraft).
- b) An air landed operation at up to Brigade strength supported by ground attack aircraft (about one hundred of various types are available).
- c) Harassment of British shipping with Naval surface and submarine units and/or aircraft. The Argentine Navy has a long range maritime air surveillance capability.

8. The Argentines could also without great difficulty occupy the uninhabited Dependencies (they retain the scientific station on Southern Thule, which we regard as illegal) and/or arrest the British Antarctic Survey Team based in South Georgia.

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TO IMMEDIATE FCO

ANNEX 6

TELEGRAM NUMBER 1132 OF 26 SEPTEMBER

FALKLAND ISLANDS

1. THE ARGENTINE FOREIGN MINISTER CALLED ON YOU HERE THIS MORNING. HE BROUGHT WITH HIM CARLOS ORTIZ DE ROSAS WHOM HE INTRODUCED AS HIS NOMINEE FOR THE POST OF AMBASSADOR IN LONDON.
2. BRIGADIER CARLOS WASHINGTON PASTOR REFERRED WITH SATISFACTION TO THE RECENT VISITS OF MR RIDLEY AND OF ARGENTINIAN OFFICIALS TO LONDON. HE MENTIONED HIS OWN MEMORIES OF BRITAIN AND OF BRITISH AIRCRAFT WHICH HE HAD FLOWN. HE DESCRIBED THE EXPANSION OF THE ARGENTINE ECONOMY AND SAID THAT THIS OPENED MANY POSSIBILITIES FOR BRITISH INDUSTRY, WHICH HAD ENJOYED A HIGH REPUTATION IN ARGENTINA SINCE THE BRITISH INITIATIVE ON THE RAILWAY IN 1854.
3. TURNING TO WHAT HE DESCRIBED THROUGHOUT AS THE MALVINAS ISLANDS, BRIG PASTOR SAID THAT THERE WERE TWO BASIC FACTS TO BE REMEMBERED. FIRST, THE ISLANDS WERE A LONG WAY DOWN IN BRITISH PRIORITIES BUT AT THE TOP OF THE LIST FOR ARGENTINA. SECOND, THE BRITISH VIEW THAT THE WISHES OF THE ISLANDERS MUST BE CONSIDERED WAS NOT SHARED BY ARGENTINA, WHICH DID HOWEVER ACKNOWLEDGE THAT THESE MUST BE TAKEN INTO ACCOUNT. THE TASK WAS TO FIND A FORMULA FOR A GOVERNMENT TO GOVERNMENT SOLUTION HAVING REGARD TO THIS. ARGENTINA APPROACHED THIS TASK WITH THE BEST POSSIBLE INTENTIONS AND WAS SURE THERE WOULD NOW BE PROGRESS, STARTING AT ONCE.
4. BRIGADIER PASTOR PROPOSED WHAT HE CALLED A PROGRAMME OF WORK AT THREE LEVELS:-
 - (A) OUR RESPECTIVE FOREIGN MINISTRIES SHOULD KEEP IN TOUCH THROUGH AMBASSADORS; THIS CONTACT SHOULD BE AT LEAST WEEKLY. IT FOLLOWED THAT AMBASSADORS SHOULD BE NOMINATED AS SOON AS POSSIBLE.
 - (B) MR RIDLEY AND HIS ARGENTINIAN OPPOSITE NUMBER SHOULD MEET TWICE A YEAR VERY INFORMALLY WITH AN OPEN AGENDA, SWITCHING TO OFFICIAL MEETINGS WHEN THERE WAS SOMETHING AGREED TO BE FORMALISED.
 - (C) THE TWO FOREIGN MINISTERS SHOULD MEET ONCE A YEAR AT THE UN GENERAL ASSEMBLY, BUT ALSO PERHAPS ELSEWHERE: HE INVITED YOU TO VISIT ARGENTINA AT ANY TIME.

5. YOU SAID IT WAS SAD FOR BRITAIN THAT THERE WAS DISAGREEMENT WITH A COUNTRY WITH WHICH BRITAIN ENJOYED A LONG TRADITION OF FRIENDSHIP. THE MINISTER HAD PIN-POINTED THE DIFFICULTY FOR BRITAIN. AS WITH THE SIMILAR CASE OF GIBRALTAR, BRITISH OPINION WOULD NOT COUNTENANCE ANY SOLUTION WHICH IGNORED THE INHABITANTS OF THE TERRITORIES CONCERNED. THE PROBLEM WAS THUS DIFFICULT, BUT YOU HOPED IT WAS NOT INSOLVABLE PROVIDED THAT EACH UNDERSTOOD THE OTHERS POSITION. YOU HAD TO CONFESS THAT THE OVERRIDING PROBLEMS OF EUROPEAN COMMUNITY AFFAIRS AND SOUTHERN AFRICA HAD MADE IT DIFFICULT FOR YOU TO THINK DEEPLY ABOUT THE FALKLAND ISLANDS. YOU HAD NO SOLUTION AT PRESENT. BUT YOU WERE CONSIDERING THE MATTER. YOU AGREED THAT THE TWO AMBASSADORS, ONCE APPOINTED, SHOULD BE INVITED TO DEPLOY THEIR IMAGINATION AND EXPERIENCE ON THE PROBLEM.

