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Foreign and Commonwealth Office

ALW 026/1

London SW1A 2AH

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23 August 1979

H M Carless Esq CMG
BUENOS AIRES

Sea Hugh,

MINISTER OF STATE'S VISIT TO ARGENTINA: JULY, 1979.

1. Thank you for your despatch of 8 August which we are arranging to have printed in the Departmental Series.
2. The despatch was most useful and timely and we were able to draw on it on our submission to Ministers seeking agreement to a resumption of negotiations in the Autumn.
3. As you point out, we have failed to move the Argentines on fisheries co-administration around the Dependencies and given our inability to sign the Scientific Co-operation Agreement new proposals will be needed to keep the Argentines in play. Mr Ridle is convinced that it is important to keep up the momentum. He feels that we should now abandon the attempt to solve the problem piecemeal, and that a serious effort should be made to go for an overall solution - possibly lease-back or possibly involving a special status for the Falklands (which might involve, as you suggested, drawing ideas from both the Spitzbergen and Aaland precedents).
4. We shall be in touch again as soon as we have Ministerial approval for the resumption of negotiations.

Yours,

John,

J B Ure
South America Department

John

We now have to get the despatch processed. The forms for departmental series are below. Will you please put action in hand.

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J.R. Cowley 24



ALW 0261

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8 OCT 1979

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BRITISH EMBASSY,
BUENOS AIRES.

AL (112A)

VISIT OF THE HONOURABLE NICHOLAS RIDLEY MP, MINISTER OF STATE AT THE FOREIGN AND COMMONWEALTH OFFICE, TO ARGENTINA: JULY 1979

SUMMARY

1. In his short visit Mr Ridley saw the Foreign Minister, had two working meetings with the deputy Foreign Minister and met with the Economy Minister. The principal result, as planned, was the announcement that Britain and Argentina would restore Ambassadors to respective capitals. The discussions also covered the possible timetable for the next round of the Falkland Islands negotiations, the resettlement of Vietnamese refugees and bilateral commercial relations. (Paragraphs 1-6)
2. The Argentines were relieved to have confirmation of the reinstatement of Ambassadors, and the assurance that the new British administration wished to continue the Falkland Islands negotiations. For us, the visit maintained the dialogue. (Paragraphs 7 and 8)
3. In the Falklands, Mr Ridley found the territorial dispute with Argentina at the root of the difficulties faced by the Islanders. The next steps in the negotiations depend on political decisions in Britain. If negotiations are to be played long and any compromise over sovereignty avoided, then new proposals will need to be offered to Argentina. But agreement under the sovereignty umbrella to cover fishing off the Falklands would be difficult and agreement to cover exploration for oil probably impossible. (Paragraphs 9-12)
4. If negotiations are to aim for an overall settlement, then of the options a leaseback arrangement offers better prospects than either a freezing of the dispute or a system of joint administration. (Paragraphs 13 and 14)
5. A possible way forward, combining the need for time and an examination of potential overall solutions, would be a study of models for special territorial status for the Falkland Islands. The Argentines could be expected to revive their plan for joint administration and the British side might develop models based on the examples of Hong Kong, Spitzbergen and the Aaland Islands. (Paragraphs 15-20)



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BRITISH EMBASSY,
BUENOS AIRES.

8 August 1979

The Right Honourable
The Lord Carrington PC KCMG MC MP
etc etc etc

Sir

VISIT OF THE HONOURABLE NICHOLAS RIDLEY MP, MINISTER OF STATE
AT THE FOREIGN AND COMMONWEALTH OFFICE, TO ARGENTINA: JULY 1979

1. The short visit, which the Honourable Nicholas Ridley, MP, Minister of State at the Foreign and Commonwealth Office, made to Argentina during his current tour of Latin America had a limited object. Within its framework, it enabled the Minister to lay the basis for improved relations between Britain and Argentina without being drawn into a substantive exchange on the Falkland Islands dispute so early in the life of this government.

