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TITLE: UK / ARGENTINE DISPUTE OVER THE -ALKLAND ISLANDS

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TITLE: UK/ARGENTINE DISPUTE OVER THE FALKLAND ISLANDS - OD PAPERS

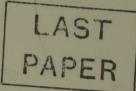
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| 1979 | 5 | 20 September | Minute Carrington/Thatcher | Falkland Islands |
| | 10 | 24 September | Lyne to Duggan | Falkland Island options |
| | 11 | 24 September | Minute Watkins/PM PS/Mr Ridley | Cost of Forces on Falklands |
| | 13 | 25 September | FCO tel to UKMIS New York | Argentina and th |
| | 16 | 18 September | Minute Lyne/Duggan | Falkland Islands |
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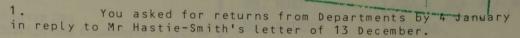
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| | 11 | 24 September | Minute Watkins/PM PS/Mr Ridley | Cost of Forces on Falklands |
| | 13 | 25 September | FCO tel to UKMIS New York | Argentina and the Falkland Islands |
| | 16 | 18 September | Minute Lyne/Duggan | Falkland Islands |
| | 27 | 12 October | Cabinet OD Paper - options - Resumption of Anglo-Argentine talks | |
| | 28 | 15 October | 10 Downing Street, Alexander/ Walden | |
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CABINET: FUTURE BUSINESS



- 2. The only South America Department business likely to come before Cabinet Committee in the period January to April 1980 is:
 - (a) Policy on the Falkland Islands, on which early Cabinet decisions are required;
 - (b) As early as possible in January;
 - (c) OD.

P R Fearn South America Dept.

19 December 1979

Hel S. Amu

CABINET OFFICE 70 WHITEHALL LONDON SWIA 2AS

13 December 1979

01-93303030000 233 7280

T 04959

P Lever Esa Foreign and Commonwealth Office Downing Street West

MR. HURD

MR. RIDLEY

MR. BLAKER

MR. MARTEN

All under secretaries

MR. LUCE PS / Pus

All returns (uncluding nil returns) to Private please

All Heads of Dopartments The purpose of this letter is to seek your help on a forecast of future business which is likely to come forward from your Department to Cabinet or a Cabinet Ministerial Committee in the period January to April 1980. It would be helpful if your forecast could be in the form:-

- Subject (with an indication of how certain it is or upon what circumstances it is dependent).
- Month in which it is likely to come forward.
- Ministerial Committee involved.

Apart from the Defence White Paper which is a regular event during this period, other possible candidates are set out in the enclosure. May I please have your reply by 8 January?

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Anything dae!

- 1. Libyan Claims Dispute (FCO)
- Defence Sales to Libya (MOD)
- 3. Falkland Islands (FCO)
- UN Arms Embargo against South Africa (FCO) 4.
- 5. Military Assistance to Overseas Governments (FCO and MOD)
- 6. Political Progress in Northern Ireland (NIO)
- "Challenger" Tanks (MOD) 7.
- 8. Anglo-French Relations (FCO)
- 9. UN Peacekeeping Policy (FCO)
- 10. Hong Kong Extension of Land Leases beyond 1997 (FCO)
- 11. Taking of Reprisals in time of War (FCO)
- 12. Individual Reinforcement Plan (MOD)
- 13. Civil Hydrography (Department of Trade)
- 14. Belize Force Level (MOD)
- 15. Settlement with Guatemala over Belize issue (FCO)
- 16. Armed Bodyguards for Diplomatic Representatives Overseas (FCO)
 17. Aid Policy Review (FCO)
- 18. Termination of Association Status for Antigua, St Kitts-Nevis and Anguilla

MISC 7

- Strategic Deterrent (MOD)
 CTB National Seismic Stations (FCO)
 SALT III (FCO)
 Theatre Nuclear Forces and Associated Arms Control proposals (FCO and MOD).

14 DEC 1979

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TO PRIORITY BUENOS AIRES

TELEGRAM NUMBER 293 OF 12 DECEMBER

INFO PRIORITY PERSONAL FOR GOVERNOR PORT STANLEY.

FROM SAMD

MY TEL NO 238: FALKLAND ISLANDS

- 1. STRICTLY FOR YOUR OWN INFORMATION, YOU SHOULD KNOW THAT MINISTERS WILL NOW BE UNABLE TO CONSIDER POLICY ON THE FALKLAND ISLANDS AND ON NEGOTIATIONS WITH ARGENTINA UNTIL THE NEW YEAR.
- 2. THE MOST RECENT INDICATIONS IN YOUR TEL NO 379 SUGGEST THAT WE ARE UNLIKELY TO COME UNDER RENEWED ARGENTINE PRESSURE IN THE IMMEDIATE FUTURE. BUT YOU SHOULD OF COURSE REPORT ANY EVIDENCE TO THE CONTRARY.
- 3. THE GOVERNOR AT PORT STANLEY MAY WISH AS NECESSARY TO KEEP COUNCILLORS ABREAST OF WHERE MATTERS STAND.

CARRINGTON

LAST

FILES
SAMD
PS/MRRIDLEY
MR HARDING

Reference

M Boght Draft tel prev 000/325/A

Mr Duggan

Tr Duggan

Tr Cowling pl draft a tel as

NDEX 120E(1979

NDEX 120E(1979)

FALKLAND ISLANDS AND OD

- 1. I had a word with Mr Lyne on 7 December about the timetable for Falkland Islands discussion in OD. It is now clear that OD will not be able to take this before Christmas. We should therefore aim for as early a possible date in January and I should be grateful if you could contact Mr Hastie-Smith in the Cabinet Office to see what the possibilities are. It is, however, unlikely that a firm date in January can be set this side of Christmas.
- 2. Mr Lyne also suggested that we might like the Secretary of State to secure agreement to interim action (i.e. for us to be able to tell the Argentines that we agreed in principle to a Ministerial exchange early in the New Year) before discussion of policy regotiations in OD. I said that I thought this was not required, since present indications are that the Argentines continue to be fairly relaxed. We should, however, let Mr Carless and the Governor know where matters stand on timings and ask the former to keep us abreast of any signs of mounting Argentine pressure between now and mid-January. But with Christmas only two weeks away and the Argentine summer season about to start, this does not seem very likely.

P R Fearn South America Dept.

10 December 1979

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M Bryll lor can be lor can be man s of on his until a new Foreign and Commonwealth Office deals for 29 A D. You wined to disais me draft this needs to be put up Comornous. I hank that only main amendments care regarded to the Note Submitted for the canalled meding in Didoter - as in The attachment, There seems lille forced in fulle fullering. (Fearen Ma Layree. I have suggested amenter to pour 3. SPEAKING NOTE FOR SECRETARY OF STATE AT ON

191 M 090/825

FALKLANDS SLANDS

- 1. The last Government was involved in ongoing talks with the Argentines about the future of the Falklands. By agreeing now to resume these talks in our own time and on our own terms, we would be able to keep the initiative rather than be forced to react to Argentine pressures.
- We should not be rushed on this, but ultimately we need to reach some settlement with Argentine if (a) the Falklands are to achieve sufficient stability to attract investment and release us from the need to give substantial and permanent aid, (b) we are to avoid massive defence expenditure, (c) we are to ensure for ourselves and the Islanders a share of the region's resources (possibly including oil) which no-one can exploit while the quarrel persists, and (d) we are to maximise profitable trading relations with Argentina. To this end, I would intend to ask Nicholas Ridley to meet his Argentine [March April] opposite number before the end of the year.

3. It is too early to say what a final settlement might be but some sort of leaseback arrangement, under which the Argentines got nominal sovereignty (which might meet their prestige requirement) while the Islanders continued for the foreseeable future to live under British rule (which is what matters to them) might be explored in due course.

Meanwhile we are about to exchange Ambassadors with Argentinas this has already been announced and mot evoked any great excitement. In our public statements about the talks we would merely explain that we were resuming these with the consent of the Islanders, and no dramatic developments were imminent.

(which would satisfy him essence of claim; for which his have all? John Lahn American State

Mr Fearn

OD: FALKLAND TSLANDS

We arranged for OD to have its long-awaited discussion on the Falkland Islands on 3 December, in the hope that by then the Lancaster House Conference would be safely out of the way and Ministers would have more time to devote to other matters. However, it now seems certain that we shall still be involved in the concluding stages of the Conference next week; or if it has concluded, that it will not have done so in time to allow for proper consideration of the Falkland Islands. The Secretary of State therefore does not wish to take the Falkland question through OD as soon as 3 December. I have informed the Cabinet Office of this. I also said that we did not wish to postpone the discussion for longer than necessary, as we were concerned about the possibility of adverse reactions from the Argentine Government to our inability to negotiate with them. The Cabinet Office hope to be able to arrange for OD to discuss the Falklands in mid-December, probably in conjunction with one other item.

When we have a new date, we should reconsider circulating to OD the draft minute attached to your submission of 23 November.

(R M J Lyne)

27 November 1979

cc:

PS/LPS
PS/Mr Ridley

PS/PUS

Mr Harding

Mr Hastie-Smith, Cabinet Office

winte CONFIDENTIAL

Secretary of State

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amend and in the

letter to the RM

No amendment P.

DD Paper R

Copies attached for: PS/LPS PS/PUS

FALKLAND ISLANDS: OD CONSIDERATION

Problem

1. OD is to discuss policy towards Argentina in our dispute over the Falkland Islands on 3 December.

Recommendation

2. I <u>recommend</u> that the Secretary of State should minute the Prime Minister and his OD colleagues as in the attached draft.

Background and Argument

- Flag A 3. The Secretary of State circulated a memorandum (OD(79)31) on 12 October as a basis for discussion by OD on 17 October. The Flag B Prime Minister asked, however, that this should be postponed until after the end of the Lancaster House Conference. The Prime Minister Flag C has since agreed that OD should resume consideration of this matter at its meeting on 3 December.
 - 4. The policy options set out in the Secretary of State's memorandum of 12 October remain unchanged. The annexes to the memorandum also remain valid, except for a few minor details (viz. Annex 4, para. 4(ii): GEC have lost the nuclear equipment contract; Annex 7, para. 6: licensing revenue would in practice be much less than £7.5 million).

- There are, however, two subsequent developments of which the Secretary of State should inform his colleagues: the decision to restore Ambassadors with Argentina; and the invitation to the Minister of State from his Argentine counterpart for an informal exchange of views.
- 6. The JIC are also preparing an updated assessment of the Argentine threat to the Falkland Islands (examined in Annex 5 to the OD paper). The JIC have undertaken to circulate this assessment before 3 December. This meets the suggestion previously made by the Lord Chancellor.
- 7. A Speaking Note for the Secretary of State's use at the OD meeting on 3 December will be submitted nearer the time.

P R Fearn

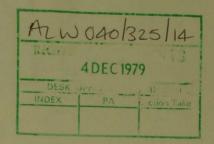
South America Dept.

23 November 1979

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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

30 November 1979

C C Bright South America Department Mr Harding Good Week

Mr Fearn O.r.

CC

Mr Cowling

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be able to do
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circulate it
be fore the weekend

OD CONSIDERATION OF THE FALKLAND ISLANDS

- 1. The Private Secretary, Mr Lyne, tells me that the Falklands item is now inscribed on the agenda for OD on 3 December. It will be taken as the second item and will follow what is expected to be a lengthy discussion on Defence Policy.
- 2. Mr Lyne proposes that the Secretary of State should now minute to the Prime Minister, copying to OD colleagues, next week, informing them of the 3 December schedule and making OD colleagues aware of any recent developments e.g. the Argentine Deputy Foreign Minister's invitation to Mr Ridley. The minute could also mention the JIC assessment which we have commissioned.
- 3. Mr Lyne's proposal is predicated on the previous paper still applying. We are urgently checking this to ensure that it still suffices. I think it probably does.
- I have warned the JIC of this timetable and they are seeking to accelerate the process so that the will be ready in time for 3 December. We are separately sending a copy of the assessment to Mr Carless in Buenos Aires for his comments.

1 ggan

G A Duggan South America Dept.

21 November 1979

be spoke + gred that we moved and for Submidering:

(a) Appl minute by mis weekend

b) Speaking usbe by close of May 28 November.

Byla



ANGLO/ARGENTINE RELATIONS

The Prime Minister has seen your letter to me of 12 November about resuming discussion of the Falkland Islands in OD. The Prime Minister agrees that the discussion should be resumed but does not wish to do so before the European Council meeting in Dublin. The Cabinet Office are, I believe, thinking of having a meeting of OD in the middle of the week after Dublin.

I am sending a copy of this letter and of yours to Martin Vile (Cabinet Office).

Your ever Pulhael Alexander

Roderic Lyne, Esq., Foreign and Commonwealth Office.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

12 November 1979

Dam Michael,

Anglo/Argentine Relations

In your letter of 15 October, you said that the Prime Minister had asked that discussion of the Falkland Islands by OD on 17 October should be postponed until after the Rhodesian issue had been settled. I spoke to you about this shortly afterwards.

When the Foreign and Commonwealth Secretary saw the Argentine Foreign Minister in New York at the end of September Brigadier Pastor suggested a "programme of work", which included Mr Ridley meeting with the Argentine Deputy Foreign Minister twice a year very informally with an open agenda, switching to official meetings when there was something agreed to be formalised.

The Argentine Charge d'Affaires called on Mr Ridley on 2 November to convey an invitation from the Deputy Foreign Minister, Commodore Cavandoli, to meet him in New York in the next week or so. The meeting would be informal, with no agenda, and would be aimed at enabling the Ministers to become better acquainted in advance of further Falkland discussions.

We do not know for sure why the Argentines have suggested this meeting at this time. We have repeatedly made clear to them that we are not yet ready to discuss the Falkland Islands question. There is some possibility that the Air Force, now in charge of the Argentine Foreign Ministry. wants to be able to show that they are doing no less well than their Navy predecessors and that discussions with us on Falklands matters are in progress. If this were to help them keep their wilder military colleagues in check, so much the better for us.

To decline this invitation runs the risk of awakening Argentine suspicions that we are simply stringing them along. This carries with it the danger of their doing something unpredictable. However, we are not in favour of a meeting which has no substance: the Argentines would want to talk about the Falkland Islands and there is clearly as yet nothing for us to say. Total silence on Mr Ridley's part would hardly make for a constructive meeting. Mr Ridley has, therefore. with the Secretary of State's agreement, sent the Argentine Deputy Foreign Minister a polite but gentle message of regret. We hope that this will hold the position for the time being; but pressure on us to enter into substantive negotiations may soon increase. Lord Carrington hopes that it will be possible for OD to take decisions on the Falklands by about the end of November so that we shall be able to open negotiations at a



time of our own choosing.

Downs been Thus

(R M J Lyne) Private Secretary

Michael Alexander Esq 10 Downing Street LONDON -0

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FM PORT STANLEY 241324Z OCT 79
TO PRIORITY FCO
TELEGRAM NUMBER 197 OF 24 OCTOBER
INFO BUENOS AIRES



YOUR TELNO 238 TO BUENOS AIRES: FALKLAND ISLANDS

1. WHEN COUNCILLORS WERE TOGETHER LAST WEEK FOR A JOINT MEETING,
1 TOOK THE OPPORTUNITY TO HAZARD THE GUESS THAT, BECAUSE OF YOUR
OTHER PREOCCUPATIONS AT THIS TIME, THEY MIGHT POSSIBLY EXPECT THE
NEXT ROUND OF ANGLO/ARGENTINE NEGOTIATIONS TO TAKE PLACE SOMEWHAT
LATER, RATHER THAN SOONER. I SPOKE AGAIN YESTERDAY AFTERNOON TO THE
STANLEY COUNCILLORS ON THE LINES SUGGESTED IN YOUR TUR. THEY
WERE WELL CONTENT. I SHALL PASS ON THE SAME MESSAGE TO THE
COUNCILLORS NOW BACK IN CAMP.

PARKER

FILES
S AM D
PS
PS/LPS
PS/MR RIDLEY
PS/PUS
MR HARDING

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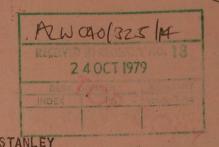
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TO IMMEDIATE BUENOS AIRES

TELEGRAM NUMBER 238 OF 22 OCTOBER

INFO IMMEDIATE PERSONAL GOVERNOR PORT STANLEY



FALKLAND ISLANDS

- 1. STRICTLY FOR YOUR OWN INFORMATION, YOU SHOULD KNOW THAT MINISTERS HAVE DECIDED TO POSTPONE FURTHER CONSIDERATION OF NEGOTIATIONS WITH ARGENTINA OVER THE FALKLAND ISLANDS UNTIL AFTER THE IMMEDIATE RHODESIAN ISSUED HAS BEEN SETTELED. WE SHALL PROBABLY NOT NOW BE ABLE TO HAVE A MEETING WITH THE ARGENTINES ON THIS QUESTION BEFORE CHRISTMAS.
- 2. ARGENTINE CHARGE CALLED ON MR RIDLEY ON 19 OCTOBER

 (TO PRESENT A FORMAL REQUEST FOR AGREMENT FOR THE ARGENTINE
 CANDIDATE AS AMBASSADOR). MR RIDLEY TOOK THE OPPORTUNITY

 TO EXPLAIN THAT RHODESIA AND THE LANCASTER HOUSE CONFERENCE
 WERE OCCUPYING ALMOST ALL MY TIME AND MAKING IT IMPOSSIBLE
 FOR ME TO GIVE DUE CONSIDERATION TO THE MATTER OF OUR TALKS
 WITH THE ARGENTINES. HE STRESSED THAT WE WERE NOT INTENDING
 ANY DELAY AND RECALLED THAT HE HAD TOLD COMMODORE CAVANDOL!
 IN JULY OF HIS WORRY THAT IT MIGHT TAKE SOME TIME FOR MINISTERS
 TO WORK OUT OUR POLICY. HE NOW FEARED THAT TALKS IN NOVEMBER
 WERE UNLIKELY. BLANCO ACCEPTED THIS BUT SAID HIS GOVERNMENT
 WERE ANXIOUS ABOUT THE TIMETABLE, ADDING THAT THE MFA WERE
 PLEASED THAT WE HAD PUT FORWARD A CANDIDATE FOR AMBASSADOR.
- 3. IF THE ARGENTINES ASK WHEN WE ARE LIKELY TO BE ABLE TO SUGGEST DATES FOR RESUMED TALKS, YOU SHOULD DRAW ON MR RIDLEY'S CONVERSATION WITH BLANCO AND REFER ALSO TO MY EXCHANGE WITH PASTOR IN NEW YORK. YOU SHOULD REASSURE THEM THAT IT IS NOT OUR INTENTION TO DRAG OUR FEET. YOU COULD MENTION OUR REQUEST FOR AGREMENT FOR OUR CANDIDATE AS AMBASSADOR AS A FIRM AND NOTABLE INDICATION OF OUR WISH TO SET RELATIONS ON A BETTER FOOTING.

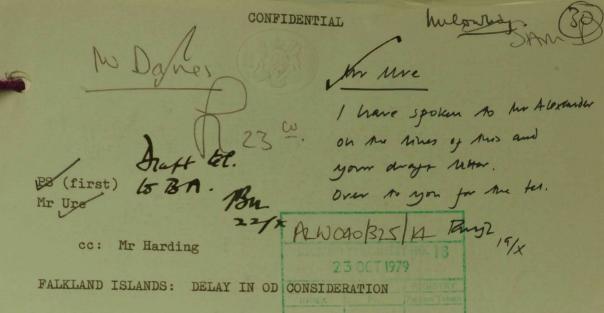
4. YOU SHOULD REPORT IF THERE ARE ANY INDICATIONS OF THE ARGENTINES SHOWING OVERT IMPATIENCE OR CONTEMPLATING ANY ACTION TO PRECIPITATE A MEETING.

5. THE GOVERNOR AT PORT STANLEY SHOULD LET COUNCILLORS KNOW OF THIS DELAY, PRESENTING IT POSITIVELY AS A CLEAR INDICATION OF MINISTERS' WISH NOT TO RUSH MATTERS UNDULY BUT RATHER TO GIVE THE FALKLANDS ISSUE THEIR FULL ATTENTION AND TO ENSURE THAT FALKLAND ISLANDERS' INTERESTS ARE VERY CAREFULLY WEIGHED IN REACHING POLICY DECISIONS.

