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Falkland Islands

Mr. [unclear] [unclear] [unclear]
CUB
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MR. [unclear]
MR. Giffard
Defence
Finance
SIO

1. My minute of 15 February (PM/82/11) outlined the position prior to the Anglo-Argentine talks held in New York on 26 and 27 February. Since then the situation on the dispute has developed to a point where we may now face the prospect of an early confrontation with Argentina.

2. At New York the Argentines put forward difficult and demanding proposals for accelerating negotiations on the sovereignty issue. We, and the Island Councillors on our delegation, were nonetheless hopeful that, with careful handling on all sides, an acceptable basis for continuing the dialogue could be worked out. The relative positive atmosphere at the talks was however soured very soon afterwards by the issue of an official Argentine statement hinting at the use of other means if HMG failed to fall in with Argentine proposals. This was accompanied by bellicose press comment threatening diplomatic and economic reprisals and military action to secure the Argentine aim. This changed the position. We want to continue negotiations, if only to avoid the consequences of their breakdown. But it is politically impossible for us or the Islanders to do so against a background of threats and pressures. The most recent incident, involving the unauthorised landing of a party of Argentines on South Georgia, demonstrates how delicate the present situation is and how careful we shall have to be, if negotiations are to continue, in presenting them to public opinion in the UK.

3. I therefore intend to send a message to the Argentine Foreign Minister setting out clearly the minimum terms on which we could continue negotiations and seeking Argentine confirmation. Islander Councillors have agreed the text at Annex A, though this will require amendment before issue to take account of developments over the illegal landing on South Georgia. Once the Argentines reply, I intend to publish the text of my message in order to demonstrate to both British and international opinion the importance we attach

/to achieving



to achieving a solution of the dispute through peaceful and genuine negotiations.

4. I think this is a reasonable line to take. I do not see that we could publicly justify, either here or in the Islands, a continuation of negotiations on anything less than the basis of my message to the Argentine Foreign Minister. I cannot however be confident that it will be acceptable to the Argentines. They have built up a dangerous head of steam on this issue and Argentine public opinion has been led to expect rapid progress only on Argentine terms and with the sole objective of arranging an early transfer of sovereignty. We have therefore to recognise that negotiations may now be at an end and that the Argentines will turn to other forms of pressure.

5. The Argentine options remain as set out in the Annex to JIC(81)(N)34, which was circulated last year. They are wide-ranging and cover international action at the United Nations (where they have had strong support in the past), diplomatic and commercial reprisals against us, and in the final analysis military action against the Islands. We shall need an early OD meeting to consider the full implications and the action we might need to take in response.

6. There is one aspect, however, which is particularly urgent. There is evidence that, if negotiations break down, the Argentines may move quickly to cut off some or all of the essential services which they now provide to the Islands. If that happens, Islanders and public opinion in this country will look to us to replace these services as best we can and to fulfil our pledge to support the Islands in any eventuality. We have to be ready for this.

7. I attach a paper prepared by my officials (Annex B) which describes these services and outlines ways of replacing them and the approximate costs. The main and most immediate problem would be to provide an alternative means of communications between the Islands and the outside world. An air service to Chile (or possibly /to Uruguay)



to Uruguay) would be the most convenient for Islanders. But it would be costly and politically uncertain. Air links to elsewhere would require an extension of the Port Stanley runway and are not a practicable proposition. I believe therefore, that while we should examine all the options, it is likely that the most sensible and cost-effective solution would be a sea service. If political circumstances allow, it would be best if such a service linked the Islands with a suitable point on the South American mainland; but I think it is more likely to have to operate to the UK.

8. I propose therefore that officials should be authorised to carry forward contingency planning on an urgent basis (this will require approaches to commercial companies and to other Governments which we cannot expect to remain confidential), with a view to making early recommendations. These, inevitably, will have financial implications. I have looked carefully at the planned commitments which my existing programmes have to cover, but have not been able to identify any source for continuing expenditures on even the minimum sum which we may need for the Falklands. I recommend, therefore, that we agree in principle that such financial provision as may prove necessary be found from the Central Contingency Reserve.

9. I am minuting separately to the Secretary of State for Defence seeking his agreement, on a contingency basis, to HMS Endurance remaining on station in the area of the Islands for the time being, so that it might provide any practical assistance and also a visible reassurance of our support for the Islands. I am also suggesting that he may wish to inform colleagues about contingency planning on the military side.

