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ARGENTINA

FOREIGN RELATIONS AND THE NEW FOREIGN POLICY AGENDA

edited by

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The Institute of Latin American Studies publishes as Occasional Papers selected seminar and conference papers and public lectures delivered at the Institute or by scholars associated with the work of the Institute.

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PREFACE and ACKNOWLEDGMENTS

This Occasional Paper originates in a conference, 'Confronting the Future in Argentina: the second Menem administration', held by the Institute of Latin American Studies on 1-2 February, 1996. The conference addressed a number of large themes, namely: political institution-building; financial and economic reform; the social impact of structural adjustment; foreign trade; and international relations. Papers presented at the international relations panel are published here, in advance of other contributions which are being included in a volume of conference proceedings which will appear later in the year.

The decision to reproduce contributions on international relations separately and in advance was taken for a number of reasons. First, because of the immediacy of several of the issues raised by speakers. Secondly, because the importance of some recent initiatives, which are highlighted in the papers that follow, has been insufficiently acknowledged. Thirdly, as was observed by many at the conference, the momentum of progress in British-Argentine diplomatic efforts to resolve the problem of the islands appears to have faded somewhat.

This publication, which cautions against complacency, emphasises the significance of new policy developments on the Argentine side. It draws attention to the achievements of previous efforts to strengthen British-Argentine relations, detailing important areas of co-operation in the South Atlantic. It stresses the importance of establishing a firm but flexible timetable for further progress.

We wish to acknowledge the help of Andrew Hurrell, Nuffield College, Oxford, in the preparation of this Occasional Paper. At the conference he served as the discussant for the International Relations Panel and has generously allowed us access to his comments on the papers. This material has been incorporated in the Introduction.

Note: In the papers reproduced here, the names Malvinas, Islas Malvinas, Falklands and Falkland Islands are used according to the preference of the authors, corresponding generally to Spanish vs. English linguistic usage.

Colin M. Lewis and Celia Szusterman

CONTRIBUTORS

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INTRODUCTION

COLIN M. LEWIS and CELIA SZUSTERMAN

Argentina used to be a country that never ceased to amaze. At the end of the nineteenth century, observers commented admiringly about economic prosperity and progress. For much of the present century, gloom and despair seemed to prevail. Today, reasons for optimism are strong enough to warrant the view that Argentina is once again a country with a future, not merely a country with a brilliant future behind it. The remarkable changes that have produced this transformation had their origins in the return of democracy in 1983. At that time, the priority of the Alfonsín administration (1983-89) was institution-building. Inevitably, the focus of these efforts was largely domestic and political. The Radical administration also attached a high priority to promoting economic recovery and the re-establishment of good diplomatic relations, not least with neighbouring countries. Efforts were also made to normalise relations with the United Kingdom. As contributions below confirm, by the end of the Alfonsín presidency, there had been several foreign policy advances. Friendly relations had been restored with Chile following a peaceful resolution of border problems. A free trade agreement with Brazil had been negotiated and would be expanded to include other countries. In world fora, Argentina worked consistently in defence of human rights and sought to co-operate with international agencies and other countries to resolve problems arising from the debt crisis.

Considerable achievements on a number of issues did not, however, signal the formulation of a new foreign policy as Argentina attempted to re-define its role in the Americas and assess its position in the wider world. Attitudes to the United States remained ambivalent, showing no significant departure from a tradition of misunderstanding which had come to a head again at the time of the war between Britain and Argentina in the South Atlantic in 1982. This had led many academics and foreign policy practitioners both in the USA and Argentina to believe that there was some intrinsic impediment to the two countries ever establishing good relations, based on co-operation rather than confrontation. As far as the UK was concerned, an unavoidable coldness resulting from the 1982 conflict increased the inability or the unwillingness of both countries to devise a formula for constructive contacts. Indeed, full diplomatic relations were not re-established until 1990.

This situation changed markedly after 1989. Possibly recognising that foreign policy during the Alfonsín period had been too much driven by events, the in-coming Peronist government determined to formulate a new foreign policy that was both internally coherent and consistent with policy shifts in other areas. President Menem's government saw the opportunity for

a new pragmatism. This pragmatism, acknowledging that historical confrontation with the USA had been prejudicial to Argentine national interest, was none the less accompanied by a strong and explicit ideological commitment to Western values of liberal democracy and free-market economics.

The conference speeches reproduced in this Occasional Paper stress the importance of the new approach to foreign relations. Policy directions since the mid-1980s, and particularly since 1989, represent a fundamental break with positions held from the 1950s to the 1980s. Implicitly and explicitly the papers suggest the formation of a new domestic consensus about the global community – and Argentina's place in it – following the collapse of communism. The contributions also point to the relationship between economic recovery and the new internationalism that underpins foreign policy. Closer economic relations with neighbouring countries and rapidly expanding commercial and financial contacts beyond the region present both challenges and opportunities for policy-makers. Argentina is attempting to provide the political basis for increased confidence on the part of the international financial and business community. Closer engagement with the international economy initially provided a favourable context for advances in bilateral relations with the United Kingdom. The accelerating pace of global integration also drives Argentine efforts for a final resolution of the dispute with Britain and explains frustration at the recent failure to build further on the progress of the early 1990s. While for Britain the issue of 'the islands' was 'resolved' in 1982, for Argentina it was not. The territorial claim over the islands is a constitutive element of Argentine 'national' identity. This for Argentina is 'the Malvinas factor', and one that has to be reckoned with in domestic and international politics. In the wider world, new meanings of sovereignty are emerging with the process of regional integration and the formation of trading blocs such as the European Union (EU) and MERCOSUR. These developments may provide the basis for discussing parcelled out sovereignty and multi-level governance.

In the immediate future the main challenge facing Argentina will be the interplay between ideological conviction – the commitment to liberal, market capitalism – and pragmatic responses to global opportunities. In this respect, symbolic gestures such as participation in United Nations peace-keeping efforts may not be enough. Argentine citizens expect tangible economic benefits from such policies, benefits which the government has promised will result from the politics of multilateralism. But Argentina is engaged in an asymmetrical relationship with the USA and also with Brazil. Will the Menem administration be able to sustain the balance between pragmatism and ideology without re-creating in Washington the ill-feeling that too often characterised past relations? The decision to send two corvettes to the Gulf war and to participate in the blockade of Haiti, which signalled a dramatic

change in Argentine foreign policy, served well enough in an era of political multilateralism when the United Nations performed the role of global police force. Will these conditions continue? An espousal of Western values is no guarantee of good relations with Washington which has its own agenda and a record of selective and inconsistent engagement with the continent.

Relations with Brazil are critical. Much has been achieved, and in a shorter period than many observers thought possible three years ago. Argentines have been remarkably quick in dismissing traditional rivalries with their powerful neighbour, but the new partnership reflected in MERCOSUR should not obscure areas of potential conflict. These relate to differences of approach over commercial integration in the Americas and Brazilian attitudes to increased regional institutionalisation. Buenos Aires and Brasília do not have the same view about the most appropriate form of relationship with NAFTA. To date MERCOSUR has prided itself on a relatively low level of institutionalisation and the flexibility that this allows, but Argentina and the other partners favour the implementation of mechanisms to prevent hegemonic dominance by the largest member. Is Brazil willing to move in this direction of increased institutionalisation and, if not, how will MERCOSUR resolve conflicts large and small that must lie ahead?

To summarise, all contributions stress the profound changes that have occurred in Argentine domestic economic and foreign policy since 1989. They also demonstrate and celebrate the bi- (possibly multi-) partisan nature of some of these changes and the increasing congruence of domestic and external policy objectives. With the return of democracy and successive democratic renewals of government, Argentina is portrayed as once again a thoroughly 'western' society whose foreign relations are determined by pragmatic self-interest within a framework of global and regional co-operation. Regional issues are presented in optimistic terms, convergence and economic rationality being the principal descriptions of contacts with the USA and neighbouring countries.

In terms of British-Argentine relations, all papers emphasise important shifts in Argentine approaches, although there has been no weakening of her determination to press claims to sovereignty over the islands. In this respect, it is crucial to note that Argentina has forsworn the use of force in pursuit of those claims – the rejection of the military option is enshrined in the new Constitution of 1994. The three papers also warn against inertia, particularly on the British side, and dangers inherent in the failure to sustain progress on bi-lateral topics, as recent events in the South Georgias revealed. This means confronting the issue of sovereignty. Britain's refusal to acknowledge that sovereignty is a 'problem' is a problem in itself. For Argentina, strengthening commercial and financial relations with Britain is a means to an end: unavoidably leading to discussions about sovereignty. For Britain,

closer economic links are the endgame and a way of permanently avoiding the discussion of sovereignty. Business Britain is well informed about the substance of institutional changes that have occurred in the economy and Argentine external economic relations since the 1980s, but does official Britain recognise fully the extent to which the Argentine agenda and attitudes have moved? A wider public debate is essential. Government and other agencies in the United Kingdom, Argentina and the Islands should play a more active role in promoting an informed discussion of the problem, ensuring that the position of all parties is acknowledged and, hopefully, understood.