CARRINGTON

FILES
S AM D
PS
PS/LPS
PS/MR RIDLEY
PS/PUS
SIR A DUFF
MR HARDING

2 CONFIDENTIAL



- 1. At Mr Ridley's meeting this morning with the Secretary of State, they discussed the delay in OD consideration of the memorandum circulated by the Secretary of State. They agreed that we had to accept that some delay was inevitable, but that every effort should be made to have it discussed as soon as possible.
- 2. Mr Ridley accepts that a meeting with his Argentine opposite number may not now be possible before Christmas. He took the opportunity of a call on him by the Argentine Chargé today (to present formally a request for agrément for the Argentine candidate as Ambassador) to warn Sr Blanco of the delay. He explained that the Rhodesia problem and the Lancaster House Conference were taking all the time and attention of the Secretary of State and his colleagues, and that it was impossible for the Secretary of State to concentrate on the problem of UK/Argentine talks. Mr Ridley stressed that we were not intending any delay; indeed he had said to the Argentine Deputy Foreign Minister in July that he was worried that it might take some time to work out our policy inter-Ministerially in London. Mr Ridley told Sr Blanco that he feared that we would not be able to have the talks in November. Sr Blanco accepted this, although he said that his Government in Buenos Aires were anxious about the timetable. But he confirmed that his Foreign Ministry was very pleased that we had now put forward a candidate for agrément in Buenos Aires.
- 3. In the light of these two conversations, Mr Ridley does not himself consider that a letter should issue to the Private Secretary at No. 10 on the lines of the draft attached to Mr Ure's submission of 17 October.
- 4. He also considers that the draft telegram to Buenos Aires should be re-worked in order to report to Mr Carless the exchange with Sr Blanco today.

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J W Yapp 19 October 1979

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Mr Harding

FALKLAND ISLANDS

Problem

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1. The Prime Minister has asked that discussions by OD of the Falkland Islands should be postponed until after the Rhodesian issue has been settled. What response is required?

Recommendation

2. I <u>recommend</u> that the Private Secretary write to No 10 pointing out the limits of delaying action if we are to avoid an adverse Argentine response; and that we instruct Buenos Aires to report if the Argentines appear to be getting restive. Drafts submitted.

hwakede Background and Argument

- 3. The Secretary of State found that the Argentine Foreign Minister was fairly relaxed in New York about the timetable for resuming the talks.
- 4. But despite the Foreign Minister's attitude, others have been less relaxed. We have been putting the Argentines off for a variety of reasons (impending General Election, new Government, etc.) for many months. Senior Argentine officials have been pressing us for an early preliminary meeting and when Mr Ridley was in Buenos Aires he was handed a sharply worded and importunate memorandum. We must also bear in mind that it is the Argentine military

commanders who have throughout been forcing the pace on the Falklands, and although Brigadier Pastor and Commodore Cavandoli have military backgrounds, they will find it difficult to sustain a moderate and slow-moving policy in the face of pressure from more powerful warlords.

5. For all these reasons I see dangers in too long or indefinite a delay.

Bure

J B Ure South America Department

17 October 1979

CONFIDENTIAL



The Prime Minister has seen the Foreign and Commonwealth Secretary's memorandum of 12 October on this subject. She has asked that discussion of the Falkland Islands by OD should be postponed until after the Rhodesian issue has been settled. She therefore does not wish to take the Foreign and Commonwealth Secretary's paper at Wednesday's meeting of OD.

Falkland Islands

I am sending a copy of this letter to the Private Secretaries to the other members of OD and to Martin Vile (Cabinet Office).

Jons ever Michael Adxander

G.G.H. Walden, Esq., Foreign and Commonwealth Office.

Sean Gurge, INDEX

CONFIDENTIAL

The Detailed Islands

The Prime Minister has seen the Foreign and Commonwealth Secretary's memorandum of 12 October on this subject. She has asked that discussion of the Falkland Islands by OD should be postponed until after the Rhodesian issue has been settled. She therefore does not wish to take the Foreign and Commonwealth Secretary's paper at Wednesday's meeting of OD.

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Jons ever Puhael Abxander

G.G.H. Walden, Esq., Foreign and Commonwealth Office.

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COPY NO 090/325

12 October 1979

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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

FALKLAND ISLANDS

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

- The Problem The Falklands are a British colony 350 miles off the coast of Argentina (Map: Annex 1). The 1,850 Islanders - mostly sheep farmers - are of British descent and wish to remain British. Argentina has a long-standing and active claim to the Islands. The Labour Government reopened exchanges with Argentina about the future of the Islands, including sovereignty (terms of reference at Annex 2). Argentina has been pressing us hard to continue these negotiations; and we need to decide whether to do so, and if so with what intention.
- Background On historical and legal grounds (Annex 3), we are 2. confident that our sovereignty is soundly based. Nothing in the negotiations so far has eroded this. Equally, no progress has been made. Nicholas Ridley visited the Islands in July to form a first-hand impression and to reassure the Islanders that no solution of their problem would be brought before Parliament unless it had their backing; they are not averse to our continuing talks with Argentina; they are open for an acceptable settlement to be found. Meanwhile Argentina, under a militaristic regime, might at any time subject us to economic pressures (Annex 4) or political and military harassment (Annex 5); although the Argentine Foreign Minister spoke reasonably to me in New York last month (Annex 6).
- 3. Our objectives in the dispute include the following:
- to defend the right of the British settlers to remain under British administration
- ii) to end a dispute which is damaging to the economy of the Islands (Annex 4) and to our trade with Argentina (Annex 5), damaging to international relations (most of the UN vote against us) and which could provoke a bitter political controversy at home (eg over the action to be taken following an Argentine assault).
- iii) to ensure that the UK derives advantage from the economic resources of the area: possibly oil and certainly fish (Annex 7).

CONFIDENTIAL SECRET

Argentine objectives appear to include:

- achieving nominal sovereignty for reasons of national pride. The Argentines do not seem to want to "colonise" the Islands.
- ii) securing a share of the offshore economic resources
- iii) a possible <u>non-national</u> objective in providing a cause to further the ambitions of individual Argentine officers.
- 5. Three broad options appear open to the UK:
- we could refuse to talk to the Argentines and opt for a would-be "Fortress Falklands". This would almost certainly cause them to cut off vital supplies (eg fuel) and communications (air services) and possibly to harass British shipping. The Islands would be condemned to economic decline and would become a heavy burden on the British aid budget. There would be a serious threat of Argentine invasion, which would require the long-term commitment of substantial British forces (Annex 8).
- b) we could talk to the Argentines but refuse to make any concessions on sovereighty. This would lead to a break-down of the talks, probably sooner rather than later, and reversion to option (a)above.
- c) we could adopt a more constructive approach. The Argentines will demand sovereignty. We could explore with them various arrangements (Annex 9) as a way of keeping the negotiations going, while preserving our essential interests (paragraph 3). We would seek agreements on economic co-operation to the benefit of both sides, paving the way for profitable developments in the South West Atlantic and Antarctica. The lack of political settlement is preventing the exploitation of possible resources such as oil and fish.
- 6. <u>Conclusion</u> I therefore invite my colleagues to agree that the FCO should resume talks with the Argentines at Ministerial level. The purpose of the talks in the first instance would be to explore, without commitment, political and economic solutions. I would then propose to report back to the Committee and would consult on all matters of concern to other Departments. We would seek not to rush matters: so long as the Argentines believe we are negotiating seriously, they will desist from precipitate action. Publicly, we would merely announce that we were continuing a series of talks already in being.

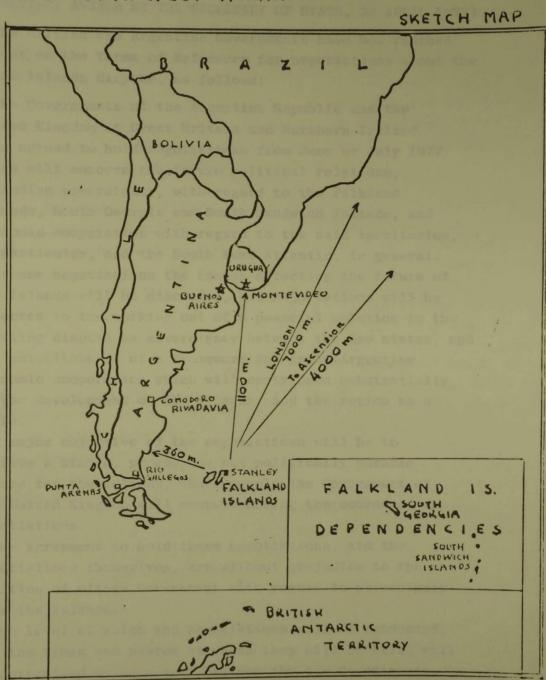
Foreign and Commonwealth Office 12 October 1979

FALKLAND ISLANDS

LIST OF ANNEXES

| , | 1 | 1 | Map of Falkland Islands and the South-West Atlantic |
|---|---|---|---|
| | 2 | | Falkland Islands: Terms of Reference for Negotiations (written Parliamentary answer by the then Foreign Secretary, 26 April 1977) |
| | 3 | | The British and Argentine Historical and Legal Claims to the Falkland Islands and Dependencies |
| | 4 | | Economic Hostages to Fortune |
| | 5 | | The Argentine Threat: Political and Military |
| | 6 | | UKMIS New York telegram no. 1132 of 26 September on the Secretary of State's discussion in New York with the Argentine Foreign Minister |
| | 7 | | Maritime Area: Economic Potential |
| | 8 | | Implications of Defending the Falkland Islands |
| | 9 | | Falkland Islands: Sovereignty Options. |

THE SOUTH-WEST ATLANTIC



FALKLAND ISLANDS: TERMS OF REFERENCE FOR NEGOTIATIONS (WRITTEN PARLIAMENTARY ANSWER BY THE SECRETARY OF STATE, 26 APRIL 1977)

The British and Argentine Governments have now reached agreement on the Terms of Reference for negotiations about the Falkland Islands dispute, as follows:

The Governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland have agreed to hold negotiations from June or July 1977 which will concern the future political relations, including sovereignty, with regard to the Falkland Islands, South Georgia and South Sandwich Islands, and economic cooperation with regard to the said territories, in particular, and the South West Atlantic, in general. In these negotiations the issues affecting the future of the Islands will be discussed, and negotiations will be directed to the working out of a peaceful solution to the existing dispute on sovereignty between the two states, and the establishment of a framework for Anglo-Argentine economic cooperation which will contribute substantially to the development of the Islands, and the region as a whole.

A major objective of the negotiations will be to achieve a stable, prosperous and politically durable future for the Islands, whose people the Government of the United Kingdom will consult during the course of the negotiations.

The agreement to hold these negotiations, and the negotiations themselves, are without prejudice to the position of either Government with regard to sovereignty over the Islands.

The level at which the negotiations will be conducted, and the times and places at which they will be held, will be determined by agreement between the two Governments. If necessary, special Working Groups will be established.

THE BRITISH AND ARGENTINE HISTORICAL AND LEGAL CLAIMS TO THE FALKLANDS ISLANDS AND DEPENDENCIES

HISTORICAL

A: THE BRITISH CLAIM

- 1. The British title rests primarily on Britain having acquired certain prescriptive rights by virtue of 146 years (i.e. since 1833) of open, continuous, effective and peaceful possession, occupation and administration of the Islands.
- 2. Before 1833, the situation as regards discovery, occupation and title was confusing: the first British settlement was established in 1765-6 at Port Egmont (West Falkland Island) by Commodore John Byron who took formal possession of the harbour 'and all the neighbouring islands' for King George III; in 1767 the French (who had previously established a settlement) sold their rights to Spain; in 1770 the British were expelled by a Spanish force but Spain subsequently agreed to a return to the status quo. Britain withdrew her settlement in 1774 for reasons of economy but, like Spain, maintained her title to the Islands. Spaniards retained a small settlement until 1811. During the period of the emergence of an independent Argentina (1811-1820), the Islands were uninhabited and seem to have been regarded in practice as terra nullius. In 1820 the Buenos Aires government sent a ship to the Falklands to proclaim its sovereignty. A settlement was established in 1826 despite British protests. At its peak in 1829 the Argentine colony totalled about 100 people. In 1831, the Argentine fort was destroyed by US warships. By 1832 the settlement had been abandoned and the settlers had dispersed.
- 3. In 1833 Britain reassumed her exercise of rights of sovereignty in the Islands by sending a British warship to expel the remaining members of the Argentine garrison (total 35). British administration of the Islands was resumed; the first British Governor was appointed in 1843.

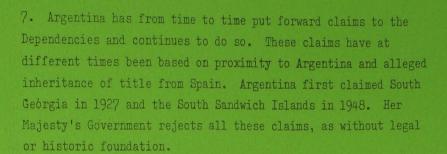
/B.

B. THE ARGENTINE CLAIM

- 4. Since Britain took possession in 1833, Argentina has protested that she is entitled to sovereignty over the Islands. Her claims are primarily based on the grounds that:
 - a) she has inherited Spain's previous titles to the Islands (Spain in fact appears not to have formally renounced her title or to have explicitly ceded it to Argentina).
 - b) she effectively occupied the Islands from 1820 to 1833 when they reverted to a status of terra nullius (in 1829 an Argentine Political and military governor was appointed);
 - c) the Islands belong to Argentina by right of geographical contiguity, since they are on the Argentine continental shelf;
 - d) the Islands' present colonial status is anachronistic;
 - d) the Islands' economy has been neglected and would benefit from close association with Argentina.
- 5. Argentina also argues that the initial forceful occupation and settlement of the Islands and the expulsion of Argentine nationals in 1833 vitiates the whole period of British possession thereafter, and cannot form a good basis for title.

C. THE DEPENDENCIES

6. The Dependencies of South Georgia (annexed by Captain Cook) and the South Sandwich Islands (discovered by Cook but not annexed until 1908), are administered by the Falkland Islands Government. There has been a British Government station on South Georgia since 1909; now the site of an all year round British Antarctic Survey Station.



D. TALKS

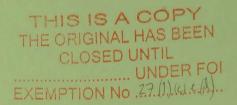
Anglo/Argentine exchanges on the Falklands date from 1966, following the December 1965 United Nations Resolution inviting both parties to hold discussions and to find a peaceful solution. The exchanges have been intermittent and have taken different forms. The most active periods have been 1967/8, 1972/3 and 1977/9. Differences over sovereignty have been central: we have never been able to get the Argentines to accept our view that sovereignty cannot be transferred against the wishes of the Islanders; we have refused to accept the Argentine formula recognising only the "interests" of the Islanders. On the other hand, there has been progress on practical measures to improve the lot of the Islanders through co-operation with Argentina. In 1971, agreements were signed on air and sea communications, postal services, education and medical facilities for Falkland Islanders in Argentina and customs measures. In 1974, agreements were signed facilitating trade and the carriage of goods between the Islands and Argentina and to allow the Argentine State Petroleum Company (YPF) to supply the Islands with petroleum products. that Argentine economic co-operation was essential for a

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International Court of Justice

- 13. The question of British sovereignty over the Falkland Islands and their Dependencies has not been submitted to the International Court of Justice or to any other international arbitration. Since Argentina has not accepted the compulsory jurisdiction of the International Court of Justice, any reference to the Court could only be made with the agreement of the Argentine Government.
- 14. In 1947 and subsequently HMG offered **t** submit the dispute over Argentine claims in the Dependencies to the International Court of Justice. In 1955 HMG applied unilaterally to the Court against encroachments on British sovereignty in the Dependencies by Argentina and Chile. However, the matter could not be pursued since both Argentina and Chile declined to submit to the Court's jurisdiction in the matter.



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ANNEX 4

ECONOMIC HOSTAGES TO FORTUNE

1. Measures of economic harassment/warfare against the Islands and against wider British interests represent a soft option which Argentina could implement without difficulty and at no great cost to herself. There are a number of possibilities.

Measures against the Islands

- 2. Argentina could blockade the Islands e.g.
 - i) abrogate the Anglo-Argentine Communications Agreement of 1971, cutting passenger links with the outside world and the air freight service. There is no feasible alternative to the air service and normal passenger services would cease;
 - ii) cease to provide fuel: alternative supplies could be provided, by the Falkland Islands Company or by the RN RFA which biennially tops up the Admiralty oil tanks at Port Stanley. A return journey by RFA would cost £0.4 million (£0.1 million real extra cost);
- iii) cut off supplies of food stuffs, cancel scholarships for Falklands children in Argentina (14 per year) and suspend medical co-operation (50-60 cases per year). Such facilities could only be replaced in the UK;
 - iv) interfere with British shipping to the Islands which are almost entirely dependent on the United Kingdom for their trade. Exports (almost entirely of wool) are marketed via the UK; 85% of imports originate from the UK. MOD have assessed that in such circumstances we should need to provide a Naval Task Force (consisting of a helicopter cruiser or guided missile destroyer, frigates, possibly a fleet submarine and supporting RFAs) periodically to escort shipping to the Islands. Each operation would

/take

take at least 6 weeks and would cost ± 4.1 million (real extra cost - essentially fuel - ± 0.4 million).

3. The effect of such measures, or a selection of them, would be cumulative. In the short term, life on the Islands would continue to be tolerable. But a prolonged blockade would have a disastrous effect on Islander morale.

Measures against wider British interests

- 4. Our economic interests in Argentina are as follows:
 - i) Trade: Argentina is our third largest market in Latin America. In 1978, UK exports were £114 million (5.7% of total import market). Argentina exports to UK in 1978 were £153 million. Our major exports are machinery, vehicles and transport and tele-communications equipment: Argentina could orchestrate industrial and/or bureaucratic action against such exports and could easily find replacements elsewhere. Our major imports from Argentina are meat, textiles and oilseeds. (Details attached);
- ii) Major contract business in prospect: GEC are bidding to supply turbines and associated equipment worth £100 million for a nuclear project in co-operation with the Canadians.

 GEC need the business badly;
- iii) <u>UK Investment</u>: British commercial assets (9% of total Argentine foreign investment) worth over £200 million could be expropriated. British investors include ICI, British Steel, GEC, Shell, Coates, Babcock and Wilcox;
 - iv) <u>Invisibles</u>: UK freight receipts from trade carried in British ships to and from Argentina total some £7 million annually;
 - v) Outstanding ECGD liability: Argentina has a good payments record but could renege on current outstanding ECGD liability amounting to £120 million on the Arms Account; and £71 million on the Commercial Account;

- vi) <u>Defence Sales Contracts</u>: could be cancelled, awarded to our rivals or continue to be out of our reach:
 - a) Signed £70 million (Sea Dart missile £30 m; Westland Lynx helicopters £35 m; Blowpipe missile system £5 m);
 - b) Under negotiation £45 m (Aircraft Head-up display equipment £10m; Ancillary equipment for frigates being built in West Germany £35 m);
 - c) 'In prospect £400m (Hawk jet trainer £100 m; Sea Harrier - £150 m; Mine counter measures vessels - £150 m);
 - frustrated f740 m: the Falklands issue influences sales in two ways. It is our policy still, where possible, not to supply equipment to Argentina with which they could threaten the Falkland Islands. In the last year, the sale of 2 Yarrow support vessels to the value of f40 million was not purused for this reason. On the Argentine side we are convinced that the issue was an important factor in our failure to land the contract in 1978 for the supply of 6 frigates (worth f700 m).
- 5. The British community in Argentina numbers some 30,000 of which over 17,000 hold British passports. Argentina's human rights record, past and present, is bad. Individuals could easily suffer harassment, if not worse.

UK-Argentina trade 1977 and 1978

"SOVERE THE YE

Value in £ thousand

| The state of the s | 1977 | 1978 |
|--|-------------------------|---|
| Imports from Argentina | 4400 | to ale |
| Meat and meat preparations | 32 980 | 46 711 |
| Fish, crustaceans, molluscs and pre- | | |
| parations | 3 0 1 5 | 2 667 |
| Cereals and cereal preparations | 11 122 | 3 793 |
| Vegetables and fruit | 2 071 | 2 572 |
| Coffee, tea, cocoa and spices | 8 170 | 3 771 |
| Tobacco and Iobacco manufactures | 991 | 1 928 |
| Oil seeds and oleaginous truits | 207 | 17 625 |
| Textile libres and their wastes | 22 581 | 21 792 |
| Metalliferous ores and metal scrap | 2 394 | 3.079 |
| Crude animai and vegetable materials n.e.s. | | |
| Fixed vegetable oils and lats | 2 534 5 757 | 1 390 |
| Organic chemicals | | 5 4 4 0 |
| Inorganic chemicals | 1 000 5 393 | 1 567 |
| Leather, leather manufactures, n.e.s. | 5 393 | 10 322 3 783 |
| Textile yarn, fabrics, made-up articles | 5 307 | 3 / 63 |
| n e s | 1 517 | 3 205 |
| Iron and steel | 869 | 7 116 |
| Office machines and automatic data | 609 | / 116 |
| processing equipment | 4 984 | 5 3 1 4 |
| Miscellaneous manufactured articles | 2 107 | 2 663 |
| Various | 7 275 | 8 453 |
| | | |
| Total imports | 120 574 | 153 191 |
| | | |
| | | |
| Exports to Argentina | | |
| Beverages | 3 590 | 4 858 |
| Organic chemicals | 4 735 | 2 982 |
| Dyeing tanning and colouring | | |
| materials | 3 026 | 1 129 |
| Medicinal and pharmaceutical pro- | | |
| ducts . | 2 769 | 2 313 |
| Artificial resins and clastic materials | 1 386 | 1 428 |
| Chemical materials and products | | |
| es | 4 248 | 3 142 |
| Paper and paperboard | 1 367 | 2 290 |
| Textile varn, fabrics, made-up anicles | | |
| n e s | 628 | 1 294 |
| Non-metallic mineral manufactures | | 100000 |
| n e s | 2 557 | 2 2 1 6 |
| ron and stee | 6.297 | 3 2 1 9 |
| Non-terrous metals | 2 406 | 3 093 |
| Manufactures of metal nie s | 1 364 | 3 088 |
| Power generating machinery and | 14 220 | 0.600 |
| quipment | 14 770 | 8 599 |
| Machinery specialised for particular industries | 12 803 | 18 089 |
| | | 200000000000000000000000000000000000000 |
| Metalworking machinery Sheral industrial machinery and | 1 095 | 2 890 |
| quipment n e s | 10 557 | 8 253 |
| Office machines and automatic data | 10 557 | 0 2 3 3 |
| rocessing equipment | 2 227 | 1 419 |
| | | 1.413 |
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ANNEX 5

THE ARGENTINE THREAT: POLITICAL AND MILITARY

Political

- 1. All Argentine regimes subscribe to the sovereignty claim over the Falkland Islands and Dependencies. The claim is not just a matter of law but of national honour and machismo. It fits in with military and nationalist pre-occupation with "sovereignty", inspired partly by fear (about national security) and partly by ambition (the historical rivalry with Brazil).
- 2. The Argentines ability to focus on the Falkland Islands issue is conditioned by internal and external factors.

