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NOTE FOR FILE: OD

1. The following members of the Cabinet are on the OD Committee:

Prime Minister
 Secretary of State
 Home Secretary
 Lord Chancellor
 Chancellor of the Exchequer
 Defence Secretary
 Lord President of the Council
 Secretary of State for Trade
 Lord Privy Seal

CCB

C C Bright
 South America Department
 K 274

30 November 1979

Others interested:

S of S / Energy
 Attorney General

VISIT BY MR RIDLEY TO THE FALKLAND ISLANDS: 22-29 NOVEMBER 1980

Implications of Leaseback

Points to Make

1. Exact details of any agreement dependent on negotiations with the Argentines. But general outline of what we might aim for as follows.

Political

2. Lease to guarantee continuation of Islanders' British way of life for fixed period. Argentine sovereignty titular only. FIG to continue to administer Islands; present laws and system to remain. UK to retain responsibility for external affairs and defence.

3. (If raised) Argentine presence token, e.g. flag, liaison officer.

Economic

4. Two sides to economic advantages:

- (i) ending of dispute should attract private enterprise
- (ii) condition of agreement would be cooperation to allow the proper exploitation of region's resources and Argentine readiness to invest in Islands.

General

5. No outward sovereignty change, but economic development opened up. Lease to be long enough to remove prospect of full Argentine sovereignty to distant future. When day comes, circumstances and attitudes may well have changed. Not possible to predict what either you or Argentines will then want. But great advantage in disposing of problem for foreseeable future, rather than face increasing Argentine intrusion without means to combat it.

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Implications of Leaseback

Essential Facts

1. We do not wish to go into details on how a leaseback settlement may operate in detail: this will depend on negotiations with the Argentines. But the Islanders are certain to ask and the following is a check-list of the points they are most likely to be interested in, together with some comments on what we shall probably be looking for in negotiations.
 - (i) Lease: long as possible, at least 99 years. Internationally guaranteed.
 - (ii) Argentine Presence: minimal, restricted to token e.g. flag, liaison officer.
 - (iii) Nationality: as at present. No Argentine nationality.
 - (iv) Self-Government: as now. No Argentine involvement.
 - (v) External Relations and Defence: HMG, but perhaps with Argentine assistance on practical defence side.
 - (vi) Land Ownership: no change, but Islanders to be readier to sell land to outsiders.
 - (vii) Official Language: English.
 - (viii) Financial System: as now, but Argentine assistance in banking.
 - (ix) Economy: controlled by Islanders, but Argentine finance available, and private British capital easier to find.
 - (x) Oil: continental shelf leased to UK. Exploration (and subsequently exploitation) to be licensed by us. British companies to be given preference. Argentines need to be involved in order to avoid turning Islands into a second Shetlands.

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- (xi) Fish: 200 mile fishery zone, with Argentine assistance to enforce. Ships licensed by FIG. Scope for building processing plant and developing shore facilities for trawlers.
- (xii) Dependencies: ideally no change from now, but could lease in same way in exchange for concessions elsewhere.