FOREIGN POLICY AND ARGENTINA'S NATIONAL INTEREST

ANDRES CISNEROS

This paper analyses Argentine foreign policy. It will show that since the return to democracy in 1983, first with the Alfonsín presidency and now with the Menem administration, policy has been consistent with an informed analysis of the new international scene and with profound domestic changes deriving from the decision of the people to embrace constitutional government.

It is well known that Argentine institutions, established in the nineteenth century, were based on liberal democracy and a capitalist economy centred on agricultural exports. This system allowed the dominant land-owning elite to govern without extending political participation either to the growing middle classes or, even less so, lower sectors of society. It was an arrangement that contradicted the liberal values enshrined in the National Constitution of 1853 and the trend towards democracy that characterised the American continent. Nevertheless, by 1916 remarkable economic growth allowed political participation to widen. In that year sectors of the middle class, represented by the Unión Cívica Radical (the Radical Party), gained the presidency. Later, after 1945, the lower classes who were represented by the Justicialista (Peronist) movement struggled to be part of the political system. Throughout this period the economy was dominated by agriculture and the mainstay of foreign policy was the special relationship with Great Britain, the country's major commercial partner.

The Collapse of Democracy and the Disintegration of Foreign Policy Consensus

The process of democratic expansion was halted by the 1930 crisis, which had a profound impact on Argentina, and was only resumed in 1945 when the lower sectors, represented by the Peronist movement, struggled to become an active part of the political system. With few exceptions, between 1930 and 1983, politics in Argentina was typified by instability and military *coups d'état*. In clear violation of Western values, it was argued in some quarters that 'widening the political system meant ungovernability'. In addition, the 1930 crisis, followed by the Second World War, brought to an end the special relationship with Great Britain. From then on Argentina found it impossible to frame a project for the country's relationship with the world that could command a consensus among the main political forces: Radicalism, Peronism and conservatism, then represented by the armed forces.

This domestic context explains the apparent lack of consistency in Argentine foreign policy during the past four decades. Distinct, period-specific political arrangements account for sharp swings in policy. The world polarisation which resulted from the Cold War allowed the conservative sector to restrict political freedoms dramatically, under the guise of an anti-totalitarian struggle imbued with allusions to dark international conspiracies. Military regimes in Argentina, as in other Latin American countries, implemented policies based on the so-called 'West Point Doctrine' and on the notion of 'ideological frontiers'. In reaction, Latin American popular movements, many of which were struggling for greater popular participation in the political system, started to conflate local totalitarian regimes and 'Western values' and rejected both. Consequently, many of these movements became openly anticapitalist and voiced support for, or aligned themselves with, countries in Africa and Asia united by the struggle against colonialism. Thus Argentine foreign policy oscillated between narrow alignment with the West and vociferous 'anti-imperialism'. This confused those who could not understand the extent to which foreign policy was driven by changing phases of domestic politics.

In this scenario, and given its long, proven commitment to democracy, the Radical Party was not considered 'dangerous'. In contrast, the Justicialista movement looked distinctly suspicious. In the world of the 1940s, almost irrespective of individual circumstances, any mass movement was viewed as a vehicle for undemocratic or anticapitalist ideologies such as fascism and communism. Only today, fifty years after its creation, is the Justicialista movement finally able to demonstrate its great historic role, namely that it is perfectly possible to call on millions of poor and exploited people, not with the aim of abolishing the capitalist system of production or the democratic system of government, but to become part of both and thereby strengthen them. In this respect, it may be observed that marxist political parties are weak in Argentina precisely because of the impressive expansion of Peronism.

Not until 1983 was it finally recognised that Justicialismo did not pose a challenge to the capitalist system of production, the democratic system of government and Western values, which are the three pillars on which the governability of the global system is now based. This recognition removes the threat of future military *coups* in Argentina as is confirmed by recent political history. The Argentine armed forces are now fully devoted to their professional tasks, developing their skills as evidenced in the unprecedented participation in United Nations peace-keeping operations. The country has enjoyed thirteen years of free elections and constitutional rule at local, provincial and national level. Few developing countries can boast such a fully articulated political system in which no social sector is denied political participation. These conditions have generated the consensus necessary for

the application of the new economic model based on international economic reinsertion, a programme that requires more than one presidential term of office for its full development. Even those opposing the present government support this model although, hardly surprising, they maintain that they would have done better.

Inflation and Foreign Policy

It is not a coincidence that the most serious battle (and to date the most successful) against inflation is being led by a Justicialista government. Hitherto, and notwithstanding promises to promote wage and salary increases, inflation was employed as a perverse mechanism to transfer resources from wage-earners to the wealthiest sectors of society. Similar transfers resulted from generalised state intervention in the economy. For example, while the early Peronist governments of 1945-55 embarked on a process of nationalisation in order to provide low-priced social services for the mass of the population, when conservative groups regained power they used the enlarged state sector to generate a monstrous public debt.

Between the 1940s and the 1980s domestic politics may be characterised as a battle for control of state enterprises. These were sometimes used as distributionist mechanisms (low-priced utilities, free services, employment for millions of people) and on other occasions to transfer wealth to business sectors through the awarding of extremely profitable contracts with the state. The activities of state-owned companies became an important instrument of macroeconomic management but, whether managed for the benefit of the business sector or to favour lower classes, these firms were inefficient. They generated huge losses and were an important cause of inflation. The growth of the state sector also contributed to the economic isolation of the country.

Despite changes of government, the 'corporate state' continued to grow. An inefficient state may only be financed by inflation. This fostered a non-competitive economy, unable to earn its way in the world, and a feeling of seclusion that generated in all sectors mistrust towards the outside world. These sentiments were reinforced by a false sense of economic self-sufficiency which encouraged the country to turn its back on the world. The culture of inflation and state control in domestic matters led to a mood of isolation and confrontation in foreign affairs. These were features that dominated the strategies of different governments for almost half a century, be they popular or anti-popular. Hence, the world slowly began to forget our existence.

Throughout this period different foreign policy strategies endeavoured to find a beneficial reinsertion in the world, after the loss of the privileged

relationship with Great Britain. However, this was also a period in which consecutive US governments showed a notable, even absurd, hostility towards Argentina. This placed a major obstacle in our path.

A new consistency between domestic and foreign policy is now being promoted, namely, anti-inflation and privatisation and a renewed opening of the economy. This is not an accidental relationship and it is one that attracts international attention. Once more, the characteristics of the domestic political situation are setting the guidelines for foreign policy.

Three Crises and a New Era

Within this framework of interaction between domestic and foreign policy issues, no politician could suggest proposals contrary to the premise of confrontation on which Argentine foreign policy operated. To have done so would have been to risk exclusion by a political competitor. The country was thus trapped in a vicious circle leading to catastrophe, a catastrophe that was manifest on three different fronts.

On the political front, it was the so-called 'dirty war', a recourse to open violence in place of debate and a complete disregard for human rights. It was from this dark period that there finally emerged a new commitment to democracy. Elected in 1983, Raúl Alfonsín became the first president this century to be succeeded by another civilian president, also freely elected, from a different party. The year 1989 witnessed the first democratic alternation of parties in power when Carlos Saúl Menem succeeded to the presidency. Alfonsín and Menem, so distant in some other policy areas, gave a common priority to the issue of human rights. This is another element which promises to provide the basis for an incipient, if as yet tacit, bi-partisan approach to foreign policy.

On the economic front, hyperinflation, which reached a peak of approximately 200 per cent a month in 1988/89, administered a shock to the productive system and cemented support for the programme to reduce government intervention in the economy. If Argentines said 'never again' to the use of violence, they also said 'never again' to inflation. From this emerged a consensus in favour of privatisation and a competitive reinsertion in the world economy, beginning with economic integration with neighbouring countries. Despite some disagreement, and the belief of the opposition that they could have handled it better, this is another area of emerging bi-partisan agreement.

On the international front, the crisis was brought about by the Malvinas defeat. There was a growing awareness that this resulted from an isolation

from international reality, with its false assumptions about world reaction. Hence, and without waiving our rights to the Malvinas, we have said 'never again' to the use of force to recover sovereignty over them. Indeed, the First Temporary Provision of the new 1994 National Constitution precludes the use of force to recover sovereignty.

