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PREM 19/639

RELATIONS WITH ARGENTINA

LOCATION OF THE FALKLAND ISLANDS

THEIR REHABILITATION AND FUTURE

PART 28

ARGENTINA

PART 1: SEPT 1979

PART 28: JULY 1982

| Referred to | Date | Referred to | Date | Referred to | Date | Referred to | Date |
|--------------------|------|-------------|------|-------------|------|-------------|------|
| 22.7.82 | | | | | | | |
| 27.7.82 | | | | | | | |
| 4.8.82 | | | | | | | |
| 9.8.82 | | | | | | | |
| 10.8.82 | | | | | | | |
| 12.8.82 | | | | | | | |
| 16.8.82 | | | | | | | |
| 19.8.82 | | | | | | | |
| 20.8.82 | | | | | | | |
| 23.8.82 | | | | | | | |
| 25.8.82 | | | | | | | |
| 31.8.82 | | | | | | | |
| ends | | | | | | | |
| PREM 19/639 | | | | | | | |
| X | | | | | | | |

PART 28 ends:-

31.8.82

PART 29 begins:-

1.9.82



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Foreign and Commonwealth Office

Prime Minister:

You told Lord Shackleton in London SW1A 2AH

2 August that you were having the question of a Falkland Islands Government Office considered urgently.

31 August 1982

The FCO accept the case for such an office although not immediately. This will presumably be discussed at

Dear John,

ODFAF on 6 September

JF 31/8

Falkland Islands Government Office in London

Douglas Hurd's office confirmed on 10 August that we were looking into the question of the establishment in London of a Falkland Islands Government Office (FIGO).

I enclose a report by officials which examines the issue in detail. I endorse the report's conclusions. There is a need for a FIGO and its establishment should not be delayed beyond early 1983. However, although there are some presentational arguments for setting up such an office now, there are few practical tasks which it could usefully perform until the rehabilitation phase in the Islands is completed. Decisions on premises, staffing and financing of a FIGO might more efficiently be taken in the context of the Shackleton Report's recommendation that a Falkland Islands Development Agency (FIDA) should be established. We would expect that a FIDA would want a London arm and it would then be logical to combine its activities with that of a FIGO. When we examine the Shackleton Report in early September, we shall need to consider whether and when a FIDA can be set up and how the FIGO concept could be married to this.

Whatever office is established in London, the Falkland Islands Government will not be able to bear the full cost and will look to HMG for funding. The report suggests that the FIG should make a token contribution (and it is possible that they might want to pay a reasonable share to ensure their say in its operation). The cost is estimated at a minimum of £73,000 per annum: it could be as high as £100,000 per annum, and this is likely to be a continuing and expanding commitment. Other Dependent Territories which finance their own offices in London (the functions, staffing and costs of these are summarised in an Annex of the report), or which have decided not to maintain one for financial reasons, might regard full or partial funding of a GIGO by HMG as a precedent. There are however good and obvious grounds for arguing that there are special circumstances in the case of the Falkland Islands. We do not think

/therefore

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therefore that the degree of HMG's financial support for a FIGO should affect a decision in principle to establish an office, although clearly we shall wish to discuss with the Treasury how best provision can be made for this substantial sum.

I am copying this letter to Roger Facer in the Cabinet Office and to John Kerr (Treasury).

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL



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ADMINISTRATION IN CONFIDENCE

THE ESTABLISHMENT OF A FALKLAND ISLANDS GOVERNMENT

OFFICE IN LONDON

REPORT BY THE FOREIGN AND COMMONWEALTH OFFICE

AUGUST 1982

ADMINISTRATION IN CONFIDENCE

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ESTABLISHMENT OF A FALKLAND ISLANDS GOVERNMENT OFFICE IN LONDON

REPORT BY THE FOREIGN AND COMMONWEALTH OFFICE

AUGUST 1982

SUMMARY

PART I

1. This Report examines the proposal to establish a Falkland Islands Government Office (FIGO) in London.

Conclusions

2. An Office of the Falkland Islands Government (FIG) should be established in London. There are tasks which it could perform without duplicating the work of the Foreign and Commonwealth Office and Overseas Development Administration.

3. Presentationally there would be some advantage in setting up such an office as soon as possible. But Lord Shackleton's Report recommends the establishment of a Falkland Islands Development Agency which, to be effective, would almost certainly need an Office in London. A decision on a FIGO should take account of intentions on a FIDA. There would be no need for two London Offices with overlapping tasks: their functions could be combined in a single office, which might be called the Falkland Islands Government Office and Development Agency.

4. If therefore Ministers decide to establish a FIDA at an early date, we see no need to set up a separate FIGO. But if a FIDA Office in London seemed unlikely to be set up by, say, early 1983, a FIGO should be established soon in premises which will allow it subsequently to combine its functions with those of a FIDA Office.

ADMINISTRATION IN CONFIDENCE

5. The annual cost of an Office with only three staff, which the Civil Commissioner has proposed, would be £73,000 at a minimum; that of a 5 person Office around £100,000.

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ESTABLISHMENT OF A FALKLAND ISLANDS GOVERNMENT

OFFICE IN LONDON

REPORT BY THE FOREIGN AND COMMONWEALTH OFFICE

AUGUST 1982

Part II

Background

1. The idea of establishing a FIGO has been raised from time to time but the FIG have not had the money to finance it, nor have HMG been willing to create a precedent for other Dependent Territories by providing subsidies. In the covering letter to his report, Lord Shackleton has recommended its urgent establishment and the Civil Commissioner and the FIG also support the proposal, while making clear that the FIG would be unable to finance a FIGO. The heavier dependence of the Falkland Islands on its links with the UK provides a further reason for considering the proposal.

Functions of a FIGO

2. There is general agreement on the tasks which an FIG Office could perform, namely:

- a) processing of would be immigrants to the Falkland Islands;
- b) promotion of inward investment and tourism;
- c) promotion of Falklands exports;
- d) acting as a procurement agency for FIG;
- e) assisting the ODA in the selection of OSAS and TC Officers;

f) handling general enquiries and disseminating information about the Falklands;

g) handling such matters as the sale of stamps and coins.

3. We agree that a FIGO could usefully perform these tasks, without duplicating the activities of the FCO or ODA. But most of these tasks would also fall naturally to a Falkland Islands Development Agency (FIDA) if one were to be established as Lord Shackleton recommends. There would be no logic in having two offices in London, one of FIDA and one of the FIG.

Timing of Establishment of a FIGO

4. The Civil Commissioner and Lord Shackleton are keen to see a FIGO established as soon as possible. Both agree, however, that it is hard to identify many tasks which it could usefully perform in the short term, either or because such activities are premature given the phase of rehabilitation now in progress or because these are at present adequately performed by the FIG, FCO or the ODA.

5. The processing of immigrants could be handled more appropriately by a FIGO than by the FCO. But apart from the recruitment of specialised staff (already handled by the ODA but in which a FIGO could play a useful ancillary role by filtering those most suitable to life in the Islands), the FIG cannot embark on any immigration operation for a number of months at least until extra accommodation had been provided and perhaps not until the proposed land reform or development prospects have resulted in new jobs. The primary task remains that of restoring conditions for the existing population. In the meantime, the work involved in sifting letters of enquiry, passing on names of serious applicants to FIG and other initial tasks is unlikely to amount to more than a day of one person's time per week. This initial processing is at present being handled by the FCO.

6. Similarly, the few moderately serious enquiries so far received from firms which might be prepared to consider investment in the Falklands can easily be processed by the FIG itself. Until the phase of rehabilitation is over and the Government's position on the Shackleton Report is clear, little can be done usefully to promote inward investment. The same applies to tourism, which will depend on the development of communications with the Islands and in a reduction of the present physical hazards (eg mines). The only present scope is for cruise ships visiting the Islands.

7. At present exports from the Falkland Islands are confined to wool and postage stamps. Only wool is an export in the normal sense of the word, and is at present handled by the Falkland Islands Company. The question of promoting further exports will depend on decisions which have yet to be taken on the economic development of the Falkland Islands. In due course promotion may be required for Falkland Islands knitwear, meat products, etc. At the present time however there is no practical work to be done in this area.

8. The main argument for setting up a FIGO in the immediate future would therefore be presentational. It would provide without delay a visible and public point of contact for all those interested in the Falklands: an interest to which the publication of the Shackleton Report will provide a further stimulus. It would also put in truer perspective the role of the Falkland Islands Office (para 10 below) which is essentially a lobby organisation, and which often takes positions critical of the policies of HMG.

9. This presentational argument has force. We do not however think that it is strong enough on its own to justify the immediate establishment of a FIGO, in advance of consideration of the proposals in Lord Shackleton's Report. We believe that it should be looked at along with the recommendations for a FIDA. On timing, it would seem sensible to aim at having one

or the other set up by early 1983. There would however be advantage in making public at an earlier date the intention of establishing an Office.

10. The Falkland Islands Office (FIO): Political Lobbying At present the unofficial Falkland Islands Office, with a staff of 2-3 persons and premises in Greycoat Place SW1, provides the lobby and main contact and information point for all those interested in the Falkland Islands. It draws its financial support from contributions both from individuals and from farms and companies with interest in the Falklands, including the Falkland Islands Company. It receives letters from would-be immigrants and enquiries from firms interested in doing business in some way in the Falklands. These enquiries are at present passed on to the FCO. It also handles visitors from the Falklands coming to the UK.

11. A FIG Office would therefore take away most of the existing functions of the Falkland Islands Office. Lord Shackleton and the Civil Commissioner believe that the FIO might be disbanded on the establishment of a FIGO. We question whether this is necessarily the case. Its lobbying activities, particularly directed towards Parliament and the press, would be inappropriate for a FIGO or FIDA Office and the Islanders and the well-wishers in UK who fund the FIO would presumably want them to continue. As already stated, however, a FIGO should lead to a greater recognition of the unofficial status of the FIO, which is often assumed to speak for the FIG.

12. In this context we have to recognise that it will be hard to prevent a FIGO from developing a similar political lobbying role, however well-intentioned those concerned may be. There will be pressures on it to ensure that questions concerning the welfare of the Islanders and the economy of the Islands are constantly presented to Members of Parliament, the Press etc and brought to the attention of Ministers.

