



Chancellor of the Duchy of Lancaster

PRIME MINISTER

THE ARGENTINE AND THE FALKLANDS

I shall probably be unable to come to the Meeting of OD tomorrow as I have to handle a debate in the House of Lords on Airbus.

I agree entirely with the Foreign and Commonwealth Secretary on the line to be followed, namely that the first goal to aim for is a full restoration of commercial (including financial) links. There is a reasonable hope that the Argentines would be willing to go this far even on the basis that sovereignty was specifically excluded as it must be.

Once full commercial relations had been restored we could then move on to the other issues - a declaration of the cessation of hostilities and so on. But here I would expect greater difficulty. The restoration of commercial links is of benefit to both sides and therefore incorporates its own quid pro quo. But a formal declaration of a cessation of hostilities by the Argentine is a different matter. Obviously they would expect a quid pro quo. If this took the form, as it might well do, of a demand for some movement on sovereignty on our part this would have the effect of deadlocking the whole process once again. But even if this happened the progress already achieved on the commercial front would have been very well worth while.

So far as the Northern Ireland turbines are concerned, I do not see how this issue can be separated from the resumption of full commercial relations. This might not happen overnight: and I would see no reason why the turbines should not be an early step along the road, provided it were agreed that we were going to travel all the way down that road.

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I am copying this minute to the other members of OD and to
Sir Robert Armstrong.

A.C.

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24 January 1984

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