

ALW 090/325/11

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DESK OFFICE

INDEX		
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Mr Harding

ARGENTINE THREAT TO THE FALKLAND ISLANDS: JIC ASSESSMENT

1. In preparation for the postponed ^{c.d.} discussion of the Falkland Islands, you suggested that we might get the JIC/MOD to prepare a current assessment of Argentine intentions and capabilities (updating the Chiefs of Staffs' Assessment of 1977) as presently covered in Annex 5 to the OD paper.

2. I attach a draft, prepared by the JIC coordinator in the Cabinet Office, which draws on the existing Annex 5 and which now includes a number of amendments we have suggested.

3. The next step is for JIC to issue this draft formally and they will do so in the next couple of days. All concerned will then be asked to comment within a fortnight. Depending on the extent and nature of comments, there may subsequently be a meeting to agree a final report. The aim is to get this to JIC by 6 December.

4. The MOD have meanwhile been specifically tasked to up-date the Chiefs of Staffs' Assessment which will appear as an annex to the paper.

G A Duggan

8 November 1979

G A Duggan
South America Department

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ALW 095/225/1	
RECEIVED IN REGISTRY NO. 18	
15 NOV 1979	
DESK OFFICER	REGISTRY
INDEX	Action Taken

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INTRODUCTION

1 Anglo/Argentine negotiations on the economic and political future of the Falkland Islands and Dependencies re-opened in April 1977. Four rounds of talks have since been held but no progress has been made. The issue of primary importance to the Argentine Government remains the early transfer of sovereignty over the Falkland Islands and Dependencies, the surrounding sea areas within 200 nautical miles and the maritime zones generated by these islands. The Argentines refuse to accept HMG's fundamental negotiating position that any solution to the dispute should be conditional on its acceptance by the islanders themselves. The Argentine Government is pressing for another round of talks.

2 In our last assessment* (prepared for the second round of talks) we concluded that the military Junta as a whole would prefer to achieve its sovereignty objectives by peaceful means; and that so long as it calculates that HMG is prepared to negotiate seriously on the issue of sovereignty, it is unlikely to resort to force. But if negotiations broke down, of if the Argentines concluded from them that there was no prospect of real progress towards a negotiated transfer of sovereignty, there would then be a high risk of their then resorting to more forceful measures, including direct military action.

3 We here assess the risk of Argentina resorting to forcible action over the Falkland Islands.

DEVELOPMENTS SINCE 1977

4 Since our last assessment the Argentine threat to the Falkland Islands has been diminished by two main factors: Argentina's pre-occupation with its

* JIC(77)(N)46 dated 1 November 1977

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dispute with Chile over the Beagle Channel, and Argentina's belief that Britain intends genuinely to negotiate on sovereignty. Both factors continue to apply.

5 Argentina's rejection of the Beagle Channel arbitration, in favour of Chile, resulted in increasing tension between these countries which, in 1978, brought them to the brink of war. This was averted only by the Vatican's intervention with an offer of mediation which was accepted by both sides. The Vatican has so far managed to hold the ring in negotiations, which seem likely to be protracted. But the entrenched positions of both sides are such that renewed confrontation between them remains a possibility. Reports at the end of 1978 confirmed our belief that, so long as Argentina sees that possibility as a real threat, it would be unlikely to make a major military move against the Falkland Islands.

6 However Argentine thinking on both their sovereignty disputes in the south west Atlantic has been conditioned since 1977 by the British Government's decision to proceed with negotiations on the Falkland Islands despite the discovery (in December 1976) of an Argentine base on Southern Thule. This decision, which we know the Argentines regarded as a diplomatic success, raised their hopes of progress towards the peaceful transfer of sovereignty and allowed them to devote more attention to the Beagle Channel dispute and other problems.