10. 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)

CONFIDENTIAL

TEXT OF A MESSAGE FROM THE SECRETARY OF STATE FOR FOREIGN AND
COMMONWEALTH AFFAIRS TO THE ARGENTINE FOREIGN MINISTER

I was pleased to hear from Richard Luce about the progress which the Argentine and British delegations (with the assistance of Falkland Islands Councillors) made in New York on 26 and 27 February towards setting up new procedures for carrying forward and giving fresh impetus to negotiations about the future of the Islands. This reflected our determination to achieve a peaceful solution to this difficult issue, which would be acceptable to your Government, to the British Government and to the people of the Falkland Islands. You must also know of our subsequent disappointment (which Richard Luce has made clear to Sr Ros) at the statements which have been made, and the press reports which have been appearing, in Buenos Aires since the conclusion of those talks.

I therefore think it would be helpful, if we are to be able to proceed further along the lines discussed in New York that we should confirm our respective Governments' agreement on two essential points. Firstly, it is understood that the work of the proposed Negotiating Commission will encompass all aspects of and possible approaches to a solution of the dispute, without prejudice to either side's position on sovereignty. These talks must be genuine negotiations and cannot be based on any predetermined assumptions on what the outcome might be. Secondly, these negotiations cannot be pursued against a background of threats from either side of retaliatory action if they break down. We would welcome your assurance that the Argentine Government intends to further the negotiations on this basis.

In the spirit of the recent meeting in New York, and so that there may be no misunderstanding, I would intend, once you have replied, to publish this message and, with your permission, your reply.

NOTE BY OFFICIALS

FALKLAND ISLANDS: CONTINGENCY PLANNING AGAINST A WITHDRAWAL OF ARGENTINE SERVICES

1. At present the Argentines provide:
 - (i) a weekly air service;
 - (ii) some of the Islands' fuel;
 - (iii) some freight, mostly animal and human foodstuffs and building materials;
 - (iv) an emergency medical service;
 - (v) scholarships.

We have to assume that the Argentines may end any or all of these services.

COMMUNICATIONS

Air Service

2. The present Argentine weekly service has a carrying capacity of 30/40 passengers and is subsidised by the Argentine Government. A replacement for the air service would be difficult to set up and costly to run. The Civil Aviation Authority have been consulted.
3. Commercial aircraft using the present runway at Port Stanley could fly only to Punta Arenas in Chile without difficulty. Flights to Uruguay would involve significant sacrifice of payload, because of the range. The minimum requirement to take flights from elsewhere in South America outside Argentina would be an extension of the runway. A full feasibility study would be needed to assess the cost. The estimate is that an extension to 7,000 feet (to accommodate without difficulty aircraft from Uruguay or Brazil) would cost about £11 million at 1981 prices.
4. We have also to take into account that most South American countries, either under Argentine pressure or to avoid antagonising Argentina, are unlikely to be willing to allow the provision of

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alternative air services. The one exception might be Chile, which is also in dispute with Argentina over the Beagle Channel. There would however be risks in allowing the Falklands' vital services to be a pawn in an entirely different dispute. There could also be no guarantee that the Chileans, who have hitherto always supported the Argentines' claim to the Islands, would continue to help provide services if their own relations with Argentina were to ease. A service between Port Stanley and Punta Arenas could therefore provide a short-term but probably not a permanent solution.

5. The nearest point from which a politically secure service could operate would be South Africa. For this, the Port Stanley runway would have to be extended to 10-12,000 feet, at a cost of at least £16 million, to accommodate long-haul aircraft. In addition to extending the runway, a more sophisticated airport would be required, including, for example, improved lighting, guidance aids, air traffic control, fire-fighting capability etc. The additional cost would be substantial and we cannot expect that the expertise to man such an airport would be available in the Islands.

6. Whatever the route used, HMG would have heavily to subsidise it. The level of cost would depend on the route, the type of aircraft and its utilisation. The CAA estimate however that the cost of one round trip to Punta Arenas in Chile, would be £9,000, to a Brazilian airport would be £16,000 and to South Africa £90,000. Only a little of this could be recouped in fares. The figures assume a frequent service, which in the event is unlikely to be practical, given that there are only 1800 Islanders, very few of whom are likely to be in transit at any one time. If the aircraft were not used fully, the running costs would be much higher.