6. I ASKED HOW ARGENTINA PLANNED TO HANDLE THIS MATTER AT THE GENERAL ASSEMBLY. BRIGADIER PASTOR SAID THAT HE WOULD REFER TO IT IN HIS SPEECH, BUT IN A FRIENDLY MANNER. HE DID NOT PLAN ANY ACTION GOING BEYOND THIS, EG IN THE FOURTH COMMITTEE. I EXPLAINED THAT IF I WERE OBLIGED AT ANY STAGE TO EXERCISE MY RIGHT OF REPLY, IT WOULD BE FOR TECHNICAL REASONS.

7. BRIGADIER PASTOR ASKED WHAT WE AND YOU SHOULD SAY TO THE PRESS ABOUT THE MEETING. A FORM OF WORDS WAS AGREED AND TELEXED TO NEWS DEPARTMENT. THIS WAS TO THE EFFECT THAT THE FALKLAND ISLANDS/MALVINAS HAD BEEN AMONG THE QUESTIONS DISCUSSED, AND THAT THE INTENTION OF BOTH SIDES WAS TO PROCEED IN THE NEAR FUTURE TO THE APPOINTMENT OF AMBASSADORS.

8. FCO PLEASE REPEAT AS APPROPRIATE.

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ANNEX 7

MARITIME AREA: ECONOMIC POTENTIAL

Oil

1. The presence of oil is not yet proven: only drilling could do that. The uncertain political context of the Falklands dispute means that the oil industry would not risk the substantial investment involved.

2. The Falkland Islands and Argentina are situated on the same continental shelf. The Argentines claim the whole of this shelf. The oil industry regard the shelf (both offshore Argentina and off the Falklands) as a potential prospecting area. Seismic surveys indicate the most promising area to be the Malvinas Basin which straddles the putative median line. If and when licences to explore and drill became available, the industry would be interested. But it is not a priority area because

- a) water depths pose problems for existing technology (drilling should become feasible in the next 10/15 years);
- b) the industry steer clear of areas where territorial disputes exist;
- d) successful exploration/exploitation of the Falklands shelf would require a significant mainland base which would mean the agreement, if not direct involvement, of Argentina in any operation.

Fish

3. There are fish but distance poses problems.

4. The waters around the Falklands and their Dependencies have been fished on an increasing scale in recent years primarily by the Soviet Union, Poland and Japan. But there is less incentive for the British fishing industry, which has shown little interest,

/because

because, MAFF believe,

- a) domestic requirements for white fish are adequately met from our own waters; and
- b) a commercial fishery in the South West Atlantic would probably not be viable: frozen white fish from such a distance would have to compete with plentiful supplies from nearer at hand (e.g. North America, Iceland and Norway).

5. The White Fish Authority have examined the commercial possibilities and have concluded that British industry could fish these waters profitably only by using a fleet of freezer trawlers with a mother ship based in the Islands. But the industry's fleet of such vessels is at present gainfully employed in home waters. Moreover the industry say they would only undertake a venture around the Falklands if subsidised by Government.

Maritime Zones

6. Argentina regards these seas as hers. No 200 mile fishery zone around the Falklands and their Dependencies has yet been declared by the UK because of the dispute; Ministers decided that to do so would jeopardise the talks. We consider them high seas. This impasse currently lets in third country vessels. However, if a 200 mile fishery zone were declared, as much as £7.5 million per annum might theoretically accrue to the Islanders as licensing revenue; in practice, few would-be licensees would be likely to want to take a position in favour of such a unilateral declaration by actually making license payments to the Falklands Government.

ANNEX 8

IMPLICATIONS OF DEFENDING THE FALKLAND ISLANDS

1. The Islands are some 7,500 miles from the UK and under 400 miles from the Argentine mainland. They are militarily indefensible against a full scale attack except by major diversion of our current military resources. This would cause considerable difficulties in fulfilling our other commitments (NATO, Northern Ireland and elsewhere.) Extra defence expenditure would also be involved.