 There are few current distractions. Internal subversion, the military's first target after the March 1976 coup, has been largely contained. Economic progress, though with problems about inflation, enabled the armed forces to undertake extensive arms purchases and orders in 1978 (estimated at \$2-4 billion)
- 3. Other foreign policy issues are less pressing. During 1978, Argentine attention was focused primarily on the dispute with Chile over the Beagle Channel. This came close to a shooting war, prevented at the last minute only by the intervention of the Vatican with its offer of mediation. The Vatican seems likely to play this process long and slow. Differences with Brazil and Paraguay over the exploitation of the hydro-electric potential of the Parana River, whose waters they share, are receding.
- 4. President Videla is moderate, given neither to gambling nor to flamboyant gestures. Although the Junta has the power to overrule him, he has in office been a force for moderation. He is due to retire in March 1981. His successor may be the Army Commander General Viola, also moderate, but he is also

/scheduled

scheduled to retire at the end of 1979. The Army will appoint successors to both but there will be extensive inter-service and intra-army jockeying for position and power. The Junta will resist any return to meaningful democratic processes, even though pressures may build up, fuelled by economic unrest because of inflation and pursuit of higher wages. Foreign success may be sought to bolster its position.

- 5. It was in similar circumstances of internal uncertainty in the months before the 1976 coup that Argentina came closest to military action against the Falkland Islands. Ambassadors were withdrawn. The Argentine Navy, under the hawkish Admiral Massera, sought to improve its internal standing by open threats, leading to the firing on the unarmed Royal Research Ship Shackleton. The establishment of a base on Southern Thule in the Dependencies took place in November 1976, after diplomatic exchanges which led to negotiations, had begun. The Argentine Navy has regularly sought to assert Argentine maritime sovereignty in the South West Atlantic, either by licensing mechanisms or by naval and air patrolling, including the use of force against East European trawlers. Admiral Massera retired in September 1978 but retains political ambitions. Since then, the Air Force has had control of the Foreign Ministry but faces increasing criticism for lack of progress on the Falklands issue.
- 6. The heat was only taken out of the Falklands dispute in 1976 when we showed a willingness to negotiate. The four rounds of negotiations which followed between 1977 and 1979 (Rome July 1977, officials; New York, December 1977, Ministers; Geneva, December 1978, Ministers; New York, March 1979, Officials) were based on the prospect of some deal on sovereignty being possible. We kept the Argentines in play only with difficulty and there was continuing suspicion among the Argentine officials about the genuineness of our intentions. The Argentines became increasingly impatient about British delaying tactics, although they were willing to accept that the imminence of a general election caused us difficulties.

They have since accepted that the new Government needs time to study the situation. But there is a limit to the time they will wait on us. They have already indicated this in the Aide Memoire given to Mr Ridley as he left Buenos Aires, in July, in which the March 1979 round was described as "a regrettable step backwards" and in which they stated "negotiations should be at a more dynamic pace".

Military

- 7. If the Argentines conclude that there is no prospect of real progress towards a negotiated transfer of sovereignty, there will be a high risk of their resorting to more forceful measures, including direct military action. Argentina has the capability to capture the Islands. In 1977, the Chiefs of Staff considered that Argentina could mount any of the following operations:
- A Seaborne landing at up to Brigade strength (using Marines alone) in Naval Transports and Landing Ships supported by up to six Destroyer/Frigates, one Cruiser, two Submarines and one Aircraft Carrier (operating helicopters and A/S aircraft).
- b) An air landed operation at up to Brigade strength supported by ground attack aircraft (about one hundred of various types are available).
- c) Harassment of British shipping with Naval surface and submarine units and/or aircraft. The Argentine Navy has a long range maritime air surveillance capability.
- 8. The Argentines could also without great difficulty occupy the uninhabited Dependencies (they retain the scientific station on Southern Thule, which we regard as illegal) and/or arrest the British Antarctic Survey Team based in South Georgia.

ANNEX 6

TEXT OF UKMIS NEW YORK TEL NO 1132 OF 26 SEPTEMBER: FALKLAND ISLANDS

- 1. The Argentine Foreign Minister called on you here this morning. He brought with him Carlos Ortiz de Rosas whom he introduced as his nominee for the post of Ambassador in London.
- 2. Brigadier Carlos Washington Pastor referred with satisfaction to the recent visits of Mr Ridley and of Argentinian officials to London. He mentioned his own memories of Britain and of British aircraft which he had flown. He described the expansion of the Argentine economy and said that this opened many possibilities for British industry, which had enjoyed a high reputation in Argentina since the British initiative on the railway in 1854.
- 3. Turning to what he described throughout as the Malvinas
 Islands, Brigadier Pastor said that there were two basic facts to
 be remembered. First, the Islands were along way down in British
 priorities but at the top of the list for Argentina. Second,
 the British view that the wishes of the Islanders must be considered
 was not shared by Argentina, which did however acknowledge that
 these must be taken into account. The task was to find a formula
 for a government to government solution having regard to this.
 Argentina approached this task with the best possible intentions
 and was sure there would now be progress, starting at once.
 - 4. Brigadier Pastor proposed what he called a programme of work at three levels:
 - a) our respective Foreign Ministries should keep in touch through Ambassadors: this contact should be at least weekly It followed that Ambassadors should be nominated as soon as possible.

- b) Mr Ridley and his Argentinian opposite number should meet twice a year very informally with an open agenda, switching to official meetings when there was something agreed to be formalised.
- c) The two Foreign Ministers should meet once a year at the UN General Assembly, but also perhaps elsewhere: he invited you to visit Argentina at any time.
- 5. You said it was sad for Britain that there was disagreement with a country with which Britain enjoyed a long tradition of friendship. The Minister had pin-pointed the difficulty for Britain. As with the similar case of Gibraltar, British opinion would not countenance any solution which ignored the inhabitants of the territories concerned. The problem was thus difficult, but you hoped it was not insoluble provided that each understood the other's position. You had to confess that the overriding problems of European Community affairs and Southern Africa had made it difficult for you to think deeply about the Falkland Islands. You had no solution at present. But you were considering the matter. You agreed that the two Ambassadors, once appointed, should be invited to deploy their imagination and experience on the problem.
- 6. I asked how Argentina planned to handle this matter at the General Assembly. Brigadier Pastor said that he would refer to it in his speech, but in a friendly manner. He did not plan any action going beyond this, e.g. in the Fourth Committee. I explained that if I were obliged at any stage to exercise my right of reply, it would be for technical reasons.
- 7. Brigadier Pastor asked what we and you should say to the press about the meeting. A form of words was agreed and telexed to News Department. This was to the effect that the Falkland Islands/Malvinas had been among the questions discussed, and that the intention of both sides was to proceed in the near future to the appointment of Ambassadors.

ANNEX 7

MARITIME AREA: ECONOMIC POTENTIAL

Oil

- do that. The uncertain political context of the Falklands dispute means that the oil industry would not risk the substantial investment involved.
- 2. The Ealkland Islands and Argentina are situated on the same continental shelf. The Argentines claim the whole of this shelf. The oil industry regard the shelf (both offshore Argentina and off the Falklands) as a potential prospecting area. Seismic surveys indicate the most promising area to be the Malvinas Basin which straddles the putative median line. If and when licences to explore and drill became available, the industry would be interested. But it is not a priority area because
 - a) water depths pose problems for existing technology (drilling should become feasible in the next 10/15 years);
 - b) the industry steer clear of areas where territorial disputes exist;
 - d) successful exploration/exploitation of the Falklands shelf would require a significant mainland base which would mean the agreement, if not direct involvement, of Argentina in any operation.

Fish

- 3. There are fish but distance poses problems.
- 4. The waters around the Falklands and their Dependencies have been fished on an increasing scale in recent years primarily by the Soviet Union, Poland and Japan. But there is less incentive for the British fishing industry, which has shown little interest,

/because

because, MAFF believe,

- a) domestic requirements for white fish are adequately met from our own waters; and
- b) a commercial fishery in the South West Atlantic would probably not be viable: frozen white fish from such a distance would have to compete with plentiful supplies from nearer at hand (e.g. North America, Içeland and Norway).
- 5. The White Fish Authority have examined the commercial possibilities and have concluded that British industry could fish these waters profitably only by using a fleet of freezer trawlers with a mother ship based in the Islands. But the industry's fleet of such vessels is at present gainfully employed in home waters. Moreover the industry say they would only undertake a venture around the Falklands if subsidised by Government.

Maritime Zones

6. Argentina regards these seas as hers. No 200 mile fishery zone around the Falklands and their Dependencies has yet been declared by the UK because of the dispute; Ministers decided that to do so would jeopardise the talks. We consider them high seas. This impasse currently lets in third country vessels. However, if a 200 mile fishery zone were declared, as much as £7.5 million per annum might theoretically accrue to the Islanders as licensing revenue; in practice, few would-be licensees would be likely to want to take a position in favour of such a unilateral declaration by actually making licence payments to the Falklands Government.

ANNEX 8

IMPLICATIONS OF DEFENDING THE FALKLAND ISLANDS

1. The Islands are some 7,500 miles from the UK and under 400 miles from the Argentine mainland. They are militarily indefensible against a full scale attack except by major diversion of our current military resources. This would cause considerable difficulties in fulfilling our other commitments (NATO, Northern Ireland and elsewhere.) Extra defence expenditure would also be involved.

Current Defence Measures

2. The Falklands are currently defended by a permanent detachment of 40 Royal Marines based in Port Stanley. They are supported in this during the Antarctic summer (roughly December to March) by HMS ENDURANCE, an ice patrol vessel with limited armament which provides a Royal Naval presence in the area as well as carrying out scientific work on behalf of the British Antarctic Survey. These measures cost the MOD some 3.5 million pounds per annum. They provide only a symbolic deterrent and would be effective only against small scale, adventurist incursions.

Measures to Counter Argentine Invasion Threat

- 3. To counter a sudden and serious maritime threat to the Falklands, the Dependencies or to British shipping in the area, the MOD has assessed that it would be necessary to deploy in the area a balanced Naval Force of the order of one guided missile destroyer, three frigates and supporting RFAs and, possibly, one nuclear powered submarine.
- 4. To provide a credible deterrent, in the face of an increased threat of military invasion, would require timely reinforcement of the current garrison by at least a force of an RM Commando Group and a Blowpipe Air Defence Troop.

5. Should the Argentines invade before a deterrent force is deployed, or if the deterrent force failed, recovery of the Islands would require a force of at least Field Force (formerly called a Brigade Group) strength. Such a force would require protection similar to or greater than the force mentioned in paragraph 3. At the very best such an expedition could not reach the Islands in under a month. The remoteness of the Islands, their limited airfield facilities and the fact that the only alternative airfields which could be used in cases of emergency are in Argentina would make reinforcement by air impossible and make re-supply extremely difficult.

Effects of Increased Defence Commitments

6. Such a diversion of our military resources would have farreaching effects. The commitment could be open-ended.
Reinforcement and re-supply of a garrison in a hostile
environment some 7,500 miles distant from home would present
major problems. The deployment of HM ships to the area would
have a progressively adverse effect on the availability of RN
resources for the Alliance. The deployment of a Field Force would
have significant implications for BAOR and for our planned
roulement of troops in Northern Ireland. It would further
exacerbate the problem of over-stretch in the Army. These
problems would get progressively worse the longer the force was
required to remain in the area. There could also be implications
for our national commitments in Hong Kong and Belize. Any long
term deployment could require additional manpower and equipment
not currently available to MOD.

Costs

7. Broad estimates of the financial costs are set out below. They have been calculated both on an operating cost basis to show the costs which equipment and forces in any event incur on existing duties; and on an extra cost basis to show the additional expense of a specific Falklands deployment.

| | Operating costs annually | Extra costs annually |
|---|--------------------------|----------------------|
| Balanced Naval Force (para 3) | £35m | £3.6m |
| RM Commando Group/Blowpipe Air Defence Troop (para 4) | £7.8m | £0.6m |
| Field Force (para 5) | £23m | £3m |

These costs do not take account of the following (which cannot be assessed without detailed study):

- a) to sustain the Balanced Naval Force in the area over a period could take at least three ships to maintain one ship on station
- b) capital losses and expendable war stocks
 - c) any additional naval or air support necessary for the deployed forces
 - d) deployment, long term accommodation and supply costs.

edictivity of the state present activity conditioned provide

ANNEX 9

FALKLAND ISLANDS: SOVEREIGNTY OPTIONS

I "Fortress Falklands"

- 1. This is the idea that we need make no sovereignty concessions to Argentina in that, if we stand firm, the Argentines will give way or, otherwise, we would be able to defend the Islands against any attack, direct or indirect. The concept is false. The Argentines are not going to give up a sovereignty claim they have maintained for decades.
- 2. The economic and military costs in attempting to defend and maintain our position in the Islands are looked at in Annexes 4 and 8. We could not expect support from anyone in adopting such a position, certainly not Chile, Uruguay or Brazil, to whom we have to look for alternative transit facilities. We are in a minority of one in the United Nations on this issue. The "fortress" concept would effectively prevent all developments of the Islands.

II Sovereignty "freeze"

3. This would require Argentine agreement to leave the sovereignty dispute in abeyance for a given period, say 30 years, at the end of which we would both review the sovereignty claim. There is nothing in this that would appeal to the Argentines, who want some early progress on the sovereignty front.

III Joint sovereignty or Condominium

4. The Anglo/French condominium of the New Hebrides is an example: co-sovereignty would have to lead eventually to co-administration. It would present extremely complicated problems. It would be unacceptable to the Islanders because it would involve Argentine intervention in their way of life in one form or another. It would probably be unacceptable to the Argentines in that it would involve their admitting the UK to a joint

/share

share of sovereignty which they want exclusively.

IV A "Mixed Approach"

5. We would seek to differentiate between territory, in which the Argentines are primarily interested, and people, which is the main burden of our concern. We would agree to concede sovereignty over the uninhabited Dependencies and the maritime zones to Argentina who would abandon her sovereignty claim over the inhabited Falkland Islands. This would be unacceptable to Argentina because it would not involve the concession of sovereignty over the Falkland Islands which they are seeking.

V Other Models

- 6. Two existing examples of shared sovereignty are:
 - a) <u>Spitzbergen</u> where Norway has sovereignty but other powers have the right of "economic access".
 - b) The Aaland Islands where Finland has sovereignty but the Islanders enjoy certain special rights reflecting their relationship with Sweden,

Neither would be acceptable to the Islanders, because they would involve an Argentine presence and intervention in their British way of life.

VI Leaseback

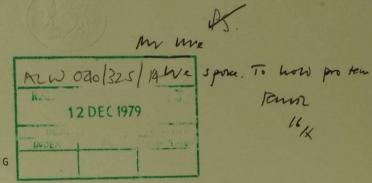
7. We would concede to the Argentines sovereignty over the Falkland Islands, the Dependencies and their Maritime Zones. Argentina would simultaneously give HMG lease over the Falkland Islands and South Georgia (where we have an Antarctic base) and their territorial waters and agree on equal co-administration of the economic resources of the Maritime Zones and seabed pertaining to all the Falkland Islands and Dependencies.

8. A perpetual lease would be best but the Argentines are most unlikely to agree to this. The term would have to be negotiated: we would try for say 99 years but might have to settle, as a last resort, for something shorter. If the period were short, it might be necessary to devise special arrangements to enable some of the Islanders to settle in the UK but, if the economy were to blossom in the period agreed, only a few people would be involved, particularly the older generation.

VII Arbitration and Mediation

- 9. The Argentines have consistently refused to have the dispute put to arbitration. Argentina has not accepted the compulsory jurisdiction of the International Court of Justice. Even if they did accept, arbitration would confront us with a decision that would either oblige us to hand over the Islands, without regard to the wishes of the Islanders; or confirm British sovereignty and arouse profound Argentine resentment, with serious results for our interests (see Annex 4). The Argentines refused to accept the 1977 decision of an International Court of Arbitration on their dispute with Chile on sovereignty over the Islands in the Beagle Channel.
- 10. There is little possibility of a successful mediation, which pre-supposes some common ground between the parties (Annex 3).

FALKLANDS: OD MEETING



- 1. The Secretary of State has circulated to his OD colleagues a paper on the Fakland Islands; this is to be discussed at an OD meeting on Wednesday 17 October.
- 2. I submit a speaking note with which the Secretary of State could introduce his paper.

J B Ure South America Department

15 October 1979

WZ

12 DEC 1979

SPEAKING NOTE FOR SECRETARY OF STATE AT OD

FALKLANDS

- 1. The last Government was involved in ongoing talks with the Argentines about the future of the Falklands. By agreeing now to resume these talks in our own time and on our own terms, we would be able to keep the initiative rather than be forced to react to Argentine pressures.
- 2. We should not be rushed on this, but ultimately we need to reach some settlement with Argentine if (a) the Falklands are to achieve sufficient stability to attract investment and release us from the need to give substantial and permanent aid, (b) we are to avoid massive defence expenditure, (c) we are to ensure for ourselves and the Islanders a share of the region's resources (possibly including oil) which no-one can exploit while the quarrel persists, and (d) we are to maximise profitable trading relations with Argentina. To this end, I would intend to ask Nicholas Ridley to meet his Argentine opposite number before the end of the year.
- 3. It is too early to say what a final settlement might be, but some sort of leaseback arrangement, under which the Argentines got nominal sovereignty (which might meet their prestige requirement) while the Islanders continued for the foreseeable future to live under British rule (which is what matters to them) might be explored in due course.
- 4. Meanwhile we are about to exchange Ambassadors with Argentina; has this has already been announced and/not evoked any great excitement. In our public statements about the talks we would merely explain that we were resuming these with the consent of the Islanders, and no dramatic developments were imminent.



Foreign and Commonwealth Office

London SW1A 2AH

12 October 1979

Dear Michael,

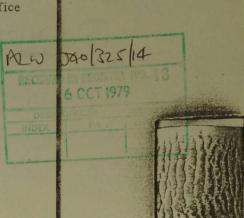
FALKLAND ISLANDS

I enclose an advance copy of the paper which the Foreign and Commonwealth Secretary is circulating for discussion by OD on Wednesday, 17 October.

yours ever Roderic Lyne (R M J Lyne)

M O'D B Alexander Esq 10 Downing Street

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Facklands Islands

This will be taken by

OD on 17 october.

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wants it for me

week-end), paras 5 c

and 6 and Annex 9

have been amended.

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ALW 040 (325/14)

16 OCT 1979

180EX

Private Secretary

FALKLAND ISLANDS

- 1. We discussed the Secretary of State's points on the draft OD Paper. I now attach a revise with:
 - a) new paragraphs 5(c) and 6, excluding any mention of Lease-back
 - b) additional paragraphs to Annex 9 (Sovereignty Options), covering Arbitration and Mediation.
- 2. Mr Harding and Mr Ure have seen and agreed.
- 3. We shall submit separately early next week Speaking Notes for the Secretary of State for the OD discussion on Wednesday, 17 October.