The Foreign Policy of President Menem: regional and global dimensions

These events, directly related to key decisions on the domestic front, heralded a new era in foreign relations. Acknowledging that some new policies such as the creation of MERCOSUR and the settlement of border disputes with Chile were initiated by the 1983-89 Radical government, the main decisions taken during the Menem administration are as follows:

We have made progress in our efforts at economic integration with other countries. An open and competitive national economy requires greater scope for action than our domestic market permits.

We have given up the production of missiles and other atomic, chemical and bacteriological weapons. This is a logical consequence of considering our neighbours as partners and not as potential areas of conflict.

We are actively participating in United Nations peace-keeping efforts. We see this as a major and continuing area of operations for the armed forces since we no longer consider our neighbours as potential enemies.

Finally, as to the global political scene, we are determined to be a part of the Western Alliance. This does not imply, as alleged by some of our critics, a submission to foreign powers. That would be not only shameful but detrimental to our national interests. Rather, as any impartial analysis of Argentine history over the last century will confirm, good relations with foreign countries contribute to national security and economic prosperity and thus best serve the interests of the nation.

We have joined the Western Alliance not only because those countries have the same value system, the same political system and the same production system as ourselves, but because this association constitutes the natural environment for our economic growth and cultural development. These goals will be achieved by increasing our prestige and reliability through peaceful coexistence. In specific matters on which we may, and sometimes do, have a clash of interest with powerful countries, solutions are better achieved through negotiation rather than by hostile rhetoric.

Thus the national programme of President Menem is based on a new correspondence between domestic and foreign policies: the fundamental instruments are economic modernisation and successful insertion in the world economy. Renewed alignment with Western countries has brought an essential benefit for our country – international reliability. This alignment stems from our understanding that, after the end of the Cold War, the foreign policy of every country would be mainly defined by its relationship with the United States of America.

International security is decisive. Consequently, Argentina has chosen to become a full member of the Western Alliance. The commitment to our new foreign policy is evidenced by our contributions during the Gulf War and the blockade against the military government in Haiti. Other instances may be less well known, but are even more profound, namely signature of the Tlatelolco Treaty and subsequent accession to the Nuclear Non-Proliferation Treaty, the decision to cease production of weapons of mass destruction and the approval of legislation granting transparency and visibility to the purchase or sale of sensitive material, particularly nuclear technology.

The strategic re-alignment in foreign policy has been accompanied by an active participation in the process of economic globalisation, an integration that Argentina has chosen to effect through MERCOSUR. Two years ago, when the four signatories of the Treaty of Asunción (Argentina, Brazil, Paraguay and Uruguay) were due to complete another stage in regional integration, there was intense discussion within each of the countries. In the case of Argentina, many sectors favoured following the example of Mexico and negotiating – either alone or with Chile – entry into the North American Free Trade Agreement (NAFTA). At the time the unpredictable situation in Brazil, signalled by high inflation and imminent presidential elections, appeared to threaten the future of MERCOSUR. Nevertheless, in association with the opposition, the government decided to demonstrate confidence in Brazil by ratifying the treaty. Today, the domestic trade benefits deriving from MERCOSUR are obvious. Moreover, as the 1995 Madrid Agreement between the European Union (EU) and MERCOSUR demonstrates, regional economic integration is not a barrier to global integration. The formation of a free-trade zone embracing MERCOSUR and the EU would result in the largest trading bloc in the whole world.

Argentine confidence in the economic recovery of Brazil and in the wisdom of Brazilian voters and Brazilian political and business sectors was neither misplaced nor accidental. A thorough process of convergence between Argentina and Brazil is under way. This is reflected, for example, in a recent declaration by President Cardoso that the main global partner of Brazil is the USA and the main regional partner is Argentina. These sentiments parallel those that have guided Argentine foreign policy since 1989.

The Menem administration is convinced that economic decline since the Second World War can be explained by two factors which result directly from the foreign policy implemented. First, maintaining a closed economy. Secondly, pursuing apparently prestigious goals such as the production of submarines, tanks or missiles and the development of advanced technologies which we were unable to use in mass production for export. This approach was accompanied by a policy of confrontation with the USA.

By 1989, the degree of antagonism towards the USA was illustrated by Argentine voting patterns in the United Nations. Of the 158 countries voting at the UN, only Cuba, Yemen and the Sudan voted against the USA more often than Argentina. Indeed, Argentina's voting pattern was similar to Vietnam's. Even countries like Iraq and Libya voted with the USA more often than Argentina. It was as if there was an automatic 'dis-alignment' with the USA. This has changed. The Argentine voting pattern is now similar to that of Spain or Italy, namely a 30 to 40 percent coincidence with the USA. However, this does not mean an 'automatic alignment' with the USA, as has been alleged. On the contrary, unlike Britain, we frequently vote in disagreement with the USA. Our voting pattern is decided on the basis of what we consider to be our national interest and not on the basis of consistency with the vote of third countries, whatever their power or friendliness towards us. We understand that a true definition of Argentine national interest does not entail any kind of systematic hostility.

Antagonism to the USA comes from our past. In the nineteenth century Argentina thought it could develop to have an importance in the world similar to the USA. The failure of this aspiration led us to oppose US policies in the region and to other hostile attitudes, as reflected in an active participation in the Non-Aligned Movement and in support for North-South confrontation. This unfriendliness was reciprocal. For long periods the USA supported authoritarian regimes in Latin America with the result that to side with the West in general or with the USA in particular meant to be identified with governments responsible for the destruction of democracy and the systematic violation of human rights. These *de facto* governments purported to uphold the values of the West and thereby convinced countries of the Western Alliance of the need to tolerate such violations.

Since 1989 the maintenance of good relations with the USA has been a basic tenet of Argentine foreign policy. I believe that the government of President Alfonsín sought the same goal. We back a functional alignment that fosters economic development and the flow of credit and investment. Negotiation is required only in cases where US activities impinge on Argentine interests.

The nature of the change in security policy should not be underestimated.

If we are now sending ships to the Gulf or the Haiti blockade, only a few years ago we had refused to accept a negative verdict in the final arbitration over the border with Chile. Between 1976 and 1983 we went through a 'dirty war' with thousands dead and 'disappeared'. In 1982 we started a war in the Malvinas. We developed space missile technology in co-operation with Iraq. We refused to allow controls and safeguards to be applied in our nuclear undertakings nor would we guarantee their peaceful use. With such a background, Argentina was considered at best a destabilising factor in the region and, consequently, as a risky country whose economic development was not worthy of support.

Our national interest demanded a major change of policy to combat this negative image. A new approach was needed to promote economic and social development. We were a weak peripheral country, with record levels of inflation, an enormous debt and a closed economy with one of the lowest ratios of export to GDP in the world. As regards domestic matters, an important reduction of the military expenditure means budget savings and reflects a change of attitude towards our neighbours whom we now regard as partners in co-operation. We share borders with five countries. Three – Uruguay, Brazil and Paraguay – are members of MERCOSUR. Another, Bolivia, is in the process of joining as is Chile. With Chile we have set a historic record as regards trade and investment and are embarked on a negotiated settlement to border disputes. Argentina and Chile share the third or fourth longest frontier in the world and in the last ten years have solved 23 of the 24 border disputes identified.

In foreign affairs, Argentina's military participation in Peace-keeping Forces has followed strictly the requirements of the United Nations Security Council – so much so that we provide more than one half of the 3,100 Latin American soldiers serving with the UN. This is not to claim a leadership role for the country, but simply to point out our new position which is respected, and being emulated, by other countries.

Argentina has always had a less conflict-ridden relationship with Europe than with the USA. This may explain why we focused our attention less on that continent at a time when the first priority was to mend those relations that had been most damaged by almost a century of unrelenting hostility, namely Argentine-US relations. When constitutional government was restored in 1983, Europe hailed our return to democracy and applauded the remarkable efforts made by the Alfonsín government in the defence of human rights. Unfortunately, neither European political approval nor the long history of Argentine-European good relations were reflected in credit, investment and significant economic support. Europe assisted Argentina along the democratic path by encouraging at least two further elements essential for democracy – economic stability and the positive view of

international credit organisations.

Today, seven years after the beginning of the first Menem administration, we have achieved economic stability, a Brady plan is in place, and we have the support of the International Monetary Fund and similar agencies. The fact that we have signed an unprecedented inter-regional framework agreement between the European Union and MERCOSUR is not pure serendipity. On the contrary, the agreement marks the changes that have already occurred in Argentina and are now underway in Brazil.

Relations between Great Britain and Argentina

A few words about our relationship with Great Britain. It is important to remember that the Malvinas is a sensitive issue for Argentines. Hence we must not allow a 'Malvinisation' of our foreign policy. We have an historic claim to the islands that we shall not waive. No Argentine government will abandon this claim. However, public opinion is fully aware that the main interest of Argentina, at this moment in our history, is economic partnership with our neighbours and membership of the global market.