13. Staffing and Costs of a FIGO The Civil Commissioner has identified 1,000 sq ft of office space consisting of five rooms in Victoria at an inclusive cost of £14,000 per annum. This reduced rate would be available for two and a half years. An office employing five persons might consist of a head of the office (Principal equivalent), two assistants (HEO equivalent) a secretary/ receptionist and a registrar/messenger. The total running costs, including rent, would be about £99,000 per annum. The Civil Commissioner has suggested a more modest establishment of three staff (corresponding to Principal, HEO and secretary). Depending on decisions on a FIDA, this would be adequate to deal with the tasks envisaged. The total costs would be about £73,000 (details at Annex I). The Civil Commissioner's estimate is for an initial budget of £70,000 in the first year, reducing to £35,000 thereafter. From our calculations £70,000 would seem to be slightly less than the reasonable minimum figure, but it would not reduce in subsequent years.

14. Staff would need a knowledge of the Islands. There is much to be said for an Islander heading the Office. Councillors in the Falkland Islands have already suggested Mr Adrian Monk, a former senior Councillor in the Falkland Islands, who has recently retired as Government Agricultural Adviser, to head a Falkland Islands Government Office in London. He has not yet been approached, and it is not known whether he would be prepared to take the post.

15. The FIG have made clear that it will not be able to pay for the establishment and operation of an FIGO. The cost would have to be borne by HMG. However, a token contribution by the FIG might be appropriate to underline its status as a representation of the Falkland Islands Government.

16 Other Dependent Territory Offices in London Some Dependent Territories already maintain offices or representatives in London at their own expense covering a variety of functions (details in Annex II). Though there has been no pressure from

those unable to afford separate offices for funding from HMG, the setting up of a government-funded FIGO would set a precedent which could lead to requests for similar treatment. It would be necessary to deflect any such request, by pointing to the special circumstances of the Falkland Islands following the Argentine invasion.

17. Conclusions

We conclude that an office representing the interests of the Falkland Islands Government can perform a number of useful tasks and should be established by early 1983 at the latest. It should act as a focal point for official information on the Falklands, and should logically absorb the functions of a London Office of the Falkland Islands Development Agency if this is set up. The arguments for setting up an Office immediately are presentation. Its staffing, functions and financing can best be considered in the light of decisions in a Falkland Islands Development Agency. A decision in principle to establish a FIGO might however be announced sooner.

Foreign and Commonwealth Office
Falklands Unit

25 August 1982

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ANNEX I: OUTLINE OF PROPOSED FALKLAND ISLANDS GOVERNMENT
OFFICE

- a) To be established By early 1983
- b) Functions
1. Acting for FIG in processing immigration enquiries; procurement agency; general enquiries and information dissemination;
 2. Acting as London arm of FIDA in promoting inward investment, export promotion assistance to ODA on selection of OSAS and TC Officers.
 3. Contact point for Islanders in UK; assistance for visitors to and from Islands.
- c) Evolution of Tasks: To be kept under review.
- d) Office Location: Central London. Possible site in Victoria identified.
- e) Office Space: Approx 1,000 sq ft (five rooms) identified.

ADMINISTRATION IN CONFIDENCE

APPENDIX TO ANNEX I

FALKLAND ISLANDS GOVERNMENT OFFICE: DETAILED COSTS

The following figures give some indication of the continuing cost of running an office per annum based on a staff complement of 5 or 3 persons.

Average Salary Costs ie Service-wide average for grade plus super-annuation at 21.5% of salary payable, plus employer's NI contributions appropriate to the average salary (Treasury Ready Reckoner).

| | <u>5 Persons</u> £ | <u>3 Persons</u> £ |
|--|-----------------------|-----------------------|
| Principal | 20,846 | 20,846 |
| HEO | 13,774 | |
| HEO | 13,774 | 13,774 |
| Personal Secretary | 9,128 | 9,128 |
| Messenger | <u>7,061</u> | |
| | 64,583 | <u>43,748</u> |
| <u>Additional Running Costs</u> | | |
| Telex (Rental) | 820 | 820 |
| Running Costs (say 1 hr per day at 80p per minute to the Falkland Islands) | 12,500 | *8,200 |
| Telephone (Rental for 1) | 68 | 68 |
| 2 personal calls per week to the FI at £7.14 per 3 minute call) | 742 | 742 |
| Calls within the UK | 1,000 | * 800 |
| Postage (20 letters per week to the FI at 26p per letter) | 270 | (200 |
| Postage within the UK | 750 | * (500 |
| Travel Costs | 500 | (350 |
| Office machinery (photocopier rental and photocopying and other stationery requirements) | 2,100 | 2,100 |
| Office cleaning, including windows | <u>1,300</u> | <u>1,300</u> |
| | 84,633 | 58,828 |
| | say 85,000 | say 59,000 |
| Rent/Rates | <u>14,000</u> | <u>14,000</u> |
| | say 99,000 | say 73,000 |

* Assuming a reduction of one-third

ANNEX II

DEPENDENT TERRITORY OFFICES IN LONDON

BERMUDA GOVERNMENT OFFICE

- a) Established As a tourist office in 1954; took on other Government Department activities and assumed present title in 1977.
- b) Functions
1. London office of the Bermuda Tourist Agency. Tourism, information and PR functions.
 2. Ad hoc assistance to Bermudians in UK (mail, messages, advice, etc), but does not advance money to stranded Bermudians.
 3. Ad hoc use of facilities by visiting Bermuda Government Officials/Ministers.
- c) Evolution of Tasks Tasks 2 and 3 developed and led to change of status in 1977.
- d) Office Location Central location (Saville Row) necessary.
- e) Office Space 1,670 sq ft + waiting room.
- f) No of Staff & Functions 4. 1 Manager, 1 assistant + 2 clerical/secretarial.
- g) Where recruited UK. Knowledge of Dependent Territory preferable.
- h) Total Annual Cost £127,000 (excluding advertising) of which:
- Rental: £40,000
Staff : £52,000
- i) Funding 100% Bermuda Government (50-50 Cabinet Office and BTA).

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CAYMAN ISLANDS GOVERNMENT OFFICE

- a) Established 1 July 1982 - superseded Cayman Islands Tourist Office (established March 1982)
- b) Functions Government Representative for Trade, Industry and general matters. Includes job applications and financial enquiries. Oversight of contracted out agencies for Department of Tourism/Cayman Airways and Cayman islands News Bureau (PR, news, information).
- c) Evolution of Tasks Tourism and Cayman Airways previously dealt with on personal contract basis. Now dealt with by commercial agency. News Bureau offices set up earlier this year. Special representative (part-time) appointed by Caymans Government 1980/81, but did not prove a success. Full-time Government representative appointed July 1982.
- d) Office Location Central: Curzon Street, W1. Necessary, especially for tourism.
- e) Office Space Government Rep: 2 rooms in Agents building.
- f) No of Staff & Functions Government Rep: Representative Secretary
Agencies: 2 Account Holders
2 Assistants
2 Secretaries
- g) Where Recurited UK. Knowledge of Caymans preferable but not essential.
- h) Total Annual Costs Government Rep: £63,00 of which:
Rates/Rents: £11,000
Staff £32,000
Start-up Costs £ 3,000
- i) Funding 100% Cayman Islands Government.

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GIBRALTAR TOURIST OFFICE

- a) Established 1969
- b) Functions Tourism promotion only.
- c) Evolution of Tasks N/A
- d) Office Location The Strand. Central location necessary.
- e) Office Space Two smallish offices with waiting room (approx 900 sq ft).
- f) No of Staff & Functions 4: 1 DS6 equivalent; 3 clerks.
- g) Where Recruited All Gibraltar civil servants.
Knowledge of Dependent Territory essential.
- h) Total Annual Costs £83,200, of which:
- | | |
|------------------------|---------|
| Rental: | £ 9,800 |
| Staff: | £35,900 |
| Office Administration: | £17,000 |
| PR: | £ 9,500 |
- i) Funding 100% Gibraltar Government.

ADMINISTRATION IN CONFIDENCE

WEST INDIA COMMITTEE acting for: BRITISH VIRGIN ISLANDS (BVI)
TURKS & CAICOS ISLANDS (TC)
MONTSERRAT (M)

- a) Established WIC established 1750 as representative of British commercial interests in the West Indies. Has acted for various dependent territory interests since the break up of the West Indies Federation (1967).
- b) Functions BVI - Tourism, trade enquiries.
TC - Tourism, trade enquiries.
M - Tourism.
- c) Evolution of Tasks Special commissions by Dependent Territory Governments also undertaken at cost.
- d) Office Location Central (W1). Necessary.
- e) Office Space No separate offices for dealing with Dependent Territories.
- f) No of Staff & Functions BVI - 1 full-time assistant.
TC & M - ad hoc: division is by subject not territory.
Total staff allocation not more than 1.25.
- g) Where Recruited UK. Knowledge of DT preferable, not essential.
- h) Total Annual Cost Cannot be separated out from WIC activities. Donations presumed to cover costs.
- i) Funding BVI Government donates £20,000 pa
TC Government donates £ 3,000 pa
M Government donates £ 100 pa

The WIC also receives a BOTB subsidy for export promotion activities but its use for export promotion to the Dependencies is negligible.

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HONG KONG GOVERNMENT OFFICE

- a) Established 1943 - planned for rehabilitation of Hong Kong after liberation from Japanese.
- b) Functions Advice on commercial/economic developments in UK; public relations; assistance to HKs living in UK. Advisory service to HK students in UK; recruitment for HK civil service and payment of allowances to HK officers in UK for courses; Admin Development Course, Oxford (for HK Civil Servants); Admin of HK students' centre/hostel; informal contact with FCO, MPs and opinion formers. Trade promotion and tourism are handled by separate independent organisations.
- c) Evolution of Tasks 1950s - took on trade enquiries (since passed to the HK Trade Office), and students. Since then gradually expanded.
- d) Office Location Grafton Street, W1. Central location necessary.
- e) Office Space 10,000 sq ft.
- f) No of Staff & Functions 110: of which: Recruiting 12; Students 15; Training 5, News 15; Commercial/Industrial Development 10; Liaison 10; Admin Services 10; Headquarters 8.
- g) Where Recruited 40 from Hong Kong: 70 Locally engaged (mostly Hong Kong Chinese). Knowledge of DT preferable. Majority Chinese.
- h) Total Annual Costs £2,200,000 of which:
- | | |
|------------------|------------|
| Rental/Rates: | £ 172,000 |
| Staff: | £1,500,000 |
| Other Overheads: | £ 500,000 |
- i) Funding 100% Hong Kong Government.