Joseph 3000

12 October 1979

G A Duggan South America Department

cc: PS/Mr Ridley PS/PUS Sir E Youde Legal Advisers

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| CAVEAT | 1. <u>The Problem</u> The Falklands are a | British colony 350 | |
| | miles off the coast of Argentina (Map | : Annex 1). The | |
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| | descent and wish to remain British. | Argentina has a | |
| | long-standing and active claim to the | Islands. The | |
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| 100 2 200 000 00 | (terms of reference at Annex 2). Arg | entina has been | |
| | pressing us hard to continue these ne | gotiations; and we | |
| | need to decide whether to do so, and | if so with | |
| | what intention. | Service To the William | |
| | attingent to the States | TAKE BITE | |
| | 2. Background On historical and leg | al grounds (Annex 3) | |
| The state of the s | we are confident that our sovereignty | is soundly based. | |
| | Nothing in the negotiations so far ha | s eroded this. | |
| Enclosures—flag(s) | Equally, no progress has been made. Nicholas Ridley | | |
| | visited the Islands in July to form a | first-hand impression | |
| | and to reassure the Islanders that no | solution of their | |
| | problem would be brought before Partia | ament unless it had | |
| Section 1980 | their backing; they are not averse to | our continuing | |
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talks with Argentina; they are open for an acceptable settlement to be found. Meanwhile Argentina, under a militaristic regime, might at any time subject us to economic pressures (Annex 4) or political and military harassment (Annex 5); although the Argentine Foreign Minister spoke reasonably to me in New York last month (Annex 6).

- 3. <u>Our objectives</u> In the dispute include the following:
 - i) to defend the right of the British settlers to remain under British administration
 - ii) to end a dispute which is damaging to the economy of the Islands (Annex 4) and to our trade with Argentina (Annex 5), damaging to international relations (most of the UN vote against us) and which could provoke a bitter political controversy at home (e.g. over the action to be taken following an Argentine assault).
 - iii) to ensure that the UK derives advantage form the economic resources of the area: possibly oil and certainly fish (Annex 7).
- 4. Argentine objectives appear to include:
 - i) achieving nominal sovereignty for reasons of national pride. The Argentines do not seem to want to "colonise" the Islands.

ii) securing a share of the offshore economic resources

- iii) a possible <u>non-national</u> objective in providing a cause to further the ambitions of individual

 Argentine officers.
- 5. Three broad options appear open to the UK:
 - a) we could refuse to talk to the Argentines and opt for a would-be "Fortress Falklands". This would almost certainly cause them to cut off vital supplies (e.g. fuel) and communications (air services) and possibly to harass British shipping. The Islands would be condemned to economic decline and would become a heavy burden on the British aid budget. There would be a serious threat of Argentine invasion, which would require the long-term commitment of substantial British forces (Annex 8).
 - b) we could talk to the Argentines but refuse to make any concessions on sovereignty. This would lead to a break-down of the talks, probably sooner rather than later, and reversion to option (a) above.
 - c) we could adopt a more constructive approach. The Argentines will demand sovereignty. We could explore with them various arrangements (Annex 9) as a way of keeping the negotiations going, while preserving our essential interests (paragraph 3). We would seek agreements on economic co-operation to the benefit of both sides, paving the way for profitable developments in the South West Atlantic and

/Antarctica

2 October 1979

COPY NO

Antarctica. The lack of political settlement is preventing the exploitation of possible resources such as oil and fish.

that the FCO should resume talks with the Argentines at

Ministerial level. The purpose of the talks in the first
instance would be to explore, without commitment, political
and ecommic solutions. I would then propose to report back
to the Committee and would consult on all matters of concern
to other Deparmentes. We would seek not to rush matters:
so long as the Argentines believe we are negotiating
seriously, they will desist from precipitate action.
Publicly, we would merely announce that we were continuing
a series of talks already in being.

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

FALKLAND ISLANDS

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

- 1. The Problem The Falklands are a British colony 350 miles off the coast of Argentina (Map: Annex 1). The 1,850 Islanders mostly sheep farmers are of British descent and wish to remain British. Argentina has a long-standing and active claim to the Islands. The Labour Government reopened exchanges with Argentina about the future of the Islands, including sovereignty (terms of reference at Annex 2). Argentina has been pressing us hard to continue these negotiations; and we need to decide whether to do so, and if so with what intention.
- 2. <u>Background</u> On historical and legal grounds (Annex 3), we are confident that our sovereignty is soundly based. Nothing in the negotiations so far has eroded this. Equally, no progress has been made. Nicholas Ridley visited the Islands in July to form a first-hand impression and to reassure the Islanders that no solution of their problem would be brought before Parliament unless it had their backing; they are not averse to our continuing talks with Argentina; they are open for an acceptable settlement to be found. Meanwhile Argentina, under a militaristic regime, might at any time subject us to economic pressures (Annex 4) or political and military harassment (Annex 5); although the Argentine Foreign Minister spoke reasonably to me in New York last month (Annex 6).
- 3. Our objectives in the dispute include the following:
- i) to defend the right of the British settlers to remain under British administration
- ii) to end a dispute which is damaging to the economy of the Islands (Annex 4) and to our trade with Argentina (Annex 5), damaging to international relations (most of the UN vote against us) and which could provoke a bitter political controversy at home (eg over the action to be taken following an Argentine assault).
- iii) to ensure that the UK derives advantage from the economic

16 OCT 1979

INDEX /A Motion Taken

resources of the area: possibly oil and certainly fish (Annex 7).

- 4. Argentine objectives appear to include:
- i) achieving nominal sovereignty for reasons of national pride. The Argentines do not seem to want to "colonise" the Islands.
- ii) securing a share of the offshore economic resources
- iii) a possible <u>non-national</u> objective in providing a cause to further the ambitions of individual Argentine officers.
- 5. Three broad options appear open to the UK:
- a) we could refuse to talk to the Argentines and opt for a would-be "Fortress Falklands". This would almost certainly cause them to cut off vital supplies (eg fuel) and communications (air services) and possibly to harass British shipping. The Islands would be condemned to economic decline and would become a heavy burden on the British aid budget. There would be a serious threat of Argentine invasion, which would require the long-term commitment of substantial British forces(Annex 8).
- b) we could talk to the Argentines but refuse to make any concessions on sovereignty. This would lead to a break-down of the talks, probably sooner rather than later, and reversion to option (a) above.
- we could adopt a more constructive approach. The Argentines will demand sovereignty. We could explore with them various arrangements (Annex 9) as a way of keeping the negotiations going, while preserving our essential interests (paragraph 3). We would seek agreements on economic co-operation to the benefit of both sides, paving the way for profitable developments in the South West Atlantic and Antarctica. The lack of political settlement is preventing the exploitation of possible resources such as oil and fish.
- 6. Conclusion I therefore invite my colleagues to agree that the FCO should resume talks with the Argentines at Ministerial level. The purpose of the talks in the first instance would be to explore, without commitment, political and economic solutions. I would then propose to report back to the Committee and would consult on all matters of concern to other Departments. We would seek not to rush matters: so long as the Argentines believe we are negotiating seriously, they will desist from precipitate action. Publicly, we would merely announce that we were continuing a series of talks already in being.

Foreign and Commonwealth Office

12 October 1979

PS/Mr Ridley has told us that the Minister of State has read the Memorandum and the accompanying Annexes, and has made some minor amendments to the Memorandum and suggested one or two small additions and amendments to the Annexes which have been inserted by the Department. He is content that the paper should now go direct to PS/LPS and the Private Secretary.

Bure

J B Ure South America Department

5 October 1979

THE BRITISH AND ARGENTINE HISTORICAL AND LEGAL CLAIMS TO THE FALKLAND ISLANDS AND DEPENDENCIES

HISTORICAL

A. THE BRITISH CLAIM

- 1. The British title rests primarily on Britain having acquired certain prescriptive rights by virtue of 146 years (i.e. since 1833) of open, continuous, effective and peaceful possession, occupation and administration of the Islands.
- 2. Before 1833, the situation as regards discovery, occupation and title was confusing: the first British settlement was established in 1765-6 at Port Egmont (West Falkland Island) by Commodore John Byron who took formal possession of the harbour 'and all the neighbouring islands' for King George III; in 1767 the French (who had previously established a settlement) sold their rights to Spain; in 1770 the British were expelled by a Spanish force but Spain subsequently agreed to a return to the status quo. Britain withdrew her settlement in 1774 for reasons of economy but, like Spain, maintained her title to the Islands. The Spaniards retained a small settlement until 1811. For about 10 years during the period of the emergence of an independent Argentina (1811-1821), the Islands were uninhabited and seem to have been regarded in practice as terra nullius.
- 3. In 1833 Britain reassumed her exercise of rights of sovereignty in the Islands by sending a British warship to expel the remnants of the Argentine settlement. British administration of the Islands was resumed; the first British Governor was appointed in 1843.

B. THE ARGENTINE CLAIM

- 4. Since Britain took possession in 1833, Argentina has protested that she is entitled to sovereignty over the Islands. Her claims are primarily based on the grounds that:
 - a) she has inherited Spain's previous titles to the Islands (relinquished in 1811, the year of the Declaration of Independence from Spain);
 - she effectively occupied the Islands from 1820 to 1833 when they had reverted to a status of terra nullius (in 1829 an Argentine Political and military governor was appointed);
 - the Islands belong to Argentina by right of geographical contiguity, since they are on the Argentine continental shelf;
 - d) the Islands' present colonial status is anachronistic;
 - e) the Islands' economy has been neglected and would benefit from close association with Argentina.
- 5. Argentina also argues that the initial forceful occupation and settlement of the Islands and the expulsion of Argentine nationals in 1833 vitiates the whole period of British possession thereafter, and cannot form a good basis for title.

C. THE DEPENDENCIES

6. The Dependencies of South Georgia (annexed by Captain Cook) and the South Sandwich Islands (discovered by Cook but not annexed until 1908), are administered by the Falkland Islands Government. There has been a British Government station on South Georgia since 1909; now the site of an all year round British Antarctic Survey Station.

P8/morkidles I would work him paper and its Annexes present on arguments ent a comprehensive and conclusive name. be aght to cany his day at ob! Sharp 1

IMMEDIATE

Mr Ure

amendments made to subvision formated to PS/LPS- Bu 5/x ALWO40 325 H4

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cc: Mr Harding

FALKLANDS OD PAPER

- 1. Mr Ridley has read the draft Memorandum to OD, and the accompanying Annexes, and has made some minor amendments to the text of the Memorandum. He is content with the Annexes except that he has asked if Annex 3, on the historical background (ie paras 2 and 3) could not be amplified to describe the situation before 1833 more clearly. He would welcome a reference to the size of the Argentine community expelled by the British in 1833, and would also like the Annex to say, if possible, whether Spain had renounced her title to the Islands (in 1811, para 4 a of the Annex) specifically in favour of Argentina.
- 2. One minor point: should "\$214 billion" in para 2 of Annex 5 not be "million"?
- 3. You need not route the papers through this Office again; I suggest that you send them direct to PS/LPS.

K D Temple 4 October 1979

FALKLAND ISLANDS

LIST OF ANNEXES

9



1 Map of Falkland Islands and the South-West Atlantic 2 Falkland Islands: Terms of Reference for Negotiations (written Parliamentary answer by the Secretary of State, 26 April 1977) 3 The British and Argentine Historical and Legal Claims to the Falkland Islands and Dependencies 4 Economic Hostages to Fortune 5 The Argentine Threat: Political and Military UKMIS New York telegram no. 1132 of 26 September on the Secretary of State's discussion in New York with the Argentine Foreign Minister 7 Maritime Area: Economic Potential 8 Implications of Defending the Falkland Islands

Falkland Islands: Sovereignty Options

Foreign and Commonwealth Offic Since the PUS will be awa next week and we ought to submit this OD Paper to Ministers then, his Office have agreed that we should put it forward now - before the annexes have been finally vetted and fair typed, and before copies have been made and sent out. The papers should therefore please come back to the Department from the PUS before any further action is taken. B Ure SAmDept 28 September 1979

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DESK OFFICER

Mr Harding

cc. attached for PS/Lord Privy Seal

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ccs. sent to PS/PUS
Miss Brown
MAED
Legal Advisers

FALKLAND ISLANDS

- A 1. The Secretary of State circulated a minute to OD colleagues
- B on 20 September. There have now been a number of reactions from other Ministers. The Prime Minister has discussed the subject with
- C Mr Ridley, and said that she wishes it to be discussed at an early meeting of OD. This will probably be in the week beginning 15 October.
 - 2. I therefore <u>submit</u> a draft OD Paper supported by eight annexes. This reflects the views of interested departments within the FCO and is designed, so far as possible, to meet the anxieties of other Ministers; the MOD have provided military material for the annexes, the DOT trade material, and the FCO Legal Advisers have drafted the passage about our legal claim.

Bure

J B Ure South America Department

28 September 1979

PS/PUS

1. I agree generally with the draft, which I have discussed in detail with Mr Ure. We should perhaps mention the Secretary of State's conversation with the Argentine Foreign Minister in New York, noting especially that Brigadier Pastor repeated that his Government acknowledge that the wishes of the Islanders should be taken into account (UKMis telno 1132 might be attached as a further annexe). We might also add a short paragraph on the history of the negotiations, which have been going on in fits and starts for decades, to Annexe 3.

28 September 1979

19

Mr Harding

PS/Mr Ridley

PS/Kord Pring Sold 1.47.

FALKLAND ISLANDS

- A 1. The Secretary of State circulated a minute to OD colleagues
- B on 20 September. There have been a number of reactions from other Ministers and from Sir K Berrill. The Prime Minister has
- C discussed the subject with Mr Ridley, and said she wishes it to be discussed at an early meeting of OD; this will probably be in the week beginning 15 October.
 - 2. I therefore <u>submit</u> a draft OD paper supported by nine annexes. Although short, the paper is the maximum acceptable length. It reflects the views of interested departments within the FCO and is designed, so far as possible, to meet the anxieties of outside Departments also; the MOD have provided military material for the annexes, the DOT trade material, and the FCO Legal Advisers have provided the passage about our legal claim.
 - 3. The PUS saw this paper before his departure for Berne, and said that he was content that we should proceed on these lines.

Bure

J B Ure South America Department

1 October 1979

Copy attached for PS/Lord Privy Seal Copies sent to PS/PUS

Sir E Youde Miss Brown MAED Legal Advisers

2 oct.

/PS Mr Ridley has told us ...

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OD PAPER DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/I mal 1+

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DEPARTMENT:

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Top Secret Secret

Confidential Restricted Unclassified TO:

Your Reference

Copies to:

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CAVEAT.....

SUBJECT:

The Problem

FALKLAND ISLANDS.

.....In Confidence

350 miles off the coast of Argentina (Map: Annex 1). The

The Falklands are a British colony

1,850 Islanders - mostly sheep farmers - are of British descent and wish to remain British. Argentina has a long-standing and active claim to the Islands. The Labour Government reopened exchanges with Argentina about the future of the Islands, including sovereignty (terms of reference at Annex 2). Argentina is now pressing us to continue these negotiations; and we need to decide whether to do so, and if so with what intention.

2. Background On historical and legal grounds (Annex 3) we are confident that our sovereignty is soundly based. Nothing in the negotiations so far has eroded this. Equally, no progress has been made. Nicholas Ridley visited the Islands in July to form a first-hand impression and to reassure the Islanders that no solution of their problem would be brought before Parliament unless it had their backing; they are not averse to our continuing talks with Argentina. Meanwhile Argentina, under a militaristic regime, might at any time subject us to economic pressures (Annex 4) or political and military harassment (Annex 5); although the Argentine Foreign Minister spoke reasonably to me in New York last month (Annex 5). 3. Our objectives in the dispute include the following:

Enclosures-flag(s).....

- (i) To defend the right of the British settlers to remain under British administration.
- (ii) To end a dispute which is damaging to trade (Annex 4)

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CONFIDENTIAL COVERING SECRET

damaging to international relations (most of the UN vote against us) and politically explosive at home (an Argentine assault would provoke dramatic choices between appeasement and war).

- (iii) To ensure that the UK derives advantage from the economic resources of the area: possibly oil and certainly fish (Annex 7).
- 4. Argentine objectives appear to include:
- (i) Achieving nominal sovereignty for reasons of national pride.
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- 5. Three broad options appear open to the UK:
- (a) We could refuse to talk to the Argentines and opt for a would-be "Fortress Falklands". This would almost certainly cause them to cut off vital supplies (eg fuel and communications (air services), and possibly to harass British shipping. The Islands/would become a
- heavy burden on the British aid budget. There would be a serious threat of Argentine invasion, which would require the long-term commitment of substantial British forces (Annex 8).
- (b) We could talk to the Argentines but refuse to make any concessions on sovereignty. This would lead to a breakdown of the talks, probably sooner rather than later, and reversion to option (a) above.
- We could adopt a more constructive approach to our talks (c) with the Argentines while at the same time insisting on preserving our essential interests enumerated in paragraph 3 above. On sovereignty, we could explore various arrangements (Annex 9), the most promising of which would appear to be a "leaseback" analagous to the New Territories in Hong Kong, under which Argentine would acquire nominal sovereignty while the Islanders continued to enjoy the security of British rule. This could be coupled with agreements on economic co-operation to the benefit of both sides (whereas neither side can exploit e.g. oil while hostilities remain a possibility) which could pave the way for profitable co-operation in Antarctica. There is some reason to think that both the Argentines and the

/Islanders

would be condemned to economic decline and Islanders might not be averse to such a solution, although it would need careful preparation.

6. <u>Conclusion</u> I therefore invite my colleagues to authorise me to resume talks with the Argentines at Ministerial level and to explore, without commitment, political and economic solutions including a possible leaseback arrangement. I would keep the Committee informed of progress and would consult on all matters of concern to other Departments. We would merely announce that we were continuing a series of talks already in being.

THE SOUTH-WEST ATLANTIC

SKETCH MAP Z ш BUEHO lloo m. RIVADAVIA 360 m STANLEY FALKLAND ISLANOS SOUTH . SANDWICH . ISLANDS . AMTARCTIC TERRITORY

FALKLAND ISLANDS: TERMS OF REFERENCE FOR NEGOTIATIONS (WRITTEN PARLIAMENTARY ANSWER BY THE SECRETARY OF STATE, 26 APRIL 1977)

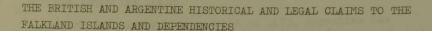
The British and Argentine Governments have now reached agreement on the Terms of Reference for negotiations about the Falkland Islands dispute, as follows:

The Governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland have agreed to hold negotiations from June or July 1977 which will concern the future political relations, including sovereignty, with regard to the Falkland Islands, South Georgia and South Sandwich Islands, and economic cooperation with regard to the said territories, in particular, and the South West Atlantic, in general. In these negotiations the issues affecting the future of the Islands will be discussed, and negotiations will be directed to the working out of a peaceful solution to the existing dispute on sovereignty between the two states, and the establishment of a framework for Anglo-Argentine economic cooperation which will contribute substantially to the development of the Islands, and the region as a whole.

A major objective of the negotiations will be to achieve a stable, prosperous and politically durable future for the Islands, whose people the Government of the United Kingdom will consult during the course of the negotiations.

The agreement to hold these negotiations, and the negotiations themselves, are without prejudice to the position of either Government with regard to sovereignty over the Islands.

The level at which the negotiations will be conducted, and the times and places at which they will be held, will be determined by agreement between the two Governments. If necessary, special Working Groups will be established.



HISTORICAL

A. THE BRITISH CLAIM

- 1. The British title rests primarily on Britain having acquired certain prescriptive rights by virtue of 146 years (i.e. since 1833) of open, continuous, effective and peaceful possession, occupation and administration of the Islands.
- 2. Before 1833, the situation as regards discovery, occupation and title was confusing: the first British settlement was established in 1765-6 at Port Egmont (West Falkland Island) by Commodore John Byron who took formal possession of the harbour 'and all the neighbouring islands' for King George III; in 1767 the French (who had previously established a settlement) sold their rights to Spain; in 1770 the British were expelled by a Spanish force but Spain subsequently agreed to a return to the status quo. Britain withdrew her settlement in 1774 for reasons of economy but, like Spain, maintained her title to the Islands. The Spaniards retained a small settlement until 1811. For about 10 years during the period of the emergence of an independent Argentina (1811-1821), the Islands were uninhabited and seem to have been regarded in practice as terra nullius.
- 3. In 1833 Britain reassumed her exercise of rights of sovereignty in the Islands by sending a British warship to expel the remnants of the Argentine settlement. British administration of the Islands was resumed; the first British Governor was appointed in 1843.

B. THE ARGENTINE CLAIM

- 4. Since Britain took possession in 1833, Argentina has protested that she is entitled to sovereignty over the Islands. Her claims are primarily based on the grounds that:
 - a) she has inherited Spain's previous titles to the Islands (relinquished in 1811, the year of the Declaration of Independence from Spain);
 - she effectively occupied the Islands from 1820 to 1833 when they had reverted to a status of terra nullius (in 1829 an Argentine Political and military governor was appointed);
 - the Islands belong to Argentina by right of geographical contiguity, since they are on the Argentine continental shelf;
 - d) the Islands' present colonial status is anachronistic;
 - e) the Islands' economy has been neglected and would benefit from close association with Argentina.
- 5. Argentina also argues that the initial forceful occupation and settlement of the Islands and the expulsion of Argentine nationals in 1833 vitiates the whole period of British possession thereafter, and cannot form a good basis for title.

