

FAKLAND ISLANDS: POINTS ARISING FROM MR RIDLEY'S DINNER ON
16 JANUARY

1. British Interests

- a) Preserve for future generations our share in any resources in the area, especially oil (fish being less valuable and vital, given other sources); while recognising that exploitation without Argentine co-operation would be impossible.
- b) Avoid war with Argentina over the Falkland Islands.
- c) Give up as little as possible of our current rights and advantages of possession in seeking solution to the dispute with Argentina through negotiation.
- d) Not to allow the dispute to affect our claims in Antarctica, while keeping open the possibility of broadening the discussion to include co-operation with Argentina and Chile in Antarctica.

2. British Aims

- a) To preserve our interests.
- b) To seek a political solution with Argentina in order to arrest the economic decline of the Islands.
- c) To take the Islanders with us in this, thereby
- d) avoiding a political row at home, particularly with Government supporters.
- e) To continue if possible to keep the dispute out of the United Nations and to avoid international pressures, which would largely be to Argentina's benefit.

3. Basic Fixed Points

- a) The Islanders wish to retain their British way of life and the status quo and, at best, to be left alone; if contacts with Argentina develop, they wish for as small an Argentine presence in the Islands as possible.
- b) Argentina wants sovereignty for reasons of national pride and will seek this with as few qualifications as possible.

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4. A Possible Package (The "Mixed Approach" plus)
- a) The Argentine wish for sovereignty over territory and the British wish for sovereignty over people to be met by sovereignty concessions in the uninhabited Dependencies, (while retaining as far as possible shared economic rights in maritime zones).
 - b) A lease-back, lasting no less than 2 generations.
 - c) Joint co-operation in developing the economic resources around the Falkland Islands eg, British technology in oil exploration and production; co-administration of the shelf and maritime zone with immediate joint benefit from licensing fees levied on Soviet and East European fishermen.
 - d) A possible Argentine sovereign Naval Base area, giving Argentina's strategic advantage in the dispute with Chile over the Beagle Channel islands.
 - e) Possible endorsement of the arrangements by the Vatican or the UN.
5. More information to be sought on
- a) Argentine thinking and indications of the sort of package they might be willing to agree to (noting Argentina's effective patience over last 2 decades, especially while prospect of movement through negotiation); the new Argentine Ambassador as a possible fruitful source of information in informal personal exchanges (pending Mr Williams' arrival in Buenos Aires).
 - b) The relative resources value of the Dependencies and the Falkland Islands themselves; what view do the commercial oil companies, eg BP, have of the Dependencies; is there any information on possible seabed riches; in what political context would they be willing to invest?
 - c) Law of the Sea implications: could the continuation of the dispute lead both the UK and Argentina to lose out in terms of any international regime.

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6. Tactics for Negotiations

- a) No value in marking time ("keeping the ball in the long grass").
- b) Need to go for a solution and to be able to discuss all aspects, if in an informal way at this stage (OD paper allows for this).

7. Islander participation in Negotiations

- a) Councillors have always had an open invitation.
- b) Argentines would only allow them to be present as members of British delegation.
- c) Possible constraints on our freedom in their presence and access to briefs, but outweighed by
- d) advantages of their being made to play a constructive role and being seen to be part of the negotiations.

8. Timing and Venue for Talks

- a) Given OD go-ahead on 29 January, first round in late March.
- b) Continue to avoid press pressures in respective capitals; the Argentines dislike Paris given presence of exiles; after New York in March 1979, might expect to meet in Europe; possibility of meeting half-way in Barbados.

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21 January 1980
South America Department

DISTRIBUTION

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