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**Missed Opportunity? The Anglo-Argentine
Negotiations over the Sovereignty of the Falkland
Islands, 1966-1968**

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Introduction

Scholars of the Anglo-Argentine dispute over the Falkland Islands agree that the origins of the 1982 war can be traced back to the preceding seventeen years of inconclusive bilateral negotiations. Yet, as discussed in the first chapter, the voluminous literature on the subject focuses almost exclusively on the early 1980s, with some passing attention to the 1970s. The lack of research on the confidential talks held between 1966 and 1968 is paradoxical, since most of those studies acknowledge that they enclosed a major opportunity to prevent the subsequent deadlock – an opportunity embodied in a unique British offer to transfer the sovereignty over the islands to Argentina. The hypotheses advanced to explain the “lost chance” have therefore been sketchy, although multiple. Some authors blame Argentina for having been unable to seize this historical occasion. The inflexibility and slowness of its diplomacy¹, the undemocratic nature of the regime that came to power in June 1966² and the timidity of its leadership to press the British hard enough³ have been forwarded as alternative explanations. But most works focus on the British government. One expresses frustration at Whitehall’s deviousness, believing that the Foreign Office was merely attempting to silence the UN-backed Argentine claim by agreeing to launch dilatory negotiations.⁴ Significantly, in his memoirs the Argentine Foreign Minister Costa Méndez (who would be again in charge of the Ministry in 1982) trusts the good faith of the British career diplomats, but doubts the sincerity of the administration as a whole and accuses it of backsliding.⁵ Others incorrectly point to persistent British interests in the islands, either as a bridgehead to Antarctica or as a reserve of marine resources.⁶ Individual officials⁷ and the simple failure of presenting the agreement to the British public opinion⁸ have also been targeted. Finally, many analysts prefer to make the Falklanders themselves responsible for the breakdown of the negotiations, underlining the phenomenal effectiveness and impact of the lobby that they were able to form in Parliament in 1968.⁹

Drawing on documents released from the British National Archives since the late 1990s and unaccounted for in much of the literature, this chapter will attempt to demonstrate that the failure of the negotiations was ultimately due to the very absence of the opportunity that is –and was– assumed to have existed. An unbridgeable gap separated the British and Argentine positions and prevented the disputants from reaching any kind of agreement. The attention will therefore be centred on the conflict itself, as revealed by the dilemma confronting British policymakers in 1966 (explored in the first section) and the utter lack of success of the various proposals that they optimistically forwarded to solve it (analysed in the rest of the text). If what the talks evidence is that the contestants were never really close to a settlement, and that there was consequently no finalised agreement that Argentine slowness, British backsliding or the islanders’ outcry could frustrate in 1968, then it will be possible to conclude that this early chapter of the origins of the Falklands War was not a lost chance to avoid it, but an early confirmation of its inevitability.

The British dilemma

In December 1965 the United Nations’ General Assembly passed Resolution 2065, which called for Britain and Argentina to start negotiations to find a peaceful solution to their long-lasting sovereignty dispute over the Falkland Islands. It was an unqualified success for Argentine diplomacy: Buenos Aires gained international recognition for its historical claim and the islands were categorized as a case of British colonialism. Moreover, according to the Resolution, decolonisation had to proceed taking into account the “interests” but not the “wishes” of the islanders – the principle of self-determination was deemed to

1. A. Cisneros & C. Escudé, *Historia general de las relaciones exteriores de la República Argentina*, Vol.XII: *La diplomacia de Malvinas, 1945-1989* (Buenos Aires, 2000), ch. 57. This is also suggested in the official post-war British report into the background of the conflict: O.S. Franks et al., *Falkland Islands Review: Report of a Committee of Privy Counsellors* (London, 1983), pp. 6-7.

2. M.A. Zavala Ortiz, “Islas Malvinas”, *Revista Estrategia*, No. 45 (1977), pp. 33-39. P. Calvert, *The Falklands Crisis: The Rights and Wrongs* (London, 1982), p. 39.

3. J.C. Moreno, “La visita de Lord Chalfont a Puerto Stanley”, in H. Gambini (ed.), *Crónica documental de las Malvinas*, Vol.I: *La historia* (Buenos Aires, 1982), p. 416.

4. A.M. Holmberg, *¿Cree Ud que los ingleses nos devolverán las Malvinas? Yo no* (Buenos Aires, 1977), p. 22.

5. N. Costa Méndez, *Malvinas. Ésta es la historia* (Buenos Aires, 1993), p.43.

6. F.L. Hoffmann & O.M. Hoffmann, *Sovereignty in Dispute: The Falklands/Malvinas, 1493-1982* (Boulder, 1984), p. 110.

7. For example, the islands’ Governor at the time, Sir Cosmo Haskard: “Revelan cómo los británicos planeaban devolver las Malvinas”, *Clarín*, January 2, 1999.

8. P. Beck, *The Falkland Islands as an International Problem* (London, 1988), pp. 104-105.

9. C. Ellerby, “The Role of the Falkland Lobby, 1968-1990”, in A. Danchev (ed.), *International Perspectives on the Falklands Conflict* (New York, 1982), pp. 85-90. M. Hastings & S. Jenkins, *The Battle for the Falklands* (London, 1997), p. 35. D.Kinney, *National Interest/National Honor. The Diplomacy of the Falklands Crisis* (New York, 1989), p.50.

be inapplicable in circumstances in which its potential beneficiaries were settlers imported by the colonial power. Therefore, the traditional British Falklands policy of maintaining the status quo had been set a price in terms of Britain's international standing.¹⁰

This price became progressively more intimidating as a result of various factors. It was firstly the case that the Falklands were but one more item in a long list of colonial problems that confronted the Labour administration. Some of these issues were far more important and immediate than the South Atlantic: the British predicament in Rhodesia and Spain's increasing pressure over Gibraltar, in particular, directly concerned policymakers in Whitehall. But this did not mean that the Falklands question could be ignored; on the contrary, from New York UK officials repeatedly expressed their view that in the UN the various components of the decolonisation agenda were inextricably linked, and that if Britain rapidly managed to find enduring solutions to secondary issues such as the Falklands, it would be easier for her to secure essential support in situations that involved more vital interests. Argentina was, after all, an influential regional player that could affect the votes of other Latin American countries. If Britain displayed a constructive attitude towards the dispute over the islands, Buenos Aires would cooperate; conversely, if the Argentine plead was ignored, Britain would risk the loss of the region as a diplomatic partner. In a context in which the UN was becoming an important instrument of British foreign policy, the mission in New York regarded this latter outcome with alarm: "As seen from here the Falkland Islands seem a small matter for which to risk our relations with Latin America. Only by alliance with them can we organise the 'moderate blocking third' which can check some of the wilder flights of the Afro-Asian majority in the Assembly, egged on by the Communists".¹¹ Indeed, London would be quick to point out Argentina's valuable contribution in the UN treatment of the Rhodesian rebellion in 1966 and of the Middle East war in 1967.¹²

Furthermore, a successful resolution of the Falklands dispute could also serve as a general model for a peaceful and honourable disengagement from the remaining vestiges of the British empire. Lord Caradon, the head of the mission in New York, hoped that the Falklands could become "a show piece on how questions of this kind could be dealt with to the benefit of all concerned by sensible negotiation, *without undue haste or pressure*".¹³ From the British point of view, in 1966 Argentina was by far the preferred interlocutor to carry out such exemplary negotiations. Anglo-Argentine relations were cordial and had a rich historical background despite the Falklands, and Buenos Aires was perceived as a far more reasonable claimant than Spain, Guatemala (in respect of the British Honduras), or even Venezuela (which ambioned one third of the territory of British Guyana). A peaceful settlement of that dispute could encourage the other players to behave as reasonably as Argentina in order to catch Britain's attention. On the other hand, if Britain failed to comply with Resolution 2065, the inescapable conclusion to be drawn by all parties concerned would be that the Argentines had chosen the wrong way to "catch Britain's attention". This -it would then seem- could only be achieved by harassing the ageing lion. The example of Spanish policies against the Rock or, more worryingly, of India's armed seizure of the Portuguese colony of Goa in 1961 would be cherished and imitated.