C. THE DEPENDENCIES

6. The Dependencies of South Georgia (annexed by Captain Cook) and the South Sandwich Islands (discovered by Cook but not annexed until 1908), are administered by the Falkland Islands Government. There has been a British Government station on South Georgia since 1909; now the site of an all year round British Antarctic Survey Station.

7. Argentina has from time to time put forward claims to the Dependencies and continues to do so. These claims have at different times been based on proximity to Argentina and alleged inheritance of title from Spain. Argentina first claimed South Georgia in 1927 and the South Sandwich Islands in 1948. Her Majesty's Government rejects all these claims, as without legal or historic foundation.

D. TALKS

8. Anglo/Argentine exchanges on the Falklands date from 1966, following the December 1965 United Nations Resolution inviting both parties to hold discussions and to find a peaceful solution. The exchanges have been intermittent and have taken different forms. The most active periods have been 1967/8, 1972/3 and 1977/9. Differences over sovereignty have been central: we have never been able to get the Argentines to accept our view that sovereignty cannot be transferred against the wishes of the Islanders; we have refused to accept the Argentine formula recognising only the "interests" of the Islanders. On the other hand, there has been progress on practical measures to improve the lot of the Islanders through co-operation with Argentina. In 1971, agreements were signed on air and sea communications, postal services, education and medical facilities for Falkland Islanders in Argentina and customs measures. In 1974, agreements were signed facilitating trade and the carriage of goods between the Islands and Argentina and to allow the Argentine State Petroleum Company (YPF) to supply the Islands with petroleum products. The 1976 Shackleton Economic Survey of the Islands concluded that Argentine economic co-operation was essential for a viable economic future.

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THE NATIONAL ARCHIVES

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International Court of Justice

- 13. The question of British sovereignty over the Falkland Islands and their Dependencies has not been submitted to the International Court of Justice or to any other international arbitration. Since Argentina has not accepted the compulsory jurisdiction of the International Court of Justice, any reference to the Court could only be made with the agreement of the Argentine Government.
- 14. In 1947 and subsequently HMG offered **t** submit the dispute over Argentine claims in the Dependencies to the International Court of Justice. In 1955 HMG applied unilaterally to the Court against encroachments on British sovereignty in the Dependencies by Argentina and Chile. However, the matter could not be pursued since both Argentina and Chile declined to submit to the Court's jurisdiction in the matter.



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ANNEX 4

ECONOMIC HOSTAGES TO FORTUNE

1. Measures of economic harassment/warfare against the Islands and against wider British interests represent a soft option which Argentina could implement without difficulty and at no great cost to herself. There are a number of possibilities.

Measures against the Islands

- 2. Argentina could blockade the Islands e.g.
 - i) abrogate the Anglo-Argentine Communications Agreement of 1971, cutting passenger links with the outside world and the air freight service. There is no feasible alternative to the air service and normal passenger services would cease;
 - ii) cease to provide fuel: alternative supplies could be provided, by the Falkland Islands Company or by the RN RFA which biennially tops up the Admiralty oil tanks at Port Stanley. A return journey by RFA would cost £0.4 million (£0.1 million real extra cost);
- iii) cut off supplies of food stuffs, cancel scholarships for Falklands children in Argentina (14 per year) and suspend medical co-operation (50-60 cases per year). Such facilities could only be replaced in the UK;
 - iv) interfere with British shipping to the Islands which are almost entirely dependent on the United Kingdom for their trade. Exports (almost entirely of wool) are marketed via the UK; 85% of imports originate from the UK. MOD have assessed that in such circumstances we should need to provide a Naval Task Force (consisting of a helicopter cruiser or guided missile destroyer, frigates, possibly a fleet submarine and supporting RFAs) periodically to escort shipping to the Islands. Each operation would

/take

take at least 6 weeks and would cost ± 4.1 million (real extra cost - essentially fuel - ± 0.4 million).

3. The effect of such measures, or a selection of them, would be cumulative. In the short term, life on the Islands would continue to be tolerable. But a prolonged blockade would have a disastrous effect on Islander morale.

Measures against wider British interests

- 4. Our economic interests in Argentina are as follows:
 - i) Trade: Argentina is our third largest market in Latin America. In 1978, UK exports were £114 million (5.7% of total import market). Argentina exports to UK in 1978 were £153 million. Our major exports are machinery, vehicles and transport and tele-communications equipment: Argentina could orchestrate industrial and/or bureaucratic action against such exports and could easily find replacements elsewhere. Our major imports from Argentina are meat, textiles and oilseeds. (Details attached);
- ii) Major contract business in prospect: GEC are bidding to supply turbines and associated equipment worth £100 million for a nuclear project in co-operation with the Canadians. GEC need the business badly;
- iii) <u>UK Investment</u>: British commercial assets (9% of total Argentine foreign investment) worth over £200 million could be expropriated. British investors include ICI, British Steel, GEC, Shell, Coates, Babcock and Wilcox;
- iv) <u>Invisibles</u>: UK freight receipts from trade carried in British ships to and from Argentina total some £7 million annually;
 - v) Outstanding ECGD liability: Argentina has a good payments record but could renege on current outstanding ECGD liability amounting to £120 million on the Arms Account; and £71 million on the Commercial Account;

/vi) Defence

- vi) <u>Defence Sales Contracts</u>: could be cancelled, awarded to our rivals or continue to be out of our reach:
 - a) Signed £70 million (Sea Dart missile £30 m; Westland Lynx helicopters - £35 m; Blowpipe missile system - £5 m);
 - b) Under negotiation £45 m (Aircraft Head-up display equipment £10m; Ancillary equipment for frigates being built in West Germany £35 m);
 - c) In prospect f400m (Hawk jet trainer f100 m; Sea Harrier - f150 m; Mine counter measures vessels - f150 m);
 - d) Frustrated £740 m: the Falklands issue influences sales in two ways. It is our policy still, where possible, not to supply equipment to Argentina with which they could threaten the Falkland Islands. In the last year, the sale of 2 Yarrow support vessels to the value of £40 million was not purused for this reason. On the Argentine side we are convinced that the issue was an important factor in our failure to land the contract in 1978 for the supply of 6 frigates (worth £700 m).
- 5. The British community in Argentina numbers some 30,000 of which over 17,000 hold British passports. Argentina's human rights record, past and present, is bad. Individuals could easily suffer harassment, if not worse.

UK-Argentina trade 1977 and 1978

| | 1977 | 1978 |
|---|---------|---------|
| | | - |
| Imports from Argentina | 32 980 | 46 711 |
| Meal and meal preparations. Fish, crustaceans, molluscs and pre- | 32 300 | 10 711 |
| parations | 3 015 | 2 667 |
| Cereals and cereal preparations | 11 122 | 3 793 |
| Vegetables and fruit | 2 071 | 2 572 |
| Coffee, lea, cocoa and spices | 8 170 | 3 771 |
| Tobacço and tobacco manufactures | 991 | 1 928 |
| Oil seeds and oleaginous fruits | 207 | 17 625 |
| Textile libres and their wastes | 22 881 | 21 792 |
| Metalliferous ores and metal scrap | 2.394 | 2019 |
| Crude animal and vegetable materials | 2 534 | 1 390 |
| n e s Fixed vegetable oils and lats | 5 757 | 5 440 |
| Organic chemicals | 1 000 | 1 567 |
| Inorganic chemicals | 5 393 | 10 322 |
| Leather, leather manufactures, n e s | 5 307 | 3 783 |
| Textile yarn, fabrics, made-up articles | | |
| n.e.s. | 1 517 | 3 205- |
| Iron and steel | 869 | 7 116 |
| Office machines and automatic data | 4 984 | 5 314 |
| processing equipment | 2 107 | 2 663 |
| Miscellaneous manufactured articles Various | 7 275 | 8 453 |
| *************************************** | - | |
| Total imports | 120 574 | 153 191 |
| | | |
| | | |
| Exports to Argentina | 3 590 | 4 858 |
| Beverages | 4 735 | 2 982 |
| Organic chemicals Dyeing tanning and colouring | 4.733 | 2 302 |
| materials | 3 026 | 1 129 |
| Medicinal and pharmaceutical pro- | | |
| ducts | 2 769 | 2 3 1 3 |
| Artificial resins and plastic materials | 1 386 | 1 428 |
| Chemical materials and products | | 1200000 |
| n e s | 4 248 | 3 142 |
| Paper and paperboard | 1 367 | 2 290 |
| Textile yarn, fabrics, made-up anicles | 628 | 1 294 |
| n e s Non-metallic mineral manufactures | 020 | 1237 |
| n e s | 2 557 | 2 216 |
| Iron and steel | 6 297 | 3 219 |
| Non-ferrous metals | 2 406 | 3 093 |
| Manufactures of metal n e s | 1 364 | 3.088 |
| Power generating machinery and | | |
| equipment | 14 770 | 8 599 |
| Machinery specialised for particular | 12 803 | 18 089 |
| industries | 1 095 | 2 890 |
| Metalworking machinery Gneral industrial machinery and | 1 095 | 2 690 |
| equipment n.e.s. | 10 557 | 8 253 |
| Office machines and automatic data | | |
| processing equipment | 2 227 | 1 419 |
| Telecommunications and sound re- | | |
| corping | 2 796 | 6 352 |
| Electrical machinery apparatus and | 2.200 | 4 769 |
| appliances nie s | 3 366 | * 269 |
| Road vehicles including air cushibh | 2.981 | 5 406 |
| venicies Other transport equipment | 30 996 | 13.561 |
| Misce laneous manufactured anicles | 5 885 | 6 661 |
| Vanous | 8 447 | 7275 |
| | - | |
| **** * ****** | 130 291 | 113 826 |

Source Overseas Trace Statistics of the United Kingdom

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ANNEX 5

THE ARGENTINE THREAT: POLITICAL AND MILITARY

Political

- 1. All Argentine regimes subscribe to the sovereignty claim over the Falkland Islands and Dependencies. The claim is not just a matter of law but of national honour and machismo. It fits in with military and nationalist pre-occupation with "sovereignty", inspired partly by fear (about national security) and partly by ambition (the historical rivalry with Brazil).
- 2. The Argentines ability to focus on the Falkland Islands issue is conditioned by internal and external factors.

 There are few current distractions. Internal subversion, the military's first target after the March 1976 coup, has been largely contained. Economic progress, though with problems about inflation, enabled the armed forces to undertake extensive arms purchases and orders in 1978 (estimated at \$214 billion)
- 3. Other foreign policy issues are less pressing. During 1978, Argentine attention was focused primarily on the dispute with Chile over the Beagle Channel. This came close to a shooting war, prevented at the last minute only by the intervention of the Vatican with its offer of mediation. The Vatican seems likely to play this process long and slow. Differences with Brazil and Paraguay over the exploitation of the hydro-electric potential of the Parana River, whose waters they share, are receding.
- 4. President Videla is moderate, given neither to gambling nor to flamboyant gestures. Although the Junta has the power to overrule him, he has in office been a force for moderation. He is due to retire in March 1981. His successor may be the Army Commander General Viola, also moderate, but he is also

/scheduled

scheduled to retire at the end of 1979. The Army will appoint successors to both but there will be extensive inter-service and intra-army jockeying for position and power. The Junta will resist any return to meaningful democratic processes, even though pressures may build up, fuelled by economic unrest because of inflation and pursuit of higher wages. Foreign success may be sought to bolster its position.

- 5. It was in similar circumstances of internal uncertainty in the months before the 1976 coup that Argentina came closest to military action against the Falkland Islands. Ambassadors were withdrawn. The Argentine Navy, under the hawkish Admiral Massera, sought to improve its internal standing by open threats, leading to the firing on the unarmed Royal Research Ship Shackleton. The establishment of a base on Southern Thule in the Dependencies took place in November 1976, after diplomatic exchanges which led to negotiations, had begun. The Argentine Navy has regularly sought to assert Argentine maritime sovereignty in the South West Atlantic, either by licensing mechanisms or by naval and air patrolling, including the use of force against East European trawlers. Admiral Massera retired in September 1978 but retains political ambitions. Since then, the Air Force has had control of the Foreign Ministry but faces increasing criticism for lack of progress on the Falklands issue.
- 6. The heat was only taken out of the Falklands dispute in 1976 when we showed a willingness to negotiate. The four rounds of negotiations which followed between 1977 and 1979 (Rome July 1977, officials; New York, December 1977, Ministers; Geneva, December 1978, Ministers; New York, March 1979, Officials) were based on the prospect of some deal on sovereignty being possible. We kept the Argentines in play only with difficulty and there was continuing suspicion among the Argentine officials about the genuineness of our intentions. The Argentines became increasingly impatient about British delaying tactics, although they were willing to accept that the imminence of a general election caused us difficulties.

They have since accepted that the new Government needs time to study the situation. But there is a limit to the time they will wait on us. They have already indicated this in the Aide Memoire given to Mr Ridley as he left Buenos Aires in July, in which the March 1979 round was described as "a regrettable step backwards" and in which they stated "negotiations should be at a more dynamic pace".

Military

- 7. If the Argentines conclude that there is no prospect of real progress towards a negotiated transfer of sovereignty, there will be a high risk of their resorting to more forceful measures, including direct military action. Argentina has the capability to capture the Islands. In 1977, the Chiefs of Staff considered that Argentina could mount any of the following operations:
- a) A Seaborne landing at up to Brigade strength (using Marines alone) in Naval Transports and Landing Ships supported by up to six Destroyer/Frigates, one Cruiser, two Submarines and one Aircraft Carrier (operating helicopters and A/S aircraft).
- b) An air landed operation at up to Brigade strength supported by ground attack aircraft (about one hundred of various types are available).
- c) Harassment of British shipping with Naval surface and submarine units and/or aircraft. The Argentine Navy has a long range maritime air surveillance capability.
- 8. The Argentines could also without great difficulty occupy the uninhabited Dependencies (they retain the scientific station on Southern Thule, which we regard as illegal) and/or arrest the British Antarctic Survey Team based in South Georgia.

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ANNEX 6

TALKLASU ISLANDS

- 1. THE ARCENTINE FOREIGN MINISTER CALLED ON YOU HERE THIS PORNING. HE EROUGHT WITH HIM CARLOS CHITIZ DE ROSAS AROM PO INTRODUCED AS HIS NOWINEE FOR THE POST OF AMBASSALOR IN LONDON.
- 2. ERICADIER CARLOS MASHINGTON PASTOR REFERRED WITH SATISFACTION TO THE SECENT VISITS OF MR RIDLEY AND OF ARCENTINIAN OFFICALS TO LONDON. HE MENTIONED HIS OWN MEMORIES OF BRITAIN AND GF DRITISH AIRCRACT WHICH HE HAD FLOWN. HE DESCRIBED THE EXPANSION OF THE ARGENTINE ECONOMY AND SAID THAT THIS OPENED MANY POSSIBILITIES FOR BRITISH INDUSTRY, WHICH HAD ENJOYED A HIGH . REPUTATION IN ARGENTINA SINCE THE BRITISH INITIATIVE ON THE FALLWAY IN 1854.
- 3. THREING TO WHAT HE DESCRIBED THROUGHOUT AS THE MALVINAS ISLANDS. ROLD PASTOR SAID THAT THERE WERE TWO PASIC FACTS TO BE REMEMBERED. . FIRST, THE ISLANDS WERE A LONG WAY DOWN IN BRITISH PRICRITIES BUT AT THE TOP OF THE LIST FOR ARGENTINA. SECOND. THE BRITISH VIEW THAT THE WISHES OF THE ISLANDERS MUST BE CONSIDERED WAS NOT SHARED BY ARGENTINA. WHICH DID HOWEVER ACKNOWLEDGE THAT THERE MHIST BE TAKEN LINTO ACCOUNT. THE TASK WAS TO FIND A FURMULA FOR A SOVERHMENT TO GOVERNMENT SOLUTION HAVING REGARD TO THIS. ADDENTINA APPROACHED THIS TASK WITH THE BEST POSSIBLE INTENTIONS AND WAS SURE THERE MOULD NOW BE PROGRESS, STARTING AT ONCE.
- 4. BRIGADIER PASTOR PROFOSED WHAT HE CALLED A PROGRAMME OF YORK AT THREE LEVELS:-
- (A) OUR RESPECTIVE FOREIGN MINISTRIES SHOULD KEEP IN TOUCH THROUGH AMBASSADORS: THIS CONTACT SHOULD BE AT LEAST WEEKLY. IT FOLLOWED THAT AMBASSADORS SHOULD BE NOMINATED AS SOON AS POSSIBLE.
- (B) MR RIDLEY AND HIS ARGENTINIAN OPPOSITE NUMBER SHOULD MEET TWICE A YEAR VERY INFORMALLY WITH AN OPEN AGENDA, SWITCHING TO OFFICIAL MEETINGS WHEN THERE WAS SOMETHING AGREED TO BE FORMALISED.
- (C) THE TWO FOREIGN MINISTERS SHOULD MEET ONCE A YEAR AT THE UN GENERAL ASSEMBLY, BUT ALSO PERHAPS ELSEWHERE: HE INVITED YOU TO VISIT ARGENTINA AT ANY TIME.

5. YOU SAID IT WAS SAD FOR PRITARY THAT THERE WAS DISACHIE -

MITH A COUNTRY MITH WHICH ERITAIN ENJOYED A LONG

TRADITION OF FRIENDSHIP. THE MINISTER HAD FIN-POINTED THE DIFFICULTY FOR BRITAIN. AS MITH THE SHULLAR CASE OF MARITIME AREA: ECONOMIC POTENTIAL GIPRALTAR, PRITISH OPINION WOULD NOT COUNTENANCE ANY SOLUTION WHICH IGNORED THE INHABITARTS OF THE TERRITORIES CONCERNED.

THE PROBLEM MAS THUS DIFFICULT, BUT YOU HOPED IT WAS NOT INSOLUABLE PROVIDED THAT EACH UNDERSTOOD THE OTHERS POSITION. YOU HAD TO CONFESS THAT THE OVERREDING PROBLEMS OF EUROPEAN COMMUNITY AFFAIRS AND SOUTHERN AFRICA HAD MADE IT DIFFICULT FOR YOU TO THINK DEEPLY ABOUT THE FALKLAND ISLANDS. YOU HAD NO SOLUTION AT PRESENT. BUT YOU WERE CONSIDERING THE MATTER. YOU ACREED THAT THE TWO AMBASSABORS, ONCE APPOINTED, SHOULD BE INVITED TO DEPLOY THEIR IMAGINATION AND

6. I ASKED HOW ARGENTINA PLANNED TO PANELE THIS MATTER AT THE GENERAL ASSEMBLY. BRICADIER PASTOR SAID THAT HE LOULD RUFER TO IT IN HIS SPEECH, BUT IN A FRIENDLY MANNER. HE DID NOT PLAN ANY ACTION COING FEYOND THIS, EG IN THE FOURTH COMMITTEE. I EXPLAINED THAT IF I WERE DELIGED AT ANY STACE TO EXERCISE MY RIGHT OF REPLY, IT WOULD BE FOR TECHNICAL BEASONS.

7. BRIGADIER PASTOR ASKED WHAT WE AND YOU SHOULD SAY TO THE PRESS ABOUT THE MEETING. A FORM OF WORDS WAS AGREED AND TELEXED TO NEWS DEPARTMENT. THIS WAS TO THE EFFECT THAT THE FALKLAND ISLANDS/MALVINAS HAD EEEN AMONG THE QUESTIONS DISCUSSED, AND THAT THE INTENTION OF BOTH SIDES WAS TO PROCEED IN THE WEAR PUTUSE TO THE APPOINTMENT OF AMEASSADORS.

8. FOO PLEASE REPEAT AS APPROPRIATE.

EXPERIENCE ON THE PROPLEM.

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- 1. The presence of oil is not yet proven: only drilling could do that. The uncertain political context of the Falklands dispute means that the oil industry would not risk the substantial investment involved.
- 2. The Falkland Islands and Argentina are situated on the same continental shelf. The Argentines claim the whole of this shelf. The oil industry regard the shelf (both offshore Argentina and off the Falklands) as a potential prospecting area. Seismic surveys indicate the most promising area to be the Malvinas Basin which straddles the putative median line. If and when licences to explore and drill became available, the industry would be interested. But it is not a priority area because
- a) water depths pose problems for existing technology (drilling should become feasible in the next 10/15 years);
 - b) the industry steer clear of areas where territorial disputes exist;
 - d) successful exploration/exploitation of the Falklands shelf would require a significant mainland base which would mean the agreement, if not direct involvement. of Argentina in any operation.