Prime Minister

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Foreign and Commonwealth Office

London SW1A 2AH

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31 August 1982

Dear Tim,

mt

Falkland Islands: Rehabilitation

I enclose a further progress report on the programme of rehabilitation, which updates the report sent to John Coles on 11 August, and which has been compiled with contributions from the Ministry of Defence.

I am sending copies of this letter to the Private Offices of all members of OD(FAF) and to PS/Sir Robert Armstrong.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing Street

FALKLANDS REHABILITATION: PROGRESS REPORT

Housing

1. Eleven companies have tendered for the supply of 27 prefabricated housing units, including one German, and are being evaluated. It is hoped to place orders by 7 September. The objective is to complete the first house by the end of the year but the schedule is very tight.

Mobile Homes

2. Orders have been placed with two firms for the supply of 5 mobile homes from each, at a cost of about £9,500. One consignment of 5 will be shipped on 10 October; the other will accompany the prefabricated houses.

Building and Other Materials

3. The last of the building materials in the Civil Commissioner's first order will be shipped on 31 August. The recently requested gymnasium equipment will also be shipped on 31 August, together with 20 wood/peat burning stoves donated by Scandinavian Wood Burning Stoves in Angus.

Fuel

4. The first consignment of 504 cylinders of propane gas, 200 drums of kerosene and 300 tons of coal is being shipped on 22 August. The balance will follow by 31 August. The fuel situation in the Islands is satisfactory.

5. 5,000 gallons of aviation gasoline (100 LL), will be shipped on 31 August for use by the Falkland Islands Air Service.

Shipping from the UK

6. The next cargo ship departing from UK is:

Elin S - 31 August due Stanley 27 September.

The next commercial sailing after Elin S is planned for October, but space may be taken on an MOD chartered vessel in September.

Replacement Aircraft for Falkland Islands Government Air Service (FIGAS)

7. FCO Ministers have agreed that we should initially buy a second-hand Beaver aircraft in Canada for FIGAS. A team is now in Canada to

/arrange

arrange this. On the longer term aircraft needs of FIGAS, FCO officials are recommending to Ministers the early purchase of a Twin Otter. This uses the same fuel as military aircraft and can carry 18 passengers or a mixture of passengers and cargo.

Air and Sea Communications with Latin America

8. Following unwelcome publicity about staging flights by military transport aircraft through Rio on 9, 10 and 11 August, the Brazilian authorities are unlikely to accept any further staging flights for the foreseeable future. The Brazilians also explained to Mr Onslow that they were not at present prepared to set up civil trading links with the Falklands.

9. Uruguay and Chile remain unwilling at present to establish regular air or sea communications with the Falklands. However, both countries are prepared to envisage the purchase of supplies for the Falklands, provided they are shipped unobtrusively.

Personnel

10. We have agreed with the Civil Commissioner that the number of new posts to be filled is 35. Eight officers (a doctor, a police superintendent, a development officer, a nursing sister, a water supervisor, a senior mechanic (plant), the Attorney General and the Registrar General) have been formally engaged and the first two are now in the Falklands. Twenty Five others (6 policemen, 7 teachers, a nursing sister, a senior mechanic (transport), 1 philatelic administrator, a roads superintendent, 3 senior electricians, 2 plumbers, a clerk of works, a building superintendent and an engineering surveyor) have been selected and we hope they will sign contracts shortly. Arrangements are in hand for the remaining two posts (a philatelic administrator, and a nursing sister who is not required until January).

Compensation

11. A three-man team of assessors from the Ministry of Defence is now in the Islands with authority to agree and settle the majority of claims; to date, some £80,00 - £90,00 has been paid out. An explanatory pamphlet on the scheme is being prepared and will be issued as soon as possible.

/Assistance

Assistance from the Military

12. Most military construction effort is currently being directed at the temporary reconditioning of Stanley airport, which closed on 14 August and has now re-opened. However, help has been given with the repair of the desalination plant and planning of road works.

General

13. We are not aware of any major problems. The Civil Commissioner in Stanley has said that morale in the Islands continues to improve, and the good working relationships between the Islanders and the military have been well maintained.

BT AUG 1962

12 1 2 3 4 5 6 7 8 9 10 11 12

Argentina

cc FCO TWP

Papers kept in CP



Argentina

10 DOWNING STREET

THE PRIME MINISTER

31 August, 1982.

Dear Mr. Needham

Thank you for your letter of 12 August about the future of the Falkland Islands and your plans to pay a visit there. I am sure such a visit would be well worthwhile.

As you may know, Lord Shackleton has now completed the revision of his 1976 Economic Survey of the Islands, and the updated study should be ready for publication by the middle of September. You will no doubt first wish to study the recommendations in the report and consider their bearing on the role of your company in the Islands. We for our part will also need to study the report in depth and consult interested parties as fully as possible before reaching conclusions about the way forward.

Perhaps in the first instance you could get in touch with Cranley Onslow at the Foreign and Commonwealth Office, who will, I am sure, be keen to discuss these matters with you.

Yours sincerely

Roger Shabte

C.E. Needham, Esq.

Da

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Foreign and Commonwealth Office

London SW1A 2AH

27 August 1982

Dear Tim, Mr Lyne wa 22/8

With your letter of 16 August you enclosed one to the Prime Minister from Ted Needham, the Chairman of the Coalite Group.

The Falkland Islands Company has continued to play a useful role in shipping goods to the Islands and arranging for their distribution there. The Company has also started to repair its own damaged property. But this is no more than might be expected given the circumstances. Mr Needham is playing a cautious hand in reacting to reports of the Civil Commissioner's remarks that the days of the Company are numbered.

Though we must clearly co-operate with the FIC and Mr Needham, we see no compelling reasons for the Prime Minister to see him, at least at this stage. Mr Onslow proposes to see Mr Needham as a first step.

I enclose a draft reply from the Prime Minister accordingly.

*Your ever
J E Holmes*

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing Street

CONFIDENTIAL

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

C E Needham Esq
 Chairman
 Coalites Group plc
 PO Box 21
 Chesterfield
 Derbyshire
 S44 6AB

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 12 August about the future of the Falkland Islands and your plans to pay a visit there. I am sure such a visit would be well worthwhile.

CAVEAT.....

As you may know, Lord Shackleton has now completed the revision of his 1976 Economic Survey of the Islands, and the updated study should be ready for publication by the middle of September. You will no doubt first wish to study the recommendations in the report and consider their bearing on the role of your company in the Islands. We for our part will also need to study the report in depth and consult interested parties as fully as possible before reaching conclusions about the way forward.

Perhaps in the first instance you could get in touch with Cranley Onslow at the Foreign and Commonwealth Office, who will, I am sure, be keen to discuss these matters with you. ~~He is taking a very close interest in the future of the Falklands.~~

Enclosures—flag(s).....

27 AUG 1954



Prime minister

ES/ NO. 10. DOWNING STREET.

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TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 1573 OF 26 AUGUST

YOUR TELNO. 2811: ARGENTINA: FINANCIAL SANCTIONS AND AIR SERVICES

1. FOLLOWING SUMMARISES DISCUSSIONS WITH ARGENTINES ON AIR SERVICES:

(A) ON 5 AUGUST THE BANK OF ENGLAND TOLD THE ARGENTINE CENTRAL BANK THAT WE WANTED TO LIFT RESTRICTIONS RECIPROCALLY IN A NUMBER OF FIELDS, INCLUDING AIR SERVICES. THE ARGENTINES FORESAW DIFFICULTIES, ESPECIALLY ON AIR SERVICES, IF THE RESTRICTIONS WERE TREATED AS A PACKAGE.

(B) AFTER DISCUSSIONS IN WHITEHALL AND CLEARANCE WITH MINISTERS, THE BANK OF ENGLAND WERE ASKED ON 11 AUGUST TO TELL ARGENTINE CONTACTS THAT WE DID NOT INSIST ON COUPLING THE RECIPROCAL REMOVAL OF COMMERCIAL AND FINANCIAL RESTRICTIONS, PROVIDED THE REMOVAL OF FINANCIAL RESTRICTIONS EXTENDED TO ALL QUOTES INVISIBLE UNQUOTES TRADE, INCLUDING AIR SERVICES.

(C) ARGENTINE CONTACT SAID HE COULD ONLY DELIVER AN INDICATION THAT ARGENTINA WOULD NOT DISCRIMINATE AGAINST UK AIRLINES.

(D) SINCE WE BELIEVE THAT THE ARGENTINES NO LONGER WANT TO FLY TO LONDON, THIS WAS TOO VAGUE. THE BANK WERE AUTHORISED ON 13 AUGUST TO TELL THEIR ARGENTINE CONTACTS THAT (STILL WITHIN A PACKAGE INCLUDING FINANCIAL RESTRICTIONS) WE COULD NOT ACCEPT LESS THAN AN ASSURANCE THAT ARGENTINA WOULD OPEN TALKS WITHIN SAY A MONTH, ACCORDING TO B-CAL TREATMENT NO LESS FAVOURABLE THAN AIR FRANCE AND LUFTHANSA AS REGARDS FLIGHTS TO ARGENTINA AND OVERFLYING RIGHTS: WHEN EITHER AIRLINE RESUMED SCHEDULED SERVICES TO ARGENTINA, B-CAL WOULD ALSO BE GIVEN A PERMIT TO RESUME.

(E) THE BANK PUT THIS TO THE ARGENTINES, WHO REPLIED ON 16 AUGUST THAT THE MINISTRY OF FINANCE COULD ONLY OFFER ON LANDING

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RIGHTS THAT THE UK WOULD NOT BE DISCRIMINATED AGAINST ON ECONOMIC OR COMMERCIAL GROUNDS (BUT THIS WOULD NOT GUARANTEE MFN TREATMENT) AND THAT ONCE FINANCIAL RESTRICTIONS WERE OUT OF THE WAY, NEGOTIATIONS COULD PROCEED AT AN EARLY STAGE. ON OVERFLYING THEY COULD GUARANTEE NOTHING.

2. THERE HAVE BEEN NO CONTACTS WITH THE ARGENTINES SINCE THEN. HAD THERE BEEN, WE WOULD HAVE BEEN PREPARED TO OFFER THE FOLLOWING REFINEMENTS TO THE POSITION IN (D) ABOVE:

(A) AS FAR AS OVERFLYING IS CONCERNED, WE ONLY HAVE IN MIND B-CAL'S FLIGHTS BETWEEN BRAZIL AND CHILE (PARA 5 OF OUR TELNO 1543).