The price of ignoring Argentina had an economic as well as a political denomination. Latin America had begun to attract the renewed interest of British trade and investments, and Argentina was once again among Britain's largest stakes in the region.¹⁴ There was the meat trade, but even more enticing was the

10. The speeches and debates preceding the approval of Resolution 2065, as well as the voting statistics, were compiled by the Consejo Argentino para las Relaciones Internacionales (CARI, one of Argentina's main foreign policy think tanks that hosts a group of experts on the Falklands dispute) in *Malvinas, Georgias y Sandwich del Sur*. Vol. I: *Diplomacia argentina en Naciones Unidas (1945-1971)* (Buenos Aires, 1983).

11. The National Archives of the United Kingdom (TNA): Public Records Office (PRO) FCO 42/47 Letter Hope to Barker, 13.11.67.

12. The best analysis of Argentine diplomacy in the UN on these issues, showing how it was in line with the British position, is J.A. Lanús, *De Chapultepec al Beagle: política exterior argentina, 1945-1980* (Buenos Aires, 1984), ch. 7.

13. TNA: PRO FCO 7/1079 Telegram Caradon to F.O., 7.12.68, emphasis added.

14. The golden days of the "informal empire" were long gone by, but Argentina remained, in relative terms, one of the leading Latin American markets for Britain throughout the 1960s. During this decade, nearly two thirds of British trade with the region was done with four major countries: Argentina, Venezuela, Brazil and Mexico. As the figures below indicate, Argentina was clearly the most significant destination for British exports in the first years, but even after the steep 1963 decline (a result of the Argentine economic crisis of that year) it maintained either a first or a second position. The Argentine lead was more secure in the ranking of British imports (though oil exports made of Venezuela a serious competitor, and Argentina suffered in 1968 from a British ban on the meat trade due to the outbreak of foot-and-mouth disease in Britain a year earlier). Only in the course of the 1970s would Argentina begin to fall behind in the statistics.

% share of UK exports to Latin America

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Arg.	32	31	29	17	18	17	14	15	15	19
Ven.	10	11	11	4	5	5	5	3	4	3
Bra.	9	10	11	3	9	7	10	12	20	18
Mex.	9	10	9	10	12	12	12	16	14	12

demand for major investments in nuclear power plants, hydroelectric complexes and submarines for the Argentine navy.¹⁵ After his visit to Buenos Aires in January 1966 -the first ever made by a British foreign secretary to Latin America- Michael Stewart drafted a detailed report in which he emphasized the significance of relations with the region. Lord Chalfont, a minister of state who would be involved in British policy towards the dispute, later admitted that “that kind of report was in the back of people’s minds when they came to consider the future of the Falkland Islands”.¹⁶ Indeed, no subsequent policy memorandum on the conflict could avoid mentioning the importance of the Anglo-Argentine commercial link, and British policymakers inevitably came to the conclusion that a closer association with a thriving Argentina would not only benefit Britain but also the Falkland islanders themselves if only the dispute could somehow be resolved. Influential interest groups in London promoted this view and indeed tried at various times to ease the pace of negotiations. The chairman of the Bank of London and South America made repeated private appeals to Whitehall to find a way out of what he termed “an emotional situation”, for example by transferring sovereignty while allowing all living islanders to retain the British nationality.¹⁷ Baring Brothers advised the Foreign Office’s American Department to let Argentina “infiltrate” the islands by selling her the Falkland Islands Company, which dominated their economy.¹⁸ The views then held on the subject by members of the Board of Trade were considered to be so sensitive that in 1993 the British government ordered the corresponding files to be retained and closed for another fifty years.... Argentine diplomats were quick to capitalize on their enhanced bargaining position, and despite British efforts to the contrary the linkage between trade and the Falklands became unavoidable.¹⁹

But the increasing political and economic interests of Britain in Argentina and Latin America are in themselves insufficient to explain the complete and sudden reversal in London’s Falklands policy that took place in 1966 and 1967. The Foreign Office, which could clearly perceive the contrast between the large British stake in the region and the status quo in the islands, needed more fundamental arguments to persuade the Colonial Office, Ministers and -eventually- the islanders that Britain had to start negotiating with Argentina in serious terms. These arguments gradually arose during that year from two sets of developments which made very visible the costs of avoiding change. Firstly, the colony was experiencing a severe economic crisis that posed a question mark over its future self-sufficiency. The decrease in world wool prices was threatening its sole source of income. This tendency, combined with a parallel increase in the costs of labour, meant that the reserves built up in the 1950’s would by 1968 reach the minimum working balance; thereafter the colony would have to become grant-aided.²⁰ Solutions were difficult to find because most of the land and the sheep were owned by the London-based Falkland Islands Company, whose profits largely went to paying shareholders’ dividends in England instead of being put back

% share of UK imports from Latin America

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Arg.	29	27	31	30	26	25	25	25	16	22
Ven.	24	24	25	22	25	26	21	23	23	16
Bra.	9	11	9	9	10	10	11	9	12	14
Mex.	2	2	2	3	3	4	4	4	6	4

Sources: These percentages are raw figures calculated from the absolute values provided by the International Monetary Fund, *Direction of Trade Statistics (Historical)* (Washington, internet edition); and United Kingdom, Central Statistical Office, *Annual Abstract of Statistics*, No. 107 (London, 1970), pp.247-248.

15. This demand was part of the ambitious Plan Europa, launched by the Illia administration in late 1965 (and reinvigorated by the military regime that succeeded it in power) to promote the creation of a military-industrial complex in Argentina on the basis of European (mainly British, French and German) capital. A detailed first-hand account is E.J. Uriburu, *El Plan Europa: un intento de liberación nacional* (Buenos Aires, 1970); Uriburu was entrusted by the Army with the direction of the project. The consequences of the plan for Anglo-Argentine relations and the Falklands question will be examined in chapter 4.

16. Quoted in M. Charlton, *The Little Platoon. Diplomacy and the Falklands Dispute* (Oxford, 1989), p.15. The report can be found in TNA: PRO FO 953/2419.

17. TNA: PRO FCO 7/137 Letter Bolton to Stewart, 18.6.68.

18. TNA: PRO FCO 7/132 Meeting Gore-Phillimore, 23.10.67.

19. Thus Foreign Office officials were repeatedly approached by their South American counterparts with statements such as the following: “The Argentine Government wanted to improve economic relations and to buy more from Britain, and to have the benefit of more British investment, technology, and technical assistance. But (...) Argentines saw all their political problems through the distorting mirror of the ‘Malvinas’...” TNA: PRO FCO 7/130 Meeting Thomson-Ruda, 22.7.67.

20. In its estimates for the 1965-1966 fiscal year, the colonial government anticipated for the first time a deficit of £29,505. This deficit could be financed with the colony’s reserves, which on 30th June 1965 stood at £429,150. But in subsequent years the reserves dwindled (by 1966, the key year for British decision-making on the Falklands problem, they had already been slashed to £152,571), while the estimated deficit continued to grow and reached a peak of £128,544 in 1968-1969. Falkland Islands Government, *Estimates 1965-1966, 1966-1967, 1967-1968 and 1968-1969* (Stanley, 1965-1968).

on the land, and whose station owners were determined to resist the imposition of heavy taxation or land use regulation. There had additionally been signs of an incipient emigration trend, affecting principally the youngsters, which could only exacerbate the economic problems of a vast archipelago of only 2,000 inhabitants.²¹ A long Foreign Office memorandum crudely forecasted that the islands' economy would slowly run down until a critical point was reached at which substantial aid from outside or evacuation might be called for. The "substantial aid from outside" would have to come from Argentina, since Britain had neither the means nor the will to maintain this imperial relic.²²