- 3. There are fish but distance poses problems.
- 4. The waters around the Falklands and their Dependencies have been fished on an increasing scale in recent years primarily by the Soviet Union, Poland and Japan. But there is less incentive for the British fishing industry, which has shown little interest.

because, MAFF believe

- a) domestic requirements for white fish are adequately met from our own waters; and
- b) a commercial fishery in the South West Atlantic would probably not be viable: frozen white fish from such a distance would have to compete with plentiful supplies from nearer at hand (e.g. North America, Iceland and Norway).
- 5. The White Fish Authority have examined the commercial possibilities and have concluded that British industry could fish these waters profitably only by using a fleet of freezer trawlers with a mother ship based in the Islands. But the industry's fleet of such vessels is at present gainfully employed in home waters. Moreover the industry say they would only undertake a venture around the Falklands if subsidised by Government.

Maritime Zones

6. Argentina regards these seas as hers. No 200 mile fishery zone around the Falklands and their Dependencies has yet been declared by the UK because of the dispute; Ministers decided that to do so would jeopardise the talks. We consider them high seas. This impasse currently lets in third country vessels. However, if a 200 mile fishery zone were declared, as much as £7.5 million per annum might theoretically accrue to the Islanders as licensing revenue; in practice, few would-be licensees would be likely to want to take a position in favour of such a unilateral declaration by actually making license payments to the Falklands Government.

ANNEX 8

IMPLICATIONS OF DEFENDING THE FALKLAND ISLANDS

1. The Islands are some 7,500 miles from the UK and under 400 miles from the Argentine mainland. They are militarily indefensible against a full scale attack except by major diversion of our current military resources. This would cause considerable difficulties in fulfilling our other commitments (NATO, Northern Ireland and elsewhere.) Extra defence expenditure would also be involved.

Current Defence Measures

2. The Falklands are currently defended by a permanent detachment of 40 Royal Marines based in Port Stanley. They are supported in this during the Antarctic summer (roughly December to March) by HMS ENDURANCE, an ice patrol vessel with limited armament which provides a Royal Naval presence in the area as well as carrying out scientific work on behalf of the British Antarctic Survey. These measures cost the MOD some 3.5 million pounds per annum. They provide only a symbolic deterrent and would be effective only against small scale, adventurist incursions.

Measures to Counter Argentine Invasion Threat

- 3. To counter a sudden and serious maritime threat to the Falklands, the Dependencies or to British shipping in the area, the MOD has assessed that it would be necessary to deploy in the area a balanced Naval Force of the order of one guided missile destroyer, three frigates and supporting RFAs and, possibly, one nuclear powered submarine.
- 4. To provide a credible deterrent, in the face of an increased threat of military invasion, would require timely reinforcement of the current garrison by at least a force of an RM Commando Group and a Blowpipe Air Defence Troop.

5. Should the Argentines invade before a deterrent force is deployed, or if the deterrent force failed, recovery of the Islands would require a force of at least Field Force (formerly called a Brigade Group) strength. Such a force would require protection similar to or greater than the force mentioned in paragraph 3. At the very best such an expedition could not reach the Islands in under a month. The remoteness of the Islands, their limited airfield facilities and the fact that the only alternative airfields which could be used in cases of emergency are in Argentina would make reinforcement by air impossible and make re-supply extremely difficult.

Effects of Increased Defence Commitments

6. Such a diversion of our military resources would have farreaching effects. The commitment could be open-ended.
Reinforcement and re-supply of a garrison in a hostile
environment some 7,500 miles distant from home would present
major problems. The deployment of HM ships to the area would
have a progressively adverse effect on the availability of RN
resources for the Alliance. The deployment of a Field Force would
have significant implications for BAOR and for our planned
roulement of troops in Northern Ireland. It would further
exacerbate the problem of over-stretch in the Army. These
problems would get progressively worse the longer the force was
required to remain in the area. There could also be implications
for our national commitments in Hong Kong and Belize. Any long
term deployment could require additional manpower and equipment
not currently available to MOD.

Costs

7. Broad estimates of the financial costs are set out below. They have been calculated both on an operating cost basis to show the costs which equipment and forces in any event incur on existing duties; and on an extra cost basis to show the additional expense of a specific Falklands deployment.

| | Operating costs annually | Extra cost: annually |
|---|--------------------------|-------------------------|
| Balanced Naval Force (para 3) | £35m | £3.6m |
| RM Commando Group/Blowpipe Air Defence Troop (para 4) | £7.8m | £0.6m |
| Field Force (para 5) | £23m | £3m |

These costs do not take account of the following (which cannot be assessed without detailed study):

- a) to sustain the Balanced Naval Force in the area over a period could take at least three ships to maintain one ship on station
- b) capital losses and expendable war stocks
- c) any additional naval or air support necessary for the deployed forces
- d) deployment, long term accommodation and supply costs.

ANNEX 9

FALKLAND ISLANDS: SOVEREIGNTY OPTIONS

I "Fortress Falklands"

- 1. This is the idea that we need make no sovereignty concessions to Argentina in that, if we stand firm, the Argentines will give way or, otherwise, we would be able to defend the Islands against any attack, direct or indirect. The concept is false. The Argentines are not going to give up a sovereignty claim they have maintained for decades.
- 2. The economic and military costs in attempting to defend and maintain our position in the Islands are looked at in Annexes 4 and 8. We could not expect support from anyone in adopting such a position, certainly not Chile, Uruguay or Brazil, to whom we have to look for alternative transit facilities. We are in a minority of one in the United Nations on this issue. The "fortress" concept would effectively prevent all development of the Islands.

II Sovereignty "freeze"

3. This would require Argentine agreement to leave the sovereignty dispute in abeyance for a given period, say 30 years, at the end of which we would both review the sovereignty claim. There is nothing in this that would appeal to the Argentines, who want some early progress on the sovereignty front.

III Joint sovereignty or Condominium

4. The Anglo/French condominium of the New Hebrides is an example: co-sovereignty would have to lead eventually to co-administration. It would present extensely complicated problems. It would be unacceptable to the Islanders because it would involve Argentine intervention in their way of life in one form or another. It would probably be unacceptable to the Argentines in that it would involve their admitting the UK to a joint

/share

share of sovereignty which they want exclusively.

IV A "Mixed Approach"

5. We would seek to differentiate between territory, in which the Argentines are primarily interested, and people, which is the main burden of our concern. We would agree to concede sovereignty over the uninhabited Dependencies and the maritime zones to Argentina who would abandon her sovereignty claim over the inhabited Falkland Islands. This would be unacceptable to Argentina because it would not involve the concession of sovereignty over the Falkland Islands which they are seeking.

V Other Models

- 6. Two existing examples of shared sovereignty are:
 - a) Spitzbergen where Norway has sovereignty but other powers have the right of "economic access".
 - b) The Aaland Islands where Finland has sovereignty but the Islanders enjoy certain special rights reflecting their relationship with Sweden,

Neither would be acceptable to the Islanders, because they would involve an Argentine presence and intervention in their British way of life.

VI Leaseback

7. We would concede to the Argentines sovereignty over the Falkland Islands, the Dependencies and their Maritime Zones. Argentina would simultaneously give HMG lease over the Falkland Islands and South Georgia (where we have an Antarctic base) and their territorial waters and agree on equal co-administration of the economic resources of the Maritime Zones and seabed pertaining to all the Falkland Islands and Dependencies.

8. A perpetual lease would be best but the Argentines are most unlikely to agree to this. The term would have to be negotiated: we would try for say 99 years but might have to settle, as a last resort, for something like 30 years. If the period were short, it might be necessary to devise special arrangements to enable some of the Islanders to settle in the UK but, if the economy were to blossom in the period agreed, only a few people would be involved, particularly the older generation.

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From THE PRIVATE SECRETARY S Am

PS/ME. MINNERS



HOME OFFICE QUEEN ANNE'S GATE LONDON SWIH OAT

28 September 1979

4 OCT 1979

Dow Struhen

The Home Secretary has now had an opportunity of considering the proposals put forward in Lord Carrington's minute of 20 September to the Prime Minister for making progress in the settlement of the longstanding dispute with Argentina.

The Home Secretary agrees with the general line Lord Carrington proposes to take. He has noticed that it is hoped to persuade Argentina that in return for the transfer of sovereignty the Islanders would, under the terms of a lease, still be provided with continued British rule, nationality and institutions

Until it is known what the Argentines might be likely to agree to we cannot say what the resulting nationality problems might be. One must suppose that they would insist on the Islanders being given their citizenship, their willingness to agree to a lease which enabled the Islanders to retain ours might depend on such matters as whether we wished to go on regarding the Island as a colony. They might also question the precise status the Islanders would have under our law, and in particular what they would qualify for under the new legislation now being prepared. Indeed the possibility of disagreement with Argentina might be an argument in favour of having one citizenship, rather than two, for those people who do not qualify for British Citizenship, and this would need careful consideration in the drafting of the Bill.

The Home Secretary would therefore be grateful if he could be kept in close touch with the progress of negotiations, and he would be glad to provide any assistance that might be needed.

I am sending copies of this letter to the Private Secretaries to members of OD, to Bill Burroughs (Department of Energy), Bill Beckett (Law Officers Department) and to Martin Vile (Cabinet Office).

Tay Butter

(A J BUTLER)

your ew

Stephen Wall Esq



The Prime Minister has seen the Foreign 2x and Commonwealth Secretary's minute of 20 September about the handling of the Falkland Islands dispute. She has also seen the views of other members of OD as conveyed in a number of Private Secretary letters to your office.

The Prime Minister has indicated that she wishes the subject to be discussed at an early meeting of OD.

I am sending copies of this letter to the Private Secretaries to members of OD, to Bill Burroughs (Department of Energy), Bill Beckett (Law Officers' Department), and to Martin Vile (Cabinet Office).

> Yours ever Michael Alexander

G.G.H. Walden, Esq., Foreign and Commonwealth Office.

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40CT 1979

DESK OFFICER (REGISTRY INDEX PA Action Taken)

Mr Duggan (SAmD)

Falkland Islands

As I have told you, the Secretary of State would like the minute to the Prime Minister on the Falkland Islands which you submitted on 11 September to be recast in a more positive light. The present draft covers the necessary ground: but Lord Carrington considers that it launches too quickly into the leaseback option, which is presented as something forced upon us rather than an opening which we should try to exploit.

You are therefore revising the minute so that it opens by presenting three broad options - "Fortress Falklands": continuing negotiations without concessions on sovereignty: and leaseback. After dispensing with the first two, the minute should say that, with the agreement of the Falkland Islanders, our best course would be to try leaseback as a ploy which might satisfy the Argentines over sovereignty, while, in practice, retaining the essential points of our present position. The Secretary of State does not wish the minute to sound defeatist.

RM Lyna

R M J Lyne

18 September 1979

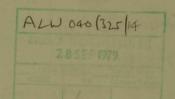
cc: PS
PS/LPS
PS/Mr Ridley
PS/PUS
Mr Hall

2, 2-. Mr Cowling

cc Mr Penney, Research Dept

South America Department

FALKLAND ISLANDS LEGAL ASPECTS



- 1. We spoke about the draft paper prepared by Research Department on the legal aspects of the Falkland Islands' dispute. While I do not disagree with the statement as to the rules of law applicable contained in paragraphs 8 and 9 of the paper, I am not sure that it would make a great deal of sense to the layman. It therefore seems to me preferable if the paper were to concentrate on the strength or weakness of our legal case. You will recall that the Law Officers advised on this in 1947 and 1966 and I would therefore propose that the paper contained mainly a summary of the Law Officers' opinions.
- I therefore attach a draft of the kind of paper I have in mind. I am very conscious of the fact that it has been drafted in a hurry and that it is not as polished as I would have liked. You will also note that I have combined paragraphs 10 and 11 since the opinion given by the Law Officers in 1966 on the question of whether we should submit the dispute to the ICJ referred not only to the Falkland Islands, but also the Dependencies.

12 hamberla

27 September 1979

K J Chamberlain Legal Advisers

25/9/7.

Mr Harding
PS/Mr Ridley
PA Action Taken

FALKLAND ISLANDS AND ARGENTINA

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Action Taken To Halcourself 26/9

To Daysor.

Attached are short briefing papers, with costs and statistics where appropriate, on the following:
 (i) Argentine threat to the Falklands: political
 (ii) Argentine threat to the Falklands: Military
 (iii) Economic hostages to hostile Argentine action
 (iv) "Fortress Falklands": Defence costs.

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Bragan

G A Duggan South America Department

25 September 1979

After dismission with the transtant Provate Secretary of State I submit a draft belignen to be Secretary of State in Now York, which but humister of State mes with to see after his meeting with his him him how is to

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- 1. Geographically, Argentina is isolated with long sea and sparsely populated land frontiers. The disputes with Chile (Beagle Channel) and Brazil (Pamana River waters), archaic and even trivial in origin, are taken seriously by the Argentines who remain conscious of historical injustices. The need to satisfy honour, to preserve face and to show machismo are as important as substance. There is continuing military and nationalist preoccupation with "sovereignty", inspired partly by fear (about national security) and partly by ambition (the desire to show Argentine's importance, especially vis-a-vis Brazil, the historical rival, whose development has outstripped the Argentines' in recent decades.) The Argentines are convinced of the validity of their claim to sovereignty over the Falkland Islands. All Argentine regimes subscribe to this.
- 2. The Argentines ability to focus on the Falkland Islands issue is conditioned by internal and external factors. There are few current distractions. Internal subversion, the military's first target after the March 1976 coup, has been largely contained. Economic progress, though with problems about inflation, enabled the armed forces to undertake extensive arms purchases and orders in 1978 (estimated at \$214 billion).
- 3. During 1978, Argentine attention was focused primarily on the dispute with Chile over the Beagle Channel. This came close to a shooting war, prevented at the last minute only by the intervention of the Vatican with its offer of mediation. The Vatican seem likely to play this process long and slow. Differences with Brazil and Paraguay over the exploitation of the hydro-electric potential of the Parana River, whose waters they share, are receding as dam building proceeds.
- 4. President Videla is moderate, given neither to gambling nor to flamboyant gestures. While the Junta has the power to overrule him, he has in office been a force for moderation. He is due to /retire

retire in March 1981. His successor may be the Army Commander General Viola, also moderate, but he is also scheduled to retire at the end of 1979. The Army will appoint successors to both but there will be extensive inter service and intra army jockeying for position and power. The Junta will resist any return to meaningful democratic processes, even though pressures may build up, fuelled by economic unrest because of inflation and pursuit of higher wages. Foreign success may be sought to bolster its position.

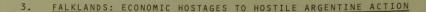
- 5. It was in similar circumstances of internal uncertainty in the months before the 1976 coup that Argentina became closest to military action against the Falkland Islands. Ambassadors were withdrawn. The Argentine Navy, under the hawkish Admiral Massera, sought to improve its internal standing by open threats, leading to the firing on the unarmed Royal Research Ship Shackleton. The establishment of a base on Southern Thule in the Dependencies took place in November 1976, after diplomatic exchanges which led to negotiations had begun. The Argentine Navy has regularly sought to assert Argentine maritime sovereignty in the SW Atlantic, either by licensing mechanisms or by naval and air patrolling, including the use of force against east European trawlers. Admiral Massera retired in September 1978 but retains political ambitions. Since then, the Air Force has had control of the Foreign Ministry but faces increasing criticism for lack of progress on the Falklands issue.
- 6. The heat was only taken out of the Falklands dispute in 1976 when we showed a willingness to negotiate. The four rounds of negotiation which followed between 1977 and 1979 (Rome, July 1977, officials; New York, December 1977, Ministers; Geneva, December 1978, Ministers; New York, March 1979, officials) were based on the prospect of some deal on sovereignty being possible. We kept the Argentines in play only with difficulty and there was continuing suspicion among Argentine officials about the genuineness of our intentions. The Argentines became increasingly impatient about

/British

British delaying tactics, although they were willing to accept that the imminence of a general election caused us difficulties. They have since accepted assurances that the new Government needs time to study the situation. But there is a limit to the time they will wait on us. They have already indicated this in the Aide Memoire given to Mr Ridley as he left Buenos Aires in July, in which the March 1979 round was described as "an unfortunate step backwards" and in which they stated "negotiations should be on a more dynamic base".

2. THE ARGENTINE THREAT TO THE FALKLANDS: MILITARY

- 1. If the Argentines conclude that there is no prospect of real progress towards a negotiated transfer of sovereignty, there will be a high risk of their resorting to more forceful measures, including direct military action. Economic harassment measures represent a soft option and can be implemented without difficulty and at no great cost to Argentina. The establishment of an Argentine presence in the Dependencies and/or the arrest of the British Antarctic Survey Team in South Georgia would be difficult to monitor and to prevent.
- 2. But there is no military reason why Argentina should not proceed to invade and capture the Islands. She has the capability. In 1977, the Chiefs of Staff considered that Argentina could mount any of the following operations:
- (a) A seaborne landing at up to Brigade strength (using Marines alone) in Naval Transports and Landing Ships supported by up to six Destroyer/Frigates, one Cruiser, two Submarines and one Aircraft Carrier (operating helicopters and A/S aircraft).
- (b) An air landed operation at up to Brigade strength supported by ground attack aircraft (about one hundred of various types are available).
- (c) Harassment of British shipping with Naval surface and submarine units and/or aircraft. The Argentine Navy has a long range maritime air surveillance capability.
- 3. A Field Force group would have to be maintained permanently in the Islands to prevent an invasion. The time taken to deploy the Force would probably mean that we would be faced by a fait accompli and the need to recapture the Islands. This would be a major operation at very long range and, at best, the expedition required could not reach its objective in under a month.



Trade

1. Argentina is our third largest market in Latin America. In 1978, UK exports were £114 m (5.7% of total import market). Argentina exports to UK in 1978 were £153 m. Our major exports comprise machinery, vehicles and transport and tele-communications equipment. Argentina could easily find supplies elsewhere. Our major imports from Argentina are meat, textiles and oilseeds. (Full details below).

Major business in prospect

2. The only major outstanding contract is GEC's bid to supply turbines and associated equipment for a nuclear project in co-operation with the Canadians. GEC need this business badly. It would be worth ± 100 m.

UK Investment

3. British commercial assets (9% of total foreign investment) are worth over £200 m. British investors include ICI, British Steel, GEC, Shell, Coates, Babcock and Wilcox.

Invisibles

4. UK freight receipts from trade carried in British ships to and from Argentina total some $\pounds 7$ m annually.

Outstanding ECGD liability

5. Argentina has a good payments record. But current outstanding ECGD liability amounts to $£120~{\rm m}$ on the Arms Account; and $£71~{\rm m}$ on the Commercial Account.

Defence sales contracts

6. a) Signed - £70 m Sea Dart missile - £30 m Westland Lynx helicopters - £35 m Blowpipe missile system - £5 m)

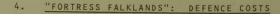
/b)

- b) Under negotiation £45 m (Aircraft Head-up display equipment - £10 m Ancillary equipment for frigates being built in West Germany - £35 m)
- c) In prospect £400 m
 (Hawk jet trainer £100 m
 Sea Harrier £150 m
 Mine counter measures vessels £150 m)
- d) Frustrated £740 m: Present policy is not to supply equipment to Argentina with which they could threaten the Falkland Islands. In the last year, the only major item affected by this restriction were 2 Yarrow support vessels to the value of £40 m. But we are convinced that an important factor in our failure to land the contract in 1978 for the supply of 6 frigates (worth £700 m) was our dispute with Argentina over the Falklands.