Yet the 'Malvinas paradox' exists. We have already seen how, for more than fifty years, one of our mistakes was to justify our isolation by the alleged or exaggerated existence of external hostilities. The suspicion was that imperialism or multinational companies had targeted Argentina and were responsible for our long decline. The general acceptance of this conspiracy theory freed us from the need to investigate whether or not our problems might be due to our own mistakes. The government of President Menem is confronting this attitude. We must regard the world as a place of opportunities and not as a source of hostility.

The Malvinas paradox encapsulates this position of 'confrontation with a world that does not understand us'. The Malvinas issue was the perfect symbol of a bad relationship with the world at large. Nevertheless, since 1833 six generations of Argentines have recognised the situation for what it is – an illegal and violent dispossession of national territory that lacks moral justification. Hence our claim has not wavered for a century and a half. Foreign aggression is unjustified but, as in the case of Malvinas, was real. And the consequences of that aggression still persist. Argentine governments of all persuasions – civilian and military – have attempted to find a solution to this continuing and painful- aspect of our relationship with Great Britain. We still await a reply from Britain.

To caution against the dangers of 'Malvinising' our foreign policy in no way reduces the enormous importance the issue has nor the pain caused by

the loss of many lives during the 1982 war. It should be perfectly clear that the Malvinas is a historical claim we will not give up. But it is equally clear that the challenge of today is to attract foreign investment, to integrate with our neighbours, to grow as a region and as societies with the strength necessary to combat hunger, disease, ignorance and the marginalisation of great sectors of our population. In short, to promote economic growth so as to resolve problems that result in part from previous mistaken social, economic, and foreign policy decisions.

As to the dispute with the United Kingdom, our foreign policy strategy is based on the premise that the longer Argentina is seen as contributing to a process of stability and growth in the region, committed to a democratic system of government and clearly belonging to the Western Alliance, the greater the probability that our views will be heard. This is a way of highlighting not only our rights but also our authority and our determination to act in a co-operative and not in a hostile fashion. These sentiments lie at the core of our foreign policy.

In 1989, when this administration took office, the aftermath of the 1982 war was still evident, a war in which we were defeated. Notwithstanding the efforts made by the previous government, diplomatic relations with Great Britain had still not been re-established and levels of trade had dropped dramatically. Britain maintained a very restrictive maritime exclusion zone around the islands and was exploiting fishery resources without consulting or compensating Argentina in any way, and was preparing to do the same with gas and oil. Bad relations with Great Britain were also damaging our approach to the then European Community, a market in which Argentina was obviously interested in her own right.

Within a short time advances had been made on several fronts and the following measures implemented:

- a) Normal diplomatic relations were reinstated, leaving the Malvinas islands dispute aside;
- b) The dispute was placed under the protection of a sovereignty umbrella, that promotes co-operation without affecting the claims of either party;
- c) Trade with Great Britain has reached normal levels and recently Britain has shown no unease regarding Argentine negotiations with the European Union;
- d) The movement of Argentine ships and aircraft in the maritime zone controlled by Great Britain has increased;

- e) We have coordinated fisheries policies allowing each party to exploit the resource, subject to the requirements of conservation, thereby generating an important income for Argentina;
- f) As to hydrocarbons, we have just signed an agreement that requires the approval of both Parliaments so that Great Britain, in actual possession of the territory, will not start exploiting these resources without the participation of Argentina;
- g) We have reiterated our respect for the interests of the islanders, as well as our traditional principle that the conflict is not with them but with Britain;
- h) We have strongly ratified our claims to sovereignty and, at the same time, proposed to Britain that the dispute should be settled in the best Western tradition: through co-operation, mutual respect and compliance with the law;
- i) Since 1965, Resolution 2065 of the United Nations General Assembly has urged Great Britain and Argentina to discuss the matter of sovereignty. Britain has chosen not to honour this request, but Argentina hopes that sooner or later Great Britain will remove all traces of imperialism from the South Atlantic so that Argentine rights may finally be accepted.

In addition, we have recently included a clause in our National Constitution guaranteeing the inhabitants of the islands the right to preserve their way of life, the citizenship of their choice and to maintain their culture.

Conclusion

Frequently voiced accusations of 'automatic alliance' with the USA misinterpret the real aim of our foreign policy. This position is not taken for the benefit of third parties, but in the interests of Argentine sovereignty. The policy has been devised on the basis of what we consider to be our national interest in order to maximise benefits for our society as a whole.

For practically fifty years the world considered Argentina a not very reliable country. The nation had flirted with the Axis powers and remained neutral for much of the Second World War, had acted enthusiastically in the Third World, had failed to consolidate democracy, seriously violated the human rights of its own citizens, had closed its markets and suffered from endemic and monumental inflation. If to this list we add the virtual civil war of the *Proceso de Reconstrucción Nacional* (1976-82) and the war waged

against a foreign country in 1982, we will have a complete picture of the reasons why the world might not have regarded us as an organised community.

For too long our governments pursued foreign policies that neglected the economic and social wellbeing of our people. The aim was 'prestige' and the strategy frequently jingoistic, an attitude favoured by the ruling elite which inevitably led to confrontations (with the United States, with our neighbours, and in time with Great Britain). These confrontations damaged our chances of social and economic development. This foreign policy ran in parallel with the economic model then in force.

When our new economic policy was announced in 1991, it was dismissed as designed merely to please Washington and the International Monetary Fund. But the new strategy has been applied with such consistency – and has achieved decisive electoral approval – that today no sector of any importance proposes a different approach. MERCOSUR, Tlatelolco, the Non-Proliferation Treaty, privatisation, economic stability, alignment with the Western Alliance, the Brady plan and co-operation with our neighbours, all of this is part and parcel of a whole. All these actions, with different names, are inter-related and inter-dependent and show the consistency of a model that goes beyond economic and foreign policies. This model was continuously applied during one six-year presidential term and has recently received the support of the electorate which voted in favour of its continuation, with even a greater majority than in the previous presidential and congressional elections. With economic and political stability and policy consistency, Argentina is now a respected member of the world community.

DEMOCRATISATION IN ARGENTINA AND THE END OF THE COLD WAR

THE IMPACT ON ANGLO-ARGENTINE RELATIONS

JOSE OCTAVIO BORDON

The return of democracy in Argentina in 1983 changed the climate of bilateral relations and, although there was not at that point a re-establishment of diplomatic relationships, both tension and lack of mutual trust progressively diminished. In July 1984, the Berne Meeting took place. Argentina noted that the United Kingdom did not wish to discuss sovereignty, so progress was not possible in conversations about commercial, maritime, air transport or migration matters; that is, the only matters in which the United Kingdom was interested. The Argentine position was to agree to discuss other aspects only if sovereignty was part of the bilateral agenda – a position consistent with the historic stance of all Argentine governments. Argentina has only recently modified this position.

Democratisation also led the Argentine political leadership to think about the error made by the military dictatorship in trying to recover effective jurisdiction over the islands by resorting to force. Although the policy of Prime Minister Thatcher was as much to blame for the war as that of General Galtieri, it became widely accepted in Argentina that there was no other method but diplomatic negotiation – which should never have been abandoned – and that it would take many years to repair the after-effects of a war that was as unfortunate as it was irrational.

Those of us in Congress who followed the subject closely and took part in efforts to define the best policy to preserve Argentine interests, recall that period as one in which there were two main issues which could not change. First, the belief that the use of force by the United Kingdom in 1833, and the expulsion of the Argentine population, was the root cause of the dispute. This act invalidated the British presence in the islands and was the source of all future complications. Second the view that, despite the pragmatism of the Thatcher government which did not exclude relations with Argentina, the United Kingdom would not discuss sovereignty unless there was a substantial change in international power relations – inter-American, regional or bilateral – sufficient to offset the advantage of Britain remaining in the Malvinas.

Re-establishing Relations with the United Kingdom: the cost to Argentina

Modest advances recorded in bilateral relations between 1983 and 1989 – almost exclusively commercial and financial – should not be disregarded. Diplomacy does not always mean positive and speedy results for one of the parties, especially if that party is placed in a position of relative weakness which hardly allows it to ‘advance’ without making concessions. Nevertheless, despite a relationship of polite formality, which was maintained by both President Alfonsín and Prime Minister Thatcher, the option of a resort to force was never completely excluded. Votes in the United Nations – broadly favourable to the Argentine position – and the tough response of the United Kingdom government to the Argentine decision to issue fishing permits in disputed waters, are landmarks that both illustrate and define this phase of relations between the two countries.

