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climate was not as easy as he would like from the Falkland Islands point of view. But he stressed that this would not have immediate effects on projects here. He wanted to see a prosperous future for the Islands, not economically dependent on the UK. The major impediments to growth must be tackled. For example, to take fishing (which had been mentioned in the Councillors' paper), it would be excellent to declare a 200 mile zone; but such a declaration would provoke the Argentines to escalate the conflict. In other words one was immediately up against the underlying political problem. The same was true of oil; if oil were found in exploitable quantities, a political accommodation was needed with Argentina. We now had the results of the seismic surveys. One area was promising to the extent of warranting further detailed surveys, which could perhaps be carried out in present circumstances, but subsequent test drilling would require a political settlement.

4. Mr Ridley was looking forward to learning about the Islands' agriculture. If it could be improved, clearly it would continue to be the biggest revenue earner. Perhaps reform of landholding and an adjustment of the position of the Falkland Islands Company were necessary. The Councillors' paper had also touched on the question of population. Clearly general development required increased labour. He wanted to ask whether the Councillors would find acceptable the idea of taking in, say, up to 20 Vietnamese refugee families. They were good people, and there would be UNHCR financial backing to settle them. They would be people who volunteered to come to the Islands, not drafted.

5. He wished to mention the question of the house for the LADE Manager. It was necessary to co-operate with the Argentines on matters of this sort. A "fortress Falklands" attitude was unreal.

6. Concerning nationality questions, (which the Councillors had raised) Mr Ridley explained that the Green Paper of the last Government was now overtaken. The Home Secretary was preparing new proposals, and Mr Ridley would feed in the Islanders' point of view, to make sure that their case was appreciated. But, there were difficult problems in defining who had right of abode in the UK.

7. The Governor was grateful to Mr Ridley for covering so many problems. He suggested that Councillors might take up the question of the LADE house. Indeed, the Falkland Islands Government had agreed to lease a plot, for 30 years; EXCO had decided this three times but there had been a public outcry. Mr Wallace explained that there was widespread popular feeling that LADE should not have an increased presence in the Islands, because they were Argentine. Some people would demonstrate that feeling physically. Mr Ridley understood this, but stressed that air communications depended on LADE. HMG could not replace this service. This was a test case of co-operation with Argentina. To take a more important issue,

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oil development would need to be carried out in co-operation with Argentina. It might be, for example, that the development of an oil industry would involve having up to 500 Argentines living and working on the Islands. The exclusion of Argentines from the Islands was not consistent with developing the Islands. It was necessary to lead and inform public opinion. Mr Monk had personally always supported leasing a house to the LADE Manager. He felt that public feeling against the idea was smaller than supposed, and that it should be made clear to them that their stance was doing great disservice. The Governor reminded Mr Ridley that the background to the public attitude on this question was one of constant pin pricks by the Argentines, who constantly flaunted their sovereignty claim.

8. Mr Ridley moved to the wider question of co-operation generally. He gave his own assessment of the Argentine position. As a general principle countries governed by Generals were stupidly governed. Argentina had three foreign policy preoccupations; the concern for Brazilian exploitation of the Paraná region, the Beagle dispute, and the Falkland Islands. The first two were currently frozen, and he feared that greater attention might be turned to the Falkland Islands question. The Argentines had been charming to him, and he did not wish to suggest that they had demonstrated any belligerence; nevertheless, he judged that if we did not talk seriously to Argentina concerning the Islands, their patience would run out, and they would adopt confrontational postures. On 26 July there would be an announcement in Buenos Aires of agreement in principle to restore Ambassadors between Britain and Argentina, although names would not be announced at this stage. He stressed that the fact of having Ambassadors did not indicate approval of a particular regime, or indeed, necessarily denote having good relations; for example we had an Ambassador in Vietnam. Later this year he would like to start talks with the Argentines on the whole range of issues concerning the Falkland Islands. It would be more difficult for him if the Islanders refused the LADE house, or rejected the draft scientific co-operation agreement. As to Argentine objectives concerning the Islands, he did not believe that the Argentines wanted to populate them. It was a question only of face. He would like to find a formula, such as the earlier terminology with which the Councillors were aware, making a distinction between sovereignty over land and sovereignty over people, which would save Argentine face and safeguard the Islanders' position. But he stressed that he would do nothing against the wishes of the Islanders. He had said all this to indicate a way of thinking; in no way was he going to let down the Islanders, but it was essential to get out from under the dead hand of the dispute. Mr Evans said that what the Minister had told them was not unexpected, but he was very disturbed by it. For him the question of the LADE house was not a real problem; but turning to oil, if development of it meant having three or four hundred Argentines in the Islands, then the Islanders would leave, since they wanted to remain British. Mr Ridley said that it was not certain if there was