UK-Argentina trade 1977 and 1978 Value in £ th

| | 1977 | 1978 |
|--|-----------|---------|
| Imports from Argentina | | |
| Meat and meat preparations | 32 980 | 45.711 |
| Fish, crustaceans, molluscs and pre- | | |
| parations | 3 015 | 2 667 |
| Cereals and cereal preparations | 11 122 | 3 793 |
| | 2 071 | 2 572 |
| Vegetables and fruit | | |
| Coffee, tea, cocoa and spices | 8 170 | 3 771 |
| Tobacco and tobacco manufactures | 991 | 1 928 |
| Oil seeds and cleaginous fruits | 207 | 17 625 |
| Textile fibres and their wastes | 22 881 | 21 792 |
| Metalliferous ores and metal scrap | 2 3 9 4 | 3 0 7 9 |
| Crude an mal and vegetable materials | | |
| n e.s. | 2.534 | 1 390 |
| | 5 757 | 5 440 |
| Fixed vegetable oils and fats | | 1 567 |
| Organic chemicals | 1 000 | |
| Inorganic chemicals | 5 393 | 10 322 |
| Leather, leather manufactures, n.e.s. | 5 307 | 3 783 |
| Textile yarn, labrics, made-up articles | | |
| n e.s. | 1.517 | 3 205 |
| Iron and steel | 869 | 7 116 |
| | 202 | 1110 |
| Office machines and automatic data | | 5 314 |
| processing equipment | 4 984 | |
| Miscellaneous manufactured articles | 2 107 | 2 663 |
| Various | 7 275 | 8 453 |
| Total imports | 120 574 | 153 191 |
| to the state of th | | |
| Exports to Argentina | | |
| Beverages | 3 590 | 4 858 |
| Organic chemicals | 4 735 | 2 982 |
| Oyeing tanning and colouring | | |
| | 3 026 | 1 129 |
| materiais | 3.020 | 1 123 |
| Medicinal and pharmaceutical pro- | | 2 2 2 2 |
| ducts | 2 769 | 2 313 |
| Amilicial resins and plastic materials | 1 386 | 1 428 |
| Chemical materials and products | | |
| n e s | 4 2 4 8 | 3 142 |
| Paper and paperboard | 1 367 | 2 290 |
| Textile yarn, fabrics, made-up articles | | |
| | 628 | 1.294 |
| n e s. | UE O | 1,234 |
| Non-metallic mineral manufactures | | 2.200 |
| n.e.s. | 2 557 | 2 2 1 6 |
| Iron and steel | 6 297 | 3 2 1 9 |
| Non-ferrous metals | 2 406 | 3 093 |
| Manufactures of metal n.e.s. | 1 364 | 3 088 |
| Power generating machinery and | | |
| | 14 770 | 8 599 |
| equipment | 14.770 | 2 322 |
| Machinery specialised for particular | | 10.000 |
| industries | 12 803 | 18 089 |
| Metalworking machinery | 1 095 | 2 890 |
| Gneral industrial machinery and | | |
| equipment n.e.s. | 10-557 | 8 253 |
| Office machines and automatic data | | |
| processing equipment | 2 2 2 2 7 | 1 419 |
| processing equipment | 2.251 | 1014 |
| Telecommunications and sound re- | 2 796 | 6 352 |
| cording | 2 /96 | 0 352 |
| Electrical machinery, apparatus and | | |
| appliances n.e.s | 3 366 | 4.269 |
| Road vehicles (including air cushion | | |
| vehicles) | 2 981 | 5 406 |
| | 30 996 | 13 561 |
| | 5 885 | 8 861 |
| Other transport equipment | | |
| Other transport equipment Miscellaneous manufactured articles | | |
| Other transport equipment | 8 442 | 1/3/826 |



1. The following broad estimates have been calculated on a full cost basis: to the extent that the Forces and equipment are already incurring similar costs elsewhere, they are hypothetical.

(The main real extra cost would be fuel.)

2. Balanced Naval Force (Paragraph 2 of Annex 1)

The MOD assess that the Balanced Naval Force (of 1 guided missile destroyer, 3 frigates and supporting RFAs and, possibly, a nuclear powered submarine) permanently deployed in the area to counter a serious maritime threat would cost $\underline{\underline{f44}}$ million annually. (£5.4 m. real extra cost).

3. Reinforcement of Present Garrison (Paragraph 3 of Annex 1)

To provide a credible deterrent would require permanent reinforcement of current garrison by at least a force of an RN commando Group and a Blow Pipe Air Defence Troop, costing $\underline{t7.8}$ $\underline{million}$ annually. (£0.6 m \underline{real} extra cost).

4. Field Force (Paragraph 3 of Annex 1)

A permanent credible defence garrison would require a force of at least Field Force, costing (without reinforcement transportation on which MOD have not assessed) some $\frac{£23 \text{ million}}{£3.0 \text{ m} \text{ real}}$ extra cost).

5. Economic Blockade: Task Force

If the Argentines decide to impose an economic blockage and to interfere with British shipping, we should need to provide a Naval Task Force for escort duty. A typical Force might consist of a helicopter cruiser or guided missile destroyer, two frigates, possibly a submarine and two supporting RFAs. The full cost of this force (on the assumption that it would complete its task within two months) would be $\underline{f4.1}$ million. The real extra cost (essentially fuel) is put at $\underline{f0.4}$ million.

6. <u>Island Fuel Stocks</u>

An alternative to Argentine supplies might become necessary (paragraph 5 (ii) of Annex 1). A return journey by RFA would cost ± 0.4 million (± 0.1 million real extra cost).

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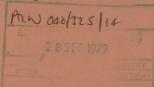
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TO IMMEDIATE UKMIS NEW YORK

TELNO 585 OF 25/9/79

FOLLOWING FOR SECRETARY OF STATE FROM MR RIDLEY

ARGENTINA AND THE FALKLAND ISLANDS



1. FOLLOWING YOUR LUNCHTIME DISCUSSION AT CHEQUERS LAST SATURDAY, I HAVE TODAY DISCUSSED THE O D PAPER WITH THE PRIME MINISTER. SHE TAKES THE VIEW THAT WE CANNOT RUSH A DECISION OF PRINCIPLE ON OUR APPROACH TO THE PROBLEM, BUT SHOULD INSTEAD TAKE THE WHOLE QUESTION TO AN EARLY MEETING OF O D.

2. MEANWHILE, THE PRIME MINISTER WOULD PREFER THAT WHEN YOU SEE THE ARGENTINE FOREIGN MINISTER YOU SHOULD CONFINE YOURSELF TO SAYING THAT HMG HAVE NOT COMPLETED THEIR CONSIDERATION OF THIS COMPLEX PROBLEM. AS I WARNED COMMODORE CAVANDOLI IN JULY, THE HOLIDAY SEASON AND THE PRESSURE OF OTHER URGENT EUSINESS (EG RHODESIA) HAVE CAUSED SOME DELAY IN THIS PROCESS. IT WOULD THEREFORE BE PREMATURE FOR YOU TO AGREE DATES WITH PASTOR FOR MY NEXT MEETING WITH CAVANDOLI: NOR WOULD IT BE APPROPRIATE TO SPEAK AT THIS STAGE ABOUT NEGOTIATIONS ON SOVEREIGNTY.

CARRINGTON
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ME HARDING

MR ALEXANDER, NOID DOWNING ST

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MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-XXXXXX 218 2111/3

24th September 1979

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AW 040/325/14

The Defence Secretary has seen a copy of the Foreign and Commonwealth Secretary's minute of 20th September. outlining options for talks about the Falkland Islands. He is quite content that Lord Carrington should indicate to the Argentine Foreign Minister our willingness to enter into negotiations over the Falkland Islands fairly soon. Mr Pym assumes that Ministry of Defence officials will be consulted before substantive negotiations begin, in view of the potential defence implications of any "lease-back" arrangement.

I am sending copies of this letter to the Private Secretaries to members of OD, the Secretary of State for Energy and the Attorney General and to Barry Hilton (Cabinet Office).

(J D GUTTER DGE)

R M J Lyne Esq Foreign and Commonwealth Office Foreign and Commonwealth Office

1. Ecan harrassment

a) passenger services

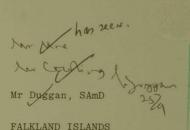
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ALW 040/32 5/14

28 SEF 1979

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You will have seen copies of comments by certain Ministers on Lord Carrington's minute to the Prime Minister about the Falkland Islands, including a request by the Secretary of State for Energy for a discussion of the issues raised in the minute. We have been told by telephone that the Defence Secretary has no comments; and that the Lord Chancellor thinks an attempt should be made to assess the other side of the coin - ie the nature and extent of the Argentine threat, including an assessment of their forces and of the stability of the regime. Lord Hailsham regards the moral commitment to the islanders as paramount, but accepts that we might be able to end the dispute in such a way as to derive solid advantages.

RhyLyno

(R M J Lyne)

24 September 1979

cc:- PS/LPS PS/Mr Ridley PS/PUS Mr Harding Non read with Shape 9

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Non perd with the Shape 9

No

I have seen Peter Carrington's paper PM/79/81 to you on the subject to of the Falkland Islands. This is a very useful summary of the options open to us, and I agree with his conclusion that there is little to be gained by continuing to try to spin out our talks with the Argentines. The sort of solution he envisages is probably the best we can expect to achieve, given all the circumstances.

I am, however, rather uneasy about the proposed arrangements for the maritime zones outside territorial waters. It is true that the presence of oil (or gas) has yet to be proven, but the continued interest of the oil companies and the results of recent geophysical surveys (which FCO have seen) lead us to think that there is at least a good change that hydrocarbons are there. We ought to be very careful about adopting a course which could lead to British oil companies losing a favourable position they might otherwise have had, both as regards development and exploitation and the supply of offshore hardware, in which field the North Sea has given us a leading position. It could also involve a substantial loss to the British economy if oil were found. It is impossible to quantify, of course, but I should have thought the potential value to us (and to the Islanders) would bear comparison with - it could possibly exceed - the possible trade benefits mentioned in Peter's paper.

I do feel, therefore, that before we agree to the course he has proposed, we should have a full discussion on its implications and a better assessment of the gains and losses we stand to make. I do not think the paper as it stands has taken all the relevant economic factors of this sort into account. I would hope that, meanwhile, Peter Carrington will not say anything to the Argentines which could jeopardise the position.

I am copying to other members of ODF the Attorney General, Sir John Hunt and Sir Kenneth Berrill.

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From the Secretary of State

PS/WW. Pi PS/PUS Ula Hall ESSID FRI

George Walden Esq Private Secretary to the Secretary of State for Foreign and Commonwealth Affairs Downing Street

21 September 1979

New yearge

Falkland Islands

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As my Secretary of State is at present on an official visit to Australasia, I have not been able to show him Lord Carrington's minute of 20 September to the Prime Minister.

Whilst I am sure that Mr Nott would not object to the proposal that your Secretary of State should indicate to the Argentine Foreign Minister in New York that we are willing to enter into negotiations fairly soon, I must enter a reservation on the substance and tactics of the negotiations which he will no doubt wish to have an opportunity to consider. I presume that the timetable which is envisaged for the full negotiations will allow this closer examination of the proposals before they are floated with the Argentinians.

I am sending copies of this letter to Michael Alexander (No 10). the Private Secretaries to other members of OD, the Secretary of State for Energy and the Attorney General, and to Martin Vile (Cabinet Office).

FROM THE PRIVATE SECRETARY

S. Am Depr

Didlay 1 September 1979

House of Lords, Town 24/ix



ALW 040/325/14

Dear Paul,

The Lord Chancellor has seen the Foreign Secretary's Minute to the Prime Minister of 20 September about the Falkland Islands. He has said that he thinks an attempt should be made to assess the other side of the coin, that is, the nature and extent of the Argentine threat and intention, their forces, the stability of their regime and so forth. It would be a sorry business to give over British subjects of UK origin to the whims and changes of a South American dictatorship. On the other hand solid advantages could be gained from the termination of this tiresome dispute. The Government's moral commitments to the islanders, however, should be paramount.

I am sending copies of this letter to the private secretaries to the other members of OD, the Secretary of State for Energy, the Attorney-General and the Secretary of the Cabinet.

W ARNOLD

Private Secretary to the
Secretary of State for Foreign and Commonwealth
Affairs
Foreign and Commonwealth Office
Downing Street
LONDON SW1A 2AL

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Private Secretary

I have incorporated here amendments, which are in time with me changes requested by me I of S.

40CT 1979

FALKLAND ISLANDS OD PAPER

Since the attached submission was sent to Private Office last night, the PUS has suggested some amendments as indicated in paragraphs 4 and 8.

Joseph

G A Duggan
South America Department

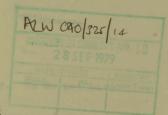
20 September 1979

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PM/79/81

PRIME MINISTER



Falkland Islands

1. Our dispute with the Argentines over the Falkland Islands continues. We need to decide how to handle it. There are three broad options:

A. "Fortress Falklands"

2. We could refuse to talk to the Argentines and retreat into some "Fortress Falklands". But this would not be realistic. The Islands and their Dependencies are small, remote, undeveloped and underpopulated (1,850 people of British stock). Their only hope for a secure economic and political future is through cooperation with Argentina. They are already dependent on Argentina for vital supplies (eg oil) and for communications (air services). The islands are militarily indefensible except by major diversion of our current military resources. The cost of supplying them direct from the UK in face of a hostile Argentina would be unacceptably high. The Islands would be condemned to economic decline and social decay and we would have to commit ourselves to heavy aid expenditure to keep them going (Annex I).

B. Protracted Negotiations

3. We could talk to the Argentines but adopt a negotiating position of no concessions on sovereignty. Some islanders, and their supporters in this country, might favour such a policy. Successive British administrations have played for time in this way for some dozen years. However this would eventually lead to a complete breakdown of exchanges, probably sooner rather than later. The consequences would be similar to those which would result from a "Fortress Falklands" policy.

C. Substantive Negotiations on Sovereignty

4. Both the above options are sterile. We need a more constructive approach. I think the right course is to aim for substantive negotiations. I have written to the Argentine Foreign Minister to tell him of our wish to continue the dialogue in a constructive spirit and with the sincere intention of resolving our difficulties. But serious negotiations will have



to encompass the question of sovereignty. We do not have $\ensuremath{\text{much}}$ to bargain with.

- 5. From 1977 the previous Government negotiated with the Argentines on terms of reference announced in April 1977 (Annex II). The exchanges included the question of sovereignty but were largely exploratory and without prejudice to either side's sovereignty claim. No substantive progress was made. The Falkland Islanders were kept closely informed throughout and it was made clear to all that no solution would be brought to Parliament which did not have Islander support.
- 6. There is no point in continuing to delay. Nicholas Ridley, following his recent visit to the Falkland Islands to look at the situation and ascertain Islander views, is firmly of the opinion that delay is benefitting no one. It is in our interest and that of the Islanders to try now to find a way forward. The objective would be to find a solution with which the Argentines might agree and which the Islanders will accept. We shall need to retain the support of the Islanders in whatever we propose and shall of course respect our past commitments to them. Our intention would be to surrender only the trappings of sovereignty in return for guaranteed economic and political security for the Islanders under British rule. It will help if we negotiate in the context of our overall relations with Argentina, including the economic developments of the South West Atlantic (oil - if proven - and fish) and co-operation in Antarctica. An unpredictable and possibly violent Argentine reaction would thereby be made less likely.
- 7. Theoretically, there are a number of ways in which we could handle the sovereignty question (some are examined in Annex III). But the one best fitted to meet our own and Islander wishes would be to transfer ownership of the Islands to Argentina, on the understanding that they would simultaneously grant us a lease roughly analogous to that of Hong Kong New Territories. The previous Government's exchanges with the Argentines implied such a lease-back solution, and the Argentines know this; but it has never been formally put either to them or to the Falkland Islands.



During his visit Nicholas Ridley found the Councillors willing to consider such a possibility, provided the lease was long enough (say 99 years), because it would provide that British control of the Islands continued.

8. While we do not know whether the Argentines will accept a lease-back or what price they might seek in agreeing to one (they will obviously seek a fairly short lease), there are positive reasons for pursuing this option. If the Argentines genuinely want a solution, this one could give them the appearance of sovereignty to present as a success to their domestic opinion. It would provide the Islanders with continued British rule, nationality and institutions. A solution would remove the major impediment to better relations with Argentina and bring commercial (eg arms sales) and other dividends. It would go some way towards . unlocking the economic potential of the Islands, by helping to create a framework where business and development could flourish without any support being needed from our aid funds as now. What are needed in the Islands, along with a much greater population, are proper banking facilities (including access to private capital); a less onerous tax regime (and one which encourages inward investment); the break-up of the monopolistic Falkland Islands Company which inhibits agricultural development; and publicity for such opportunities. For this a political solution is essential.

9. There will be difficulties in carrying through the course I am proposing. If negotiations develop positively, we shall have to ensure that we have support for our proposals in Parliament. Provided we carry the Islanders with us, we should achieve this. On the other hand, the risks in being passive and doing nothing (Annex I) are clear; we should positively seek a solution.

10. I would like your agreement and that of our colleagues to my proceeding on the above lines. I would let the Falkland Islanders know of our intentions through the Governor. If I am able to visit New York next week for the General Assembly meeting, I would hope to meet the Argentine Foreign Minister in the margins and would like to indicate our willingness to enter into negotiations fairly soon. I would not intend myself to conduct any substantive discussions with him then, but I would suggest that



Nicholas Ridley might arrange subsequently to meet with his Argentine opposite number. I would expect negotiations to begin in the autumn. The speed with which they go ahead can be adjusted to circumstances as long as the direction of movement is clear. I would report significant developments to you and our colleagues.

11. I am copying this minute to other members of OD, to the Secretary of State for Energy, to the Attorney-General and the Secretary of the Cabinet. If there seems to be any difficulty about what I am proposing, I would be grateful to have an urgent indication of this before I leave for New York at the weekend.

4

(CARRINGTON)

Foreign and Commonwealth Office

20 September 1979

ANNEX I

"FORTRESS FALKLANDS"

A. <u>DEFENCE OF THE FALKLAND ISLANDS</u> Current Measures

1. The Falklands are currently defended by a permanent detachment of 40 Royal Marines based in Port Stanley. They are supported in this during the Antarctic Summer (roughly December-March) by HMS ENDURANCE, an ice patrol vessel with limited armament which carries out scientific work on behalf of the British Antarctic Survey as well as demonstrating a Royal Naval presence in the area. These measures cost the MOD some £3.5 million per annum. They provide only a symbolic deterrent and would be effective against only small scale, adventurist incursions.

. Measures to Counter Argentine Invasion Threat

- 2. To counter a sudden and serious maritime threat to the Falklands, the Dependencies or to British shipping in the area, the MOD has assessed that it would be necessary to deploy a balanced naval force of one guided missile destroyer, three frigates and supporting RFAs and, possibly, one nuclear powered submarine.
- 3. To provide a credible deterrent, in the face of an increased threat of military invasion, would require timely reinforcement of the current garrison by at least a force of an RN Commando Group and a Blowpipe air defence troop. Should the Argentines invade before a deterrent force is deployed, or if the deterrent force failed, to recover the Islands would require a force of at least Field Force (formerly called a Brigade Group) strength. At the very best, such an expedition could not reach the Islands in under a month. The remoteness of the Islands, their limited airfield facilities and the fact that the only alternative airfields which could be used in cases of emergency are in Argentina would make reinforcement by air impossible and make resupply extremely difficult.



- 2 -

Implications of Increased Defence Commitment

4. Such a diversion of our military resources would have far reaching effects. The extra fuel costs alone for the task force in paragraph 2 would be of the order of £1 million. The implications for our commitment to NATO would be serious. There would be a reduction in NATO exercise involvement and a reduction in training, which would adversely effect the fighting efficiency of the Fleet. The deployment of a Field Force would have significant implications for BAOR, for our planned roulement of troops in Northern Ireland and would further exacerbate the problem of over-stretch in the army. These problems would get progressively worse the longer the force was required to remain in the area.

B. ECONOMIC BLOCKADE

- 5. A number of possibilities for harassment of the Islands are available to the Argentines. They could
 - i) abrogate the Anglo-Argentine Communications Agreement of 1971, cutting passenger links with the outside world and the freight service. There is no feasible alternative to the air service and normal passenger services would cease.
 - ii) cease to provide fuel: alternative supplies could be provided, at great cost, by the Falkland Islands Company or by the RN RFA which biennially tops up the Admiralty oil tanks at Port Stanley.
 - iii) cut off supplies of food stuffs, cancel scholarships for Falklands children in Argentina and suspend medical co-operation. Such facilities could only be replaced in the UK.
 - iv) interfere with British shipping: the Islands are almost entirely dependent on the United Kingdom for their trade.

 Exports (almost entirely of wool) are marketed via the UK;

 85% of imports originate from the UK. MOD have assessed that in such circumstances we should need to provide a naval task force periodically to escort a ship or ships

to the Islands. A typical task force might consist of a helicopter cruiser or guided missile destroyer, frigates, possibly a fleet submarine and supporting VRFAs. Each operation would take at least 6 weeks.

- 5. The Argentines could take measures against British economic interests in Argentina eg refuse to pay monies outstanding on the Type 42 destroyercontract; cancel other defence contracts under negotiation worth over £100 million; and expropriate British assets, worth over £200 million. They could orchestrate industrial and/or bureaucratic action against British exports (£114 million in 1978) and harrass the British Community of 30,000 in Argentina (17,000 hold British passports).
- 6. The Argentines could occupy uninhabited Dependencies (they have already set up a scientific station on one of them, Southern Thule) and/or arrest the British Antarctic Survey team on South Georgia.
- 7. The effect of such measures, or a selection of them, would be cumulative. In the short term, life on the Islands would continue to be tolerable. But a prolonged blockade would have a disastrous effect on Islander morale. Internationally, we could expect little sympathy or support and the pressure would be increasingly on HMG to make concessions.