But the international environment was changing. Globalisation, the fall of the Berlin Wall and the easing of the East-West conflict produced a different framework for the conduct of United Kingdom foreign policy, notably her special relationship with the United States of America and economic and social integration with her European partners. The process of change continues. The prospect of a 25-state Europe, sharing conceptual symmetries in political and economic terms, has also created a need for coordinated definition of foreign policy on a variety of issues, ranging from migration to nuclear power. In view of current problems confronting British and European leaders, it is probable that decolonisation will not be given a high priority. Nevertheless, I do not rule out the possibility that a broadening of democracy in Europe, the adoption of policies that promote public debate, and the increased participation of civil society in the process of decision-making could eventually give the Malvinas affair greater prominence. The contradiction between democracy and colonialism will become more obvious and this could provoke European Community (EU) organisations to exhort their British partner to re-consider present policy.

From Conflict to Dialogue

This said, by 1989 it was obvious that bilateral consultation had yielded few positive results. Although Argentina had returned to full democracy, and was about to hold the second democratic presidential and congressional election since the collapse of the military dictatorship, diplomatic relations had not been restored with the United Kingdom. A new phase in bilateral relations – a transition from conflict to dialogue – began in August 1989 when representatives of the two countries met in New York. A second meeting in Madrid smoothed the way for the re-establishment of full, normal diplomatic relations. Bilateral discussions in the Spanish capital in February 1990 were

significant because they demonstrated changes in the Argentine position and represented important achievements for the United Kingdom.

In Madrid the United Kingdom obtained what had eluded her in Berne five years earlier. Namely, that the discussions should include all the issues in which Britain was interested, that is security, communications, trade, fishing, and consular relations, while at the same time excluding the issue of sovereignty from the bilateral agenda. This was the famous umbrella formula by which nothing that is said or done can be later used as a basis either in favour of or against Argentine or United Kingdom claims to sovereignty in the Malvinas, the South Georgias, the South Sandwich Islands and their respective maritime areas. This arrangement also entails recognising the British presence on the islands and implies deferring discussions about sovereignty for some considerable time.

What did Argentina obtain from the application of the umbrella formula? There was a modest commendation for her willingness to increase contacts with the islanders – not that this was appreciated or reciprocated by the islanders themselves, despite the efforts of Foreign Minister Di Tella to foster goodwill. It is, however, equally true that in taking this step, Argentina re-entered a direct diplomatic dialogue with Great Britain, interrupted since April 1982, and this opened the door to the restoration of a varied and useful range of contacts and exchanges. Arguably, the restoration of conventional relations with the United Kingdom was part of a larger strategic shift in Argentine international relations under President Menem. The results of that change are evident today. It is equally evident that while the Argentine position has changed radically, the official British position has not. On the contrary, the position of the United Kingdom was strengthened by negotiations in Madrid and it remains even more determined to block any increase in the Argentine ‘presence’ in the South Atlantic or the Antarctic. An unquestionable example of this is the persistent refusal of the Foreign and Commonwealth Office to accept Argentina’s offer to provide a site for the Permanent Secretariat of the Antarctic Treaty although there is support for the offer from all other treaty signatories.

The second period came to an end in 1995 with another democratic presidential renewal in Argentina. It resulted in victory for the party in power. The 1995 elections marked yet another significant stage in the process of democratic consolidation. Most major parties contesting the elections expressed a commitment to reforms introduced since 1991, including privatisation and liberalisation of the economy, which have resulted in monetary stability. These reforms have led to an influx of foreign investment and enhanced relations with Europe. Britain is well represented in these developments: United Kingdom capital enters the country without restrictions and in full confidence. In addition, the electoral campaign witnessed the

emergence of a confederation of parties – FREPASO (Frente del País Solidario) – which relegated the Radical Party (UCR) to third place in the presidential elections, and further signalled the growth of democratic pluralism in Argentina. It is also important to emphasise that the relationship with the UK did not play a major part in the electoral debate.

Sustaining Progress: the need to discuss sovereignty

In the United Kingdom, political horizons are influenced by the forthcoming general election, and the prospects of a Labour victory. Three fundamental debates are taking place in the pre-election period: security; Europe; and the relationship between society and the market. It thus seems logical to expect very few – if any – changes in bilateral relations from the British point of view; certainly there will be no concessions to Argentina that might cause problems for either the Conservative government or the opposition.

These circumstances should not, however, preclude consideration of the future shape of Argentine foreign policy in relation to the United Kingdom. It is too easy to delay and defer serious consideration of this important issue. If general elections have not yet taken place in the United Kingdom, Argentina has already held presidential and congressional elections. Hence, from the Argentine side this is an appropriate moment to consider new initiatives.

First, I think it is necessary to return to the concept of state policy, namely the formulation of a coherent policy agreed by the leaders and legislators of all major parties in Argentina. This policy should command widespread support in Congress, be consistent with our historic position and enjoy popular approval. Secondly, once that agreed policy has been devised, I think it will be essential to establish with the UK the necessity of maintaining and enlarging, both horizontally and vertically, the intense relations – ranging from cultural to commercial matters – that is nowadays taking place. And, within this framework, to reopen discussions on sovereignty. This should be done without pre-conditions, but with the seriousness that the nature of the problem and its history demand.

In negotiations to date, the Menem administration has shown an excess of good will which has not been reciprocated by the UK. This has caused backward steps, such as an insistence that Argentina ‘abandon her claims of sovereignty as a prerequisite for any rapprochement’, to quote a recent statement by Richard Ralph, newly appointed British Governor of the islands.

It is worth remembering here that it was a democratic and republican Argentine government that appointed the first Malvinas Governor. And it was

the Governor of the Province of Buenos Aires, Juan Ramón Balcarce, representing the Argentine Confederation, who in a note dated 22 January 1833, issued through his Minister of Foreign Affairs, Manuel Vicente de Maza, the first formal protest against the British military invasion. This note was presented only 19 days after the invasion actually took place. The democratic character of a young, recently independent country could not be set aside by the British parliament. No more can the present British government ignore the democratic nature of Argentina, a democracy nurtured and consolidated by successive freely contested elections since 1983. In this respect, the resort to force by Palmerston against the government of Balcarce cannot be validated by Galtieri's dictatorial adventure – unless it is argued that one action equalises another, which is inadmissible.

For all these reasons, it is necessary to follow a path of good sense and rationality. In this context, the question of sovereignty need not become an insurmountable taboo (as some would have it). The history of Argentine-British relations is rich in examples of the different ways this issue has been approached. For example, in 1965 United Nations General Assembly Resolution Number 2065 asked both Argentina and the United Kingdom to re-establish discussions aimed at resolving the conflict over sovereignty. In 1967 the British Foreign Minister, George Brown, began conversations with his Argentine counterpart in New York, stating that his country was ready to concede sovereignty in return for the guarantee that the rights and the style of life of the inhabitants of the islands would be preserved. In November 1968 Lord Chalfont launched an attempt to persuade the islanders of the advantages of a British-Argentine agreement on sovereignty. (Paradoxically, this is exactly what the Argentine government is trying to do today.) With Labour back in government in 1977, James Callaghan launched a new Peace Initiative, once again including sovereignty on the agenda. In November 1980 Minister of State Nicholas Ridley – a member of the first Thatcher government – suggested to the islanders a lease-back formula. Among the British and Argentine leadership, some people are aware that in 1968 both Foreign Affairs Ministries, at officer level, wrote a memorandum of mutual understanding which included terms and conditions for a 'surrender' of sovereignty (or, as we would prefer to say, a 'devolution' of sovereignty). Clearly, there was no taboo about discussing sovereignty for the UK between 1965 and 1982. Nor, as implied above, were there major differences of party policy over the question in Britain: rather, achieving a negotiated transfer of sovereignty was the objective of successive governments.

Another basic fact that has to be brought out most clearly is the matter of the inhabitants of the island. They are a population which deserves our total respect and whose interests must be preserved with special care. It is, nevertheless, clear that they are an uprooted British population. In addition, the Island government applies a special prohibition against the settlement or

even visit of Argentine citizens in the territories. This is something unimaginable in any other democratic country or territory. The rights of the islanders to defend their interests and guarantee their material, cultural and spiritual tranquillity must be respected. But these rights are not to be confused with bilateral issues of territorial integration and sovereignty.

In this respect it is important to note that while there are barely two thousand Malvinas inhabitants, there are one hundred thousand British-Argentines living in Argentina. Their well-being, culture, religion and interests have never needed any special protection. As for the Georgias or the Sandwich Islands, these territories are uninhabited.

Moving Forward

Those who have seen me engaging in Anglo-Argentine dialogues since 1983, or who remember me from the first visit of Argentine legislators to Britain after the war, or who came with me to the United Kingdom on trade missions when I was governor of the province of Mendoza, are well acquainted with my desire to look ahead in order to find peaceful solutions to the conflict. With good will on all sides – and without establishing any ‘taboo’ subjects – it should be possible to face the problem and construct a truly strong and stable relationship.

