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B.06948

PRIME MINISTER

c Sir Robert Armstrong

Argentina/Falklands - Next Steps with
the Alfonsin Government

(OD(84) 1)

BACKGROUND

1. This memorandum by the Foreign and Commonwealth Secretary reviews the present state of British relationships with Argentina, and recommends that we should seek to enter into talks with the Argentine Government at official level about the normalisation of our bilateral relations, concentrating on practical subjects on which agreement should be feasible. The issue of sovereignty over the Falkland Islands would not be on the agenda. The Foreign and Commonwealth Secretary proposes that we should conduct the talks ourselves, making our initial approach through the Protecting Powers; and that, although the talks should be not publicised, our main Allies, and the Falkland Islands Government, should be told in confidence of this step. We should not attempt to embark upon secret talks, since any leakage of their existence could send the wrong signal, particularly to the Falkland Islanders. The Foreign and Commonwealth Secretary is confident that the prospect of developing more normal relations with Argentina would not cause unhappiness in the Falkland Islands provided it is made clear that sovereignty is not on the agenda; indeed Falkland Island Councillors have volunteered in public that they would be content with this approach.

2. More specifically, the Foreign and Commonwealth Secretary proposes that the discussions should cover the lifting of restrictions on trade and finance; the return

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of Argentine dead, or failing that a properly organised next-of-kin visit; the resumption of air services and cultural, scientific and sporting relationships between Britain and Argentina, and the upgrading of official relations between the two countries. The Foreign and Commonwealth Secretary also calls attention to the related issue of bank lending to Argentina, where although it would be technically possible to issue an instruction forbidding future lending by British banks to a country still in a state of hostilities with us, this would appear to run counter to the aim of restoring normal commercial relationships with Argentina. The Foreign and Commonwealth Secretary also mentions the possible sale to Argentina of electricity generating sets (a separate Item on the Agenda) and the establishment of a 200-mile fisheries limit around the Falklands (to be discussed at OD on 31 January).

3. In paragraph 10 of his memorandum the Foreign and Commonwealth Secretary recalls your summing up of the Cabinet's discussion of relations with Argentina on 15 December, when you said that a formal cessation of hostilities must be the pre-condition for any resumption of diplomatic relations with Argentina or lifting of the present Exclusion Zone around the Falkland Islands. What is proposed is, of course, not the resumption of full diplomatic relations, but the first steps on a path which might lead to that outcome if sufficient progress is made in the official talks to convince the Argentines that they should formally declare an end to hostilities. Meanwhile, latest unconfirmed press reports suggest that the Argentine Government are interested in negotiating a resumption of full diplomatic relations, linked with a formal declaration on a cessation of hostilities and a reduction in the Falklands Garrison. It is understood that the Foreign and Commonwealth Secretary will be circulating a supplementary note on these aspects shortly before the meeting.


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4. It is possible that, because the Chancellor of the Duchy of Lancaster may have to lead in a Lords Debate at 5.30 p.m. on 25 January, he may not be able to be present. The Chief of the Defence Staff has been invited to attend.

HANDLING

5. You should invite the Foreign and Commonwealth Secretary to introduce his memorandum. The Defence Secretary might then be invited to comment on any discussions on the subject of relations with Argentina he may have had during his recent visit to the Falkland Islands. The Committee might then concentrate on the key question of whether now is the right time to attempt to improve our relations with Argentina given the advantages which might result. The Foreign and Commonwealth Secretary argues that domestic and international opinion are looking to us for some movement, which, if achieved, would generate more sympathy with our insistence that it is only realistic to start with modest, pragmatic steps. The Committee might then consider the subsidiary question of whether the items proposed for discussion with the Argentines (paragraph 9 of the memorandum) are the right package.

CONCLUSION

6. Subject to the points made in discussion, you could guide the Committee to approve the recommendations set out in paragraph 17 of the Foreign and Commonwealth Secretary's memorandum.

David Goodall

A D S Goodall

24 January 1984

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