(B) ON AIR SERVICES, WE ARE ONLY ASKING FOR THE SAME TIMESCALE AS THE FRENCH AND GERMANS TO NEGOTIATE AN AGREEMENT OR TO RESUME FLIGHTS, AND A GUARANTEE THAT B-CAL WILL BE ALLOWED TO RESUME SERVICES SUBJECT TO A SATISFACTORY COMMERCIAL ARRANGEMENT BEING WORKED OUT. (IF, AS WE BELIEVE, THE ARGENTINES WANT TO FLY TO PARIS AND FRANKFURT BUT NOT TO LONDON, B-CAL COULD NOT EXPECT TO NEGOTIATE EXACTLY THE SAME TERMS AS AIR FRANCE AND LUFTHANSA, WHO WOULD BE SHARING THEIR TRAFFIC WITH THE ARGENTINES. IN SUCH CIRCUMSTANCES IT WOULD BE NORMAL COMMERCIAL PRACTICE FOR B-CAL TO PAY SOME PRICE TO THE ARGENTINES FOR BEING THE ONLY DIRECT OPERATOR BETWEEN LONDON AND BUENOS AIRES. WE CAN ACCEPT THAT, WITHIN REASON: WE COULD NOT ACCEPT B-CAL'S TOTAL EXCLUSION.)

(C) NO DE-COUPLING OF AIR SERVICES ISSUES FROM FINANCIAL RESTRICTIONS.

3. YOU MAY GIVE ENDERS THE PROPOSAL AT PARA 2 ABOVE, WITH THE AUTHORITY TO PUT IT TO THE ARGENTINES AS PART OF A PACKAGE ALSO COVERING FINANCIAL RESTRICTIONS. YOU SHOULD DRAW ON PARA 1 OF THE ABOVE TO EMPHASISE THAT THE HISTORY OF THE CONTACTS TO DATE, TAKEN WITH THIS LATEST REFINEMENT, CLEARLY INDICATE OUR WILLINGNESS TO EXPLORE ANY PROPOSAL, PROVIDED THE OUTCOME IS A RESUMPTION WITHIN A REASONABLE TIMESCALE

(A) OF B-CAL'S OVERFLIGHTS FROM BRAZIL TO CHILE, AND

(B) OF B-CAL'S OPERATING PERMIT FOR BUENOS AIRES.

IN THE PROCESS OF ACHIEVING SUCH AN OUTCOME WE WOULD ACCEPT THAT CHANGED ECONOMIC AND COMMERCIAL CONDITIONS MAY REQUIRE

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NEGOTIATING A NEW BASIS FOR AIR SERVICES BETWEEN THE TWO COUNTRIES. BUT WE CANNOT ACCEPT THAT THERE SHOULD BE NO AIR SERVICE BETWEEN LONDON AND BUENOS AIRES IF SERVICES ARE RE-INTRODUCED FROM PARIS AND FRANKFURT. IF ENDERS' DEFINITION OF MOST FAVOURED NATION TREATMENT (PARA 3 OF TUR) ACCORDS WITH THAT POSITION, WE WOULD BE HAPPY FOR SCHLAUDEMAN TO PRESS OUR CASE WITH THE ARGENTINES AT WHATEVER LEVEL HE THINKS FIT. THOUGH WE RECOGNISE THERE MAY BE DELAY IN DOING SO. WHILE THE NEW ARGENTINE ECONOMICS PERSONNEL SETTLE IN.

4. FOR YOUR OWN INFORMATION. WE ARE OF COURSE LOOKING AT THE SITUATION DAY BY DAY. BUT YOU SHOULD GIVE THE AMERICANS NO REASON TO SUSPECT THAT WE SHALL CHANGE THE LINE IN OARA 2 ABOVE.

PYM

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} BANK OF
ENGLAND

MR FACER

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cc Mr J Goulden,
Head of News Dept, FCO
Mr S Davy,
Shackleton Unit, MPO
Miss T Rolleston
Parliamentary Unit

1. Mr Mawer
2. MR FLESHER

Mr Fletcher
has spoke
HERE 25.8.
Mr Butler:
Could we
have a word.

H
25/8.

FALKLAND ISLANDS ECONOMIC STUDY 1982

I had a meeting yesterday with Simon Davy (Shackleton Unit) to discuss press and publication arrangements in respect of Lord Shackleton's Report. Teresa Rolleston was also present.

Publication Date

I understand Ministers will decide publication date when they meet on 6 September but there are a number of logistical and other points which they should be aware of.

Mr Davy is fairly confident that publication copies will be available from 7 September. He is in touch with MoD about sending copies to the Falklands so that the Report can be available there simultaneously with publication in London. The RAF will probably have to drop the copies from an aircraft. The earliest they could get copies to the Civil Commissioner would be Thursday, 9 September, but this presumes perfect weather conditions and absolutely no hitches. It would be safer to allow some leeway.

Lord Shackleton intends to give a Press Conference when his Report is published. He will not be available on Friday 10 September.

In view of the above, we have concluded that Monday, 13 September, would be the most suitable day for publication.

On that day, or whichever date is decided, the No 10 Parliamentary Unit would lay the Report before the Lords and the Commons at 11 am. Publication would be 11.30 am at which time Lord Shackleton could begin his Press Conference.

Press Conference

Lord Shackleton's intention in giving a Press Conference is to present his Report and to speak as the leader of the independent team that produced it. He would not speak for the Government.

After some discussion we agreed that the Government Press Centre would probably be the most suitable venue (we also considered No 12, the FCO and the Foreign Press Association).

Lord Shackleton would probably handle the Press Conference himself flanked by two or three of his team. The No 10 Press Office would make all the arrangements including inviting the Press but would otherwise leave Lord Shackleton to manage the occasion.

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2.

Further Action

Could we please discuss this and in particular any briefing or advice that should be put to Ministers.

IK

IAN KYDD
PRESS OFFICE

25 August 1982



10 DOWNING STREET

From the Private Secretary

24 August 1982

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Thank you for your letter of 20 August enclosing a message which the Foreign Secretary proposes to send each of the Foreign Ministers of the Ten and to M. Thorn.

The Prime Minister agrees wholeheartedly with the objective of the message to convince our partners that there will be no negotiations with the Argentine on British sovereignty over the Falklands. She does not however think that the draft is quite firm enough; in particular she would like the paragraph on page 2 of the proposed telegram commencing "I know that there is much interest" to be amended to avoid giving the impression that we may negotiate at some time in the future. Subject to that amendment the Prime Minister is content.

I am sending a copy of this letter to the Private Secretaries to the members of OD.

(TIMOTHY FLESHER)

John Holmes, Esq.,
Foreign and Commonwealth Office

DS

Subject

for Master
of



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 166/82.

10 DOWNING STREET

THE PRIME MINISTER

24 August, 1982.

My dear Premier,

I should like to express my most sincere thanks for the very generous donation to the South Atlantic Fund enclosed with your letter of 4 August which I have now seen on my return from a short holiday. I am greatly moved by the strength of the support of the Bermuda Government and people and for the encouragement and solidarity you have shown by this remarkable gesture.

Please convey to the Government and people of Bermuda my personal appreciation and that of the British Government.

With all good wishes.

Yours sincerely
Margaret Thatcher

The Honourable John W Swan, J.P., M.P.,

GRS 230
SECRET
DESKBY 240900Z
FM WASHINGTON 240042Z AUG 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 2804 OF 23 AUGUST

SECRET

Argentina
M

MIPT: ARGENTINA

1. I ASKED ENDERS ABOUT HIS MEETING WITH FOREIGN MINISTER LANARI LAST WEEK. HE SAID THAT THE ARGENTINIAN HAD FOCUSED SINGLE-MINDEDLY ON THE UN RESOLUTIONS. HE DID NOT APPEAR TO BE INTERESTED IN THE BROADER ISSUES OF U S/ARGENTINE RELATIONS, AND WAS UNINFORMED ABOUT RECENT EXCHANGES OVER ECONOMIC AND FINANCIAL SANCTIONS. ENDERS COMMENTED THAT LANARI'S LACK OF AWARENESS INDICATED FURTHER DECOMPOSITION OF THE GOVERNMENTAL PROCESS IN BUENOS AIRES AND A TOTAL LACK OF POLICY-MAKING CO-ORDINATION BETWEEN VARIOUS MINISTRIES.

2. ON THE QUESTION OF UN RESOLUTIONS, ENDERS HAD EXPLAINED TO LANARI QUOTE THAT THE UK WOULD NOT NEGOTIATE AT ANY EARLY POINT ABOUT THE FALKLAND ISLANDS UNQUOTE. HE HAD ADDED THAT WHILE HE COULD NOT SPECULATE WHEN SUCH NEGOTIATIONS MIGHT START, HE COULD NOT RULE OUT THE POSSIBILITY THAT THEY WOULD TAKE PLACE IN DUE COURSE. HOWEVER HE HAD INSISTED TO THE ARGENTINIAN THAT THE US WOULD NOT SUPPORT ANY RESOLUTION WHICH PREJUDGED THE QUESTION OF SOVEREIGNTY OR IMPOSED AN UNREALISTIC TIMETABLE FOR NEGOTIATIONS.

3. ENDERS SAID THAT LANARI HAD BEEN MOST INTERESTED IN WINNING U S SUPPORT FOR THE RESOLUTION. ENDERS HAD EXPLAINED THAT THE ARGENTINIANS SHOULD BE REALISTIC ABOUT THE LIMITATIONS IMPOSED BY THE U S/UK RELATIONSHIP ON U S SUPPORT FOR THE ARGENTINE POSITION. HOWEVER HE HAD INDICATED THAT IF THE MEXICAN DRAFT WERE TO BE AMENDED IN SUCH A WAY AS TO REMOVE THOSE POINTS WHICH PREJUDGED SOVEREIGNTY, THEN THE U S WOULD PROBABLY SUPPORT IT. LANARI HAD ASKED FOR DETAILED AMERICAN VIEWS ON THE MEXICAN DRAFT, AND THESE HAD NOW BEEN CONVEYED TO BUENOS AIRES (I GATHER THAT A MESSAGE ABOUT THIS HAS BEEN DELIVERED TO MR ONSLOW THROUGH THE U S EMBASSY IN LONDON).