It is still possible to talk in terms of the ‘umbrella’, but this should not be a leaky instrument through which British jurisdiction and dominion constantly permeate. Rather the umbrella must be a protective device that covers a complete, discrete, patient and continuous dialogue about all relevant issues, not least sovereignty. In this way, bilateral relations can be extended and enriched. The umbrella must be a dynamic mechanism – responsive to changing circumstances – not something that serves as a negative safeguard, limiting progress.

It would be a mistake to re-start conversations about the conflict, approaching it as a compact and indivisible problem. On the contrary, the core issue can be divided in two main topics:

1. Territorial sovereignty, which means the exercise of effective jurisdiction by a state over a territorial, aerial and maritime space, or, to employ the language of International Law, the ‘Scope of Spatial Validity’ concept.
2. The status of the inhabitants of those spaces, including the applicable law, civil guarantees, the legal and juridical order, and the administrative system.

An itemised approach, such as this, could generate a workable agenda for conversations under a true umbrella.

Although some stubbornly deny that there is a problem, this will not make it disappear. Those who believe that by postponing serious negotiations about sovereignty, the issue will blur as time passes (this seems to be the British position) or that the islanders will finally be convinced of the advantages of becoming Argentine citizens (the present position of the Menem administration), are mistaken. History cautions against complacency. Hitherto, there have been periods of relative quietude but there have also been moments of intense protest and threats of action, for example, in 1880, 1945 and 1982 (although open hostilities only occurred in 1982). Hence, it is essential to seize the initiative during a period of positive relations between the two governments and at an historic global conjuncture.

As a Latin American nation, and as part of MERCOSUR, Argentina has embarked upon major negotiations with the European Union. The rapid proliferation in interregional relations is possible largely as a result of common economic interests and cultural coincidence, but is also propelled forward because it is a dialogue among democratic countries. Argentina wishes to find with Brazil, Paraguay and Uruguay and all the rest of her partners, a new place in a prosperous world in association with other democracies that share a similar global view – namely, a civilised and safe democratic order built up in close association with the European Union.

The experience of the fairly recent past demonstrates that unilateral politics lead to tension and conflict. Conversely, open, democratic regional politics of consensus promote serious discussion about all problems among all sectors. For Argentina, both paths, the European and the Latin American, are converging and strengthening tendencies in favour of democratic institution-building and international economic integration. This convergence provides a new opportunity for a re-examination of bilateral issues.

If both Argentina and the United Kingdom decide to devote intelligence, creativity and good will during these years of shared democracy to solve matters of maritime and air security, to carry out family visits, engage in investment, commerce and fishing, why, then, cannot we all devote the same determination and dedication to finding a solution for this problem that has already lasted for more than a century and a half? The United Kingdom and Argentina are members of a changing international community in which political institutions are becoming stronger and more democratic and in which civil society is increasing its control of governments and leaders. This is the moment for initiative and imagination, not least as regards the debate about the status of the islands.

BRITAIN, ARGENTINA AND THE ISLANDS

THE POTENTIAL FOR A SOLUTION

ALASTAIR FORSYTH

My interest in the Falklands began in April 1982 when I was the representative in Venezuela of a London-based international banking group. I had spent nearly five years building up a business. It looked as though, unbelievably, it well might come to an end because of a quarrel in the South Atlantic about a group of almost uninhabited islands. I came to realise firstly the passion behind the Argentine commitment to the recovery of the islands (astonishingly even Argentines exiled in Caracas instantly supported the actions of General Galtieri) and secondly the instinctive support of other Latin Americans, not least the Venezuelans, for the Argentine cause.

Like most Britons I had very little knowledge of the Falklands but was quite clear that they were British, and that any Argentine claim must be trivial. Britain was no longer a colonial power: the only important remaining colonies were Gibraltar and the Falklands, whose inhabitants did not wish to change their status. This seemed for Britain an entirely honourable position and fully in compliance with the principles of the United Nations charter. Hence the surprise and shock that other Latin American nations should support Argentina; to the extent that it looked as though all British business with Venezuela would cease. Wishing to bring this to the attention of those back home I wrote to *The Times* to say beware; and was promptly branded a traitor. Convinced that sense rather than passion should prevail, I became an active participant at every meeting of the Argentine British Conference (ABC).

The Geographical, Economic and Historical Context

Some observations about the geography of the problem are needed. The Falklands comprise two large islands, East and West Falkland, and a cluster of smaller islands. The area of the islands is approximately 12,200 square kilometres, tiny in relation to Argentina's 2,780,000 square kilometres but larger for example than the sovereign states of Jamaica, 11,000 square kilometres, and Cyprus, 9,250 square kilometres. The total population is about 2,000 – equivalent in size to a large English village or small town. Approximately three quarters of the population live in the capital, Stanley, located on East Falkland, so that only 500 or so populate the rest of the territory. In addition to this 'ordinarily resident' population there is a floating

population of some 2,000 military personnel. These have their base at Mount Pleasant, 56 kilometres from the capital.

Apart from the Falklands there are two other territories caught up in the dispute. They are the islands that used to be called the Falkland Island Dependencies and Antarctica. The former dependencies (now British Dependent Territories) comprise South Georgia and the South Sandwich Islands, the latter including the South Orkneys. Both groups were discovered and claimed for Britain by Captain Cook in 1775. They were formerly whaling bases, but are now uninhabited except for a small garrison in South Georgia. It is generally accepted that the British claim to these territories is stronger than its claim to the Falklands.

Antarctica, further to the South, constitutes nine percent of the world land-mass, slightly larger than the old USSR and double the area of Europe. Britain claims a major wedge of Antarctica. So do Argentina and Chile whose claims compete with the British. Other major claimants are Australia, New Zealand and Norway, while many others, including the United States, France, Germany and Russia have lesser claims. The Antarctic Treaty signed in 1959 brought a halt to the process of claim and counterclaim. This landmark treaty brought into being the concept of suspension of sovereignty, the 'sovereignty umbrella', adopted by Britain and Argentina as the basis for the resumption of relations in 1989. It is a popular misconception that the British claim to Antarctica somehow depends on British ownership of the Falklands and their former dependencies. This is not the case. However, all the territories provide rights to territorial waters and it must be remembered that distances in the South West Atlantic area are enormous.

For many years the economy and population of the Falklands were declining. A new source of income was derived from the establishment in February 1987 of a fishing zone and the issue of fishing licences. This zone coincided with the 150 mile Falkland Island Protection Zone (FIPZ) established by Britain in July 1982. This has since been extended to 200 miles, the international norm for territorial waters and the same as the Argentine limit. The mobility of the fish population, no respecter of marine boundaries, and the uncontrolled fishing activities of fleets from all over the world, forced Britain, Argentina and the Islands to cooperate in defence of a common resource. A working group on fisheries met in December 1989 and talks have continued since then. It has not always been easy to agree on fishing strategies year by year for lack of agreement on basic conservation principles. Following the Menem-Major meeting in New York in 1995 both sides are now working on long-term guidelines to facilitate agreement on shorter term strategies, such as setting limits for the annual catch.

As a result of licensing fees the Falklands government revenue multiplied

sevenfold between 1984 and 1992 to £42 million. Fishing income has since declined somewhat to a level of about £17 million in the 94/95 financial year. This compares with an annual cost of £67 million for the British military defence of the Falklands, to which at present the government of the Islands makes no direct contribution. The increase in Falklands government revenue has been applied mainly to some modest development projects in the areas of education, health, transport and communications.

Turning briefly to history, little needs to be said of the period before 3 January 1833. This was the date on which two British naval vessels arrived to claim the islands and expelled the handful of settlers of various nationalities who had arrived under the protection of an Argentine nominated Governor. The takeover was effected without violence, although some Argentines are under the impression that this was a bloody encounter, and that the settlers were deported in chains.

The history of claim and counterclaim prior to 1833 is obscure, uncertain and of the utmost triviality, a matter of who first sighted or landed on the islands, how long they stayed, what they did when they left, and what their respective governments did to claim or negotiate away or buy back the territory. What is certain is that from 1833 Britain occupied and administered the islands. Argentina issued a formal protest and has maintained this position since. Britain rejected these protests. Subsequently, in the early 1840s, General Rosas offered the islands to Britain in return for the cancellation of the 1825 Barings Loan. The offer was not accepted.

The United Nations Charter established in 1946 the aim of decolonisation (and the Falklands remain today a British colony), but it also established the principle of the self-determination of peoples. Argentina claims that the Falkland Islanders are an implant not a people. The islanders reply that a high proportion of the population are third or fourth or fifth generation inhabitants. This is a much higher proportion than in Argentina and what are the European settlers in Argentina if not an implant?