I NARRATIVE

2. The Minister of State, who was accompanied by Mrs Ridley and his Private Secretary, Mr Kenneth Temple, spent the night of 19 July here on his way to the Falkland Islands and then returned for what was intended to be two nights, but was in fact compressed into 24 hours because of bad flying conditions in Patagonia, on 26-27 July. Nevertheless, he was able to call on the Foreign Minister, Brigadier Pastor, have two working sessions with Pastor's deputy, Comodoro Cavándoli, and a useful exchange of views with the Minister of Economy, Dr Martínez de Hoz.

/At



At the dinner and the reception which I gave for them, Mr and Mrs Ridley also met a cross section of Argentines and British residents. I was most grateful to both of them for finding the time to visit the Embassy and talk with virtually all our 74 British and local staff.

3. The details of what was said at Mr Ridley's meetings with Argentine ministers have been reported separately by telegram and record. At the Foreign Ministry, the principle topics covered were the restoration of Ambassadors to London and Buenos Aires (confirmation of which was announced in an agreed communiqué issued on 27 July) and a possible timetable for the continuation of negotiations over the Falkland Islands where it was agreed and made public that you and Brigadier Pastor would probably meet at the United Nations General Assembly in September.

4. The Foreign Ministry meetings also allowed the Minister of State to raise the problem of Vietnamese refugees. The Argentines showed an apparent willingness to take a number of their 1,000 families from Hong Kong. On bilateral commercial relations, Mr Ridley mentioned GEC's tender of equipment for Argentina's nuclear programme. Another point to emerge from the meetings was Argentine appreciation of the role which the United Kingdom is playing in negotiations in the Antarctic Treaty forum. At the Minister's request, I expressed our interest in the human rights case of Srta Daisy Hobson which is now under judicial review.

5. Although the Argentines scarcely mentioned the Falkland Islands during these meetings, on Mr Ridley's departure from the

/airport



airport on 27 July, they produced for him without any prior warning an Aide Memoire on the state of the negotiations making clear their hope for a change of approach on the part of HMG to get round the impasse reached during the last round at official level in March.

6. With Dr Martínez de Hoz, Mr Ridley was quickly able to establish a wavelength for an informal exchange about the territorial dispute, and also to press the case for GEC and the offer of possible British nuclear collaboration with Argentina.

II CONCLUSIONS

7. The Argentines had been setting much store by the restoration of Ambassadors and were relieved that your willingness to do so was finally confirmed and made public despite a series of deliberate and mischievous leaks to the press during the preceding fortnight. It was also important for them to obtain an assurance that the new British administration would continue the negotiations for which the terms of reference were agreed in April 1977. Mr Ridley was able to provide that assurance by following up your letter of 14 June to Brigadier Pastor and holding out the hope for a round of negotiations in the autumn. They read as a hopeful sign the Minister's statement that his visit to the Falklands had convinced him of the need to talk with Argentina about the dispute.

8. On the British side, the visit enabled us to maintain the dialogue with the Argentines, to emphasis HMG's support for GEC and to hold out the prospect of an improving, across the board bilateral relationship.

/III



III REFLECTIONS FOR THE FUTURE

9. What comes next? The Minister of State formed the tentative view that the dispute with Argentina lay at the root of the difficulties faced by the Falkland Islanders in developing the potential of the Islands and their surrounding seas and that, if a solution to this dispute could be found which satisfied the minimum demands of both Argentina and the Islanders, then for the sake of the latter the sooner the negotiations tackled a global solution, the better. You, Sir, will now wish to consider the strategic desirability and political feasibility of preparing the ground in Britain for reaching a settlement with Argentina in the next few years. I can only advise you on the likely Argentine reaction to different approaches to the negotiations and on the extent to which the Argentine Government might be willing to compromise.

10. Temporising Measures. Should you decide to play the negotiations long and to avoid conceding a compromise over even nominal sovereignty, then new proposals to offer to the Argentines to keep them at the negotiating table will be needed in the wake of the shelving this spring of the proposed agreements (under the sovereignty umbrella) covering scientific cooperation in the Falkland Islands Dependencies and the administration of their maritime zones.