4. I RUBBED IN THE POINT THAT THERE WAS NOTHING TO NEGOTIATE ABOUT SOVEREIGNTY. ENDERS NODDED HIS AGREEMENT AND SAID THAT THE BASIC U S VIEW WAS THAT IT WANTED A PEACEFUL RESOLUTION TO THE DISPUTE AS SOON AS POSSIBLE. HOWEVER THE AMERICANS APPRECIATED OUR POSITION AND WANTED TO AVOID ANY REFERENCE IN A UN RESOLUTION TO A STRUCTURED SCHEDULE FOR NEGOTIATIONS. ACCORDINGLY THE AMERICANS WOULD NOT SUGGEST PROCEDURES, MODELS OR CONCEPTS IN THE WAY THEY HAD DONE DURING THE CRISIS. HE REPEATED THE AMERICAN COMMITMENT TO KEEP IN CLOSE TOUCH WITH US AS THE SITUATION DEVELOPED IN NEW YORK.

THOMAS

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FM WASHINGTON 240041Z AUG 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 2803 OF 23 AUGUST 1982.

ARGENTINA: FINANCIAL AND COMMERCIAL SANCTIONS AND AIR SERVICES.

1. I SPOKE THIS AFTERNOON TO ENDERS, RE-EMPHASISING OUR VIEW THAT THE ARGENTINIANS WOULD HAVE TO GIVE US SATISFACTION ON AIR SERVICES IF THEY WANTED FINANCIAL SANCTIONS LIFTED.

2. ENDERS SAID THAT IT WAS CLEAR FROM NUMEROUS CONTACTS BETWEEN AMERICAN AND ARGENTINIAN OFFICIALS IN THE LAST TEN DAYS THAT THE LATTER DID NOT ACCEPT THAT THE LIFTING OF FINANCIAL SANCTIONS WOULD ONLY BENEFIT ARGENTINA OR THAT THEY SHOULD GIVE WAY TO THE UK ON OVERFLIGHT CLEARANCES AND LANDING RIGHTS FOR BRITISH CALEDONIAN, WHICH WAS REGARDED (PARTICULARLY BY THE AIR FORCE) AS A MATTER OF NATIONAL SECURITY.

3. ENDERS EXPLAINED THE ARGENTINIANS DID NOT NECESSARILY SEE THAT ARGENTINA'S FINANCIAL POSITION WOULD BE SERIOUSLY DAMAGED BY FAILURE TO REACH EARLY AGREEMENT ON A FINANCIAL PACKAGE. THE COUNTRY'S FINANCIAL PROBLEM WAS ESSENTIALLY A SHORT TERM ONE, (THE CURRENT ACCOUNT DEFICIT WAS ONLY DOLLARS 1.5 BILLION PA) AND, UNLIKE MEXICO, ARGENTINA DID NOT NEED ANY NEW CREDIT. THUS MANY ARGENTINES BELIEVED THAT A SUSPENSION OF PAYMENTS WOULD BE AN ACCEPTABLE WAY OUT. ENDERS SEEMED TO DRAW A DISTINCTION BETWEEN THIS AND A FORMAL MORATORIUM.

4. ENDERS CONTINUED THAT IF WE CONTINUED TO INSIST ON LINKAGE, THE ARGENTINIANS WOULD PROBABLY TAKE NO IMMEDIATE ACTION ON THE FINANCIAL SIDE. THE TURN-OVER OF OFFICIALS IN BUENOS AIRES WAS SO RAPID, AND EXPERIENCE SO LIMITED, THAT THE FINANCIAL TEAM DID NOT LOOK FAR AHEAD AND COULD NOT BE COUNTED UPON TO TAKE PRUDENT FINANCIAL DECISIONS. IN ANY CASE, HE ADDED, THE DECISION-MAKING PROCESS IN ARGENTINA WAS NOW SO FRAGMENTED THAT IT WAS VIRTUALLY IMPOSSIBLE TO GET AGREEMENT ON ANY POLICY; (HE MENTIONED THAT FOREIGN MINISTER LANARI HAD BEEN ENTIRELY UNAWARE OF OUR DISCUSSIONS ABOUT THE LIFTING OF ECONOMIC AND FINANCIAL SANCTIONS WHEN HE HAD SPOKEN TO ENDERS LAST WEEK IN SANTO DOMINGO. HE WAS CONFIDENT THAT THE AIR FORCE WERE NOT AWARE OF THEM EITHER AND THOUGHT THEY WOULD TRY TO PUT A STOP TO THEM IF THEY KNEW).

5. I REPLIED THAT IN SPITE OF THIS ASSESSMENT WE HOPED THAT THE AMERICANS WOULD CONTINUE TO URGE THE ARGENTINIANS TO MEET US ON THIS ISSUE. ENDERS SAID THAT HE WOULD HAVE ANOTHER WORD WITH THE UNITED STATES AMBASSADOR AT BUENOS AIRES AND ASK HIM IF THERE WERE ANY HITHERTO UNEXPLORED CHANNELS WHICH COULD BE USED. HE AGREED

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/ THAT

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THAT IT WAS ESSENTIAL THAT THE ARGENTINES SHOULD BE 100 PERCENT CLEAR ABOUT HMG'S POSITION. HE WAS NOT SURE THAT THEY UNDERSTOOD THAT THIS CARRIED THE FULL ENDORSEMENT OF BRITISH MINISTERS. IN THIS REGARD, HE ASKED ABOUT THE EXTENT OF OUR OWN DIRECT CONTACTS WITH THE ARGENTINES THROUGH THE BANK OF ENGLAND AND THE CENTRAL BANK. IT WOULD BE HELPFUL TO LET ME KNOW WHAT I MAY TELL ENDERS ABOUT THESE CONTACTS BY 241300Z.

6. SEE MIFT FOR FURTHER POINTS ARISING FROM MY TALK WITH ENDERS.

THOMAS

FALKLAND ISLANDS GENERAL

FCO

FALKLANDS UNIT

CABINET OFFICE

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FROM PORT STANLEY 231330Z AUG

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TO PRIORITY FCO TEL NO 234 CF 23 AUGUST

MY TEL NO 179: FALKLANDS SITREP

1. DESPITE THE RETURN OF SNOW AND GALE-FORCE WINDS, THE GOOD PROGRESS REPORTED IN TUR IS CONTINUING. WE NOW HAVE A MOST EFFECTIVE WORKING RELATIONSHIP WITH THE MILITARY, STANLEY IS LOOKING CLEANER AND BRIGHTER, 7 OF THE DAMAGED GOVERNMENT HOUSES HAVE BEEN FULLY REPAIRED AND PWD ARE CURRENTLY WORKING ON 12 OTHERS. THERE ARE ALSO THREE CONTRACT GANGS WORKING ON DAMAGED PRIVATE HOUSES.

2. THE COMMAND SECRETARY AND HIS TEAM HAVE SETTLED IN AND THE CLAIMS OFFICER HAS ALREADY AUTHORISED BETWEEN £80,000 AND £90,000 IN COMPENSATION CLAIMS. THE LANDS OFFICER IS READY TO START NEGOTIATING LEASES FOR LAND AND BUILDINGS OCCUPIED AND DUE TO BE OCCUPIED BY THE MILITARY AND WILL BE ADDRESSING EX CO ON THE SUBJECT THIS WEEK.

3. THANKS TO PEOPLE SHARING THEIR PEAT STOCKS, NO ONE HAS YET RUN OUT. ALTERNATIVE FORMS OF HEATING AND COOKING FOR THE FEW WHO ARE DEPENDENT ON GAS ARE BEING PROVIDED AND WE ARE NOW REASONABLY CONFIDENT THAT NO ONE WILL BE WITHOUT SOME SORT OF FUEL BEFORE THE ARRIVAL OF THE AES IN MID-SEPTEMBER.

4. ACCOMMODATION REMAINS THE MOST PRESSING PROBLEM IN STANLEY. THERE ARE SOME 1,400 MILITARY STILL IN TOWN AND IT IS UNLIKELY THAT THIS FIGURE WILL BE REDUCED UNTIL THE TURN OF THE YEAR. AS YOU KNOW, WE ARE ALSO INCREASING

THE CIVILIAN POPULATION BY RECRUITING KEY PERSONNEL FROM THE UK, ~~AND~~ THE SITUATION IS LIKELY TO BE TIGHT FOR THE NEXT FEW MONTHS. TO LIGHTEN THE BURDEN ON THE ADMINISTRATION AND AVOID UNNECESSARY FRICTION, WE HAVE TAKEN OVER ACCOMMODATION LIAISON WITH THE MILITARY FOR THE TIME BEING.

5. STANLEY AIRPORT CLOSED AS SCHEDULED ON 14 AUGUST AND WORK IS PROGRESSING WELL, DESPITE THE INCLEMENT WEATHER. ALL MILITARY ENGINEERING RESOURCES ARE NOW DEVOTED TO THE AIRPORT. ENGINEERS ARE WORKING A 24 HOUR DAY THREE HOURS ON AND NINE OFF,, TO GET THE ALUMINIUM CLADDING LAID BY 28 AUGUST. IT IS A MOST IMPRESSIVE PERFORMANCE AND I CANNOT PRAISE THE SAPPERS TOO HIGHLY. THE SUCCESSFUL DROP AND SNATCH OF MAIL BY HERCULES HAS BEEN A GOOD MORALE BOOSTER AND AGAIN I CANNOT PRAISE THE HERCULES CREWS TOO HIGHLY. THERE IS OF COURSE KEEN INTEREST IN THE SITING, SIZE AND CAPABILITY OF A POSSIBLE SECOND AIRPORT.

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16.1 AM

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6. I AM MANAGING TO VISIT THE SETTLEMENTS AT LEAST ONCE A WEEK AND IN ALL CASES I FIND MORALE HIGH AND GOOD WORKING RELATIONSHIPS BETWEEN ISLANDERS AND THE MILITARY. THE EMERGENCY^C RESUPPLY OPERATION ORGANISED BY THE NAVY HAS BEEN COMPLETED AND THE FORREST AND MONSUNEN ARE NOW OPERATING NORMALLY (THOUGH THE MONSUNEN IS OVERDUE FOR HER REGULAR OVERHAUL IN PUNTA ARENAS AND WILL HAVE TO GO WITHIN THE NEXT TWO MONTHS). AIR SERVICES TO THE REMOTER SETTLEMENTS ARE STILL A DIFFICULT PROBLEM AND THE NEWS OF THE PURCHASE OF A BEAVER AIRCRAFT WAS MOST WELCOME. WE HOPE THAT IT CAN BE FLOWN DOWN HERE AND PUT INTO OPERATION AS QUICKLY AS POSSIBLE.