Secondly, since 1964, when an Argentine civilian landed a light plane near Stanley and handed to a local a proclamation asserting Argentina's rights, the Cabinet's Joint Intelligence Committee had considered that the islands were vulnerable to further similar unofficial raids from the mainland. Yet the platoon deployed to defend them during 1965 was reduced to only six officers in early 1966 despite the protests of the Governor, Sir Cosmo Haskard, and notwithstanding the fact that the dispute had gathered momentum with the debates at the UN. The Chiefs of Staff argued that the reduced detachment would still be able to train the local defence force, and that in an emergency Britain could organise a rapid reinforcement. Both were false expectations. The labour duties, the geographical dispersal and the tiny number of the potential recruits made it ridiculous to believe that the islanders could constitute an effective deterrent. Nor could London count on using Uruguay or Chile as transit points for urgent deployments: the British embassies concerned reported that the cooperation envisaged would not be forthcoming. And the Simonstown base in South Africa was at best a week's sailing from the islands. In September, when a group of Peronist militants hijacked an Argentine airliner and forced it to land on Stanley's racecourse, all these weaknesses of the British position were blatantly exposed. The badly organised raid did not prosper, and the Argentine government strongly condemned the attack, but there remained the possibility that another adventurous operation could succeed in taking over Stanley and/or in remaining long enough to impel Buenos Aires to protect it. Alternatively, a new change of government in a volatile Argentina could always bring to power a less compromising regime. The conclusion was clear: the colony was not only beginning to look as economically unviable but also as militarily indefensible.²³

Yet these powerful considerations could not hide the fact that there still were 2,000 souls whose allegiance to the Crown was beyond doubt: in 1964 their representatives at the colony's Legislative Council had communicated in a letter to the UN their firm wish to remain British; in July 1966 they expressed outrage at a BBC broadcast which openly acknowledged that Anglo-Argentine relations were more important for Britain than the islands; Haskard would constantly warn about his subjects' determination to resist any alteration of their colonial status, noting that they were "completely English, like people living in an island off the British isles" and that they would regard with "horror and bitterness" any attempt to hand them over.²⁴ Despite geographical realities, the islanders perceived themselves as culturally distant from the Latin Americans, despising the latter's way of life, political instability and unpredictable economies. The increasing importation of Chilean labour had only contributed to make those cultural differences more evident. The gap was particularly wide with the Argentines, who not only claimed their territory and -now- landed unauthorised planes on it, but also refused to provide for any means of communication with the mainland, intercepted the post delivered to and from the islands through Buenos Aires, and molested

21. The following table illustrates the rise and demise of the Falklands population in the Census years 1881-1980. The 1972 figure exceptionally includes the 36 Royal Marines then posted in the archipelago.

1881	1891	1901	1911	1921	1931	1946	1953	1962	1972	1980
1,510	1,789	2,043	2,272	2,094	2,392	2,239	2,230	2,172	1,957	1,813

Source: Falkland Islands Census Supervisor, *Report of Census, 1980* (Stanley, 1981), p.2.

22. TNA: PRO FCO 7/236 Memorandum by B.B.Roberts, 16.3.67. Roberts' gloomy assessment was partly confirmed by the Guillebaud Report, the result of a visit by Cambridge economist C.W. Guillebaud to the islands in February-April 1967. See his *Report of an Economic Survey of the Falkland Islands* (Stanley, 1967), and -more revealingly- his confidential minute to the Commonwealth Office (TNA: PRO FCO 42/75, 2.5.67), in which he argued that if the drift of the population away from the islands continued, "the whole economy could become no longer viable; with the sheep farms unable to survive for lack of labour, and the remaining population having to be evacuated to wherever they could be found a home".

23. See TNA PRO: DEFE 4/212 "Defence of the Falkland Islands" (Report prepared by the Defence Planning Staff), 31.1.67, for a summary of the views of the Chiefs of Staff from 1964 until early 1967; and CAB 163/136, which includes all the assessments made in the 1964-1969 period on the possibility of an Argentine military threat against the islands. The most detailed Argentine analyses of the 1964 and 1966 landings are H. Solari Yrigoyen, *Malvinas: lo que no cuentan los ingleses (1833-1982)* (Buenos Aires, 1998), ch.15; and P.L. Potenze, "Secuestro de aviones y política: el riesgo de volar en la Argentina de los años setenta", *Todo es Historia*, No. 381 (April 1999).

24. TNA PRO: FCO 42/49 Meeting in Commonwealth Office, 2.2.68.

those Falklanders who entered Argentina without the necessary papers corroborating their theoretical “Argentine citizenship”.

Moreover, the problem of the islanders’ wishes was not merely reduced to the will of 2,000 people. For one thing, it was an issue that could become easily politicised. The emotional appeal of a group of loyal devotees to the Queen could find quick and easy support in the motherland, particularly among the Conservative opposition; additionally, any agreement with Argentina affecting British sovereignty would eventually require the consent of the Parliament. But perhaps most importantly, the question also had external ramifications. Just as the mission in New York was using the argument of a linkage between Britain’s various colonial problems to press for an early solution of the dispute, the Gibraltar and South Atlantic Department of the Colonial (and then Commonwealth) Office was raising the same point with an opposite purpose. In this view, it would look awkward -domestically as well as internationally- if the power which was committing itself to fully respect the wishes of the inhabitants of Gibraltar would at the same time disregard them in the case of the Falklands. This could set a dangerous precedent, threatening London’s legal position in the Rock (in which Britain *did* retain a real strategic interest) and having further negative repercussions for its policy towards Rhodesia, British Honduras and Hong Kong. British policymakers would therefore have to find a way to cope with the realities of post-imperial retreat without appearing to jeopardize the islanders’ wishes.

Educating Argentina; replicating Antarctica

From the very beginning, the Foreign Office was confident in its ability to solve the dilemma. This confidence stemmed from the belief that Argentina could be counted on to comprehend its complexity and cooperate with Britain in the search for a solution. When Stewart visited Buenos Aires, he agreed with President Illia’s foreign minister, Zavala Ortiz, to start the negotiations called for by the UN. This, in itself, represented an important change for a power that since 1833 had denied that there was anything to discuss at all. But the record of the meeting also shows the British Secretary trying to impress upon his counterpart that the wishes of the islanders remained paramount for the United Kingdom despite the General Assembly’s failure to mention them in its Resolution, and that consequently “it was not he whom Ortiz had to persuade, but rather the Islanders themselves”. Stewart went on to say that “when one was confronted with a community whose wishes were clear and undoubted, one had to produce very powerful arguments to override them”.²⁵

The demarche about the “powerful arguments” was an invitation for the Argentine diplomats to bring proposals to the first round of confidential negotiations in London in the month of July. By then, a coup had brought to power in Argentina a military regime led by General Onganía, which was quick to confirm the firm but pacific line taken by its predecessor with regards to the Falklands, with the added bonus that the new government was both more determined to improve relations with Europe -since its undemocratic character initially put it at odds with the United States- and more stable to carry out dispassionate talks on the islands. But what the Foreign Office had in mind for the July round was not what Buenos Aires interpreted. Argentine negotiators brought with them a list of guarantees to protect the islanders’ interests in the event of a restitution of sovereignty: Argentina would assure them full enjoyment of their civil rights and religious freedom, authorize their use of the English language in schools and other activities, consider exempting them from military service for a period of time, guarantee the right of private property and compensate those owners who chose to dispose of voluntarily of their lands. Henry Hohler, an under-secretary responsible for Latin American affairs, strove to convince his guests that the Falklanders needed to be in a position to fully appreciate the benefits of Argentine citizenship in order to change their mind. For this to occur, Buenos Aires had to remove the restrictions of movement between the islands and the mainland.²⁶ Hence, the “powerful arguments” would be those that proved capable of conquering the hearts of the islanders rather than the minds of the diplomats. Argentina’s offers sounded appealing, but it was the isolated locals who needed to make that judgement and they would not be able to do so until they had experienced their potential value.

25. TNA PRO: CO 1024/585 Meeting Z.Ortiz-Stewart, 14.1.66. It is interesting to compare the records of these meetings with Zavala Ortiz’s unfounded assertion that an Anglo-Argentine deal on the transfer of the islands had been within reach during these talks. Zavala Ortiz made this claim in a letter to Adolfo Holmberg that is reproduced in the latter’s *¿Cree Ud.?*, pp.131-135.

