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15 SEP 1981		
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INDEX	PA	Action Taken

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1 to PS
 PS/PS
 PS/Mr Ridley
 PS/PS
 Mr Day
 Mr ure
 Defence Dept

237

PM/81/42

PRIME MINISTER

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Mr A Smith
 15/9
 Mr Smith
 Mr Smith

Falkland Islands

1. I shall be discussing the Falkland Islands dispute with the Argentine Foreign Minister in the margins of the UN General Assembly later this month. You, and colleagues to whom this minute is copied, may like to be aware of the position on the dispute since the Anglo-Argentine talks in February (my minute PM/81/12 of 13 March).

118

2. Although those talks bought time, the Argentines are showing renewed impatience for an accelerated rate of progress. They have sent us a Note and circulated a communiqué at the United Nations deploring the hitherto slow speed of negotiations and the lack of results and making clear that, if progress is not made soon, they may have to look to other means of achieving their purpose.

3. I remain convinced that a leaseback, as outlined in my memorandum OD(80)46, provides the most likely, and perhaps the only, basis for an agreed solution to the dispute. However, the prospects for negotiating such a solution with Islander agreement have diminished since February. The more realistic approach to the problem generated by Nicholas Ridley's visit to the Islands last November (OD(81)2) and during the February talks, has receded. The elections to be held in the Islands next month seem likely to lead to a new Legislative Council opposed to substantive sovereignty talks with Argentina and to the principle of any transfer of sovereignty.

138
1730

33



4. Unless and until the Islanders modify their views, there is little we can do beyond trying to keep some sort of negotiation with Argentina going (and even for this we cannot take Islander concurrence for granted). Our Ambassador in Buenos Aires has already told the Argentines in response to their Note that no action can be taken until after the Islands' elections have been held. The Argentines seem to accept this, but when I see him in New York, the Foreign Minister will undoubtedly ask for early British pressure on the new Councillors to bring them to the negotiating table. I propose to tell him that we want to end the dispute: but that we can act only in accordance with the wishes of the Islanders. We shall certainly be recommending them to agree to further talks and we may hope that these might lead them to realise the advantages of a settlement. If the Argentines were able to put forward constructive proposals of their own, this would help. But to put pressure on the Islanders to take any decision against their will could only be counter-productive.

5. The Argentines will not like this. They are under strong domestic pressures to show results. If they conclude that we are unable or unwilling to negotiate seriously, they may see little purpose in trying to maintain a dialogue.

6. The consequences for Anglo-Argentine relations would be harmful both politically and commercially. Furthermore it would complicate even further the prospects of developing the natural resources of the area (fish or any oil). But the most serious consequences would be for the Islanders themselves. The Argentines are in a position to withdraw the Islands' air service and a significant proportion of their fuel supply. If this happened it would inevitably fall to the UK, at some considerable cost, to provide alternative facilities so far as possible. Furthermore, we cannot

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discount the risk that we might ultimately become involved in a military confrontation with Argentina. Contingency studies are currently being undertaken by officials, but it is clear that supplying and defending the Islands would be both difficult and costly.

7. In short, the present outlook is not good. When I have seen the Argentine Foreign Minister, I shall be better placed to judge the likelihood of increased pressure from his Government: and to consider what course we should pursue after the Falkland Islands' elections.

8. I am copying this minute to other members of OD, to the Secretary of State for Energy, to the Attorney General and to Sir Robert Armstrong.

(CARRINGTON)

Foreign and Commonwealth Office, SW1
14 September 1981