7. WITH THE HELP OF THE MILITARY, THE FALKLAND ISLANDS BROADCASTING SERVICE HAVE IMPROVED THEIR TRANSMISSIONS WITH THE INTRODUCTION OF A NEW VHF TRANSMITTER AND LONGER BROADCASTING HOURS.

8. FINALLY, ON A LIGHTER NOTE, THE FOOTBALL FIELD HAS BEEN RESTORED TO ITS ORIGINAL FUNCTION AND CIVILIANS AND THE MILITARY ARE BOTH PLAYING REGULAR MATCHES. OUR ROADS ARE CLUTTERED BY JOGGERS PREPARING FOR THE OCTOBER HALF-MARATHON.

HUNT

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FALKLANDS REHABILITATION

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PS/MR RIFKIND
PS/MR MARTEN
PS/FUS
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MR STREETON
MR URE
MR GILMORE

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ADVANCED

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MS.

With the compliments of
John Holmes

MR 13/9

h.c.

THE SECRETARY OF STATE
FOR FOREIGN AND COMMONWEALTH
AFFAIRS

Prime Minister

Lord Buxton mentioned this letter to
the President of the Security Council.

I suppose it is the last sentence which
he does not like but, read as a

FOREIGN AND COMMONWEALTH OFFICE

whole, I think ^{s.w.l} the letter is
all right.

A.S.C. $\frac{10}{9}$



Security Council

Distr.
GENERAL

S/15369
20 August 1982

ORIGINAL: ENGLISH

LETTER DATED 20 AUGUST 1982 FROM THE PERMANENT REPRESENTATIVE OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND TO THE UNITED NATIONS ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

(62) I have the honour to inform you that the account given in the note of 13 August 1982 from the Chargé d'affaires a.i. of the Permanent Mission of Argentina concerning certain incidents involving Argentine fishing vessels in the vicinity of the Falkland Islands (S/15361) is inaccurate.

Encounters have indeed taken place in the period in question between British forces and Argentine fishing boats, involving principally the identification by the British forces of the vessels in question and of their purpose, but the details of these encounters do not match the statements in the Argentine letter. The facts are as follows. On one occasion (on 5 August) an Argentine fishing boat (the Harengus) was found well within the 150-mile protection zone notified to the Security Council in Mr. Whyte's letter of 22 July 1982 (S/15307). On this occasion the Harengus left the protection zone without protest after it had been ascertained that she was claiming to visit traditional Argentine fishing grounds, but that such traditional fishing grounds did not exist in the area. On 7 August the Harengus was found just outside the protection zone and changed course sharply after being overflown by a helicopter from HMS Danae. She withdrew. On the night of 9/10 August the AP III was found just outside the protection zone. HMS Birmingham asked her for identification. This was given and the boat went on to Ushuaia. On the night of 10/11 August the Usurbil was seen just outside the protection zone by HMS Diomedé and asked to stay clear. On none of these occasions was there any threat or use of force by British naval vessels. It was however clear that neither the Harengus nor the other fishing vessels in question had taken heed of the request communicated in Mr. Whyte's letter of 22 July not to enter the protection zone unless by prior agreement with the British Government. I am instructed therefore strongly to urge that the British Government's request should be observed, in order (as was stated in the letter of 22 July) to minimize the risk of misunderstandings or inadvertent clashes.

The Argentine letter also claims that the United Kingdom seeks to interfere with the exploitation of the natural resources in areas which are subject to Argentina's jurisdiction. The Government of Argentina is however well aware that the United Kingdom has never accepted any Argentine claim to fisheries or continental shelf jurisdiction beyond the median line between the Falkland Islands

1) Mr. Hickman
2) P.A.
CEB
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and Argentina, and that the United Kingdom Government have on repeated occasions reserved the rights of the Falkland Islands over their own maritime resources under international law. There is accordingly no basis for the allegation that the United Kingdom has sought to interfere with legitimate Argentine jurisdiction over maritime resources. However, in view of the allegation in the Argentine letter that the United Kingdom is responsible for any increase of tension in the area, it is necessary for the United Kingdom once again to draw attention to the reasons for the maintenance of the 150-mile protection zone. The United Kingdom has a clear right and duty under international law, reinforced by the terms of Article 73 of the United Nations Charter, to defend the territory of the Falkland Islands against aggression. In this context, it is impossible simply to brush aside the fact that the Islands were invaded and occupied by Argentina on 2 April and had to be liberated by force of arms. Since the re-establishment of British authority on 14 June, the Argentine Government has gone no further than to state that there is a de facto suspension of hostilities. It has been unwilling to declare hostilities definitely at an end or to renounce the possibility of further unlawful use of force. In the circumstances, the protection zone remains necessary to ensure the defence of the Islands. If Argentina genuinely wishes to reduce the tension she single-handedly brought into the area in April, then her agreement to a definitive cessation of hostilities would be an obvious first step. Meanwhile, compliance by Argentine civil shipping with the United Kingdom's request not to enter the protection zone unless by prior agreement would be to everyone's benefit in the current and regrettable atmosphere of tension. It is therefore open to Argentine civilian shipping and aircraft which have legitimate reason to enter the protection zone to seek British agreement in advance. Without such prior agreement any Argentine civilian shipping or aircraft found within the protection zone will be asked to leave.

The demands in the Argentine letter for a withdrawal of British forces from the area and for negotiations in good faith towards a final solution of the sovereignty dispute betray an extraordinary disregard for the implications of recent events. They ignore the principal cause of tension in the South Atlantic, which is Argentina's proven willingness to use military aggression to pursue her territorial pretensions towards the Falkland Islands and the Dependencies. Negotiations in good faith were in fact in train when Argentina broke them off by her unprovoked military invasion. As is well known, Argentina cynically and persistently defied a mandatory demand by the Security Council for her withdrawal. The Argentine occupation has been ended but at a very great cost. The lives of the Islanders have been greatly disturbed and Argentina's conduct since 2 April, including her refusal now to accept an end to hostilities, deprives them of the confidence they need to consider their future and deprives Britain and the international community of any certainty that Argentina can be trusted to negotiate in good faith. The reference in the letter to the "existing unjust and wrongful colonial situation" is presumptuous, given Argentina's recent attempts to subject the Falkland Islanders to alien domination. The letter seeks to obscure, by specious argumentation, Argentina's disregard of the right of self-determination, not to mention Argentina's wanton resort to the use of force in blatant disregard of the United Nations Charter, in defiance of a direct appeal by the Security Council, and in contempt of the principles to which the overwhelming majority of Member States have dedicated themselves in the conduct of their international relations.

It is astonishing that Argentina, as the aggressor, should attempt to lay down unilaterally the conditions for the establishment of an "effective and just peace", and moreover conditions which prejudge the outcome in her favour. This attitude symbolizes Argentina's failure to respect the principles of the United Nations Charter, including the principle of self-determination. It can only give rise to suspicion about her true intentions. It must be obvious that the United Kingdom's responsibilities towards the people of the Falkland Islands under the United Nations Charter, including the need to respect the principle of self-determination, make it quite unrealistic to expect Britain to enter into negotiations with Argentina over sovereignty. The Argentine invasion has radically altered the situation. It will be a long time before confidence in Argentine intentions can be re-established to the point where the prospect of such negotiations could responsibly be entertained.

I have the honour to request that this letter be circulated as a document of the Security Council.

(Signed) J. A. THOMSON

Prime Minister

GR 1200
UNCLASSIFIED
FM UKMIS NEW YORK 201627Z AUG 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 1302 OF 20 AUGUST
AND TO COI.

Wm
23/8

MS

YOUR TEL NO 675: INCIDENTS IN THE PROTECTION ZONE.

1. FOLLOWING IS FULL TEXT OF LETTER DESPATCHED TODAY (20 AUGUST) TO PRESIDENT OF SECURITY COUNCIL (INCORPORATING ADDITIONAL PASSAGE AGREED IN TELECONS AMBASSADOR/GIFFARD AND GIFFARD/BERMAN):

QUOTE

YOUR EXCELLENCY

I HAVE THE HONOUR TO INFORM YOU THAT THE ACCOUNT GIVEN IN THE NOTE OF 13 AUGUST 1982 FROM THE CHARGE D'AFFAIRES A.E. OF THE PERMANENT MISSION OF ARGENTINA CONCERNING CERTAIN INCIDENTS INVOLVING ARGENTINE FISHING VESSELS IN THE VICINITY OF THE FALKLAND ISLANDS (S/15361) IS INACCURATE.

ENCOUNTERS HAVE INDEED TAKEN PLACE IN THE PERIOD IN QUESTION BETWEEN BRITISH FORCES AND ARGENTINE FISHING BOATS, INVOLVING PRINCIPALLY THE IDENTIFICATION BY THE BRITISH FORCES OF THE VESSELS IN QUESTION AND OF THEIR PURPOSE, BUT THE DETAILS OF THESE ENCOUNTERS DO NOT MATCH THE STATEMENTS IN THE ARGENTINE LETTER. THE FACTS ARE AS FOLLOWS. ON ONCE OCCASION (ON 5 AUGUST) AN ARGENTINE FISHING BOAT (THE 'HARENGUS') WAS FOUND WELL WITHIN THE 150 MILES PROTECTION ZONE NOTIFIED TO THE SECURITY COUNCIL IN MR WHYTE'S LETTER OF 22 JULY 1982 (S/15307). ON THIS OCCASION THE 'HARENGUS' LEFT THE PROTECTION ZONE WITHOUT PROTEST AFTER IT HAD BEEN ASCERTAINED THAT SHE WAS CLAIMING TO VISIT TRADITIONAL ARGENTINE FISHING GROUNDS, BUT THAT SUCH TRADITIONAL FISHING GROUNDS DID NOT EXIST IN THE AREA. ON 7 AUGUST 'HARENGUS' WAS FOUND JUST OUTSIDE THE PROTECTION ZONE AND CHANGED COURSE SHARPLY AFTER BEING OVERFLOWN BY A HELICOPTER FROM HMS 'DANAE'. SHE WITHDREW. ON THE NIGHT OF 9/10 AUGUST THE 'AP III' WAS FOUND JUST OUTSIDE THE PROTECTION ZONE. HMS 'BIRMINGHAM' ASKED HER FOR IDENTIFICATION. THIS WAS GIVEN AND THE BOAT WENT ON TO USHAIA. ON THE NIGHT OF 10/11 AUGUST THE 'USURBIL' WAS SEEN JUST OUTSIDE THE PROTECTION ZONE BY HMS 'DIOMEDE' AND ASKED TO STAY CLEAR. ON NONE OF THESE OCCASIONS WAS THERE ANY THREAT OR USE OF FORCE BY BRITISH NAVAL VESSELS. IT WAS HOWEVER CLEAR THAT NEITHER THE 'HARENGUS' NOR THE OTHER FISHING VESSELS IN QUESTION HAD TAKEN HEED OF THE REQUEST COMMUNICATED IN MR WHYTE'S LETTER OF 22 JULY NOT TO ENTER THE PROTECTION ZONE UNLESS BY PRIOR AGREEMENT WITH THE BRITISH GOVERNMENT. I AM INSTRUCTED THEREFORE STRONGLY TO URGE THAT THE BRITISH GOVERNMENT'S REQUEST SHOULD BE OBSERVED, IN ORDER (AS WAS STATED IN THE LETTER OF 22 JULY) TO MINIMISE THE RISK OF MISUNDERSTANDINGS OR INADVERTENT CLASHES.