7 Since our last assessment there have also been significant changes in the Argentine government. General Viola replaced General Videla as Army Commander (and as the Army member of the three man ruling military Junta) when Videla became President. We consider both men are forces for moderation in Argentine affairs. Viola is scheduled to retire in December 1979; [REDACTED] confirm our belief that he has ambitions to succeed as President when Videla retires in March 1981. Admiral Lambruschini the Navy Commander and naval member of the Junta, is less

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hawkish than his predecessor Admiral Massera, who remains a power in the country and who also has presidential ambitions. Under Massera the Navy controlled the Foreign Affairs Ministry (MFA) and sought to improve its own standing by advocating more forward foreign policies, particularly in the south west Atlantic. Control of the MFA has passed to the Air Force. [REDACTED]

[REDACTED] indicates that there is widespread criticism in the Argentine establishment over the MFA's performance in general, and its handling of the Falkland Islands issue and ^{of} the possible re-appointment of an Argentine Ambassador to Britain in particular. Dissatisfaction is focussed on Brigadier General Pastor the Foreign Minister (a retired air force officer and President Videla's brother in law) and Commodore Cavandoli his deputy. Though we have no evidence to indicate that personality changes are yet in prospect, we believe such changes and hence a more robust MFA approach towards the Falkland Islands dispute than at present must be on the cards in the coming months. So far we believe the combination of changes in the Argentine hierarchy has tended to lessen the likelihood of them adopting forceful policies on the Falkland Islands.

8 We are less sure of the stability of the Junta itself. Relationships between its members, stemming from endemic inter-Service rivalries and personal ambitions, continue to be delicate and to undermine its strength. In October 1979 the revolt of General Menendez (a [REDACTED] Corps Commander) and his attempt to force Viola's resignation illustrates the deep divisions that exist in the army high command. Menendez and members of his faction have consistently accused Videla and Viola of being "soft" on subversion and have strongly opposed Videla's decision to negotiate on the Beagle Channel dispute. Though the enforced resignation of Menendez will have strengthened Viola's hand for the time being we expect other resignations will follow. Changes in the army high command are likely to weaken Viola's position and also affect the imminent appointment

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of his successor. If for some reason one of the more hard-line generals replaced Viola, there could be significant adverse implications for the Falkland Islands dispute, although this seems unlikely at present. But even with another moderate as Army Commander we believe the strains within the Junta and the armed forces will continue. The danger will remain that internal divisive pressures might build up to a point where the Junta felt bound to seek a foreign policy success in order to unite the country and to preserve its own position.

ARGENTINE INTENTIONS

9 Though the threat of military action in present circumstances is now at a low ebb, we have no evidence to indicate any diminution in Argentina's determination eventually to achieve its sovereignty aims in the Falkland Islands area. At present Argentina has received no indication that their hopes of a peaceful transfer of sovereignty will be realised. They described the last round of Anglo/Argentine talks in March 1979 as "a regrettable step backwards". At those talks Argentine officials expressed disappointment at the British decision, because of the islanders' deep suspicion of Argentine intentions, not to go ahead with a draft Agreement on Scientific Co-operation agreed in December 1978. They also made clear their impatience at what they saw as British delaying tactics, although they accepted that the imminence of a general election caused difficulties for the British side. The Argentine Government has since accepted that the new British Government needs time to study the situation, but have recently stated that negotiations should be at a more dynamic pace.

10 On 26 September General Pastor told Lord Carrington that though "the Islands were a long way down in British priorities, they were at the top of the list for Argentina". In our opinion the Beagle Channel and Falkland Islands' disputes

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- 5 -
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Probably share equal priority in the mind of the Argentine Government. Both have similarly far-reaching political and economic implications, and both are matters of national honour and pride, inspired partly by fears over security and partly by ambition, and encouraged by an obsessive pre-occupation with "sovereignty". The most important difference between them lies in the risks they carry for Argentina. While the Argentina's dispute with Chile involves the possibility of direct confrontation with a large and militarily powerful next door neighbour, that with Britain would under no circumstances of which we can conceive involve a military threat to Argentina itself. For this reason, and because of the British decision to negotiate, the Argentines have so far been able to play the Falkland Island issue ~~for~~ long and concentrate on the Beagle Channel. But we believe this situation is likely quickly to be reversed if negotiations with Britain broke down or if the Argentines calculated that HMG was itself simply playing for time. We see some risk of this possibility arising if Argentina's dispute with Chile lingers on with no prospect of a satisfactory settlement and the Junta saw an urgent need for a foreign policy success elsewhere.