The war occurred in 1982 because there had been no movement at all in the British position, despite a UN call for Britain and Argentina to settle their differences. The military regime in power since 1976 used the excuse of Argentine frustration to resort to arms. This small-scale action in the South West Atlantic became a crisis of international proportions. Passions ran high, more than a thousand lives were lost and the dispute was transformed. It took seven and a half years until October 1989 for the two countries to establish a basis for normalising relationships and another six months before the respective embassies re-opened.

The formula for the re-establishment of relationships was that they should

be conducted under a sovereignty umbrella. The formula has proved extremely successful. But Argentina, with considerable patience so far, recognising, as one diplomat put it, that 'we blew it in 1982', waits for the folding of the umbrella and the recovery of sovereignty. An amendment to the Argentine constitution in 1994 reaffirms the claim. It includes a new 'transitional' clause ratifying Argentina's 'legitimate and imprescriptible sovereignty' over the Falklands and, be it noted, the South Georgia and South Sandwich islands, these territories being an integral part of Argentina's national territory. The clause also states that the recovery of these territories and 'the full exercise of sovereignty, respecting the way of life of their inhabitants and according to the principles of International law' (i.e. without resort to force) constitutes 'a permanent and unrenounceable objective of the Argentine people'. This is a hard clause to grapple with for those who seek a compromise solution.

Diplomatic Relations and the Exploitation of Natural Resources

Diplomatic relations between the two countries were re-established in July 1989. President Menem initiated a totally new phase in Argentine foreign policy and the resumption of relationships with Britain was one of the first results. Relationships continued to improve and reached a high point early in Menem's second term with the September 1995 oil agreement and the subsequent meeting of President Menem and Prime Minister Major in October 1995 in New York. Oil and gas development in and around the Islands is now central to the Argentine-British relationship and therefore needs examining in some detail.

At the time of the 1982 war it was alleged by some commentators that Britain's real interest in the islands was their hydrocarbon potential. This was then an extremely remote possibility and hardly affected the decisions that led to war. Since then the prospect has become less remote. Seismic exploration after 1993 confirmed many of the necessary conditions for the existence and extractability of oil and gas. This is a long way from proving that there are indeed reserves of oil and/or gas, and if there are, that they are large enough and accessible enough to justify commercial extraction. In 1994 the British Geological Survey, a non-governmental organisation hired by the Falklands Islands Government, reported on seismic tests. The press interpretation was that reserves could exceed those of the North Sea. In fact what the spokesman said was that the area where reserves might exist was 25 percent larger than the North Sea oil and gas area, rather a different matter.

On the basis of the British Geological Survey report, the Falkland Islands Government decided to proceed to the next stage and to invite bids for exploration and exploitation licences. Two areas were designated, one to the

North and one to the South of the islands, both within the FIPZ, the area claimed by the Falkland Islands as its territorial waters. The Falkland Islands Government set 3 October 1995 for the opening of the bidding round.

Prospective bidders faced two kinds of risk, economic and political. The economic risks are complex enough. Bidders have to calculate what it is worth spending to explore the concessions they may be able to obtain. How much will the process of exploration cost? What are the probabilities that oil and gas will be found in exploitable quantities? How long will it take? What will be the level of prices if or when oil or gas is found? Which markets will be accessible and how much will exploitation and transport cost? The political risks are evident enough to the British, Argentine and Falkland governments. The message from oil and gas companies is that unless a stable political and legal framework for exploration and exploitation can be devised, there will be little commercial interest.

Falkland islanders, encouraged by the British Geological Survey reports, were keen to press ahead. They saw the prospect of another source of wealth for a community that had become moderately prosperous from its fishing income, but recognised that this source was volatile. They must also have seen that proceeding with oil and gas exploration would be a test of British and Argentine attitudes on sovereignty, perhaps hoping to force Britain to stand firm. Pressure from the islanders placed Britain and Argentina on a collision course. Negotiations continued throughout 1994 and 1995. By August of 1995 matters looked serious. The Falklanders had set a date for the opening of the licensing round; Britain could not easily halt the process; and a bill had been presented to the Argentine Congress proposing an embargo on any oil or gas company which participated in the bidding process and did not agree to pay a royalty of three per cent to Argentina.

There was a strong desire on the British side to reach an agreement. And it was no time for Argentina to be taking an apparently confrontational and intransigent position. Argentina was on a financial knife edge in the difficult months that succeeded the Mexican financial collapse in December 1994 and badly needed to maintain the confidence of the international financial community. The agreement when it emerged was far from precise. It was entitled 'Joint Declaration: Cooperation over Offshore Activities in the South West Atlantic' and dated New York, 27 September 1995. The agreement was generally welcomed, not least by the United States of America, the European Union, and Chile, and the international financial community. The Joint Declaration was a turning point. If agreement had not been reached, the improvement in relations might have suddenly reversed. We might have had a crisis on our hands.

What did the agreement amount to? First, the Argentine Government

effectively withdrew its opposition to the bidding process; both sides agreed to cooperate to encourage offshore activities in the South West Atlantic. Secondly a Joint Argentine-British Commission was to be set up to further cooperation and to manage oil and gas developments in two 'areas of special cooperation', namely areas that straddled the demarcation line between Argentine and Falkland territorial waters.

Unfortunately, the agreement did not explicitly address the question of royalties, that is payments of a percentage of the value of any oil or gas ultimately produced, payments quite distinct from rental for the concession areas and tax on corporate activities. The level of royalties is of crucial importance to bidders. In the bidding documents the rate of royalty to be paid to the Falkland Islands Government is nine per cent. A bill presented to the Argentine Congress in 1995 stated that any company which entered into the bidding process and did not agree to pay a three per cent royalty to the Argentine Government would be embargoed from operating in Argentina. This bill was approved by the Senate, but was not put to the Deputies. A revised bill will probably be presented to Congress in 1996. The principal amendments are likely to include technical changes required to make certain aspects of the hydrocarbon law more flexible (e.g. with respect to royalties, now set at a standard 15 per cent), but will maintain the requirement that a royalty is paid to Argentina by companies operating in the Falklands area.

Will the revised bill be passed into law? Will oil companies be prepared to pay the double royalty? The total of 12 per cent (that is, 9 per cent to the Falklands and 3 per cent to Argentina) is not by industry standards excessive. What repercussions will the double royalty have on the sovereignty issue? Will the three per cent payment to Argentina remain for as long as necessary as an acceptable political insurance premium? What if oil or gas is found in massive quantities in the Falklands area? Will Argentina be content with only three per cent? And what if no Argentine companies are successful in the bidding rounds? There is no guarantee that any will be: but if matters are handled elegantly Britain and the Falkland Islands could ensure both Argentine participation in exploitation and Argentine tax revenues from onshore activities in Argentina. So far matters are being handled with great sensitivity, but there is plenty of scope for serious challenges to good relations to arise.

In the meantime, following the agreement, the Falkland Islands Government, which accepted the terms of the agreement despite the concessions to Argentina, proceeded to open the licensing round on 3 October 1995. It is anticipated that awards will be made in early July 1996. Successful bidders will then begin to mobilise resources for the first drillings on the ocean bed. A number of companies have already shown interest, notably YPF of Argentina and British Gas of the UK, who have agreed in principle to

work together.

But there are areas of abrasion. The agreement states that one of the functions of the Joint Commission is to encourage commercial activities in the Areas of Special Cooperation 'by means such as joint ventures and consortia from the two sides'. However in the document introducing the October 1995 licensing round, the Falklands Islands Government makes it clear that 'whilst the participation of Argentine oil companies is welcomed and considered desirable ... it is unlikely that an award would be made to any applicant group comprising more than 49 per cent Argentine interests or with an Argentine registered operator'. It is also pointed out later in the document that 'Persons travelling on Argentine passports are not permitted to land in the Falkland Islands'.

These two statements should modify a little the euphoria about the Joint Declaration. At least the Falkland Islands Government has conceded that Argentine companies may participate in exploration and exploitation of the Falkland Island concession areas and the Argentine Government will not obstruct their participation; and in the Areas of Special Cooperation Argentine-British joint ventures are encouraged; but there are still blocks to Argentine involvement in the Falkland waters which Argentina claims.

The development process is under way. The Falkland Islands government has opened the licensing round in relation to blocks within Falkland Island territorial waters. The Argentine Government has issued licences for the oil and gas concessions in the area on the Argentine side of the Argentine-Falkland maritime boundary, outside the terms of the agreement. The Joint Commission is working towards the opening of a licensing round for the Areas of Special Cooperation that straddle this boundary. The Joint Committee, now named the Joint South West Atlantic Hydrocarbons Committee, is likely to have its first formal meeting shortly and may be ready to invite bids by the end of 1996.