/THE ARGENTINE

THE ARGENTINE LETTER ALSO CLAIMS THAT THE UNITED KINGDOM SEEKS TO INTERFERE WITH THE EXPLOITATION OF THE NATURAL RESOURCES IN AREAS WHICH ARE SUBJECT TO ARGENTINA'S JURISDICTION. THE GOVERNMENT OF ARGENTINA IS HOWEVER WELL AWARE THAT THE UNITED KINGDOM HAS NEVER ACCEPTED ANY ARGENTINE CLAIM TO FISHERIES OR CONTINENTAL SHELF JURISDICTION BEYOND THE MEDIAN LINE BETWEEN THE FALKLAND ISLANDS AND ARGENTINA, AND THAT THE UNITED KINGDOM GOVERNMENT HAVE ON REPEATED OCCASIONS RESERVED THE RIGHTS OF THE FALKLAND ISLANDS OVER THEIR OWN MARITIME RESOURCES UNDER INTERNATIONAL LAW. THERE IS ACCORDINGLY NO BASIS FOR THE ALLEGATION THAT THE UNITED KINGDOM HAS SOUGHT TO INTERFERE WITH LEGITIMATE ARGENTINE JURISDICTION OVER MARITIME RESOURCES. HOWEVER, IN VIEW OF THE ALLEGATION IN THE ARGENTINE LETTER THAT THE UNITED KINGDOM IS RESPONSIBLE FOR ANY INCREASE OF TENSION IN THE AREA, IT IS NECESSARY FOR THE UNITED KINGDOM ONCE AGAIN TO DRAW ATTENTION TO THE REASONS FOR THE MAINTENANCE OF THE 150 MILE PROTECTION ZONE. THE UNITED KINGDOM HAS A CLEAR RIGHT AND DUTY UNDER INTERNATIONAL LAW, REINFORCED BY THE TERMS OF ARTICLE 73 OF THE UNITED NATIONS CHARTER, TO DEFEND THE TERRITORY OF THE FALKLAND ISLANDS AGAINST AGGRESSION. IN THIS CONTEXT, IT IS IMPOSSIBLE SIMPLY TO BRUSH ASIDE THE FACT THAT THE ISLANDS WERE INVADDED AND OCCUPIED BY ARGENTINA ON 2 APRIL AND HAD TO BE LIBERATED BY FORCE OF ARMS. SINCE THE RE-ESTABLISHMENT OF BRITISH AUTHORITY ON 14 JUNE, THE ARGENTINE GOVERNMENT HAS GONE NO FURTHER THAN TO STATE THAT THERE IS A DE FACTO SUSPENSION OF HOSTILITIES. IT HAS BEEN UNWILLING TO DECLARE HOSTILITIES DEFINITELY AT AN END OR TO RENOUNCE THE POSSIBILITY OF FURTHER UNLAWFUL USE OF FORCE. IN THE CIRCUMSTANCES, THE PROTECTION ZONE REMAINS NECESSARY TO ENSURE THE DEFENCE OF THE ISLANDS. IF ARGENTINA GENUINELY WISHES TO REDUCE THE TENSION SHE SINGLE-HANDEDLY BROUGHT INTO THE AREA IN APRIL, THEN HER AGREEMENT TO A DEFINITIVE CESSATION OF HOSTILITIES WOULD BE AN OBVIOUS FIRST STEP. MEANWHILE, COMPLIANCE BY ARGENTINE CIVIL SHIPPING WITH THE UNITED KINGDOM'S REQUEST NOT TO ENTER THE PROTECTION ZONE UNLESS BY PRIOR AGREEMENT WOULD BE TO EVERYONE'S BENEFIT IN THE CURRENT AND REGRETTABLE ATMOSPHERE OF TENSION. IT IS THEREFORE OPEN TO ARGENTINE CIVILIAN SHIPPING AND AIRCRAFT WHICH HAVE LEGITIMATE REASON TO ENTER THE PROTECTION ZONE TO SEEK BRITISH AGREEMENT IN ADVANCE. WITHOUT SUCH PRIOR AGREEMENT ANY ARGENTINE CIVILIAN SHIPPING OR AIRCRAFT FOUND WITHIN THE PROTECTION ZONE WILL BE ASKED TO LEAVE.

/THE DEMANDS

THE DEMANDS IN THE ARGENTINE LETTER FOR A WITHDRAWAL OF BRITISH FORCES FROM THE AREA AND FOR NEGOTIATIONS IN GOOD FAITH TOWARDS A FINAL SOLUTION OF THE SOVEREIGNTY DISPUTE BETRAY AN EXTRA-ORDINARY DISREGARD FOR THE IMPLICATIONS OF RECENT EVENTS. THEY IGNORE THE PRINCIPAL CAUSE OF TENSION IN THE SOUTH ATLANTIC WHICH IS ARGENTINA'S PROVEN WILLINGNESS TO USE MILITARY AGGRESSION TO PURSUE HER TERRITORIAL PRETENSIONS TOWARDS THE FALKLAND ISLANDS AND THE DEPENDENCIES. NEGOTIATIONS IN GOOD FAITH WERE IN FACT IN TRAIN WHEN ARGENTINA BROKE THEM OFF BY HER UNPROVOKED MILITARY INVASION. AS IS WELL KNOWN, ARGENTINA CYNICALLY AND PERSISTENTLY DEFIED A MANDATORY DEMAND BY THE SECURITY COUNCIL FOR HER WITHDRAWAL. THE ARGENTINE OCCUPATION HAS BEEN ENDED BUT AT A VERY GREAT COST. THE LIVES OF THE ISLANDERS HAVE BEEN GREATLY DISTURBED AND ARGENTINA'S CONDUCT SINCE 2 APRIL, INCLUDING HER REFUSAL NOW TO ACCEPT AN END TO HOSTILITIES, DEPRIVES THEM OF THE CONFIDENCE THEY NEED TO CONSIDER THEIR FUTURE AND DEPRIVES BRITAIN AND THE INTERNATIONAL COMMUNITY OF ANY CERTAINTY THAT ARGENTINA CAN BE TRUSTED TO NEGOTIATE IN GOOD FAITH. THE REFERENCE IN THE LETTER TO THE 'EXISTING UNJUST AND WRONGFUL COLONIAL SITUATION' IS PRESUMPTUOUS, GIVEN ARGENTINA'S RECENT ATTEMPTS TO SUBJECT THE FALKLAND ISLANDERS TO ALIEN DOMINATION. THE LETTER SEEKS TO OBSURE, BY SPECIOUS ARGUMENTATION, ARGENTINA'S DISREGARD OF THE RIGHT OF SELF-DETERMINATION, NOT TO MENTION ARGENTINA'S WANTON RESORT TO THE USE OF FORCE IN BLATANT DISREGARD OF THE UNITED NATIONS CHARTER, IN DEFIANCE OF A DIRECT APPEAL BY THE SECURITY COUNCIL, AND IN CONTEMPT OF THE PRINCIPLES TO WHICH THE OVERWHELMING MAJORITY OF MEMBER STATES HAVE DEDICATED THEMSELVES IN THE CONDUCT OF THEIR INTERNATIONAL RELATIONS.

IT IS ASTONISHING THAT ARGENTINA, AS THE AGGRESSOR, SHOULD ATTEMPT TO LAY DOWN UNILATERALLY THE CONDITIONS FOR THE ESTABLISHMENT OF AN 'EFFECTIVE AND JUST PEACE', AND MOREOVER CONDITIONS WHICH PREJUDGE THE OUTCOME IN HER FAVOUR. THIS ATTITUDE SYMBOLISES ARGENTINA'S FAILURE TO RESPECT THE PRINCIPLES OF THE UNITED NATIONS CHARTER, INCLUDING THE PRINCIPLE OF SELF-DETERMINATION. IT CAN ONLY GIVE RISE TO SUSPICION ABOUT HER TRUE INTENTIONS. IT MUST BE OBVIOUS THAT THE UNITED KINGDOM'S RESPONSIBILITIES TOWARDS THE PEOPLE OF THE FALKLAND ISLANDS UNDER THE UN CHARTER, INCLUDING THE NEED TO RESPECT THE PRINCIPLE OF SELF-DETERMINATION, MAKE IT QUITE UNREALISTIC TO EXPECT BRITAIN TO ENTER INTO NEGOTIATIONS WITH ARGENTINA OVER SOVEREIGNTY. THE ARGENTINE INVASION HAS RADICALLY ALTERED THE SITUATION. IT WILL BE A LONG TIME BEFORE CONFIDENCE IN ARGENTINE INTENTIONS CAN BE RE-ESTABLISHED TO THE POINT WHERE THE PROSPECT OF SUCH NEGOTIATIONS COULD RESPONSIBLY BE ENTERTAINED.

I HAVE THE HONOUR TO REQUEST THAT THIS LETTER BE CIRCULATED AS A DOCUMENT OF THE SECURITY COUNCIL.

SIGNED J A THOMSON

UNQUOTE

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SECRET

JMA.