26. TNA PRO: FO 371/185139 Meeting Hohler-Lastra, 20.7.66.

Thus the Foreign Office, convinced as it increasingly was of the necessity of a change but aware of the domestic and international repercussions of producing it against the wishes of the islanders, wanted Buenos Aires to help it out of its dilemma. The optimistic assessment was that if the “reasonable” Argentines opened up communications between the islands and the mainland and allowed the Falklanders to contrast the opportunities that were being offered to them with the stagnant British colonial rule, the islanders would end up requesting their incorporation to Argentina on their own volition. However, despite the colony’s economic prospects, Haskard’s telegrams on the probable reaction of his constituency to even the idea of a rapprochement with Buenos Aires were not encouraging. Most importantly in the short term, the British Ambassador in Argentina, Michael Creswell, doubted that the Onganía regime, cognizant of Britain’s weak negotiating position, would agree to give away its main bargaining chip –communications with the islands- in exchange for the mere hope that the 2,000 islanders might one day change their mind. He put it plainly in a letter to Hohler: “the chances that Argentina will be prepared to make some advance towards the removal of obstacles to freedom of movement between the islands and the mainland are slight, unless we are willing to talk seriously about sovereignty”.²⁷ In other words, questions were already emerging about the viability of a middle way between the incompatible extremes of Argentina’s goals and the islanders’ wishes. While Creswell was convinced that Britain should pick up and exploit Argentina’s own proposal, agreeing to concede sovereignty immediately in exchange for an extended list of guarantees for the islanders, there were voices, such as that of John Bennett -head of the Gibraltar and South Atlantic Department- which raised the opposite alternative of putting a brake on Buenos Aires’ diplomatic offensive at the UN by submitting the dispute to the International Court of Justice. The ambassador was thinking in terms of the islanders’ interests; the Colonial official was fixated on their wishes.

At a key meeting in September, the radical positions cancelled each other out. The Governor firmly expressed his view that Creswell’s proposal would generate a political storm in the islands, and that at a minimum what was needed was a long period of time for the older generation to pass away under British rule and for the younger islanders to plan ahead their future in a changed situation. Bennett added that disregarding the islanders’ wishes would weaken Britain’s Gibraltar policy vis-à-vis Franco’s Spain; hence his preference was for the submission of the controversy to the International Court as a time- and face-saving move. Robin Edmonds, the head of the American Department, reminded Bennett that even if Britain were to win the case in The Hague, “Argentina would refuse to accept the referee’s decision and we would still have the dispute on our hands”.²⁸ Hence the Foreign Office promised to come up with yet another version of a hybrid proposal for the next round of secret talks. The new scheme was drafted in October under the influence of countervailing pressures: while the September landing and the latent Argentine threat of a new row in the upcoming session of the General Assembly seemed to give credence to the determination of George Brown (Stewart’s successor since August) to find a prompt solution to the problem, the mounting domestic and international tension over Gibraltar was tying Britain more and more to the principle of respecting the wishes of the populations of its remaining colonies.²⁹ The contradiction did not intimidate the drafters, nor was it perceived by Ministers.

Indeed, the first paper on the Falklands submitted -in November- to the Cabinet’s Overseas Policy and Defence Committee (OPDC) was not even discussed by its members, who thereby tacitly approved its recommendations – as well as its contradictions.³⁰ The paper contained a three-pronged proposal that Hohler put before the Argentine negotiators (headed by the ambassador in London, Eduardo McLoughlin) when they met again at the end of the month. Firstly, Argentina and Britain would agree to a 40-year freeze of their legal position in respect to the islands. Secondly, during that time Britain would continue administering the territory, but since nothing done by either side would prejudice their claims, the parties would not be inhibited from taking measures that would contribute to solve the problem in the long-term: in particular, the restoration of normal freedom of movement in all fields and the realization of studies on the possibility of promoting economic cooperation between the Argentine mainland and the Falklands. Finally, at the end of the period the islanders would be free to choose between Argentine and British sovereignty.³¹ The Foreign Office had

27. TNA PRO: FO 371/185139 Letter Creswell to Hohler, 9.9.66.

28. TNA PRO: FO 371/185140 Minute by R.Edmonds, 22.9.66.

29. Anglo-Spanish relations took a sharp turn for the worse during the summer of 1966. In August, Madrid banned British military aircraft en route to Gibraltar and other destinations from flying over Spanish territory. Most importantly, on 5 October the Spanish Government issued a decree providing for the closure of the customs post at La Línea, the entrance to Gibraltar from mainland Spain. The border was closed on 24 October to all vehicular traffic. On 31 October, Brown assured the House of Commons that Britain would sustain Gibraltar because “Gibraltar is of course British by right”. D.S. Morris & R.H. Haigh, Britain, Spain and Gibraltar, 1945-1990 (London & New York, 1992), pp. 25-27.

30. TNA PRO: CAB 148/29 OPD(66)120, 22.11.66.

31. TNA PRO: FO 371/185145 Meeting Hohler-McLoughlin, 29.11.66.

seemingly found a way to extricate itself from its dilemma. The proposal aimed at putting the dispute on sovereignty into cold storage on the lines of the celebrated Antarctic Treaty while hoping that forty years would suffice to accommodate the islanders to the idea of change. The myriad of problems generated by the ongoing conflict (the embarrassment at the UN, the clash with Latin America, the military and economic vulnerability of the islands) would thereby be magically overcome, and Britain would be able to highlight the contrast between the civilized settlement in the South Atlantic and the barbarian stalemate in the Mediterranean.

In reality, the scheme -as a product of irreconcilable needs- was weak from the outset. On the one hand, in trying to incorporate some of Creswell's advice, it had in fact made a significant gesture towards Argentina by offering to freeze Britain's legal rights to the islands – rights that London had thus far considered beyond question. The clause on “promoting economic cooperation” had also been a suggestion of the ambassador, who believed that the idea of British capitals pouring into the Patagonia would attract the Onganía administration and make the deal more palatable.³² But the first point contradicted the existing reservations about making significant decisions regarding the future of the colony without previously consulting its inhabitants; after all, there was a human factor in the Falklands that was absent in the Antarctic dispute. There was also the risk of a major misunderstanding: what if Argentina in fact interpreted the agreement on the lines of the Antarctic regime, and chose to come and go as it pleased, just as it had in practice been doing since 1959 in the British Antarctic Territory despite London's complaints?³³ The Treasury, for its part, would not endorse the idea of governmental support for the development of a faraway territory, and even Chile might fear the agreement as an Argentine move to further Buenos Aires' interests in the disputed south with British aid.³⁴ On the other hand, British concessions fell far short of what Argentina would contemplate. In the very moment in which the Argentines had at last gained international support, and when there were evident signs of British hesitation in respect to the Falklands, they were being asked to relinquish their claim, open up communications and contribute to the islands' economic recovery while Britain retained their control for at least four decades with little prospect that the situation would then change – on the contrary, it was just as likely that the islanders would feel stronger and less predisposed to capitulate after such a period of revitalization. Thus it was not surprising that the proposal was rejected by Argentina on 9 December. The old dilemma was still alive.

An inevitable transfer that had to be wished

Nevertheless, the optimism of the Foreign Office did not wane. Buenos Aires' legalistic stance was expected to soften in the course of the talks. In effect, McLoughlin, while rejecting the British proposal, had also subtly introduced a way to overcome the conflict between Britain's ambition that communications be freed and Argentina's determination to do this only after the islands' return to Argentine sovereignty. The Ambassador had then offered a phased deal: once an agreement on the restoration of the territory had been drawn up, his government would immediately free communications even if the physical transfer took some time to become effective.³⁵ The Foreign Office was also confident in being able to increase its influence over the rest of the British administration and end up carrying it towards a definitive settlement with Argentina. After the approval of the November recommendations to the OPDC, Hohler confessed to Creswell: “There is a limit to what the market will bear at the moment. Frankly, I am surprised that we have been able to get agreement even to our present proposal”.³⁶ But by the beginning of 1967, the conditions of the market had improved: Argentina had shown that it was conscious of its enhanced bargaining position and that it would not accept to simply “freeze” the problem; the Chiefs of Staff had been reticent to provide for the protection of the islands even in the wake of the September incident; and -most crucially- the colony's economic prospects continued to worsen. When Haskard reported from Stanley the “extremely serious” effects that the shortage of labour was already having on the life of the islanders, Edmonds bluntly sentenced: “the conditioning process has begun”...³⁷

32. TNA PRO: FO 371/185143 Telegram Creswell to F.O., 18.11.66. Creswell would insist with this idea -a forerunner of the formulas of “functional cooperation” that were to be so common in the approaches to the dispute in the 1970s- on several occasions in the following months. See, for example, TNA PRO: FCO 42/44 Telegram Creswell to F.O., 4.5.67.

