

Secretary of State



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1 Tel. to usme

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FALKLAND ISLANDS : NEXT STEPS

1. Mr Ridley has seen Mr Fearn's submission of 16 December, and Mr Harding's minute of 18 December. He has also discussed the substance with them.

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2. On the question whether a further meeting should be held with the Argentines before the change of Government in Buenos Aires, Mr Ridley at present shares Mr Harding's views. But there is no need to reach a definitive conclusion yet, and he agrees with Mr Harding that we should consult HMA Buenos Aires. Meanwhile he recommends that the telegram of instruction to Mr Hunt should issue as drafted.

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K D Temple
PS/Mr Ridley

- cc: PS/LPS
- PS/PUS
- Mr Day
- Mr Harding
- Mr Fearn

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ALW 040/325/10

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PS/Mr Ridley

[FALKLAND ISLANDS:

1. I agree with the instructions to the Governor, though I am not sure that he needs them. Mr Hunt has shown himself to have a remarkably good grip of a singularly tricky problem (his latest despatch, on Mr Ridley's visit, is attached).

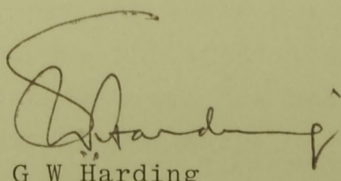
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2. I am not at all sure about the second contingent recommendation about postponing discussions with the Argentines until after the change of Government in Buenos Aires. The present Air Force team at the Foreign Ministry have shown unexpected prudence and good sense in their dealings with us on this complex issue. The Secretary of State is, we know, much admired by Brigadier Pastor; and the Minister of State has undoubtedly won the personal confidence of Comodoro Cavandoli. If and when we have to break to them the unpleasant news that the Islanders will not stomach lease-back, even as an avenue for exploration at the negotiating table, we shall need to draw on whatever goodwill we can muster on the Argentine side. The Air Force team would, I am pretty sure, do their best to present such a disappointing reply to the Junta in sympathetic terms. Thus, we might hope for a breathing space to allow the idea of lease-back to gain acceptance both in the Islands and here in the UK (as I am sure it will). If, on the other hand, we wait until after the change of Government, we shall have made the Air Force team appear to be the victims of our perfidious strategy: and we shall have to approach the new administration cold, in every sense of the term.

3. At the least, I think that the Minister of State should, even in the case of a 'no' from the Islanders, offer to meet Comodoro Cavandoli for another round of negotiations, with Islanders present. The aim of such a meeting would be to maintain contact with the Argentines and at the same time to expose the Islanders to the full force of Argentine reactions to their 'no'. The Argentines, for their part, will have a very awkward hand to play vis-a-vis their domestic opinion and it will be in our interests to help them play it sensibly. We shall have a better chance of doing so with Pastor and Cavandoli than with their untried successors.

4. I think we should seek Mr Williams' views on this important tactical question. The Minister of State may wish to discuss before the draft telegram issues.



G W Harding

18 December 1980

- cc PS/LPS
- PS/PUS
- Mr Day
- Mr Fearn

18/12

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Mr Harding
 PS/Mr Ridley
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 Mr Day

See '10' file
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FALKLAND ISLANDS: NEXT STEPS

Problem

1. Present indications are that majority opinion in the Falkland Islands is against the leaseback option. We need to instruct the Governor on how he should play his hand with Island Councillors. We also need to consider how to deal with the Argentines if the Islanders come out against leaseback.

Recommendation

2. I recommend that we should instruct the Governor to seek to discourage Councillors from closing off any options. I submit a draft telegram. I also recommend that, if the Islanders come out at this stage against exploring leaseback in negotiations, we should (unless there is overriding pressure from the Argentine side) try to defer any further formal discussions with the Argentines until after the change of Government in Buenos Aires at the end of March.

Argument

3. The Falkland Islands Joint Councils are due to meet on 6 January to give their reactions, on the basis of their own consultations with the Islanders, to the ideas put to them by Mr Ridley during his visit. Since the Christmas and New Year holidays leave comparatively few working days between now and then, we need to prepare now for the meeting and its consequences.

4. It appears increasingly likely that Island Councillors will come out against early negotiations on the basis of leaseback.

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There may be some inclination instead to favour negotiations on a freeze to the dispute, which was another of the ideas discussed with them by Mr Ridley during his visit. The freeze does of course have obvious attractions for the Islanders, but it has already been rejected by the Argentines in previous negotiating rounds. Nor, unless it were for a very long period, would it do anything to remove the uncertainty which is blighting the economy of the Islands. But, if Islanders asked us to pursue the option, we would have to go through the motions of putting it to the Argentines.

5. The Governor cannot of course control the Islanders' decision, but he is in a position to influence its formulation. The important considerations are the following:

- (a) any decision taken on 6 January (unless it were, against the odds, to favour leaseback) should not be regarded as closing the matter. Debate must continue. It would be better for Councillors to take no decision than to take a negative one;
- (b) the door must be left open for further discussions with the Argentines;
- (c) the leaseback option should not be ruled out for all time.

The draft telegram puts these points to the Governor.

6. Assuming a negative position by the Islanders or a wish to see a freeze explored, we shall need to be prepared with a line to take with the Argentines. In such circumstances, there would be little advantage to us in further discussions with the present Argentine Government. The British side in any such discussions would find itself with nothing concrete to say except perhaps to put forward the freeze option and have it firmly rejected.

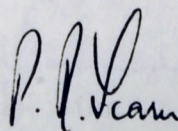
7. The result would be that we should be left with no material at all for discussions with the new Argentine Government

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When it takes office at the beginning of April. The door would be effectively closed and the new administration might be put under early pressure to raise the political temperature. It would seem better - and presentationally understandable given the Argentine holiday season and the lame duck nature of the present government - to make clear our readiness to undertake a further round of discussions after the new Argentine Ministers have settled in and have been able to educate themselves about the dispute. At that stage, the meeting with the Argentines could take the form of a stocktaking following our consultations with the Islanders, possibly again with the freeze option on the table, but with more the feeling of opening a new chapter than of closing an old one. At the least, this way of proceeding would help to keep the ball in play and to deter the Argentines from reverting to a hard-line policy.

8. While it would temporarily take the pressure off the Islanders and slacken the internal debate, this course would have advantages domestically in reducing the profile of the Falklands issue: and it is likely to be the case that acceptance of the leaseback concept both in the UK and in the Islands will require time and patience. Conversely to move quickly to a further round of talks with the outgoing Argentine government, in the absence of a clear mandate from the Islanders, might only stiffen parliamentary hostility and suspicion.

9. It may be that whatever the outcome of the Islanders' deliberations, we shall be faced with overriding pressure from the Argentine side for another round of talks before the present government leaves office. But postponement would be vastly preferable from the British point of view.



P R Fearn
South America Dept.

16 December 1980

/ PS/Mr Ridley