

6/1/80

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I doubt whether the precedent referred to below is cast-iron. He shall have to scrutinise it v. carefully.

Mr Harding
PS/Mr Ridley

PS
Thank you

cc
PS/LPS
PS/PUS
Mr Day

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Harding
" saw.

FALKLAND ISLANDS: OD MEETING: 7 NOVEMBER 1980

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1. Since my submission of 4 November (below), our Ambassador in Buenos Aires has reported that the Argentine Junta have already been consulted on the leaseback proposal and have endorsed it. I therefore submit revised speaking notes for use in OD.

2. It is not clear why Comodoro Cavandoli should not have confirmed the Junta's position to us at an earlier stage. But his present advice is quite specific. If therefore OD give the green light, the way seems clear for the next step of consulting the Islanders.

3. Mr Ridley has suggested, on my submission of 4 November, that there might be interest in OD in the exploitation of any oil in the Falklands Continental Shelf.

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[REDACTED] But it should be open to us to insist that British companies are given the lion's share of exploration/exploitation rights and thus to ensure that profit accrued to the UK. With the Department of Energy we are looking into the possibilities for an appropriate oil regime for the Falklands.

P. R. Fearn

P R Fearn
South America Dept.

5 November 1980

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Ridley
c/u

FALKLAND ISLANDS: OD MEETING: 7 NOVEMBER 1980

POINTS TO MAKE

CONFIDENTIAL TALKS WITH ARGENTINES IN SEPTEMBER OPENED UP PROSPECT OF LEASEBACK SOLUTION

1. Proposals outlined, based on transfer of sovereignty and leaseback, with joint development of resources. Made clear that proposals ad referendum to Cabinet and dependent on Islander concurrence: and that no decisions taken.

ARGENTINE REACTIONS FAVOURABLE

2. This confirmed by Argentine Foreign Minister in New York. Outgoing President in favour, as are Junta.

LENGTH OF LEASE ONLY IMMEDIATE DIFFICULTY

3. 99 years realistic term if Islanders are to agree. Argentines will want something less. No apparent Argentine interest in Dependencies: but any eventual solution will need to cover them.

SHOULD CONTINUE TO WORK FOR SOLUTION ON THESE LINES

4. No other obvious solution which does not involve continuing risks and expense for us and uncertainty for Islanders.

NEXT STEPS: NEED TO GET LEASEBACK CONCEPT FIRMLY ACCEPTED AS BASIS FOR NEGOTIATION BEFORE CHANGE OF PRESIDENT AND GOVERNMENT NEXT MARCH

5. Capitalise on existing good climate. Otherwise may have to start all over again in less favourable circumstances. No need to settle details now: only to get agreed basis for formal negotiation.

NEED TO GET ISLANDERS' VIEWS NOW

6. Mr Ridley should visit Buenos Aires and Islands later this month. Will be very difficult to persuade Islanders that proposals are in their best interests. But they must be realistic.

/IF ...

IF ISLANDERS AGREE, THEN PUBLICLY PROPOSE FORMAL NEGOTIATIONS, WITH ISLANDERS PRESENT

7. Negotiations to discuss leaseback and work out details. Would probably take considerable time: but this need not matter.

PROPOSALS, ONCE PUT TO ISLANDERS, LIKELY TO BECOME PUBLIC KNOWLEDGE

8. Essential to be seen to be consulting Islanders fully and taking account of their views. If Islanders agree, can counter domestic and parliamentary criticism; if they do not, cannot proceed anyway.

IMPORTANCE OF MAINTAINING SECRECY OF PRIVATE TALKS WITH ARGENTINES

9. These known only to small circle in UK and Argentina.