33. Until 1963 Argentina administered the Ellsworth base on the Weddell Sea, ceded by the United States after the end of the International Geophysical Year in 1958. In 1964 it established a base of its own, the *Base Brown* on Paradise Bay. The Argentine territorial claim over Antarctica overlaps with that of Britain.

34. The negative reaction of the Treasury can be found in TNA PRO: FO 371/185144 Letter Littler to Sugg, 28.11.66. See, in the same file, the warning about the probable Chilean position from the British embassy in Santiago (Letter Mason to Edmonds, 22.11.66).

35. TNA PRO: FO 371/185145 Meeting Hohler-McLoughlin, 1.12.66.

36. TNA PRO: FO 371/185144 Telegram Hohler to Creswell, 24.11.66.

37. TNA PRO: FCO 7/140 Letter Haskard to Bennett, 6.1.67.

The American Department took advantage of both the perceived Argentine openings and its firmer hold on Falklands policy to recommend, for the first time, that Britain should make a statement manifesting its readiness in principle to cede sovereignty over the islands, though only if cession could be shown to be in accordance with the wishes of the inhabitants. These would be determined by means of a referendum to be held *before* 1991, because the Antarctic Treaty would come up for review from that year onwards and if the Falklands question was still alive, the continuity of international cooperation in the white continent -of far greater importance for British interests- could be threatened.³⁸ Such an elaboration is revealing of the true thinking behind the new policy. It was beyond doubt that the issue would be resolved by the end of the transition period; there was actually no margin for the islanders to “wish negatively” because it was simply unthinkable that this could ever happen: the islands would gradually gravitate towards Argentina, and Britain would in the meantime sever its ties with them. Such a line of reasoning about the inevitability of the change was not representative solely of Foreign Office thinking. Trafford Smith, an under-secretary in the Commonwealth Office who was a staunch defender of the principle of consultation with the islanders, admitted nonetheless that the result of an eventual referendum would “in any case depend largely on what was said and done during the transition”. In this respect, “no good purpose would be served, and it would not be playing fair with the islanders, to leave them under any illusion that they really have an option of staying there in the Falklands as it were in the early years of this century, and being maintained there by Britain against all comers”. Britain had neither the means nor the will to defend them, the Argentines were in any event “civilised people who many British managed to live with of their own free choice”, and ultimately there were so few Falklanders that it could not prove impossible to offer them new homes in the UK or in other parts of the Commonwealth if they did not wish to live under the Argentine flag. Smith was therefore convinced that “given a realistic vote in this way, I am not sure that a referendum would necessarily turn out in favour of trying to stick it out in present conditions in the Falklands”.³⁹

This kind of thinking illuminated the brief discussion by the OPDC of the Falklands question, on 15 March 1967. Sensing that the word “referendum” and the length of the transition period would irritate the Argentines, Brown had succeeded in submitting a dramatically softened fall-back position, consisting in an interim agreement which would last around *ten years* and which would include: a statement by the UK that it would be prepared to cede sovereignty *provided that the change were acceptable to the islanders*; a statement by Argentina of the guarantees which she would be prepared to offer to them; a legal freeze for the duration of the agreement; and the immediate restoration of communications.⁴⁰ The approval of this alternative confirmed that the new realistic attitude towards the dispute that had emerged in the course of 1966 had finally gained the upper hand. Firstly, even though it was formally renewable, the period of transition was now much shorter and it was implicit that some kind of change would occur at the end of it. In this respect, Smith’s views about *what would be done* during any such period were echoed by the committee’s decision to explore ways to compensate those Falklanders who wished to come to the UK. Secondly, the proviso about the change “being acceptable” to the islanders gave a wider margin of manoeuvre to the British negotiators than the strict commitment to a formal referendum. Thirdly, the fact that Brown’s recommendation was only approved as a secondary alternative to the initial referendum proposal was of little practical value: if both offers were made jointly, Argentina would quickly reject the latter and only consider the former. In any event, Britain’s willingness to hand over the islands had become an official dictum after 134 years of imperturbability.

From the Argentine point of view, the proposal obviously represented a great leap forward: a transfer of sovereignty -and no longer a vague reference to the Antarctic example- was now on the agenda. However, Creswell immediately warned from Buenos Aires that the Foreign Office should not hold false hopes. Argentina seemed even more willing than before to consider the interests of the islanders and would be glad if they actually stayed on. Costa Méndez was also prepared to concede a somewhat longer period of transition if that was required by the change. But the islanders’ rights over the fate of any agreement (as envisaged in both the referendum formula and the softened but still explicit proviso about the acceptability of the change to the locals) could still pose problems. In a temporary return to Buenos Aires to discuss the UK proposal, McLoughlin confessed to the ambassador that he believed strongly in the virtues of the Falklanders as colonising farmers and potential contributors to the development of the Patagonia, but at the same time suggested that Ministers in London “ought not to be too squeamish about dealing

38. See the report of the Foreign Office views in TNA PRO: FCO 42/43 Letter Galsworthy to Garner, 2.2.67.

39. TNA PRO: FCO 42/43 Minute by T.Smith, 8.3.67.

40. TNA PRO: CAB 148/30, OPD(67)12thmeeting, 15.3.67 (emphasis added). The final version of OPD(67)20 (13.3.67), the paper submitted to the OPDC, has not yet been released, but it is possible to retrace its contents through the records of the meeting and through the drafts that appear in TNA PRO: FCO 42/43.

arbitrarily” with them.⁴¹ McLoughlin’s double standards suggest that Argentina made a clear distinction between the islanders’ rights as human beings and Argentine citizens, and their prerogatives as political actors in the dispute. He could not understand why British diplomats, if they sincerely wanted to dispose of the islands and reach a settlement with Buenos Aires, would put the deal at risk for the sake of 2,000 people whose interests would -in any case- be protected and even enhanced by a closer association with the mainland. Even if Argentine diplomats believed in the good faith of their British colleagues, they could not grant a veto power to the islanders since there was absolutely no guarantee that the latter would be more forthcoming in ten, twenty or thirty years; or that Whitehall’s will would remain unchanged; or that the British Parliament would not eventually block any transfer. If that happened, Argentina would have given away its UN-backed legal position without gaining anything in exchange.

The breach between the British offer of a transfer that was internally admitted to be inevitable and the Argentine fears of a proviso that could threaten the country’s entire legal case was therefore deeper than expected. A meeting in April between Brown and McLoughlin in London revealed this dilemma. As envisaged, Argentina had taken up the OPDC’s second offer, agreeing that a period of transition “*until the handing over of the islands*” should take place and that such a period would include the immediate establishment of all means of communication between the archipelago and the mainland. Even so, McLoughlin complained that the proviso that conditioned the agreement “could be interpreted as the equivalent of a referendum”, and reiterated his government’s conviction that the British decision “should not be dependent on such an element of uncertainty”. Brown was perplexed: he emphasised that “great countries could not hand over other peoples as though they had no part to play in their own destiny”. At the same time he assured his interlocutor that he was not seeking to hold on to the islands for British national reasons or for any anti-Argentine bias. Some kind of formula -he concluded- had to be found “whereby the population of the islands *would be seen themselves to have been persuaded* of the advantages of a change of sovereignty”.⁴² Or, as Saville Garner, a permanent under-secretary at the Commonwealth Office, put it in the more direct words of an internal memo, “we should be willing to cede sovereignty over the islands after a transitional period provided it can be shown to be in accordance with the wishes of the islanders”.⁴³ This was crucial because ultimately, in the minds of British diplomats, the peoples that “great countries could not hand over” arbitrarily were the Gibraltarians rather than the Falklanders: no solution on the fate of the latter would be viable if it appeared to contradict British policy towards the former.⁴⁴