Current Defence Measures

2. The Falklands are currently defended by a permanent detachment of 40 Royal Marines based in Port Stanley. They are supported in this during the Antarctic summer (roughly December to March) by HMS ENDURANCE, an ice patrol vessel with limited armament which provides a Royal Naval presence in the area as well as carrying out scientific work on behalf of the British Antarctic Survey. These measures cost the MOD some 3.5 million pounds per annum. They provide only a symbolic deterrent and would be effective only against small scale, adventurist incursions.

Measures to Counter Argentine Invasion Threat

3. To counter a sudden and serious maritime threat to the Falklands, the Dependencies or to British shipping in the area, the MOD has assessed that it would be necessary to deploy in the area a balanced Naval Force of the order of one guided missile destroyer, three frigates and supporting RFAs and, possibly, one nuclear powered submarine.

4. To provide a credible deterrent, in the face of an increased threat of military invasion, would require timely reinforcement of the current garrison by at least a force of an RM Commando Group and a Blowpipe Air Defence Troop.

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5. Should the Argentines invade before a deterrent force is deployed, or if the deterrent force failed, recovery of the Islands would require a force of at least Field Force (formerly called a Brigade Group) strength. Such a force would require protection similar to or greater than the force mentioned in paragraph 3. At the very best such an expedition could not reach the Islands in under a month. The remoteness of the Islands, their limited airfield facilities and the fact that the only alternative airfields which could be used in cases of emergency are in Argentina would make reinforcement by air impossible and make re-supply extremely difficult.

Effects of Increased Defence Commitments

6. Such a diversion of our military resources would have far-reaching effects. The commitment could be open-ended. Reinforcement and re-supply of a garrison in a hostile environment some 7,500 miles distant from home would present major problems. The deployment of HM ships to the area would have a progressively adverse effect on the availability of RN resources for the Alliance. The deployment of a Field Force would have significant implications for BAOR and for our planned roulement of troops in Northern Ireland. It would further exacerbate the problem of over-stretch in the Army. These problems would get progressively worse the longer the force was required to remain in the area. There could also be implications for our national commitments in Hong Kong and Belize. Any long term deployment could require additional manpower and equipment not currently available to MOD.


Costs


7. Broad estimates of the financial costs are set out below. They have been calculated both on an operating cost basis to show the costs which equipment and forces in any event incur on existing duties; and on an extra cost basis to show the additional expense of a specific Falklands deployment.

	Operating costs annually	Extra costs annually
Balanced Naval Force (para 3)	£35m	£3.6m
RM Commando Group/Blowpipe Air Defence Troop (para 4)	£7.8m	£0.6m
Field Force (para 5)	£23m	£3m

These costs do not take account of the following (which cannot be assessed without detailed study):

- a) to sustain the Balanced Naval Force in the area over a period could take at least three ships to maintain one ship on station
- b) capital losses and expendable war stocks
- c) any additional naval or air support necessary for the deployed forces
- d) deployment, long term accommodation and supply costs.

DEPARTMENT/SERIES <i>PRIVATE OFFICE PAPERS</i> PIECE/ITEM <i>RIDLEY</i> (one piece/item number)	Date and sign
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Extract/Item details: <i>FOLIO: ANNEX I FOLIO 13</i>	
CLOSED FOR <i>50</i> YEARS UNDER FOI EXEMPTION <i>27(1)(a)(d)</i>	 <i>15/2/13</i>
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FALKLAND ISLANDS: TERMS OF REFERENCE FOR NEGOTIATIONS (WRITTEN PARLIAMENTARY ANSWER BY THE SECRETARY OF STATE, 26 APRIL 1977)

The British and Argentine Governments have now reached agreement on the Terms of Reference for negotiations about the Falkland Islands dispute, as follows:

The Governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland have agreed to hold negotiations from June or July 1977 which will concern the future political relations, including sovereignty, with regard to the Falkland Islands, South Georgia and South Sandwich Islands, and economic cooperation with regard to the said territories, in particular, and the South West Atlantic, in general. In these negotiations the issues affecting the future of the Islands will be discussed, and negotiations will be directed to the working out of a peaceful solution to the existing dispute on sovereignty between the two states, and the establishment of a framework for Anglo-Argentine economic cooperation which will contribute substantially to the development of the Islands, and the region as a whole.

A major objective of the negotiations will be to achieve a stable, prosperous and politically durable future for the Islands, whose people the Government of the United Kingdom will consult during the course of the negotiations.

The agreement to hold these negotiations, and the negotiations themselves, are without prejudice to the position of either Government with regard to sovereignty over the Islands.

The level at which the negotiations will be conducted, and the times and places at which they will be held, will be determined by agreement between the two Governments. If necessary, special Working Groups will be established.