11 In such circumstances the likelihood of Argentina resorting to forcible action is difficult to predict. Much would depend on the state of Anglo/Argentine negotiations and on Argentine relations with Britain at the time. We hold to our belief that the Argentine Government would prefer to achieve its objectives in the Falkland Islands by peaceful means, and the imminent appointment of an Argentine Ambassador in London tends to support this view. However we also continue to believe that the over-riding consideration for the Argentines will be their perception of HMG's intentions eventually to transfer sovereignty to Argentina. If the Argentine Government calculates that HMG does not intend to negotiate seriously on sovereignty, we believe there would be a high probability of it adopting forcible measures. A range of options open to the Argentine

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Government is at Annex A. We cannot predict with confidence which of these the Argentines might pursue. However our evidence suggests that they would be more likely, at least in the first instance, to choose diplomatic and economic measures. We cannot discount the possibility of direct military action against British shipping or against the Falkland Islands particularly in circumstances in which the Argentine Government saw its own position under threat. But we generally believe the risk of such action would not be as high as hitherto. Another Argentine occupation of one of the Dependencies in order to assert their sovereignty claims would seem to us to be a distinct possibility.

CONCLUSIONS

- 12 a. Since our last assessment the Argentine military threat has been diminished by the British Government's decision to negotiate and by Argentina's pre-occupation with its dispute with Chile over the Beagle Channel; changes in the Argentine Government have been a contributory factor.
- b. While we continue to believe that the Argentine Government would prefer to achieve its sovereignty objectives by peaceful means, there is a risk that continuing stalemate in the Beagle Channel dispute and internal pressures could combine to cause the Argentine Government urgently to seek a foreign policy success elsewhere.
- c. The over-riding consideration for the Argentine Government will remain its perception of HMG's intentions eventually to transfer sovereignty. If the Argentine Government calculates that HMG is not prepared to negotiate seriously on sovereignty, there will continue to be a high risk of it then resorting to more forceful measures.

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d. In such circumstances, the establishment of an Argentine presence on another of the Dependencies would be a distinct possibility; direct military action against British shipping or against the Falkland Islands cannot be discounted, but we generally believe the risk of such action would not be as high as hitherto.

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(117)

ALW 090/325/1

15 NOV 1979

INDEX	PA	Action Taken

Draft

ARGENTINE THREAT TO THE FALKLAND ISLANDS (DELICATE SOURCE)Introduction

1. In this note we review the threat posed by Argentina to the Falkland Islands. In our last assessment* we concluded that the Military Junta would prefer to achieve their sovereignty objectives by peaceful means; so long as they calculated that Her Majesty's Government was prepared to negotiate seriously on sovereignty, it was unlikely that Argentina would resort to force. But if negotiations broke down, or if the Argentines concluded from them that there was no prospect of real progress towards a negotiated transfer of sovereignty, there could be a high risk of more forceful measures, including direct military action.

2. These judgements were made in wake of an agreement reached between the then governments of Britain and Argentina on terms of reference for Falklands negotiations which included sovereignty as well as economic cooperation. The negotiations were without prejudice to the position of either Government with regard to sovereignty over the islands. Four negotiating rounds were conducted between 1977 and March 1979. No decisions were taken: the talks were essentially exploratory. Last July the Argentines gave Mr Ridley a note in which they expressed concern over lack of progress and called for a more dynamic approach.

New Factors

3. Since our last assessment Argentina has been preoccupied with its dispute with Chile over the Beagle Channel. Reports at the end of 1978 confirmed that Argentina would be unlikely to make any move against the Falkland Islands while faced with the threat of a military confrontation with Chile. The dispute brought both countries to the brink of a war, averted only by the intervention of the Vatican with its offer of mediation. Both Chile and Argentina have entrenched positions but for the moment relations are more relaxed. To date both sides have continued to cooperate with the Vatican: it /seems

* JIC 77 (N) 46 dated 1 November 1977

-2-

seems reasonable to expect them to do so for some time yet.

4. There have been significant changes in the Argentine Junta and Government since our last assessment. The former Army Commander and Junta leader, General Videla was replaced by General Viola when the former became President. However both men are moderate in their approach to foreign affairs and unlikely to be easily provoked into belligerent policies which might undermine Argentine international standing. In this, they probably have the support of the present naval member of the Junta, Admiral Lambruschini, who replaced the hawkish Admiral Massera when the latter retired in September 1978. Control of the MFA has passed from the Navy to the Air Force which has hitherto shown a less aggressive attitude to foreign affairs. We believe these changes may lessen the risk of too forceful a policy towards the Falkland Islands.

