

Secretary of State

4/6/5

Mr Harding
PS/Mr Ridley
PS

H. Liddell has awarded.
Receipt attached.
w/ J. P. Puffe

cc
PS/LPS
PS/PUS
PS/Sir D Maitland
Mr Chamberlain, Legal Counsellor
ESSD
MAED

| | | |
|---------------|----|---------------|
| ALW 040/325/2 | | |
| RECEIVED | | |
| 27 JUN 1980 | | |
| DESK OF | | |
| INDEX | PA | Section Taken |
| | | |

FALKLAND ISLANDS: DISCUSSION IN OD

Flag A (173)

1. Mr Ridley minuted the Secretary of State on 21 May on policy towards the Falklands dispute. I now submit a draft memorandum for the Secretary of State to circulate to his colleagues in OD. Legal Advisers concur.
2. No date has yet been set for discussion of the Falklands in OD, but we have asked for a date in the second half of June.

P. R. Fearn

P R Fearn
South America Dept.

3 June 1980

H. Liddell
3 June.

* Now provisionally marked for discussion in OD
on 24 June.

w/ J. P. Puffe

OD(80)

DRAFT

June 1980

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

FALKLAND ISLANDS

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

1. As agreed in OD on 29 January, Nicholas Ridley held exploratory talks with the Argentines in late April. These went well enough. But the Argentines made it plain that next time they will expect to discuss sovereignty: and that no progress towards practical economic cooperation in the area can be made without a commitment to revise the sovereignty position.
2. We must now decide our policy. We cannot just continue to stall. The Islands are in decline: the economy is stagnant, morale is low and people are leaving. The dispute prevents the exploitation of the Islands' potentially valuable offshore resources (fish and oil). It distorts our political relations with Argentina (and Latin America more widely) and hinders the development of our commercial relations. Without a solution, we have to accept an increasingly costly commitment to maintain the economy and the defence of the Islands.
3. We could of course simply pull up the drawbridge: and tell the Argentines that sovereignty is not negotiable. But that would solve none of the problems. At best it would cost us a great deal of money (in support of the Islands' economy); and damage severely our relations with Argentina. We could expect retaliatory Argentine action. At worst we might have to defend the Islands militarily against Argentine attack, which would be difficult to do.
4. The alternative is to work for a solution sufficient to satisfy Argentine aspirations, (which I believe to be more the acquisition of titular sovereignty than absorbing the Islanders or settling in the Islands): meet the Islanders' wish to remain British: and ensure the development of the Islands' economy. On this basis a package might be to offer the Argentines titular sovereignty over the Islands, the Dependencies, the Continental Shelf and the

maritime zones on the following conditions:

- (a) the simultaneous lease-back of all these areas, ideally for an indefinite period, but at least for long enough so as not to inhibit the economic development of the Islands;
- (b) for the duration of the lease, continued British administration of the Islands and the Islanders;
- (c) Anglo-Argentine cooperation to control fishing within a 200 mile fishery zone
- (d) Anglo-Argentine cooperation in the exploration for and development of any oil deposits in the Continental Shelf;
- (e) Argentine financial assistance to develop the economy of the Islands.

5. This would not be easy to sell either to the Argentines or to the Islanders (whose concurrence would, as always, be an essential condition). Any arrangement involving a transfer of sovereignty (which would require an Act of Parliament), however advantageous overall, will cause great anxiety in the Islands and dismay, both in Parliament and among public opinion, in the United Kingdom. Many people here would view with distaste the prospect of British people being required to live, if only technically, under a military Junta with a deservedly bad reputation.

6. But I believe that we must make the effort. If it succeeds, it will give the Islanders a good prospect of an assured future. Our political and commercial relations with Argentina will improve; and we can start exploiting the resources of the South West Atlantic. We will remove one of the last colonial problems from the agenda of the United Nations, where we are in a minority of one. If we do not look positively for a negotiated settlement, the dispute could develop into a confrontation which we would find very difficult to handle.