The war of words

Argentina’s new rebuff was still not sufficient to prevent British officials from seeking the magic formula. In fact, Creswell expressed his belief that the Argentine dislike of a referendum was not completely contrary to British interests, since “from our point of view a referendum which closed the door on any possibility of change would deprive us of the ability to resume negotiations later, and might be thought to make it impossible for us to ever transfer the territory”. For the ambassador it would be illogical and dishonest if Britain “used a referendum over Gibraltar with this very object in mind, but at the same time pressed for one over the Falklands upon which our minds are much more open”.⁴⁵ However, the American Department still felt it was essential to somehow show that the islanders were in agreement. Reasons of principle, the prospects of a domestic storm, and most importantly the negative linkage with other dependent territories (arguments which were constantly raised by the Commonwealth Office) continued to weigh heavily. Hence the search for a middle course between these contradictory exigencies went on. Three further meetings in May with McLoughlin proved fruitless. Yet the conclusion was not that there was little basis for further negotiation but that the obstacle was the Argentine ambassador himself: his military background was

41. TNA PRO: FCO 42/43 Telegram Creswell to Edmonds, 7.4.67.

42. TNA PRO: FCO 42/44 Meeting Brown-McLoughlin, 26.4.67 (emphasis added).

43. TNA PRO: FCO 42/43 Letter Garner to Brown, 10.3.67 (underlined in the original).

44. Earlier on, Trafford Smith had warned that the most important and undesirable effect of a British announcement of its willingness to transfer the sovereignty over the Falklands to Argentina would be that “there might be some loss of confidence in other dependent territories”, and he suggested that “to counter this it would obviously be necessary to place maximum emphasis on the condition that nothing would happen without the consent of the inhabitants”. TNA PRO: FCO 42/43 Letter Smith to Galsworthy, 3.3.67. (This consent, of course, was qualified, as seen through Smith’s own views in pp. 98-99 above, footnote 103). In the course of April, the linkage between the negotiations over the Falklands and the question of Gibraltar became even more unavoidable as Anglo-Spanish relations continued to deteriorate: on 12 April Madrid issued a decree prohibiting all flights by foreign aircraft, both civilian and military, over the disputed enclave; while Judith Hart, Minister of State at the Commonwealth Office, met in London with Gibraltarian representatives to assure them that Britain would guarantee the colony’s economic survival. Morris & Haigh, *Britain, Spain and Gibraltar*, p.29.

45. TNA PRO: FCO 7/140 Telegram Creswell to F.O., 4.5.67.

considered inappropriate for the diplomatic flexibility needed to reach “the formula”.⁴⁶ The new illusion was that by moving the epicentre of negotiations to New York, progress would be guaranteed by the more pragmatic outlook of the Argentine mission headed by the jurist José Ruda.

The illusion was fostered in a brief encounter between Brown and Costa Méndez (with Ruda as a silent witness) on 23 June in the UN. The Argentine foreign minister would later look back with admiration at Brown’s flexibility, recalling that the meeting led him to believe that Britain was indeed ready to transfer the islands as long as the interests and the way of life of the islanders were safeguarded.⁴⁷ Actually, even if that was the impression conveyed by Brown’s insistence on the British lack of interest in the territory, the fact is that the two leaders could merely commit themselves to devising yet another formula – one which would secure Britain’s point of principle but without spelling it out in a way that made it indigestible to Argentina.⁴⁸ In fulfilment of this commitment, and overcoming the resistance of the Commonwealth Office, the Foreign Office rushed to initialise three new proposals and presented them at the OPDC’s meeting of 17 July. In order to obtain Argentina’s agreement and thereby start the process of reopening communications and persuading the islanders, it was now recommended to acquiesce to a transfer provided that the Argentine guarantees (not the change of sovereignty itself) were acceptable to the islanders. An alternative wording was to make the handover conditional on the British government’s satisfaction that those guarantees proved acceptable to the Falklanders, though in offering such a formula British negotiators would have to make it clear that the underlying interpretation would still be that the change had to be acceptable to the locals. Ministers approved those first two recommendations, but rejected a third and most plausible formulation, which would have allowed Britain to cede sovereignty provided that the Argentine government offered satisfactory guarantees and safeguards for the islanders’ interests. This was what Argentina had been offering since the beginning, but it was rejected for fear of the repercussions that such a decision would have on the Gibraltar question: as Brown himself, anticipating the criticisms of his colleagues, admitted, “this formula was open to the serious objection that it transferred responsibility for deciding the matter from the Islanders to the United Kingdom Government; this was a responsibility which we were declining to accept in the case of Gibraltar, a situation with which the Falkland Islands situation would no doubt be compared in the United Nations and elsewhere”.⁴⁹ After all, just over a month had passed since the government had announced in the House of Commons that a referendum would be held in the Mediterranean colony in September.

Nevertheless, the net result of the July deliberations was that the Foreign Office had managed to take another step forward: in a linguistic approach to the dilemma of wishes and interests, now the islanders would have a say over their interests as targeted by Argentina’s guarantees, but not over the change of sovereignty itself. Their capability to “wish” was formally constrained. This, of course, had a price: the more the British negotiators tried to close ranks with their Argentine counterparts, the weaker were the prospects of domestic support for the eventual agreement. Smith warned Bennett at the end of June that “when this breaks, there may well be a storm of some magnitude”⁵⁰ – the warning came months before the storm actually started. On the other hand, there was a sense that British approaches were never enough. When Hohler met Ruda and McLoughlin on 20 July, he introduced the OPDC’s first option, underlining his government’s effort to satisfy Buenos Aires. But Buenos Aires could never be satisfied if the islanders maintained a veto power, even a constrained one. By rejecting any future set of guarantees offered by Argentina, the islanders could end up endlessly obstructing the actual transfer. What would be the use for Argentina to risk her claim for such an outcome? Thus, even with Ruda now actively involved, the negotiations reached an impasse. Britain was adamant that the islanders had the right to be judges of their own interests. Argentina replied offering to condition the transfer on the proviso that the Argentine guarantees give “satisfactory assurance of respect for the interests of the islanders”; Creswell was tempted by this “honest attempt to meet us, since ‘satisfactory’ must in the context be read to mean ‘satisfactory

46. Hohler went as far as describing McLoughlin as “a rather stupid man”. TNA PRO: FCO 7/140 Letter Hohler to Creswell, 1.5.67. However, McLoughlin (of long service in the Argentine Air Force and in the government, where he would take up the post of foreign minister in 1972-1973) was depicted as an able and prudent official by three different participants in the Argentine foreign policymaking process during the Onganía administration: Roberto Ornstein from the National Security Council, Juan Carlos Beltramino from the Ministry of Foreign Affairs’ Department of Malvinas, and Elsa Kelly from the Ministry’s Office of the Legal Counsellor. Interviews with Ornstein (Buenos Aires, 14.12.04), Beltramino (Buenos Aires, 29.12.04) and Kelly (Vienna, 16.2.05).

47. C.Méndez, *Malvinas*, pp.35-36.

48. TNA PRO: FCO 42/45 Meeting Brown-C.Méndez, 23.6.67.

49. TNA PRO: CAB 148/30, OPD(67)27thmeeting, 17.7.67. The paper submitted to this meeting, OPD(67)54 in CAB 148/33, also mentioned the governments’ fear of the political contacts of the Falklanders in Britain, but significantly the Gibraltar issue was the only argument raised in the meeting itself.

50. TNA PRO: FCO 42/45 Letter Smith to Bennett, 28.6.67.

to the receivers of the guarantees”⁵¹, but the Commonwealth Office refused to budge. Britain countered forwarding the OPDC’s second proposal. Although welcomed by the Argentine mission in New York, it was not enough to persuade Costa Méndez. Buenos Aires retorted with a nearly identical formula to that rejected by Ministers in July: “...provided that the Argentine guarantees and safeguards are sufficient to satisfy the interests of the islanders”.⁵² It was a war of words, a dialogue of the deaf.