5. We cannot however be certain of stability within the Junta. Relationships are delicate and those of the individual members of the Junta and their parent armed service constantly threatened by personal ambition. The attempted uprising led by the "hard-liner" General Menéndez in August revealed the deep divisions that exist in the army high command. Although some generals and younger officers were reported sympathetic to Menendez' cause only a handful of his own local commanders supported him in his attempt to oust Videla and Viola. While Viola's subsequent handling of Menendez may have gained the former some temporary prestige, the enforced resignation of Menendez means that for the sake of Army morale Viola must now take more account of hardline opinion. A right wing coup is a possibility he must now guard against.

The Threat

6. All Argentine régimes subscribe to the sovereignty claim over the Falkland Islands. The claim is not just a matter of law but of national honour and machismo; it is also engendered by a military and nationalistic pre-occupation with "sovereignty", inspired partly by fear over national security, and partly by ambition.

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7. The Argentine government has recently formally restated its willingness to continue with Falklands negotiations. It has also sought to improve relations ~~and furthermore~~ with Britain by seeking to restore Ambassadors. We have agreed. But the Argentines have been looking to us for some months for a renewal of the dialogue. ^{So long as} While there is reasonable prospect of their engaging ~~the~~ ^{the} MG in serious discussion of sovereignty, there is no reason to expect any hardening in their position. One report indicated (August 1979) that Adm. Lamb ^{Kauschini} had described the Falklands dispute as a low priority at present. ^{in any event, the} But Argentine patience could evaporate quickly if they concluded we were prevaricating. There are already reports of "disappointment ^{and} frustration" among those in the Argentine Foreign Office concerned with Falkland negotiations: their views were reflected in a robust note handed to Mr Ridley as he left Buenos Aires in July which described the March talks as a regrettable step backwards. Reports have also mentioned widespread criticism of the performance of the MFA under the Air Force. This may account for current pressure from the Argentines for a meeting between Mr Ridley and ^{The Commodore} Deputy Foreign Minister Cavandoli. The Argentines could always apply pressure through diplomatic, political, commercial or military means (see range of options at Annex A) if domestic uncertainties or lack of progress made it useful for them to raise the temperature.

8. In the past Argentina has demonstrated its willingness to apply diplomatic and political pressure, but apart from some harassment have so far not threatened military action.

Conclusions

9. We believe the present régime would prefer to achieve their Falklands objectives by peaceful means and will seek to do so as long as they calculate that Her Majesty's Government are prepared to negotiate seriously on the issue of sovereignty.

10. If negotiations break down, or if the Argentines conclude that there is no prospect of real progress towards a negotiated transfer of sovereignty, some form of diplomatic, political or /commercial

commercial pressure is inevitable. Some form of military action could not be discounted.

11. They might attempt to apply pressure in stages: eg cutting off air and communications links by abrogation of the Communications Agreement, which would effectively isolate the Islands; occupation of the BAS station on South Georgia; harrassment of British shipping or commercial interests in Argentina. There is no question of their capability to take the Islands by military means.

POSSIBLE ARGENTINE OPTIONS

1. Diplomatic/Political

- a. Lowering the level of diplomatic representation.
- b. Breaking off diplomatic relations.
- c. Action against HM Embassy in Buenos Aires not involving a complete rupture of relations but requiring, for example, a reduction in staff, or maintaining only consular relations.
- d. Orchestrated physical action including demonstrations against HM Embassy, probably preceded by a virulent press campaign.
- e. Restricting movements between Argentina and the Islands (eg by implementing a more restrictive policy on the issue of white cards).
- f. Orchestrated industrial and/or bureaucratic action against British commercial and industrial interests (possibly including trade union violence).
- g. Harassment of the British community in Argentina (there are over 17,000 British passport holders).
- h. Intensified diplomatic campaign in the United Nations and/or the Organisation of American States.

2. Commercial

Commercial and economic action against Her Majesty's Government and British companies which might include the cancellation of contracts. British exports may be threatened and British assets in Argentina expropriated.

3. Military

- a. Harassment or attempted arrest of British shipping in disputed waters.
- b. A military occupation of one or more of the uninhabited Dependencies.
- c. Arrest of the British Antarctic Survey team in South Georgia.
- d. An officially sponsored "unofficial" adventure against the Islands.
- e. Military invasion of the Falkland Islands.

