

Mr Cowling to enter
Draft submitted
Mr Duggan S. Am. b. 11/9

ALW CAD(325/1
14 SEP 1979
Reg

PS/Mr Ridley
Private Secretary

To revise the draft OD
paper in the light
of today's meeting. Could
we discuss the timing of
the OD meeting? *Russ 2/ix*

FALKLAND ISLANDS

At
reference

1. In his minute of 30 August Mr Wall said that the Secretary of State would like more detail about Leaseback and other options for consideration.

Objective

2. The options must be measured against our objective. Our objective is a solution with which the Argentines might agree (which means concessions on sovereignty) and which the Islanders will accept (which means the complete maintenance of their way of life). Any option which does not meet this objective is useless. We cannot sell out the Islanders to Argentina and we have to give the Argentine something on sovereignty.

Leaseback

3. The proposal put is that we should concede to Argentina sovereignty over the Falkland Islands, the Dependencies and their Maritime Zones. Argentina should simultaneously give HMG a perpetual lease over the Falkland Islands and South Georgia and their territorial waters and agree on equal co-administration of the economic resources of the maritime zones and seabed pertaining to all the Falkland Islands and Dependencies. The Argentines should also undertake to continue to provide services (eg air service and oil supplies) to the Islands and for the Islanders in Argentina (eg schooling, medical services, etc.)

4. This proposal would provide what the Islanders have said they must have and would make possible increased economic development. It would give the Argentines concessions on sovereignty which they may be brought to accept as sufficient, although they may not meet their ambitions even if, as a fall back position, we were to agree to a lease limited to 100 or 50 years and left out South Georgia.

Other Options

5. (a) Spitzbergen where Norway has sovereignty but other powers have the right of "economic access".
- (b) The Aaland Islands where Finland has sovereignty but the Islanders enjoy certain special rights reflecting their relationship with Sweden.
- (c) A Condominium (cf the New Hebrides) involving co-sovereignty and (eventually) co-administration.
- (d) A "Mixed Approach" under which sovereignty over the uninhabited Dependencies and Maritime Zones would be ceded to Argentina who would abandon her sovereignty claim over the Falkland Islands.
6. (a), (b) and (c) would not be acceptable to the Islanders because they would involve Argentine intervention in their way of life in one form or another, whilst (d) would be unacceptable to Argentina because it did not involve the concession of sovereignty over the Falkland Islands.

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The "Fortress Falkland" Concept

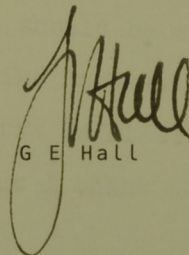
7. This is the idea that we need make no sovereignty concession to Argentina and that if we stood firm either the Argentines would give way or we could hold the Falklands against them. The concept is false. The Argentines are not going to give up. If we tell them that we will make no concessions on sovereignty the negotiations will break down, the Argentines will stop the air service and the supply of oil and we shall be faced with a bill for millions of pounds a year to supply the Islands from the UK. No-one will help us, certainly not Chile, Uruguay or Brazil. We are completely outnumbered in the United Nations on this issue. To prevent an Argentine attack we would have to maintain a deterrent force of a size which it is not possible to contemplate over an extended period. There is no question of the Argentine threat going away. Once we removed the deterrent force a successful Argentine attack on the Islands would be highly likely. The political and military cost of dislodging them would be great and the problem would remain, ie we would have to maintain a deterrent force or face another successful attack. The prospect of a continuing "Fortress Falklands" would also effectively prevent all development of the Islands.

Timing

8. If leaseback is the only viable option we have discovered, does it have to be pursued now? Mr Ridley's view is that dragging our feet will do no good for our interests and those of the Islanders. If we were willing to lose the possible benefits of

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an early overall solution for the sake of gaining time then we could probably play this long, although Argentine patience is beginning to wear thin. But we would have to continue to hold out to Argentina the prospect of sovereignty concessions and accept that in practice we would become increasingly committed to a particular solution. This process has already gone on for some time and the solution to which we have become increasingly committed, and the Argentines know it, is leaseback. It would be highly dangerous to continue to negotiate with the Argentines without a clear decision by Ministers on the final solution they would be prepared to accept. If a decision were taken to go ahead with negotiations with Argentina on the basis of leaseback such negotiations could, within certain limits, be handled to be as fast or as slow as circumstances require.



G E Hall

4 September 1979

cc

PS/LPS

PS/PUS

Mr Duggan, SAmD