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Mr. Duggan
Mr. Bishop
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| ALW 040/325/10 | | |
| RECEIVED IN REGISTRY NO. 18 | | |
| 22 SEP 1980 | | |
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| INDEX | PA | Action Taken |
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Secretary of State

FALKLAND ISLANDS

1. It was left at Geneva that the next stage would be a meeting between you and Sr Pastor, the Argentine Foreign Minister, at New York. This note is to give you my views before you go to New York, and also my best wishes for complete recovery soon!
2. You have seen what I said to the Argentines at Geneva: I told them this was the best we could possibly do. It was also ad referendum and I made it clear that the Cabinet might not be prepared to go that far: certainly no further.
3. We are also uncommitted, and unencumbered, by the fact that so far there has been no leak: I believe the Argentines can be trusted not to leak this initiative, even if eventually agreement cannot be reached. I think we are likely to be able to deny with conviction that any pre-arranged or formal discussions took place at Geneva if it was necessary.
4. So we are left with a clear option to decide what to do on the merits of the problem. We can either seek a solution by negotiation along the lines of the Geneva talks (to which I think we could get Argentina to agree), or we could say that the concessions are beyond our political ability to deliver, and break off the talks, (with all the obvious consequences). I do not think that there is much to gain by attempting to find a different package: both sides are close to their rock bottom positions.
5. My own view is that it is not only the best bargain we can get, but also that it is not a bad one. We get virtually complete control of the dependencies and their maritime zones in all that matters; but also sole administration of the Falkland Islands and their maritime zone for 99 years. Buying off the Argentine on the future of the Islands avoids for us an expensive economic and defence commitment, while opening up the potential for economic exploitation of oil, fish, and sheep etc. On balance-sheet terms it is a reasonable bargain.

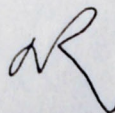
6. But the real problem for us is a political one: will we be able to justify an agreement on this basis to the Islanders, to Parliament, and to the country as a whole? It is made more difficult by, on the one hand, the Liberal/Socialists, who detest the Argentine military regime; and on the other hand, by the ultra Conservatives, who detest the concept of ceding sovereignty. I believe the key to this is the attitude of the Islanders. If we cannot sell it to them, it is hopeless. If we can sell it to them, the opposition here at home will have but little straw to make bricks with. I believe it can be sold to the Islanders, but I am not certain.

7. I therefore suggest we persevere. I suggest you avoid getting deep into the details of what we discussed when you see Sr Pastor in New York but you might ask for his views on the Geneva proposals, and say that you see the possibility of the British Government accepting an agreement on these lines as extremely difficult, but just possible: that it would help if he could agree to 200 years, not 99; that even then we are not sure that it would be acceptable to the Islanders. Perhaps you could stress the bleakness of the alternatives.

8. You could tell him that once we are both agreed that this constitutes a possible way forward I will need to go to the Islands and see what the prospects are for them to agree to a solution along these lines.

9. If he asks for more concessions from us, you could say that that is unthinkable. But I suspect that he will not push for further concessions from us.

10. We are required to report to OD. In a way this might be better done verbally, since I am frightened of a leak from that source. It is too late to do this before your visit to New York. I suggest that the best time would be after you have had your meeting with Pastor, when we know their reaction to Geneva.



Nicholas Ridley

cc: LPS
PUS
Mr Day
Mr Harding o.r.
Mr Fearn