4. Action against the Islands

- a. Suspension of the LADE air service.
- b. Suspension of the naval transport service to the Islands.
- c. Cutting off supply of necessities, in particular foodstuffs, to the Islands.
- d. Cancellation of scholarships held by island children at Argentine schools.
- e. Suspension of medical co-operation.
- f. Denunciation of the YPF agreement.
- g. Withdrawal of Gas Del Estado facilities from the Islands.
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New Factors

3. Since our last assessment Argentina has been preoccupied with its dispute with Chile over the Beagle Channel. Reports at the end of 1978 confirmed that Argentina would be unlikely to make any move against the Falkland Islands while faced with the threat of a military confrontation with Chile. The dispute brought both countries to the brink of a war, averted only by the intervention of the Vatican with its offer of mediation. Both Chile and Argentina have entrenched positions but for the moment relations are more relaxed. To date both sides have continued to cooperate with the Vatican: it seems /seems

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-2-

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4. There have been significant changes in the Argentine Junta and Government since our last assessment. The former Army Commander and Junta leader, General Videla was replaced by General Viola when the former became President. However both men are moderate in their approach to foreign affairs and unlikely to be easily provoked into belligerent policies which might undermine Argentine international standing. In this, they probably have the support of the present naval member of the Junta, Admiral Lambruschini, who replaced the hawkish Admiral Massera when the latter retired in September 1978. Control of the MFA has passed from the Navy to the Air Force which has hitherto shown a less aggressive attitude to foreign affairs. We believe these changes may lessen the risk of too forceful a policy towards the Falkland Islands.

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AZLW 290/325/1

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15 NOV 1979

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Thurston
Final preliminary draft
W117

DRAFT		REGISTRY
DESK OFFICER	PA	Action Taken
INDEX		

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Introduction

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2. These judgements were made in wake of an agreement reached between the then governments of Britain and Argentina on terms of reference for a new round of negotiations, which would pursue questions of economic and scientific co-operation, but would be conducted without prejudice to the position of either Government with regard to sovereignty over the islands. Four rounds of negotiations were conducted between 1977 and March 1979, but little has been achieved. In a recent note to HMG's Minister of State Mr Ridley, the Argentinians^{es} have forcibly expressed their concern over lack of progress and called for a more dynamic approach.

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New factors

3. Since our last assessment the Argentine has been preoccupied with its dispute with Chile over the Beagle Channel. This dispute brought both countries to the brink of a war which was only averted by the intervention of the Vatican with its offer of mediation. This process continues and is likely to be protracted. Both Chile and the Argentine have entrenched positions and there could at any time be renewed tension between both countries. So far however the Vatican has been able to contain negotiations and there seems to be good prospects of this situation continuing. Reports at the end of 1978 confirmed our belief that the Argentine would be unlikely to make any move against the Falkland Islands while faced with the threat of a military confrontation with Chile, and a reliable source reported more recently (August 1979) that Admiral Lambruschini, a member of the Junta, had with emphasis said that the Falkland dispute was at present low in the Argentine Government's list of foreign policy priorities. However we also have reports of "disappointment and frustration among those in the Argentine Foreign Office concerned with negotiations over the Falklands, and of widespread criticism of the performance of the Argentine Ministry of Foreign Affairs under Brigadier General (Rtd) Pastor and Comodoro Cavandoli. This criticism, rather than any real hardening of attitude, may account for the robust note handed recently to Mr Ridley. We therefore continue to believe that the Beagle Channel dispute has priority in Argentine foreign affairs.

4. There have also been significant changes in the Argentine Junta and Government since our last assessment. The former Army Commander and Junta leader, General ^{Videla} Videla, was replaced by General Viola when the former

became President. However both men are moderate in their approach to foreign affairs and unlikely to be easily provoked into belligerent policies which might undermine Argentinian international standing. Furthermore they will get more support for their moderate policies from the new naval member of the Junta, Admiral Lambruschini, who replaced the hawkish Admiral Massara when the latter retired in September 1978. Under Admiral Massara the Argentine Navy held the senior positions in the MFA, and sought to improve its internal standing by advocating a more aggressive foreign policy. Lambruschini is not so aggressive and control of the MFA has been passed to the Air Force which has hitherto also shown a less aggressive attitude to foreign affairs. We believe these changes in the Argentine hierarchy may lessen the risk of too forceful a policy being adopted by the Argentine towards the Falkland Islands.