FALKLAND ISLANDS: TERMS OF REFERENCE FOR NEGOTIATIONS (WRITTEN PARLIAMENTARY ANSWER BY THE SECRETARY OF STATE, 26 APRIL 1977)

The British and Argentine Governments have now reached agreement on the Terms of Reference for negotiations about the Falkland Islands dispute, as follows:

The Governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland have agreed to hold negotiations from June or July 1977 which will concern the future political relations, including sovereignty, with regard to the Falkland Islands, South Georgia and South Sandwich Islands, and economic cooperation with regard to the said territories, in particular, and the South West Atlantic, in general. In these negotiations the issues affecting the future of the Islands will be discussed, and negotiations will be directed to the working out of a peaceful solution to the existing dispute on sovereignty between the two states, and the establishment of a framework for Anglo-Argentine economic cooperation which will contribute substantially to the development of the Islands, and the region as a whole.

A major objective of the negotiations will be to achieve a stable, prosperous and politically durable future for the Islands, whose people the Government of the United Kingdom will consult during the course of the negotiations.

The agreement to hold these negotiations, and the negotiations themselves, are without prejudice to the position of either Government with regard to sovereignty over the Islands.

The level at which the negotiations will be conducted, and the times and places at which they will be held, will be determined by agreement between the two Governments. If necessary, special Working Groups will be established.

FALKLAND ISLANDS: SOVEREIGNTY OPTIONS

I "Fortress Falklands"

- 1. This is the idea that we need make no sovereignty concessions to Argentina in that, if we stand firm, the Argentines will give way or, otherwise, we would be able to defend the Islands against any attack, direct or indirect. The concept is false. The Argentines are not going to give up a sovereignty claim they have maintained for decades.
- 2. The economic and military costs in attempting to defend and maintain our position in the Islands are looked at in Annex I. We could not expect support from anyone in adopting such a position, certainly not Chile, Uruguay or Brazil, to whom we have to look for alternative transit facilities. We are in a minority of one in the United Nations on this issue. The "fortress" concept would effectively prevent all development of the Islands.

II Sovereignty "freeze"

3. This would require Argentine agreement to leave the sovereignty dispute in abeyance for a given period, say 30 years, at the end of which we would both review the sovereignty claim. There is nothing in this that would appeal to the Argentines who want some early progress on the sovereignty front.

III Joint sovereignty or Condominium

4. The Anglo/French condominium of the New Hebrides is an example: co-sovereighty would have to lead eventually to co-administration. It would present extremely complicated problems. It would be unacceptable to the Islanders because it would involve Argentine intervention in their way of life in one form or another. It would probably be unacceptable to the Argentines in that it would involve their admitting the UK to a

/joint

- 2 -

joint share of sovereignty which they want exclusively.

IV A "Mixed Approach"

5. We would seek to differentiate between territory, in which the Argentines are primarily interested, and people which is the main burden of our concern. We would agree to concede sovereignty over the uninhabited Dependencies and the maritime zones to Argentina who would abandon her sovereignty claim over the inhabited Falkland Islands. This would be unacceptable to Argentina because it would not involve the concession of sovereignty over the Falkland Islands which they are seeking.

V Other Models

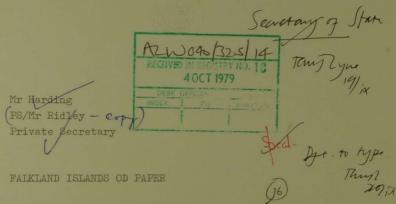
- 6. Two existing examples of shared sovereignty are:
 - a) Spitzbergen where Norway has sovereignty but other powers have the right of "economic access".
 - b) The Aaland Islands where Finland has sovereignty but the Islanders enjoy certain special rights reflecting their relationship with Sweden.

Neither would be acceptable to the Islanders, because they would involve an Argentine presence and intervention in their British way of life.

VI Leaseback

7. We would concede to the Argentines sovereignty over the Falkland Islands, the Dependencies and their Maritime Zones. Argentina would simultaneously give HMG lease over the Falkland Islands and South Georgia (where we have an Antarctic base) and their territorial waters and agree on equal co-administration of the economic resources of the Maritime Zones and seabed pertaining to all the Falkland Islands and Dependencies.

8. A perpetual lease would be best but the Argentines are most unlikely to agree to this. The term would have to be negotiated: we would try for say 99 years but might have to settle, as a last resort, for something like 30 years. If the period were short, it might be necessary to devise special arrangements to enable some of the Islanders to settle in the UK but, if the economy were to blossom in the period agreed, only a few people would be involved, particularly the older generation.



1. In the light of Mr Lyne's minute of 18 September, I have again revised the draft minute to the Prime Minister. The arguments remain the same; they are now presented in a slightly different order.

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19 September 1979

G A Duggan South America Department

Reminister of State approved his previous version. In his interests of speed hors' should be submitted direct to his Private Secretary.

Armen !

To Danes Mr Harding Private Secretary 1. In the light of Mr Lyne's minute of/18 September, I have again revised the draft minute to the Prime Minister. The arguments remain the same; they are now presented in a slightly different order. G A Duggan South America Department

DRAFT: minute/seiter teleletzer despatch/hate

FROM: Legretary of State

DEPARTMENT:

TEL. NO:

Your Reference

Copies to:

IVACY MARKING

SUBJECT:

- 1. Our dispute with the Argentines over the Falkland I lands continues. We need to decide how we handle it. There are 3 broad options.
- only hope for a secure economic and political future is through cooperation with Argentina. They are already of our current military resources. The cost of supplying them direct from the UK in fact of a hostile Argentina would be unacceptably high. The Islands

constructive approach. We must have substantive negotiations. I have written to the Argentine Foreign Minister to tell hir of our wish to continue the dialogue in a constructive spirit and with the sincere intention of resolving our difficulties. But serious negotiations will have to include concessions on sovereignty by us.

the quishion

- 5. From 1977 the previous Government negotiated with the Argentines on terms of reference announced in April 1977 (Annex II). The exchanges included the question of sovereignty but were largely exploratory and without prejudice to either side's sovereignty claim. No substantive progress was made. The Falkland Islanders were kept closely informed throughout and it was made clear to all that no solution would be brought to Farliament which did not have Islander support.
- 6. There is no point in continuing to delay. Nicholas Fidley, following his recent visit to the Falkland Islands to look at the situation and ascertain Islander views, is firmly of the opinion that delay is benefitting no one. It is in our interest and that of the Islanders to try now to find a way forward. The elective would be to find a solution with which the Argentines might agree and which the Islanders will appear. Is shall used to retain the support of the Islanders in whatever we propose and shall of course respect our past commitments to them. At best, we would surrender only the trappings of sovereignty in return for guaranteed economic and political security for the Islanders under Fritish rule. It will help if we negotiate in the context of our overall relations with Argentina, including the scoppic developments of the South West arlantic (cil if proven and fiel, and cooperation in autorotics. Any unpredictable and possibly violent argentina reaction would thereby be made less timely.
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- 8. While we do not know whether the Argentines will accept a lease-back or what price they might exect in agreeing to one (they will obviously seek a fairly short lease), there are positive reasons for pursuing this option. If the Argentines want a solution this one could give them the experiently concessions with which to claim domestically an institutions. A solution would remove the major impediment to better relations with Argentina and bring commercial (eg arms seles) and other dividends. It would go some way towards unlocking the economic potential of the Islands, by helping to create a framework where business and development could flourish without any support being needed from our aid funds as now. What is needed in the Islands, along with a much greater population, is proper banking facilities (including access to private capital); a less onerous tax régime (and one which encourages inward investment); the breakup of the noncopolistic Falkland Islands Contain which inhibits apricultural development: and publicity for such opertunities. For this a political solution is essential.
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10. I am copying this minute to other members of OD, to the Secretary of State for Energy, to the attorney-General and the Secretary of the Cabinet. If there seems to be any difficulty about what I am projesing, I would be pleased to have an urgent indication of this before I leave for New York at the weekend.



Mr Harding PS/Mr Ridley Private Secretary

PALOR PALOR TAKAN

FALKLAND ISLANDS OD PAPER

1. The Secretary of State has asked that the draft minute to the Prime Minister, submitted by Mr Duggan on 11 September, be altered to make it more positive i.e. so that the leaseback solution is brought out as a preferred and forward looking option, chosen by us rather than forced on us.

Recommendation

2. I recommend that the attached draft minute, which has been amended in paragraphs 3, 6, 7, 8 and 9, should issue.

No disquising the fact that our hand is not a strong one

Burg

18 September 1979

J B Ure South America Department

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| Unclassified | | | |
| PRIVACY MARKING | SUBJECT: FALKLAND ISLANDS | | |
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| CAVEAT | Islands continues. We need now to dec | | |
| THE STATE OF THE PARTY | we carry forward our negotiations with | them. | |
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Enclosures—flag(s).....

commit ourselves to heavy aid expenditure to keep them going (Annex I). Such a policy would be sterile. We

need a more constructive approach.

- 4. I see no alternative to substantive negotiations. I have written to the Argentine Foreign Minister to tell him of our wish to continue the dialogue in a constructive spirit and with the sincere intention of resolving our difficulties.
- 5. From 1977 the previous Government negotiated with the Argentines on terms of reference announced in April 1977 (Annex II). The exchanges included the question of sovereignty but were largely exploratory and without prejudice to either side's sovereignty claim. No substantive progress was made. The Falkland Islanders were kept closely informed throughout and it was made clear to all that no solution would be brought to Parliament which did not have Islander support.
- 6. For some dozen years, successive British Administrations have played for time. There is no point in continuing to delay. Nicholas Ridley, following his recent visit to the Falkland Islands to look at the situation and ascertain Islander views, is firmly of the opinion that delay is benefitting no one. It is in our interest and that of the Islanders to try now to find a way forward. The objective would be to find a solution with which the Argentines might agree and which the Islanders will accept. We shall need to retain the support of the Islanders in whatever we propose and shall of course respect our past commitments to them. At best, we would surrender only the trappings of sovereignty in return for guaranteed economic and political security for the Islanders under British rule. It will help if we negotiate in the context of our overall relations with Argentina, including the economic developments of the South West Atlantic (oil - if proven - and fish) and co-operation in Antarctica. Any unpredictable and possibly violent Argentine reaction would thereby be made less likely.

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- 3 -

- 7. Serious negotiations will have to include concessions on sovereignty by us. Our bargaining position is weak. Theoretically there is a range of possible options (some are examined in Annex 3). The one best fitted to meet our own and Islander wishes would be to transfer ownership of the Islands to Argentina, on the understanding that they would simultaneously grant us a lease roughly analogous to that of Hong Kong New Territories.
- 8. The previous government's exchanges with the Argentines implied such a leaseback solution and the Argentines know this, but it has never been formally put either to them or to the Falkland Islanders. During his visit Nicholas Ridley found a majority of Councillors willing to consider such a possibility, provided the lease was long enough, because it would provide that British control of the Islands continued. While we do not know whether the Argentines will accept a lease-back or what price they might exact in agreeing to one (they will obviously seek a fairly short lease), there are positive reasons for pursuing this option. If the Argentines want a solution this one could give them the sovereignty concessions with which to claim domestically a major success. It would provide the Islanders with continued British rule, nationality and institutions. A solution would remove the major impediment to better relations with Argentina and bring commercial (e.g. arms sales) and other dividends. It would go some way towards unlocking the economic potential of the Islands, by helping to create a framework where business and development could flourish without any support being needed from our aid funds as now. What is needed in the Islands, along with a much greater population. is proper / banking facilities (including access to private capital); a less onerous tax regime (and one which encourages inward investment); the breakup of the monopolistic Falkland Islands Company which inhibits

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CONFIDENTIAL : COVERING SECRET (ovening MINISTRY OF DEFENCE need con-Main Building Whitehall London SW1A 2HB Telephone 01-218-3089(Direct Dialling) 01-218 9000 (Switchboard) J R Cowling Esq ALW 090/325/14 D/DS5/3/5/71 3 September 18 Dear 1. I thought it would be useful if I put in writing the agreement we reached today, during our meeting with Mr Duggan, on the wording of Annex I of your draft OD paper on the Falkland Islands. The agreed draft is 2. No doubt you will be in touch if any further amendments are proposed.

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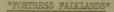
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PS/Lord Privy Seal

FALKLAND ISLANDS

Problem

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Recommendation

2. I recommend that the Secretary of State send the attached draft.

Background and Argument

3. The draft submitted on 17 August has been amended to include matters raised during the Secretary of State's meeting, in particular, by the inclusion of annexes, more detail on alternative sovereignty options and some assessment of the situation which would arise if conflict with Argentina were to develop. This latter annex has been cleared, as appropriate, with the Ministry of Defence and Economists.

G A Duggan South America Department

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FALKLAND ISLANDS

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G A Duggan South America Department

11 September 1979

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SECURITY CLASSIFICATION

Top Secret. Secret. Confidential. Restricted. Unclassified.

PRIVACY MARKING

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Prime Minister

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FROM Secretary of State

Department

Telephone No. Ext.

FALKLAND ISLANDS

- Our dispute with the Argentines over the Falkland Islands continues. We need now to decide when and how we carry forward our negotiations with them.
- 2. The Falkland Islands and their Dependencies are small, remote, undeveloped and underpopulated (1,850 people of British stock). Their only hope for a secure economic and political future is through co-operation with Argentina. They are already dependent on Argentina for vital supplies (eg oil) and for communications (air services).
- 3. We could refuse to talk to the Argentines and retreat into some "Fortress FAlklands"; or we could adopt a negotiating position of no concessions on sovereignty, which would result in a complete breakdown. These are not realistic options. The Islands are militarily indefensible, except by major diversion of our current military resources. The cost of supplying them directly from the UK in face of a hostile Argentina would be unacceptably high. The Islands would be dondemned to economic decline and social decay and we would have to commit ourselves to heavy aid expenditure to keep them going. (Annex I). Such a policy would be sterile.

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sincere intention of resolving our difficulties.

- 5. From 1977 the previous Government negotiated with the Argentines on terms of reference announced in April 1977 (Annex II). The exchanges included the question of sovereignty but were largely exploratory and without prejudice to either side's sovereignty claim. No substantive progress was made. The Falkland Islanders were kept closely informed throughout and it was made clear to all that no solution would be brought to Parliament which did not have Islander support.
- For some dozen years, successive British administrations have been playing for time. This cannot go on much longer. Argentine reactions are unpredictable and possibly violent. Nicholas Ridley, following his recent visit to the Falkland Islands to look at the situation and ascertain Islander views, is firmly of the opinion that delay henefits no-one. It is better to negotiate seriously. Such negotiations will have to include concessions on sovereignty by us. But we must not sell out the Islanders. The objective would be to find a solution with which the Argentines might agree and which the Islanders will accept: To surrender only the trappings of sovereignty in return for guaranteed economic and political security for the Islanders under British rule.

(Flag B)

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will help if we negotiate in the context of our overall relations with Argentina, including the economic development of the South West Atlantic (oil - if proven - and fish) and co-operation in Antarctica.

- 7. Our bargaining position is weak. There is a range of theoretically possible options some of which are examined in Annex III. The least unsatisfactory has in recent years appeared to be the transfer of ownership of the Islands to Argentine on the understanding that they would simultaneously grant us a lease roughly analogous to that on Hong Kong New Territories.
- The previous government's exchanges with the leaseback solution and the Argentines implied such a Argentines know this but it has never been formally to them or to the Falkland Islanders. visit to the Islands, found a majority of Councillors consider such a possibility, provided the long enough, because it would provide that British control of the Islands continued. whether a leaseback would be acceptable to the Argentines or what price they might extract in agreeing to it, eg how short a lease (perhaps 30 to 50 years); but it is worth trying. If the Argentines want a solution this one could give them the sovereignty concessions with which to claim domestically a major It would provide the Islanders with continued British rule, nationality and institutions. A solution would remove the major impediment to

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better relations with Argentina and bring commercial rms sales) and other dividends. It would go some way towards unlocking the economic potential of the Islands, by helping create a framework where business and development could flourish without any support being needed from our aid funds as now. What is needed in the Islands, along with a much greater population, is proper banking facilities (including access to private capital); a less onerous tax regime (and one which encourages inward investment); the breakup of the monopolistic Falkland Islands Company which inhibits agricultural development; and publicity for such opportunities. For this a political solution is essential.

- 9. There are risks inherent in what I am proposing.

 If negotiations develop positively, there will be a
 major problem in selling any solution to Parliament;
 but provided we carry the Islanders with us, I see
 no reason why this should not be surmountable, if we
 choose our moment carefully. On the other hand,
 there are worse risks in doing nothing (Annex I).
- 10. I would like your agreement and that of our colleagues to my proceeding on the above lines. I would let the Falkland Islanders know of our intentions through our Governor. When I meet the Argentine Foreign Minister in the margins of the General Assembly in New York in the next few weeks, I would indicate our willingness to enter into negotiations fairly soon. I would not propose myself to conduct any substantive discussions with

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him then, but I would suggest that Nicholas Ridley might arrange subsequently to meet with his Argentine opposite number. I would expect negotiations to begin before the end of this year. The speed with which they go ahead can be adjusted to circumstances as long as the direction of movement is clear. I would report significant developments to you and our colleagues.

12. I am copying this minute to other members of OD, to the Secretary of State for Energy, to the Attorney General and the Secretary of the Cabinet.

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ANNEX I

"FORTRESS FALKLANDS"

A. <u>DEFENCE OF THE FALKLAND ISLANDS</u> <u>Current Measures</u>

1. The Falklands are currently defended by a permanent detachment of 40 Royal Marines based in Port Stanley. They are supported in this during the Antarctic Summer (roughly December-March) by HMS ENDURANCE, an ice patrol vessel with limited armament which carries out scientific work on behalf of the British Antarictic Survey as well as demonstrating a Royal Naval presence in the area. These measures cost the MOD some £3.5 million per annum. They provide only a symbolic deterrent and would be effective against only small scale, adventuristincursions.

Measures to Counter Argentine Invasion Threat

- 2. To counter a sudden and serious maritime threat to the falklands, the Dependencies or to British shipping in the area, the MOD has assessed that it would be necessary to deploy a balanced naval force of one guided missile destroyer, three frigates and supporting RFAs and, possibly, one nuclear powered submarine.
- 3. To provide a credible deterrent, in the face of an increased threat of military invasion, would require timely reinforcement of the current garrison by at least a force of an RN Commando Group and a Blowpipe air defence troop. Should the Argentines invade before a deterrent force is deployed, or if the deterrent force failed, to recover the Islands would require a force of at least Field Force (formerly called a Brigade Group) strength. At the very best, such an expedition could not reach the Islands in under a month. The remoteness of the Islands, their limited airfield facilities and the fact that the only alternative airfields which could be used in cases of emergency are in Argentina would make reinforcement by air impossible and make resupply extremely difficult.

Implications of Increased Defence Commitment

4. Such a diversion of our military resources would have far reaching effects. The extra fuel costs alone for the task force in paragraph 2 would be of the order of £1 million. The implications for our commitment to NATO would be serious. There would be a reduction in NATO exercise involvement and a reduction in training, which would adversely effect the fighting efficiency of the Fleet. The deployment of a Field Force would have significant implications for BAOR, for our planned roulement of troops in Northern Ireland and would further exacerbate the problem of over-stretch in the army. These problems would get progressively worse the longer the force was required to remain in the area.

B. ECONOMIC BLOCKADE

- 5. A number of possibilities for harassment of the Islands are available to the Argentines. They could
 - abrogate the Anglo-Argentine Communications Agreement of 1971, cutting passenger links with the outside world and the freight service. There is no feasible alternative to the air service and normal passenger services would cease.
 - ii) cease to provide fuel: alternative supplies could be provided, at great cost, by the Falkland Islands Company or by the RN RFA which biennially tops up the Admiralty oil tanks at Port Stanley.
 - iii) cut off supplies of food stuffs, cancel scholarships for Falklands children in Argentina and suspend medical co-operation. Such facilities could only be replaced in the UK.
 - iv) interfere with British shipping: the Islands are almost entirely dependent on the United Kingdom for their trade.

 Exports (almost entirely of wool) are marketed via the UK;

 85% of imports originate from the UK. MOD have assessed that in such circumstances we should need to provide a naval task force periodically to escort a ship or ships

to the Islands. A typical task force might consist of a helicopter cruiser or guided missile destroyer, frigates, possibly a fleet submarine and supporting RFAs. Each operation would take at least 6 weeks.

- 5. The Argentines could take measures against British economic interests in Argentina eg refuse to pay monies outstanding on the Type 42 destroyercontract; cancel other defence contracts under negotiation worth over £100 million; and expropriate British assets, worth over £200 million. They could orchestrate industrial and/or bureaucratic action against British exports (£114 million in 1978) and harrass the British Community of 30,000 in Argentina (17,000 hold British passports).
- 6. The Argentines could occupy uninhabited Dependencies (they have already set up a scientific station on one of them, Southern Thule) and/or arrest the British Antarctic Survey team on South Georgia.
- 7. The effect of such measures, or a selection of them, would be cumulative. In the short term, life on the Islands would continue to be tolerable. But a prolonged blockade would have a disastrous effect on Islander morale. Internationally, we could expect little sympathy or support and the pressure would be increasingly on HMG to make concessions.