11. It is hard to see what these new schemes could cover and also be acceptable to all parties. The maritime zones of the Falkland
/Islands



Islands themselves, from which a Polish fishing fleet is currently taking millions of pounds worth of fish without paying licence fees to anyone, offer an attractive possibility for cooperation at first glance. But, since the Argentines have already rejected the idea of joint administration over the maritime zones of the Dependencies under the sovereignty umbrella, I doubt whether they would accept a similar scheme for Falklands waters unless they believed it to be a step towards something more advantageous. They would probably argue that such a scheme amounted to a new proposal for economic cooperation without parallel progress being offered in the political field. They have, in this connection, made it clear in previous rounds that agreements under the sovereignty umbrella can only be interim ones.

12. Oil. Cooperation over exploration for oil would be much harder to secure. As Argentina does not allow that islands generate continental shelves and maintains that what we consider to be the continental shelf of the Falkland Islands does not form part of the dispute, I can see no prospect of an interim agreement under the sovereignty umbrella which would encourage oil companies to drill exploratory wells should further seismic studies predict that they were worthwhile. The Argentine attitude is firm and, if anything, hardening as nationalistic tendencies over oil deposits become more evident. Any cooperation over oil will surely have to await an overall settlement.

/13. An Overall



13. An Overall Settlement. If, however, you decide that the time is politically right to go for an overall settlement of the sovereignty dispute, then we should have to decide what to aim for and how to persuade the Argentines that their minimum requirement should be pitched low enough for it to receive serious consideration by the Falkland Islanders. Of the available options:-

- a. the most satisfactory outcome would be Argentine agreement to freeze the dispute for say 20 or 30 years. But we could be sure that the carrot of exploitation of economic resources, however large, would not at present persuade them to do so;
- b. a second theoretical possibility would be some form of joint administration or condominium. I believe the last would be fraught with difficulties. Apart from the political acceptability of joint administration, British and Argentine bureaucracies are incompatible;
- c. this leaves a lease-back solution which, with a long term of say 99 years, could provide security for the Islands long enough for development to take place and by the end of which the nature of life on the Islands and of the dispute would probably have altered radically.

14. The indications are, however, that lease-back, which left the affairs of the Islands under British administration, would

/not



not be enough to satisfy Argentine honour. Mr Ridley took this impression away with him from Buenos Aires (Brasilia telegram number 143 to you). Sovereignty is an over-used word in Argentina but not many Argentines stop to analyse what they mean by it. If they did, they might say that above all it meant the possession of territory, and add as something of an after-thought that it also meant the ability to exert control over what happened in the territory. Straightforward lease-back could be presented as satisfying the first requirement but nothing of the second. There may however be possibilities for modifying a lease-back arrangement to make it acceptable here.

15. A Possible Interim Gambit. A conceivable way forward, which might (at least for a year or so) combine the potential advantage of both playing for time and also moving towards an overall settlement, began to emerge from Mr Ridley's discussions. It takes the form of discussing a special territorial status for the Falklands. (In this connection, Dr Martínez de Hoz made the personal suggestion that the negotiators might consider some such special status for the Islands within the framework of Argentina's federal constitution. Various models might be drawn up, he said, for comparative study). Were they to do so, the most likely Argentine model would link the Falklands - through joint administration - to their southernmost federal unit: the National Territory of Tierra del Fuego, Antarctica and Islands of the South Atlantic. It might well be an adaption of their paper on joint administration handed to this Embassy in

/September



September 1977, as a follow-up to the first round of negotiations in Rome in July that year.

16. On the British side, more than one model might be put forward, for example:-

- i. the Hong Kong (with modifications);
- ii. the Spitzbergen (Norwegian sovereignty with economic access for the Soviet Union);
- iii. the Aaland Islands (Finnish sovereignty, local autonomy, Swedish language and custom).

17. Safeguards and guarantees, which could if necessary be international, for the Islanders would of course be entrenched in all and any models proposed by HMG; and model making could both provide the content for several further rounds of negotiations and also help to increase Islander understanding of the negotiating parameters.

18. The major steps forward in such an exercise could, from a local point of view, best be timed to fall within the period of the present system of military government which seems likely to continue until 1984.

19. As I suggested in my telegram number 213 of 6 August, a prime advantage for HMG in starting a tactical exercise in comparing models for a special Falklands status would be to give you, Sir, time in which to judge if and when conditions for a

/settlement



settlement were ripening.

20. I am sending a copy of this despatch to the Governor in Port Stanley.

I am

Sir

Yours faithfully

Hugh Carless

H M Carless