Diplomats from both sides of the Atlantic will be hammering out deals over the future of the Falklands/Malvinas. Despite some 1,000 deaths in 1982, there are still many outstanding issues.

Perhaps coincidentally, June also marks the next round of Anglo-Argentine talks on economic co-operation over the islands, with particular reference to oil exploration and exploitation. Although earlier discussions faltered in February, both sides will be back at the negotiating table because there is already too much at stake to allow the new rapprochement to collapse.

No one knows exactly how much oil exists in the vicinity of the islands, as seismic surveys in the area are only just beginning. However, some estimates, including one by the US government, suggest that reserves around the Falklands/Malvinas could be as significant as those in the North Sea. Ironically, Britain may need Argentine labour, equipment, and infrastructure to exploit any such reserves. In exchange, Argentina will almost certainly push for an agreement that would allow Argentine companies to operate in island waters from which they are presently excluded.

Co-operation with Argentina is also driven by the need for joint regulation to protect fisheries around the Falklands/Malvinas. The islands’ economy has become far more dependent on fishing since the war, especially as a result of the Shackleton Report.

Building on a report he wrote in 1976, Lord Shackleton concluded that the economy of the islands was extremely fragile, mainly due to its over-dependence on wool farming. He recommended the creation of the Falklands Islands Development Corporation (FIDC), which was given an initial five-year budget of about £31 million, to encourage diversification into enterprises such as fishing.

However, due to mismanagement by the FIDC, and the 1987 collapse of the FIDC-sponsored Stanley Fisheries, very little fishing is now conducted by the islanders themselves. Instead, the islands’ administration prefers to make uncomplicated profits from the granting of squid and other fishing licences. Nonetheless, the fact that the fish stocks cross existing territorial limits has propelled the need for an understanding with Buenos Aires on the prevention of overfishing.

But the new rapprochement between London and Buenos Aires is still fragile, especially on the taboo topic of sovereignty. Although Argentina and Britain agreed not to formally discuss sovereignty in 1989 in order to get on with economic talks, sovereignty will continue to intrude on any negotiations. In part, this is because any discussion over oil or other marine resources will tend to impinge upon notions of sovereignty and its relation to claims on territorial waters.

While the dispute over who legitimately owns the islands seems unlikely to be resolved in the near future, it is nonetheless central to the posturing of both governments. Both are gambling that future developments will tip the situation in their favour.

Britain is content to discuss economic co-operation, not only for the obvious financial benefits to be obtained from any future agreements, but also because it expects that Argentina’s need for foreign capital makes it particularly vulnerable to economic influence. It believes that Argentina can be stalled indefinitely on the question of sovereignty, especially once it is tied into a series of co-operative enterprises.

Argentina is prepared to play a cool, waiting game. It is gambling that co-operation will soften the attitudes of both the London and Port Stanley administrations towards their former enemy, and that eventually sovereignty will be returned to Argentina. But Britain and Argentina cannot both be right.

By agreeing to pursue economic agreements with Britain without securing any concession that sovereignty will even be discussed, Argentine president, Carlos Menem, may have unwittingly ensured the conditions that will keep the islanders where they are. As Hugh O’Shaughnessy of the London Observer recently pointed out, the ‘kelpers’, as they refer to themselves, may become the richest community in the western hemisphere if oil is found around the islands.

Nevertheless, Argentina seems content not to push too hard on sovereignty: President Menem is clearly more interested in cash than real estate, at least for the time being. For him, the overriding imperative is the success of his economic reforms, and the survival of his government, both of which are dependent on large capital investments, especially from abroad. An important part of this has been securing buyers for major state enterprises such as the national telephone company and Aerolineas Argentinas. Future sales of state-owned utilities, such as electricity and gas companies, are on the cards.

Here the connection with Britain is an interesting one, as illustrated by Argentine Foreign Minister Guido di Tella’s visit to the UK in April 1991. Ostensibly, Mr di Tella went to seek ‘advice’ on appropriate regulatory mechanisms as Argentina moves towards a more liberal economy.
However, Mr di Tella’s discussions with British giants ICI and Baring Brothers suggest that he may also have been looking for buyers for further rounds of public company sell-offs.

Without wishing to oversimplify the complex issue of sovereignty, a couple of simple observations on the impasse can be made. Firstly, Argentina claims that the Falklands/Malvinas rightfully belong to it, based on inheritance of the islands from Spain. Argentina’s possession was interrupted when its outpost on the islands was forcibly removed in 1833. It has protested against Britain’s occupation ever since.

Secondly, Britain, which in the late 1960s and 1970s contemplated giving the islands back, now insists that it will not discuss sovereignty. It maintains that the wishes of the islanders, who are of British stock, must be paramount in any negotiation over the future of the islands. Given the express and unsurprising preference of the islanders to remain British, this is merely another way of saying that sovereignty is not negotiable.

Despite a cosy commitment to dialogue, there are compelling reasons why neither side can budge on sovereignty. For Argentina, the islands’ significance as a political symbol of first world arrogance and impunity, and their corresponding importance in Argentine political culture, would make it political suicide for any government to give them away.

For Britain, the islands and those who currently inhabit them have also been an important icon. Former Prime Minister Margaret Thatcher’s commitment to preserve the islanders’ way of life has been taken up by her successor, John Major. This is backed by a bi-partisan consensus which is almost unparalleled in any other area of British political life. As in Argentina, public passions over the islands run high.

The existence of a £276 million military base on the islands, and a garrison of over 2,000 British personnel, stands as testimony that the war is not over. With nearly one soldier for every islander, the ‘kelpers’ are probably the most heavily defended community anywhere in the world.

As an editorial in the British paper, the Guardian, suggested in January, the anniversary “is not dry history dead on the page. It is also a reminder of wholly unfinished business; for the Falklands crisis is not dead, but merely slumbering”. This is not to say that Argentina will ever invade the islands again. The Watergate-like crisis of Argentine national institutions sparked by defeat in 1982 means that any future government will find it very difficult to mobilise support for another militarist venture. However, future Argentine governments may not be as sympathetic to negotiation, or quite so keen to cultivate close ties with the Western alliance, as that of Mr Menem.

Potential Argentine aggression is probably less of a threat to the ‘kelper’ way of life than a stagnant economy and the vagaries of world commodity prices. The islands’ economy still relies heavily on wool, despite attempts at diversification. In fact, most of the wool farmers on the island are afloat only due to the influx of cash in the form of direct assistance and subsidies.

While the selling of fishing licences, mainly for squid, has generated new income, this may not be sustainable given current rates of overfishing. Due to the squid’s one-year life cycle, squid stocks are incredibly fragile: overfishing one year can create disaster the next. In the meantime, negotiations to create a common regulatory framework to protect such maritime resources in the south Atlantic are stalled by the impasse on sovereignty. Unless the question of sovereignty can be resolved in a way which satisfies political and economic interests on both sides, the situation will continue to be a volatile one.

The discovery of oil might be enough to raise tensions once again in the south Atlantic. Argentina is presently committed to dialogue because it sees some opportunity for gain from economic co-operation. But if the discovery of oil turns the islands into a mini-Kuwait, unless some compensation is offered Argentina might feel compelled once again to pursue its sovereignty claim with more vigour.

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