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oil, or if there was where it would be. But if it existed, its development would certainly involve people in large numbers. This required co-operation with Argentina. The choice was for the Islanders; did they want the search for oil to continue? As we had seen in the Shetland Islands, its development was a traumatic experience. Mr Evans understood. But what use would the Islands be if they were unrecognisable? He wondered whether there was any other solution, without Argentines. It was specifically them that the Islanders were afraid of. The same fears underlay their attitude to fishery development; they did not want an agreement which allowed the Argentine Navy into Falklands waters. Mr Ridley stressed that he understood. Perhaps he had exaggerated his remarks, in order to get reactions. But what was the alternative to co-operation with Argentina? British aid would not be able to develop the Islands; private enterprise would not come in force without an accommodation with Argentina; indeed the Argentines might even invade the Islands, and Britain could not stop them. Therefore there must be an agreement; this required concessions on both sides. Mr Bowles asked how interested the Argentines were in yielding. Mr Ridley said they would not yield, but perhaps a face saving device could be found. Mr Bowles replied that there was total uncertainty amongst Islanders as to their future. If the British Government could make a statement that the Islands would always remain British, that would raise confidence. Mr Ridley repeated that nothing would be done without Islander agreement. But this put the ball back in the Islanders' court; it was not possible to guarantee Britishness, and development, if the Islanders decided against co-operation with Argentina. Mr Goss asked whether the British Government believed the Argentine claim was just. Mr Ridley stressed that the contrary was true. The British were prepared to submit the issue to arbitration.

9. Mr Luxton had understood Mr Ridley to assume that no co-operation was possible with Argentina without concessions. He wondered if it was possible to find a formula acceptable to both sides. Mr Ridley said this was precisely what he wanted. He remarked that the Islanders should do a better public relations job for their point of view in Buenos Aires. He suspected that the Argentines had a totally false impression of the Islanders, and thought that the problem was simply British intransigence. The Islanders needed to convince the Argentines that they were a thriving community which wanted to stay British. Mr Monk accepted the need for co-operation with Argentina. But his preference was for a moratorium on the issue for perhaps 30 or 40 years. Mr Ridley agreed that this was certainly a possibility. Mr Monk remarked that Hong Kong was a parallel. Mr Ridley agreed; the lease in Hong Kong benefited both the people of Hong Kong, and the Republic of China. He personally believed that if the Chinese were now given the option to renew that lease, they would do so. A lease like that was, in his view, an ideal solution for the Islands. But a co-operative attitude on smaller issues was a necessary preparation. But certainly this was the sort of approach which might work.

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10. The meeting then adjourned for a short coffee break.

11. When the meeting resumed, the Governor raised the question of Vietnamese refugees, and whether the Islands could accommodate some. Mr Monk was strongly in favour; such people would be of great benefit, as market gardeners, shopkeepers, etc. Mr Miller supported this. Mr Monk thought that ten families would be about the limit. Concerning public opinion on the issue, Mr Miller thought that the majority would be either for it or open-minded.

12. Discussion turned to the draft scientific co-operation agreement. Mr Goss and Mr Miller described the concern which Councillors had felt when they learnt of the details. It infringed sovereignty; it included South Georgia; and it did not require prior notification of Argentine intentions to set up further bases. Briefly, it was too open-ended. Moreover, there was a general lack of faith in verbal assurances from the Argentines (such as their commitment not to set up further bases). Mr Ridley saw the base on Southern Thule as a fact. The draft agreement would prevent the repetition of such incidents. Moreover, if the Councillors could signify their agreement on this, it would help the whole context of negotiations. Mr Rowlands was strongly opposed. The agreement would erode our whole position in the Antarctic. Mr Bowles saw the Southern Thule base as part of an Argentine ring closing around the Islands. Mr Luxton added that the Argentine radio station on Southern Thule had broadcast that they were permanent. This had been heard and resented by Islanders. Mr Ridley repeated that the Argentines were there; they were therefore infringing sovereignty; moreover they could repeat the tactic if they wished to put pressure on. Surely it was better to regularise their position through the agreement. Mr Monk asked whether it would be possible to include a requirement on the Argentines to give prior notification in the agreement. Mr Temple commented that we would have to make the same concession. Mr Gozney believed it was an open question whether the Argentines would attempt to set up further stations under the agreement. It was possible that they might consider doing so, as they were under the Antarctic Treaty to create bargaining counters against the day when the Antarctic Treaty ran out. Mr Miller asked what benefit the joint agreement gave the Islanders. Mr Luxton echoed this; there was a feeling that all concessions in the negotiations were by the Islands. Mr Rowlands, bringing this phase of the discussion to an end, recalled that Councillors had at least agreed to leave the draft on the table.