Achieving a Permanent Solution

Does this offer the potential for a lasting solution, not least in the likely event of a resurgence of the sovereignty question? There is reason to suppose that some form of solution to the sovereignty problem might be achievable by the end of President Menem's second term. Oil and gas provide the pressure and other conditions are not unfavourable.

First, time continues to heal. Fourteen years have passed since the war. Secondly, old relationships have been restored and new contacts established. Bilateral trade has grown rapidly since the resumption of relations in 1989 as

has British direct and indirect investment in Argentina. Politically, through step by step development of contacts, with an accumulation of visits by Argentine and British ministers, by representatives of congress and parliament and by members of the British royal family, the passions of war have subsided and rational interchange has again become possible. To this process the diplomats on both sides have made an impressive contribution, handling matters with great sensitivity at each stage.

The series of Argentine-British conferences, beginning in April 1990, have made a parallel contribution. In a low profile way they have provided a forum where Argentines and British, and on the last three occasions Islanders also, could exchange views privately in a way that would have been impossible in public. The influence of the conferences has percolated widely, extending rational debate and providing an indicator of how new attitudes were beginning to evolve. Yet it is too early to be very optimistic. The conferences have indicated the beginnings of change, but have also shown how intractable, even among men and women of good will, the Falklands problem is.

On all sides there is a recognition that more time – possibly decades – may be needed to repair the damage of war and that the utmost sensitivity continues to be required in handling the issue in order to avoid inflaming public opinion which might result in deadlock. But what kind of movement is possible in the near future? The British Government position is quite clear: the islands are sovereign British territory. Nor is there a noticeable difference between the attitudes of the two principal parties. As one British ex-Cabinet minister put it brutally and undiplomatically: ‘the Argentines have got to get it into their thick heads that the islands are British’. Equally clear is the Argentine position, reiterated every year at the United Nations: the islands are Argentine, seized by Britain as a colonising power, and must be returned. Neither position is sustainable. It is significant that both sides have refused to submit the matter to arbitration. This must mean that neither side is confident of its own case.

In the circumstances neither side can reasonably insist on obtaining all that it claims, without modification or compromise. If this is recognised then the sooner a solution is produced the better. Already there has been one war, whose consequences linger on. Oil and gas could lead to another collision. However, the case for compromise is not yet publicly recognised on either side. Hence one important policy objective for the governments of Argentina, Britain and the Falklands must be to help disseminate among their peoples a proper and less partisan understanding of the position of each of the parties, and to discourage the propagation of the extreme unqualified nationalist case.

It is interesting that at the last Argentine-British Conference the

businessmen, as opposed to the politicians, were unanimously in favour of pragmatic compromise. Businessmen are perhaps more used to the need to achieve pragmatic and less than perfect solutions. And to them the position of Britain and Argentina in the Falklands case looks archaic ('tribal' was one description used).

Is some kind of sharing possible? In principle yes. The devil is in the detail. If it is accepted that both sides have a legitimate claim, the solution should allow the two countries to retain a permanent interest in the islands. A popular solution at one time was 'sale and leaseback': that is, for Britain to sell the islands to Argentina, and for Argentina to lease the islands back to a British administration. The lease would be for a finite period – say, fifty or a hundred years – after which the islands would be wholly Argentine and administered by Argentina. This solution prior to the war came close to acceptance. It could have been combined with a range of guarantees to make the transfer to Argentina at the end of the lease period more palatable to the islanders, guarantees on such matters as law and policing and the election of councillors. The war changed the situation. There is now a stronger British commitment to the islands – a price having been paid in lives – and this commitment is further strengthened by the prospect of oil or gas. In any event, going back to first principles, if both sides are entitled to a permanent interest in the islands, 'sale and leaseback' is inappropriate. Permanency of interest condemns the two sides to some form of co-ownership or co-sovereignty.

The possible mechanics of co-ownership are sketched out in an excellent pamphlet by Martin Dent: 'Shared Sovereignty: a solution for the Falklands/Malvinas dispute'. Dent's paper now needs some updating, but its central recommendations hold good and provide a rational structure for the settlement of the dispute. A joint Argentine-British committee would nominate a governor who would preside over an elected legislative council. Matters of defence and foreign policy would be determined by the joint committee and all domestic matters would be decided by the legislative council. Two flags could fly, or three, or perhaps just one, a new Falkland flag representing the islands and the two protecting powers. My only criticism of Dent's scheme is that he assumes it would be an interim arrangement. There is no reason why the system might not be continued indefinitely. Co-dominion has worked elsewhere: why preclude or prejudge that possibility in the Falklands/Malvinas?

It is worth considering how this system of co-dominion or shared-ownership might function with respect to offshore oil or gas. If offshore areas were the responsibility of the Joint Argentine-British Committee then it would be the task of the Committee to decide on development policy and set the terms for exploration and exploitation. The Joint Committee could act like

a sovereign government and either content itself with tax revenues from the oil and gas activity in the Falklands or exact a royalty itself or leave this to the regional or provincial authority, in this case the legislative council.

If on the other hand the offshore areas came under the jurisdiction of the legislative council it would be for the council to conduct itself in the same way as the Falkland Islands government has done, arranging for the bidding process fixing the fee and expecting to benefit in full from the proceeds; but also taking advice from outside, from the sovereign power(s) and from independent agencies. As it does not seem appropriate for the Joint Committee to be a taxing authority, as this could embroil the committee too deeply in politics, it would seem better for the entire concessioning process to be left in the hands of the legislative council, although some kind of veto powers might be reserved in the co-dominion treaty for the Committee.

Further speculation about the mechanics of a shared sovereignty is not necessary at this stage. It is a matter best left to those knowledgeable in the drafting and operation of constitutions. However some final comment is needed on how to get from here – where sovereignty is above the umbrella – to there, namely some form of shared sovereignty solution.

Sovereignty: the way forward

It is a nice idea that reason might prevail, and that negotiators briefed by the two governments should instruct officials to produce a comprehensive shared sovereignty proposal, which, once agreed, the governments would sanction. This is difficult to envisage. However if there was a growing recognition that the problem will not disappear; that it might again escalate; that neither side has right exclusively on its side; and that the moment may be propitious for another attempt at a solution; then the two governments might agree that a strong case for a compromise solution could be put to the general public in both countries.

This indeed is a challenge for President Menem's second term. He and his ministers have already achieved an enormous amount in normalising and reconstructing the Argentine-British relationship. President Menem has repeatedly stated his belief, which he describes as intuitive, that Argentina will in one way or another, by peaceful means recover sovereignty over the islands by the year 2000. And in one remark, in Switzerland in 1992, he is reported to have said that one solution to the problem of sovereignty might be for two flags to fly. Nothing more was heard of this suggestion and one suspects that it was instantly buried by the professional diplomats more concerned at that time with protecting Argentina's negotiating position than promoting imaginative solutions.

However, some form of the 'two flag' solution is the most likely way forward. One significant change in the years since the war has been the maturing of the Falkland Islanders. For the first time in history they have had to take on responsibility for their own destinies and increasingly have had to take on a role internationally, in presenting their political case and promoting interest in Falklands oil and gas. Lewis Clifton, an islander, described this change as 'Falklandisation'. It is no longer a question of 'Keep the Falkland Islands British' but of 'Keep the Falkland Islands for the Falkland Islanders'. This points the way to a protectorate kind of solution, with Britain and Argentina being the joint (sovereign?) protecting powers of the Falkland way of life. It is inconceivable that with their tiny 2000 population the Falkland Islands could be an independent state, but a protectorate would be some way towards this.

A protectorate is a variant of the shared sovereignty solution. It would entail joint Argentine-British defence of the islands. This might in time entail a joint Argentine-British military presence on the island. And a joint Argentine-British presence at the Mount Pleasant base would allow two flags to fly there at least.

On the British side a new government will be in place by May 1997. Perhaps it will be a new government prepared to take a chance. Even the present government might see a way of winning credit for another peace-making initiative, necessarily involving compromise. Perhaps this is too optimistic. More likely change will only come after another crisis breaks. If the wit of problem-solvers cannot find a route to the negotiating table, it may be business pressures to exploit oil or gas that finds a way. This will be more stressful, but perhaps more effective. In the meantime satisfaction can be taken from the fact that already there is a working agreement on fish, the beginnings of an agreement on the development of oil and gas, and a long-standing arrangement for the exchange of information on naval, military and air force movements in the South West Atlantic area.

This patchwork of agreements must be extended: to add another on communications and another on defence, and ultimately stitch them together into a single permanent shared-sovereignty umbrella over the Falklands. The islanders might be the strongest opponents of any such deal: but I have heard at least one of them say that the only deal with Argentina they could ever contemplate was one that permanently secured their independent future. This might be it.