Nevertheless, a new illusion emerged with a second meeting between Brown and Costa Méndez in September. The Argentine foreign minister told Brown that he simply wanted to make sure that Britain would somehow or other give the islands to Argentina. Brown replied that the islanders would have to be able to express a view in one form or another. In order to break the stalemate, and under pressure from Ruda to seize the historical opportunity to recover the islands, Costa Méndez made two important concessions. First, he agreed that the two delegations should informally explore the modalities to open communications, so that British Ministers could be reassured that all the related procedures would be in place once an agreement on sovereignty had been finalised. Most fundamentally, on 2 October he told Caradon that Argentina was ready to accept the British government’s obligation to consult the islanders, although he emphasised that such a consultation could only be limited to the Argentine guarantees (not to the transfer itself) and that it should be conducted in an informal manner so as not to imply that the Falklanders had been granted a veto power. Caradon was jubilant: “we may have hit on the right answer”, he wrote from New York, “and we shall not get anything better from the Argentinians”. He felt that this could be “an imaginative exercise in decolonisation plus a winner in peaceful settlement of disputes and in Anglo-Latin American relations, and incidentally a good lesson to the stupid Spaniards”.⁵³ However, Costa Méndez’s second condition made it clear that Argentina was not contemplating a referendum but a mere process of discussion between the administrative power and the inhabitants of the colony – a discussion which Argentina could not in any case prevent, and which would have nothing to do with the strictly bilateral question of transferring the sovereignty over the islands. The interpretation in Britain was different: “any process of consultation with the islanders will have to be a genuine one” because “we will be asked in Parliament to do the same as we have just done in Gibraltar”.⁵⁴ Would the negotiators be able to find a common ground? Would any agreement based on such a fragile basis be a viable one in the future?

The question did not arise. The Foreign Office could not find support in the administration for Caradon’s attempt to bridge the gap between the two positions via a watered-down allusion to the consultation of the islanders. The Commonwealth Office, convinced that Britain had already conceded too much, insisted that the second proposal adopted in July was the bottom line. On 27 October the OPDC backed this view. Prime Minister Harold Wilson then observed that Britain could not compromise its stand on the principle formulated in the Rhodesian context that “the British Government would need to be satisfied that any basis proposed for independence was acceptable to the people of Rhodesia as a whole”; a Falklands policy even at small variance with this principle could have “awkward implications”. Lord Shepherd, the Minister of State for Commonwealth Affairs, backed this view and added that “we had also to bear in mind our policy in the case of Gibraltar and British Honduras”.⁵⁵ Hence the “spirit of New York” quickly dissipated, to the dismay of Ruda and Caradon, who remained falsely convinced that an agreement had been within reach. On 30 November McLoughlin rejected the British attempt to reintroduce the proviso on the acceptability by the islanders, and a bilateral working party painfully deliberated throughout December but utterly failed to bridge the unbridgeable distance. Before the end of the year the UK proposed a transfer conditional on the government’s consideration that the islanders regarded their interests as secured by the Argentine offers, while Argentina replied in January 1968 with Caradon’s discarded formula. There had clearly been no breakthrough.

Agreeing to disagree: the failure of the “middle course”

By the beginning of 1968 the attempt by British diplomacy to find a middle course between Argentina’s interests and the islanders’ wishes had failed, and serious doubts about the viability of such a policy began

51. TNA PRO: FCO 42/46 Telegram Creswell to F.O., 28.8.67.

52. TNA PRO: FCO 42/46 Meeting Hohler-McLoughlin, 18.9.67. A useful summary of these exchanges throughout the summer of 1967 can be found in FCO 42/46 Briefing for Secretary of State, 19.9.67.

53. TNA PRO: FCO 42/46 Telegram Caradon to F.O., 2.10.67. The records of the second meeting between Brown and Costa Méndez are in the same file.

54. TNA PRO: FCO 42/47 Minute by A.Galsworthy, 26.10.67.

55. TNA PRO: CAB 148/30, OPD(67)34th meeting, 27.10.67.

to emerge. In January the counsellor of the embassy in Buenos Aires reported after a secret visit to the Falklands that “however well the Argentine government play their hand during the transitional period, I do not see any likelihood that the present generation of Falklanders would voluntarily wish to be transferred”. He consequently estimated that the transitional period would place a serious strain on Anglo-Argentine relations because the tendency of the islanders would be to try to postpone the change-over as long as possible, while Argentina would grow increasingly impatient at the prospect of an unfulfilled promise.⁵⁶ Interestingly, this analysis was fully shared by Haskard, who acknowledged that if Britain was so determined to dispose of the colony “it would be more honest to set a date, say the year 2000, and allow the old people to live out their lives in comfort while the rest would have plenty of time to decide their future”. Although drastic, such a solution would bring “an air of reality”, whereas “if agreement was reached along the present lines we should immediately have all the difficulties of the Argentines pressing and the islanders resisting”.⁵⁷ In an attitude that enraged Brown, Creswell adopted the same critical stance towards a policy that could well end up “initiating a period of friction rather than cooperation”. He proposed instead to make a definite offer of transfer to Argentina: “although this may seem a cynical and unethical course, it may prove in the end to be more in the interest of the islanders since they would know clearly where they stood”.⁵⁸

The lack of success in the negotiations and these deep misgivings about the pursued outcome indicate the weakness of Whitehall’s policy. Such a weakness was therefore the product of the contradictions inherent to the policy itself, rather than the consequence of the ensuing activity of the Falklands lobby. The all-party “Falkland Islands Emergency Committee” came to life in the course of March 1968, nearly *two years* after continuous Anglo-Argentine talks had failed to produce any agreement. In a sense, the causal relationship could be actually inverted: the explosive combination of slowness, uncertainty and secrecy that characterised the negotiations gave enough time and motivation for the islanders to become organised and to target the fragility of British policy. Furthermore, it is also not plausible to claim that the “storm” caught the administration by surprise: Haskard and his colleagues at the Commonwealth Office had already predicted it and had warned about it to Ministers, yet the latter had allowed the Foreign Office to continue its search for a middle course. In fact, British diplomats had been confident in constructing a policy that could *both* respect the islanders’ wishes and satisfy Argentine aspirations. The lobby did not frustrate a well-thought out policy; it merely revealed its contradictions. Still, even the emergence of the lobby, although restricting the government’s margin of manoeuvre, did *not* prevent Stewart -reinstated as Foreign Secretary- from continuing the policy that he himself had initiated in 1966. At the end of March he managed to survive a first significant Parliamentary row without abandoning the dream of a middle way: he would tell the House that sovereignty would be transferred only if the islanders regarded the agreement as satisfactory to their interests, while reassuring Costa Méndez that Britain “still considered that sufficient room for manoeuvre had been left to enable negotiations to continue”...⁵⁹

What is more significant is that Ministers, unable to muster the necessary determination to persuade the Parliament that the Falklands were not Gibraltar, and yet incapable of confronting the consequences of a showdown with Argentina, fell prey to the illusion that an intermediate path still existed, that Buenos Aires could be convinced to approach it, and that once an agreement had been reached the islanders would come to terms with it. The incompatible extremes would then become compatible. Thus on 28 March they authorised Stewart to carry on the negotiations, though insisting on the formula submitted to Argentina before Christmas.⁶⁰ On 1 May Stewart strove to convince McLoughlin that the British proposal already went a long way to meet Argentine needs, since “it does not say explicitly that the islanders will be consulted in some particular way about sovereignty”. However, he admitted that in reality “Her Majesty’s Government would have to take into account the islanders’ views on both aspects of the question [the guarantees and the transfer] since they are virtually inseparable”, even though he *hoped* that “given time, the emphasis in any consultation with the islanders may naturally move to the Argentine offers”⁶¹. The problem was back in square one: could Argentina trust in a hope, even if it was well-meant? Costa Méndez tried hard. He took two months to respond -a sign that the debates within the Onganía administration must have been long and arduous- and when he did on 5 July he offered new initiatives in the area of contacts between the islands and the mainland (he was ready, for example, to accept an exchange of visits of farmers even before an agreement was published), but on the substantial matter he could not and would not give in.⁶²