7. A further factor is that the Argentines might refuse to allow Argentine airfields to be designated as alternatives to Port Stanley if an aircraft needed to divert. Legal advice is

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that it would be very difficult to institute a service in these conditions. Only a service to Punta Arenas in Chile would be short enough not to need diversionary airfields (although it would require transit through Argentine airspace).

Sea Service

8. At present the Falkland Islands Company's charter vessel visits the Islands four times a year to collect the wool crop and to deliver food and other supplies. The Falkland Islands Government also operates a small coastal vessel (on permanent charter to the Royal Marine garrison) which is capable of the crossing to Punta Arenas in Chile. Neither ship is equipped to carry passengers.

9. The need would therefore be to charter a vessel principally to provide a passenger service to and from the Islands and with a modest freight capacity. The Department of Trade have been consulted. There would be the following options:

- (a) To charter a smaller vessel to operate a regular route between Port Stanley and a South American port, eg Punta Arenas or Montevideo. This would be the most economical and most convenient for the Islanders. But the same political constraints would apply as for an air service.
- (b) To operate a passenger service to South Africa/or to the UK. A ship capable of making the Atlantic crossing might need to have the capacity to carry 60-70 passengers with some freight. It is doubtful whether the return journey could be made more than four times a year. (which would have presentational problem)
- (c) To operate a passenger/freight service to the UK, jointly with the Falkland Islands Company. While this would require a large vessel, there would be a sharing of cost with the Company.

10. The availability of vessels to meet these specifications and a quantification of costs cannot be obtained without a more

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detailed approach to the market. It is however estimated that the cost of a charter for the Atlantic crossing (9(b) above) would be in the region of £8,000 per day. For comparison purposes, the sea service which we provide to St Helena represents a loss to HMG of £1.5 million annually; a service to the Falklands would be more expensive. It might however prove possible to combine the two.

FUEL

11. At present Argentina provides the Islands with petrol, avgas, kerosene and gas (all in drums). Diesel (the Islanders' principal requirement) is provided by the Ministry of Defence. However, following the withdrawal of HMS Endurance, there will be no Royal Naval requirement to replenish the tanks.

12. The alternative provision of fuel would partly depend on whether an air or a sea service was being operated. If the political constraints allowed, some fuel could be transported in drums from other South American countries (eg Chile) on the Falkland Islands' own coastal vessel. If this avenue is closed, it could be brought from the UK on the Falkland Islands Company's cargo ship. The cost to the Islanders would inevitably be greater, particularly as the Argentines at present provide fuel at mainland prices, which are lower than those in most other countries.

13. Supply of diesel (widely used for the Islanders' own needs and also required for the British Antarctic Survey ships) will present a more serious problem. If the Ministry of Defence are no longer able to replenish the diesel fuel tanks, the Falkland Islands Government would need to obtain alternative supplies by commercial means. This would probably be difficult in practice and very costly. We must expect that the Falkland Islands Government would look to the British Government to subsidise this.

/FREIGHT

FREIGHT

14. At present Argentine ships provide the Islands with some animal and human foodstuffs and timber. This could be mostly provided either on the Falkland Islands Company ship or any new sea service; but only at greater cost to the Islanders. Fresh fruit etc could be very difficult. Mail would become very infrequent.

MEDICAL SERVICES

15. At present the Argentines offer an emergency medical service. If they wish to withdraw it (or if there were no air service) the Islands' hospital would have to cope. In the view of the ODA's medical adviser, additional facilities might not be necessary: the Islands would fall into the same category as St Helena and Tristan da Cunha which have no air evacuation capability. There would, however, be a requirement for additional visits by specialists to carry out cold surgery. The Islands' Senior Medical Officer considers a third doctor would be necessary and perhaps an extra nursing sister.

EDUCATION

16. Scholarships in Argentine schools have not been taken up by Islanders in recent years: and their withdrawal would therefore have little impact. At present, education up to 15 years old is provided in the Islands: and facilities exist for the Islands' children to complete their education in the UK. If communications were restricted to a limited sea service, it would be very difficult for such children to return home for any school holidays.

FOREIGN AND COMMONWEALTH OFFICE

March 1982