13. The Governor returned the discussion to the parallels between the Falkland Islands and Hong Kong. Mr Miller's immediate reaction was that the land of Hong Kong belonged to China. Mr Ridley asked, for the sake of discussion, whether it would be satisfactory if we could obtain a hundred year lease for the Islands and the waters surrounding them. To Mr Bennett this acknowledged Argentine sovereignty. Mr Ridley accepted this, but asked whether the actual title mattered. Councillors had stressed the importance of Britishness in the Islands, and doing things in their own way.

Mr Goss

Mr Goss did not believe that the Argentines would accept such a deal. He believed they wanted a Government and an Administration in the Islands. Mr Ridley disagreed; in his judgment, the Argentines wanted to meet their nationalist pretensions. Perhaps Mr Monk's idea of a freeze would be the best solution, but that he did not think would be acceptable to the Argentines. Some discussion followed on whether parallels might arise between leased Falkland Islands and the Egyptian seizure of the Suez Canal. It was pointed out that there would need in this case to be international guarantors of a lease back arrangement. Mr Ridley summed up the advantages of such a scheme; the Argentines would agree the status of the Islands, the Islands could do what they wanted, and the sovereignty question would be solved for the period of the lease.

14. Mr Evans was appalled by the whole idea. Mr Miller wondered how much of the Argentine attitude was bluff. For example the Brazilians had stood up to the Argentines and the latter had backed down. Mr Ridley said that frankly Britain could not stand up to the Argentines on this question. He could not ask the British Government for frigates, a garrison, etc, as we simply did not have the resources to do this. Mr Monk understood this and accepted the need for negotiations rather than confrontation. The Governor saw great difficulties in conveying such ideas to the Islanders, who would be totally bewildered. Mr Ridley said that clearly discussion of these ideas would be as slow as possible. Perhaps the concept would not succeed. But if it were possible to postpone negotiations with the Argentines into next year, the Councillors might be able to discuss the general ideas with their constituents. But he stressed that the concept might be insufficient for the Argentines.

15. Mr Ridley commented that sovereignty depended on the ability to defend it. In Britain we had managed to defend our sovereignty against several recent attempts to take it away. In the case of the Falkland Islands he did not want the situation to become more menacing. But he repeated the assurance he had made earlier, that the British Government would not do what the Islands did not want. This was surely as cast iron an assurance as they could wish. But the disadvantages of making no progress towards a settlement were becoming increasingly severe. Mr Evans had been right to put the political alternative of having nothing to do with such a concept; this was a real alternative. In the long run, the Islands faced a choice, and he admitted that it was a foul choice. All he wanted at present from the Councillors, and the Islanders as a whole, was the right to explore the possibilities. Mr Monk thought that the Minister should be given that right. Mr Rowlands and several others appreciated Mr Ridley's straight talking. Mr Miller echoed this sentiment; the facts might not be pleasant, but it was necessary to face them. Mr Gozney referred again to the Argentine attitude. They tended to blow hot and cold, depending on their other preoccupations. But they were completely convinced of the rightness of their claim. Mr Ridley added that the change of President, due in 1981, might increase the danger for the Islands, because attention would be focused on the lack of progress (in

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16. Mr Ridley explained that in the next few days he would meet many people; he would want to listen to their views, but did Councillors want him to talk widely over the political questions? Mr Gozney suggested that there should not be public discussion of the draft scientific agreement, because the Argentine press were focusing on Mr Ridley's visit.

17. Discussion turned to the banking facilities in the Islands. Mr Ridley wondered whether the Islanders had ever considered floating their own pound, with their own central bank. He had the impression that the whole banking system in the Islands was inadequate. Mr Miller recalled that the idea of borrowing was alien to Islanders' thinking. Mr Rowlands said that it had been proposed that he should visit London; perhaps he could discuss this question with the Islanders' Fiscal Adviser.

18. As a last thought, Mr Miller wondered whether the British Government had ever considered incorporating the Falkland Islands into Westminster. Mr Ridley replied that until recently such an idea had been totally impossible, because of the large numbers of Dependent Territories. But it was an interesting idea.

19. The meeting ended at 12 noon.

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