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PS/Mr Luce

Minister

## FALKLAND ISLANDS

1. Mr Luce has asked what inducements we might offer the Argentines to encourage them to adopt a less difficult policy on the Falklands dispute.
2. Apart from bilateral commercial relations and the dispute itself, there are only two areas where British and Argentine interests impinge on each other: Antarctica and Argentine trading relations with the European Community. The scope for trade-offs in either area is severely limited.
3. In Antarctica, a large part of British Antarctic territory is also claimed by Argentina (and by Chile). This gives us a shared interest as fellow claimant states in resisting non-claimant pressures on issues such as negotiations on an Antarctic minerals régime. But the only Antarctic 'inducements' which might give us leverage on the Falklands dispute, would be a concession on sovereignty. This would be unacceptable to us politically: and would also give away any economic advantage we may hope to gain in Antarctica (ie hydrocarbons on the BAT continental shelf). There could also be no guarantee that the Argentines, having pocketed BAT, would not then resurrect their claim to the Islands.
4. On trade with the Community, the main Argentine requirement is more favourable treatment for Argentine agricultural exports under a revised CAP. During his visits to Argentina in 1980 and 1981, Mr Walker has shown sympathy for Argentine concerns and has offered to act as amicus curiae within the Community. This is a good presentational position. But it is obviously hard to deliver, apart from keeping the Argentines informed of the Community's position on key issues and drawing what credit we can when Argentine interests happen to coincide with our own. We cannot realistically argue within the Community for concessions to Argentina on the CAP, in order to help pull our chestnuts out of the fire on the Falklands dispute.
5. There are less specific areas where we have something to offer which the Argentines want:
  - a. International respectability: The Argentine Government wants to be treated by the West as an ally and preferably as an equal. They deeply resent the continuing criticism of their human rights record. Our relations with the Argentine Government are, however, already as good as can

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be expected, given our continuing human rights reservations and the constraints imposed by the dispute. We have restored Ambassadors: there are ministerial exchanges (and the last non-military member of the Argentine Government to visit the UK, Dr Martinez de Hoz, was received by the Prime Minister and the Secretary of State): the Secretary of State has met the Argentine Foreign Minister in New York for three years running: and the Argentine Ambassador has regular and easy access to British Ministers. We could only go further at the political level by downgrading the human rights factor and accepting the domestic criticism which would follow.

- b. Arms Sales: We know the Argentine military are irked by the restrictions we impose on arms sales on human rights and Falklands grounds. We might gain some credit by weakening or abandoning these constraints. But the same domestic political considerations would arise: and we would also be making Argentina an exception to our general stance on human rights/ arms sales.

6. A further possibility would be to offer a trade-off between sovereignty over the Falkland Islands and the Falkland Dependencies. This possibility was hinted at, though very elliptically, by the previous Government in their discussions with the Argentine Government. But even if UK public and legal opinion could be satisfied that this was acceptable (and I doubt it), there is no evidence that the Argentines would agree not to continue to press their claim over the Islands.

7. The potential inducements are, therefore, slight. However, I doubt whether, even if they were greater (and even if there were not inherent objections to paying Danegeld), they could be turned to our advantage. For all Argentine Governments, the sovereignty claim over the Falklands is not a matter simply of policy; it is an emotive nationalistic issue which has its roots in every Argentine's education. However much an Argentine Government might wish to be pragmatic or to consider a cosmetic negotiating process against advantages in other areas, it is improbable that military and - however repressed - domestic public opinion would for long allow them to follow such a course

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of playing the issue down. We have to bear in mind that the recent Argentine pressure for further negotiations, while it might seem precipitate to the ever tortoise-like Islanders, comes at the end of 16 years of intermittent talks during which no discernible progress has been made. All the contributions so far made towards making progress and towards 'improving the atmosphere' have come from the Argentines (eg the air service and the fuel supply). It is understandable that they should feel frustrated.

*J B Ure*

J B Ure

13. October 1981

cc:

Mr Day  
SAmD

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