

FALKLANDS: LINES OF ACTION

Minister will be asked to consider various proposals from this. (1)

1. Sir A Parsons will advise on action in the Security Council to follow up the resolution of 3 April. Subject to his advice, a sanctions resolution might be a useful device: but the American hostages precedent suggests that it would be vetoed by the USSR.
2. Our immediate action outside the UN might be to ask our friends to bring the seriousness of their position home to the Argentine Government, and help us to avoid use of the Task Force, by taking such measures as:-
  - (a) Political
    - (i) Recall of Ambassadors for consultation (an effective demonstration if sufficiently widespread);
    - (ii) condemnation in the OAS (USA to initiate, directly or indirectly);
    - (iii) embargo on supply of arms and military equipment.
  - (b) Economic/Financial/Commercial (Mr Bayne's minute of 3 April)
    - (i) Freezing Argentine assets (unlikely);
    - (ii) denial of ECGD-type credit (EC, USA, Japan, Commonwealth);
    - (iii) embargo on trade, or raising of tariffs on Argentine products (most effective on EC basis under Article 224 of Treaty of Rome);
    - (iv) denial of new loans (Group of Ten).
3. The quicker such actions are taken, the heavier their cumulative effect: but this may well not be sufficient to bring the Argentine Government down, or force it to withdraw, before the Task Force reaches the area.
4. In this situation, some of our friends will argue that there must be an element of compromise. The Argentines would be unable to accept that the status quo ante should be restored, in circumstances short of a naval disaster. Although, therefore, we might not wish to initiate compromise proposals, we shall have to be ready at least to take a view of conciliatory initiatives by other governments.

5. Such initiatives might include suggestions for:

- (i) arbitration proceedings, on a basis to be negotiated;
- (ii) receipt by the Security Council of an advisory opinion by the International Court of Justice (ICJ);
- (iii) an appeal by the parties to the ICJ; (see Mr Williams's minute of 3 April on (ii) and (iii) above);
- (iv) the resumption of bilateral negotiations.

6. Any of these initiatives might include proposals for temporary administration of the Falklands by eg the UN or an arbitrating power, following Argentine withdrawal.

7. In considering such proposals, we need to take account:

- (a) of the wishes of the inhabitants, who cannot reasonably be consulted again until the Argentines have withdrawn;
- (b) the risk that arbitration or legal proceedings might go against us; and
- (c) the probable future cost of maintaining our position in the Falklands if it is fully restored.

8. In the short term, we must hope to keep well meant proposals in play, while concentrating our friends' attention on maximising pressure against Argentina for withdrawal. For the longer term, some new ideas for the future of the Falkland Islands and Dependencies, which we can consider seriously may emerge from these events.

4 April 1982