5. We cannot however be certain of stability within the Junta. Relationships within the Junta are delicate and those of the individual members of the Junta and their parent armed service constantly threatened by personal ambition. The attempted uprising led by the "hardliner" General Menendez in August revealed the deep divisions that exist in the army high command. Although a number of generals and a significant group of younger officers were reported to be sympathetic to Menendez' cause only a handful of his own local commanders supported him in his attempt to oust Videla and Viola. While Viola's subsequent handling of Menendez may have gained the former some temporary prestige, the enforced resignation of Menendez will lead to a number of other resignations and changes in the army high command which in turn might weaken Viola's position.

The Threat

6. All Argentine regimes subscribe to the sovereignty claim over the Falkland Islands. The claim is not just a matter of law but of national honour and machismo; it is also engendered by a military and nationalistic pre-occupation with "sovereignty", inspired partly by fear over national security, and partly by ambition.

7. The Argentine government has recently formally restated its willingness to continue with negotiations over the Falkland Islands and furthermore demonstrated a warming of attitude towards Britain by ^{seeking} re-establishing ^{diplomatic} diplomatic representation at Ambassador level. We believe this Argentine attitude could continue as long as they believe there to be some opportunity of engaging Her Majesty's Government in serious discussion on the sovereignty issue. If however the Argentinians ^{do} became convinced that there was no such prospect, or some domestic issue made it necessary for the Argentine government to divert internal or international attention, the Argentine could apply pressure through diplomatic, political, commercial or military means. The range of options open to the Argentine government is at Annex A.

8. In the past the Argentine has demonstrated its willingness to apply diplomatic and political pressure, but apart from some harassment have so far not threatened military action. We have no reason to suppose they would necessarily go further in the future. | ?

Conclusions

9. We believe the present military Junta in the Argentine would prefer to achieve their sovereignty objectives over the Falkland Islands by peaceful means and will continue to do so as long as they calculate that Her Majesty's Government are prepared to negotiate seriously on the issue of sovereignty. ✓

10. If negotiations break down, or if the Argentinians^s conclude that there is no prospect of real progress towards a negotiated transfer of sovereignty, some form of diplomatic, political or commercial pressure is inevitable, but military action is considered unlikely. ?

and some form

cannot be discounted,

11. The possibility of the Argentina resorting to military action would increase if the Junta lost collectively^{ly} and was unable to control military hardline opinion, or faced some serious domestic crisis from which it had to divert internal and international attention. We believe it highly unlikely that the Argentines would mount an invasion against the Falkland Islands, but we do not discount the possibility of their establishing a presence on one or more of the Dependencies.

POSSIBLE ARGENTINE OPTIONS

1. Diplomatic/Political

- a. Lowering the level of diplomatic representation.
- b. Breaking off diplomatic relations.
- c. Action against HM Embassy in Buenos Aires not involving a complete rupture of relations but requiring, for example, a reduction in staff, or maintaining only consular relations.
- d. Orchestrated physical action including demonstrations against HM Embassy, probably preceded by a virulent press campaign.
- e. Restricting movements between Argentina and the Islands (eg by implementing a more restrictive policy on the issue of white cards).
- f. Orchestrated industrial and/or bureaucratic action against British commercial and industrial interests (possibly including trade union violence).
- g. Harassment of the British community in Argentina (there are over 17,000 British passport holders).
- h. Intensified diplomatic campaign in the United Nations and/or the Organisation of American States.

2. Commercial

Commercial and economic action against Her Majesty's Government and British companies which might include the cancellation of contracts. British exports may be threatened and British assets in Argentina expropriated.

3. Military

- a. Harassment or attempted arrest of British shipping in disputed waters.
- b. A military occupation of one or more of the uninhabited Dependencies.
- c. Arrest of the British Antarctic Survey team in South Georgia.
- d. An officially sponsored "unofficial" adventure against the Islands.
- e. Military invasion of the Falkland Islands.

4. Action against the Islands

- a. Suspension of the LADE air service.
- b. Suspension of the naval transport service to the Islands.
- c. Cutting off supply of necessities, in particular foodstuffs, to the Islands.
- d. Cancellation of scholarships held by island children at Argentine schools.
- e. Suspension of medical co-operation.
- f. Denunciation of the YPF agreement.
- g. Withdrawal of Gas Del Estado facilities from the Islands.
- h. Wholesale denunciation of the communications agreement.