

ALW 040/225/1

RECEIVED	13
16 MAY 1979	
INDEX	Action Taken

Mr Jeffrey 15/5
 Mr Lawrence 15/5
 Mr [unclear] 15/5
 Bow (4)

Sir A Parsons

FALKLAND ISLANDS

1. Thank you for sending me a copy of your minute of 11 May to Private Secretary to Mr Ridley on this subject.
2. You put Ministerial discussion here of the way ahead after a visit by the Minister of State to the Falklands. I am not sure that this is advisable. If Mr Ridley goes to the Falklands he will have to go to Argentina as well. Before he talks to the Islanders and the Argentines I think he needs to have discussed the way ahead with his colleagues otherwise we could easily get off very much on the wrong foot. This does not mean that Ministers would have to agree on a final solution but they would, I think, at least have to agree on the general framework within which they propose to proceed, ie whether it was "Falkland Fortress" "Sell Out" or substantive negotiation with the Argentines. I do not think that we can count on the Argentines being willing to negotiate on peripheral matters, however much Martinez de Hoz might like this to happen. This does not mean to say that we have to be committed to political change but we have to be able to discuss the possibility of such a change.
3. On the substance of the problem, of course, we have to get the consent of the Islanders unless there is to be a "sell out". I am not sure, however, how far you are aware that the previous Government agreed in DOP to a lease back solution as our final position of principle. In fact, the then Foreign Secretary had

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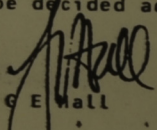
authority to negotiate a solution on this basis. We never, of course, put forward such a solution but during the negotiations papers were tabled by Mr Rowlands, particularly in December 1977, which were based on such a final position and in clarifying these papers during subsequent negotiations it became more and more clear to the Argentines that this was what our proposals would lead to. Although it has never been stated openly it was absolutely clear to my Argentine opposite number during my meeting with him in New York in March that a lease back solution was the only possible way of squaring the circle between the Argentine and British positions. It is not therefore a question of putting forward or not a lease back solution but of continuing with or breaking off a negotiation in which both sides have known that such a solution was implied in British proposals and might represent the only way to a final solution. If we are to continue the negotiations they will have to remain negotiations about the whole dispute including sovereignty: neither I nor anyone in the Department or in the Embassy in Buenos Aires, as far as I am aware, believe in the possibility of negotiating with the Argentines on economic questions alone. If in the sovereignty part of the negotiations we are to go back from a position which implies lease back as a final solution then I think that we may well have a blow up in which I could not guarantee that the Argentines would not take measures against the Falkland Islands which would have the danger of escalating into possible military action.

4. When you say that your "preliminary feeling is that we will end up with no alternative but to carry on more or less as we have done" this may well be the case but, as I have said, doing this means continuing to discuss sovereignty with an implied final position being lease back. Doing anything else would not be to carry on as we have done but to make a fundamental change which, unless we are offering something else on sovereignty to the Argentines, is likely to lead to an early breakdown. How long we could continue to go on as we have been without actually discussing lease back is a matter of judgement and of how far we are willing to go to be nice to the Argentines about other things. As far as the Islanders are concerned my own belief, and this is not necessarily shared by others, is that they would find the lease back solution of the kind that I outlined in my previous minute acceptable because it would completely maintain their way of life for the foreseeable future, would provide the basis for such economic progress in the area as is technically feasible and would give them services from and in Argentina which they want.

5. To sum up, I think there should be some Ministerial discussion before the Minister of State goes to the Falklands and Argentina and I think our advice should be that this discussion should agree to the continuation of the negotiations with the Argentines on the present basis, including an implied lease back solution as a final position. But that the lease back solution should not be considered for formal adoption until after the Minister of State has been able to take soundings in the Falkland Islands and in Buenos Aires: questions of timing could be decided ad hoc in the light of events.

15 May 1979

cc Mr Ure


G E Hall