56. TNA PRO: FCO 42/94 Report by Summerhayes, 25.1.68.

57. TNA PRO: FCO 42/49 Meeting in C.O., 2.2.68.

58. TNA PRO: FCO 42/49 Telegram Creswell to F.O., 9.2.68.

59. TNA PRO: FCO 7/136 Meeting C.Mendez-M.Gale, 3.4.68.

60. TNA PRO: CAB 128/43, CC(68)24thmeeting, 28.3.68.

61. TNA PRO: FCO 7/138 Meeting Stewart-McLoughlin, 1.5.68.

62. TNA PRO: FCO 7/138 Meeting Stewart-McLoughlin, 5.7.68.

However, Argentina also put forth a proposal to break the deadlock. The new chimera would evolve into the secret Memorandum of Understanding of August 1968, which has been generally celebrated in the literature on the two decades of negotiations leading to the war as an agreement that could have changed the course of history, had it succeeded in overcoming the resistance of the Falklands lobby and in being accepted by the British Cabinet and Parliament. Yet, as seen from the perspective of two years of continuous frustrations, the Memorandum looks very differently. Far from being the culmination of a successful negotiating process, the text revealed the persistent Anglo-Argentine disagreement. Indeed, it was an agreement to disagree, as it was clear from the enunciation in its key paragraph 4 of an essential “divergence” which remained unresolved – only in this way could an “understanding” have been reached at all.⁶³ Moreover, the parties had so little confidence in the common ground they had attained that they “agreed” to complement the Memorandum with unilateral statements that each would make in order to lay out their diametrically different interpretations of the text – namely, the British commitment to the principle of acceptability by the islanders, and the Argentine refusal to grant them a veto power over what it regarded as the restitution of its territorial integrity. Not surprisingly, there ensued a futile battle over the content and status of any such statements, with Argentina seeking to ensure that they were legally inferior and did not contradict the concept of the transfer as announced in the main document, and Britain determined to balance the memorandum’s failure to include the islanders’ wishes by directly annexing her own interpretation and/or by formally communicating it to the UN. Endless discussions filled a whole summit between Stewart and Costa Méndez in October, and dragged on hopelessly until December.

Of course, towards the final months of the year the politicisation of the negotiations increased. Leakages of the memorandum began to appear in both the Argentine and British press, Costa Méndez tried to impress upon Creswell that he was being subjected to growing pressure to either publicize the agreement or predicate the failure of the negotiations in the UN, and the Falklands lobby intensified its activity in Parliament. Even though the minutes of the last Cabinet meetings are still closed, we also know from the diaries of Barbara Castle, the First Secretary of State, that Ministers were increasingly split: on 24 September, while Stewart and the Secretary for Defence, Denis Healey, insisted that Britain could not afford to depart from the course of policy it had been pursuing, two influential members expressed strong reservations at the publication of the agreement, since it would lead people to say that “we had not only treated the Falkland Islands badly but paved the way for a betrayal in Gibraltar too”.⁶⁴ But what this reflected in essence was the dilemma that British policy and Anglo-Argentine negotiations had been unable to solve, and of which the domestic “storm” of 1968 was merely a by-product. As a baffled Castle put it: “Really the problem of winding up the last outposts of empire is almost ludicrously difficult. I thought to myself that this is a classic example of how on these so-called moral issues one can’t win. Which should be our parliamentary priority? To defend to the last ditch the rights of a small group of people to remain Britishers? To do nothing which would increase defence expenditure? Or to observe UN resolutions?”...⁶⁵

When Lord Chalfont travelled to the islands and then to Buenos Aires in November, he was able to see all these contradictions come to life together. He witnessed the colony’s complete isolation and economic stagnation, and he had a first-hand experience of its strategic vulnerability: another illegal landing took place while the Minister was in Stanley. At the same time, the islanders’ anger at the Memorandum indicated that they would hang on endlessly to its disputed proviso. When Chalfont combined this with Costa Méndez’s insistence during their meeting that Argentina could not let 2,000 settlers determine the integrity of its sovereignty, the die was cast. On his return the Minister recommended the abandonment of the “middle course”, even though he predicted that, if Britain did not find a solution to this predicament, sooner or later she would find herself involved in a military conflict with Argentina....⁶⁶ Despite Stewart’s protests, Caradon’s warnings and the dismay of the American Department, on 11 December the Cabinet decided to confirm in Parliament Britain’s commitment to the wishes of the islanders and to drop the transfer of sovereignty from the Anglo-Argentine agenda.

63. The final text of the Memorandum, dated 14th August 1968, is only available in Spanish, copied by Cisneros & Escudé in *Historia general*, Vol.XII, pp.42-44. The English version at the British National Archives has not yet been released, although extracts can be found in the Franks Report, paragraph 23. The key passage reads as follows: “The Government of the United Kingdom as part of such a final settlement will recognise Argentina’s sovereignty over the Islands from a date to be agreed. This date will be agreed as soon as possible after (i) the two governments have resolved the present divergence between them as to the criteria according to which the United Kingdom Government shall consider whether the interests of the Islanders would be secured by the safeguards and guarantees to be offered by the Argentine Government, and (ii) the Government of the United Kingdom are then satisfied that those interests are so secured”.

64. B. Castle, *The Castle Diaries 1964-70* (London, 1984), p.520. The Ministers in question were Richard Crossman, Lord President of the Council and Leader of the House of Commons, and Fred Peart, Lord Privy Seal.

65. *Ibid.*

66. TNA PRO: FCO 37/72 Report by Chalfont, 5.12.68.

Conclusion

On 5 December 1968, a Cabinet member asked his colleagues: “why did we ever get started on this ridiculous thing at a time when it was quite clear we couldn’t reach agreement with the Argentines on conditions acceptable to ourselves?”⁶⁷ His question was a perfect summary of the inconsistency that had typified Britain’s policy towards the Falklands since 1966. On the one hand, strong political, economic and military considerations had justified the Foreign Office’s genuine desire to achieve a definitive settlement of the dispute with Argentina – there was in this no deception or dilatory manoeuvre, as many Argentine scholars have claimed, but a firm intention to dispose of a useless dependency. On the other hand, the expected domestic outcry at the “sell-out” of a population that wished to remain British and, even more importantly, the fears for the repercussions on other colonial situations, had determined that a deal with Buenos Aires could only be made in a manner that the latter would find it impossible to accept, quite apart from its alleged “inflexibility” or “slowness”. Instead of visualizing this dilemma, British policymakers embarked upon the impossible task of finding a middle course between the incompatible extremes of Argentina’s interests and the islanders’ wishes. Their confidence was based on a mistaken appraisal of Argentina’s margin of manoeuvre –which they considered larger than it actually was– and of the relation between the islanders’ interests and wishes: the latter, they thought, would sooner or later be shaped by the former. It was a confidence that, despite the growing doubts within the administration, remained virtually intact throughout and could indeed be said to have survived the failure of the negotiations.

Yet, was there any alternative to this policy? Britain could have simply chosen to ignore Resolution 2065, hang on to the islands and avoid raising Argentine expectations – just as it does today. But, as we have seen, in 1966 this was not a realistic option. Alternatively, a decided government could have mobilized public opinion to offset the Falklands lobby and gather support for a definitive transfer. This was also inappropriate, not merely because it was unreasonable to expect that the administration would spend so much political energy for such a low priority in its agenda, but also and most crucially because the ghosts of Gibraltar and Rhodesia were too vivid to be ignored. The tragedy of the Falklands thus lies in their lack of importance: as a colony, they were too insignificant to defend and develop; as a dispute, it was not weighty enough to be disentangled from others of its kind. The Anglo-Argentine negotiations of 1966-1968 are consequently not a symbol of a missed opportunity, but rather the cradle of a quandary which would grow in the years to come. No understanding of the roots of this dilemma would be complete and fair, however, without an examination of the Argentine role and responsibility in this first phase of negotiations – the subject of the next chapter.

67. These were Richard Crossman’s words, according to Castle, *The Castle Diaries*, p. 566. Crossman himself, however, does not mention the Falklands in the entry of his diaries for that date. See R.H.S. Crossman, *The Diaries of a Cabinet Minister*, Vol. 3, p.282.