Argentina

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TO IMMEDIATE F C O

TELEGRAM NUMBER 2787 OF 20 AUGUST

NY TELNO 2782: ARGENTINIAN DEBT

1. FIRST SECRETARY (ECONOMIC) SPOKE TO BRUCE JUBA (ARGENTINA DESK OFFICER, U.S. TREASURY) TO GO OVER THE ESTIMATES RECORDED IN MY TELEGRAM UNDER REFERENCE AND TO SEEK TREASURY VIEWS ABOUT THE RISKS OF THE ARGENTINIANS DECLARING A DEBT MORATORIUM.
2. AS OF 30 JUNE, JUBA SAID THAT TREASURY ESTIMATES PUT THE TOTAL ARGENTINIAN OFFICIAL AND COMMERCIAL EXTERNAL DEBT AT DOLLARS 36.6BN. SOME DOLLARS 21.3BN OF THIS RELATED TO THE DEBT OBLIGATIONS OF THE ARGENTINIAN GOVERNMENT AND ITS AGENCIES INCLUDING GOVERNMENT GUARANTEES AND THE REMAINING DOLLARS 15.3BN OF PRIVATE ENTITIES. OBLIGATIONS MATURING DURING THE SECOND HALF OF 1982 TOTAL DOLLARS 12.8BN OF WHICH SOME DOLLARS 10.3BN IS PRINCIPAL AND DOLLARS 2.5BN INTEREST PAYMENTS. THIS SUM DID NOT INCLUDE DOLLARS 2.3BN OF APPEARS AS OF 30 JUNE. THE TREASURY ESTIMATE THAT THE ARGENTINIANS HAD DOLLARS 512M OF LIQUID FOREIGN EXCHANGE RESERVES ON 30 JUNE, DOWN FROM DOLLARS 2.5BN AT THE END OF THE FIRST QUARTER, AND AVAILABLE TANGIBLE ASSETS OF BETWEEN DOLLARS 1-2BN, MOSTLY IN GOLD, WHICH COULD BE CALLED UPON TO MEET OBLIGATIONS.
3. JUBA ALSO DISCUSSED THE TREASURY'S CURRENT ASSESSMENT OF THE POLITICAL POSITION OF PASTORE, THE MINISTER OF ECONOMICS. PASTORE HAD BEEN TRYING TO SET THE PACE ON NORMALISATION OF RELATIONS WITH BRITAIN IN BUENOS AIRES. THE INITIAL ECONOMICS MINISTRY AND CENTRAL BANK APPROACHES TO THE UNITED STATES AUTHORITIES ABOUT THEIR ECONOMIC SITUATION WERE KEPT SECRET IN BUENOS AIRES. BUT THE FACT THAT DISCUSSIONS WERE TAKING PLACE WITH THE BRITISH ON FINANCIAL ISSUES WAS LEAKING TO THE ARGENTINIAN PRESS AND THERE WAS A RISK THAT IF THEY WERE NOT ABLE TO KEEP THE MOMENTUM GOING BY SHOWING SOME PROGRESS, THE MILITARY WOULD BE IN A POSITION TO CIRCUMSCRIBE THEIR ACTIONS.
4. ACCORDING TO JUBA, PASTORE'S DIFFICULTIES WERE CLEARLY ILLUSTRATED BY THE BRITISH CONDITION THAT AIR SERVICES TO BUENOS AIRES BY BRITISH CALEDONIAN BE RESTORED AS PART OF A FINANCIAL AND INVISIBLES PACKAGE. THERE WERE 2 ISSUES HERE: OVERFLIGHT PERMISSION AND AN AGREEMENT TO RESUME AIR SERVICES. JUBA STATED THAT PASTORE HAD CONSIDERED THIS PERSONALLY EARLIER THIS WEEK AND HAD DECIDED THAT HE WOULD NOT EVEN PUT THE REQUEST FOR OVERFLIGHT PRIVILEGES TO THE AIR FORCE BECAUSE HE WAS CERTAIN THAT THEY WOULD SAY NO, AND MOREOVER THERE WAS A RISK THEY WOULD WISH TO BECOME INVOLVED IN THE FINANCIAL DISCUSSIONS. JUBA'S ARGENTINIAN CONTACTS HAD ALSO SAID THE FLUID LEADERSHIP POSITION IN THE AIR FORCE MADE MATTERS WORSE. ON THE
2 RESUMPTION OF AIR SERVICES, THERE WERE CLEARLY CONSIDERABLE

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/POLITICAL

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POLITICAL DIFFICULTIES IN RESPECT OF A BRITISH CARRIER. NO COMMITMENT HAD EVEN BEEN GIVEN TO THE FRENCH WHO HAD LIFTED THEIR ARMS EMBARGO. THE RECENT ARGENTINIAN PRESS REPORTS OF THE BRAZILIANS REFUELLING A BRITISH AIRCRAFT DESTINED FOR THE FALKLANDS HAD REINFORCED THE POLITICAL SENSITIVITY OF THE AIR SERVICES ISSUE.

5. ON A DEBT MORATORIUM, JUBA SAID ALL THE INFORMATION AVAILABLE TO HIM INDICATED THAT THE ARGENTINIANS SAW THIS AS AN OPTION OF LAST RESORT. IF THE FREEZE ON ASSETS WAS LIFTED, EVERY INDICATION WAS THAT THE ARGENTINIANS WOULD SETTLE OUTSTANDING PUBLIC CLAIMS WITHIN A WEEK (ARREARS WERE DOLLARS 0.6BN AT 30 JUNE). SENIOR ECONOMIC OFFICIALS AND BUSINESS LEADERS IN BUENOS AIRES SAW ARGENTINA AS PART OF THE INTERNATIONAL ECONOMIC COMMUNITY AND WERE VERY CONSCIOUS OF THE ADVERSE CONSEQUENCES THAT WOULD RESULT FROM A FAILURE TO HONOUR THEIR DEBTS. THE SITUATION FOR PRIVATE CLAIMS (AMOUNTING TO DOLLARS 1.7BN ON 30 JUNE) WAS SLIGHTLY MORE COMPLICATED BECAUSE MANY ARGENTINIAN BORROWERS WERE EXPERIENCING SERIOUS FINANCIAL DIFFICULTIES, PARTICULARLY GIVEN THE DEVALUATION OF THE PESO. TO DATE, A NUMBER OF U.S. CREDITORS WERE RECEIVING PART PAYMENT OF OBLIGATIONS IN DOLLARS AND THE REMAINDER IN EXTERNAL BONDS (BONDEX). HE HAD NO EVIDENCE THAT U.S. FIRMS WERE BEING DISCRIMINATED AGAINST. THE TREASURY VIEW WAS THAT THE CLAIMS LIKELY TO ARISE DURING THE REST OF THE YEAR PROBABLY COULD BE MET GIVEN CURRENT LIQUID AND TANGIBLE ASSETS, THE CO-OPERATION OF COMMERCIAL BANKS TO ROLL OVER EXISTING DEBT AND THE EXERCISE OF OPTIONS AVAILABLE TO THE ARGENTINIAN AUTHORITIES (EG TIGHT IMPORT CONTROLS). IN DECEMBER THE ARGENTINIAN CASH POSITION WOULD IMPROVE AS THE NEW GRAIN CROP CAME TO MARKET.

6. JUBA SAID THAT IF, ON THE OTHER HAND, THE FINANCIAL ASSETS WERE NOT UNFROZEN, THE SYNDICATED LOAN PAYMENTS IN WHICH BRITISH BANKS PARTICIPATED COULD NOT BE SETTLED. THIS WOULD CAUSE A PROGRESSIVE INCREASE IN FINANCIAL MARKET STRESS UNTIL MORE SERIOUS ACTION, INCLUDING POSSIBLY THE ARGENTINIANS DECLARING A DEBT MORATORIUM, WOULD BE PRECIPITATED. HE WAS NOT SURE WHEN THIS STAGE WOULD BE REACHED SINCE IT WAS MORE A MATTER OF MARKET PSYCHOLOGY THAN CAREFUL ANALYSIS, BUT HE THOUGHT THAT BY SEPTEMBER THINGS COULD BECOME QUOTE QUITE URGENT UNQUOTE.

7. F C O PLEASE ADVANCE TO COUZENS (TREASURY) AND LOEHNIS (BANK OF ENGLAND).

THOMAS

(ADVANCED AS REQUESTED)

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I agree wholeheartedly with the objective - namely to convince our partners that there will be no negotiations with the Argentines on sovereignty. But I do not.

Foreign and Commonwealth Office

London SW1A 2AH

think the draft is fine enough. The para

20 August, 1982

I have noted could leave the Prime Minister
 impression that we may Content that Mr Pym should send the
 resolve alone here in message at Flag A to his opposite numbers
 the future. ^{otherwise} in the Ten and to M. Thorn?
 Dear John,

The Falklands and the EC

WM
23/8

Why?
Why?

Once our European partners get down to work after their summer holidays they can be expected to take a renewed interest in the Falklands. They are bound to want to know how we intend to approach the Falklands now that hostilities are (as they will see it) well behind us. Most of them, especially the larger ones, will want to get on with rebuilding their relations with Argentina and Latin America, which they reckon have suffered as a result of their support for us during the conflict. We are likely to have difficulty in retaining their full support and understanding both at the UN General Assembly, where we shall be resisting very strong pressures on us to negotiate, and over their embargoes on arms supplies to Argentina. We know that many of our partners do not fully understand why we cannot negotiate with Argentina on sovereignty over the Falklands. Sr Colombo has sent his colleagues in the Ten a long message following his visit to Argentina, Brazil and Peru earlier this month, reflecting some of these themes. I enclose a copy.

In these circumstances, the Foreign and Commonwealth Secretary believes that we need to make a particular effort to ensure that our partners understand our position, that they appreciate that there is no point in their pressing us to negotiate with Argentina and that they maintain as solid a position over arms supplies as we can induce them to. Mr Pym therefore proposes to send a ^{and} personal message to each of the Foreign Ministers of the Ten to M. Thorn. Such a message, which Mr Pym believes should take our partners into our confidence and be cast in a firm but positive tone, would ensure that our position was firmly registered in Community capitals as soon as the recipients return to their desks. It would be helpful for it to be absorbed before Political Directors discuss the Falklands on 1/2 September, followed by Foreign Ministers on 9 September. It could be followed up in the variety of contacts we shall be having with our partners in September, eg Sr Colombo's visit on 7 September. I enclose a draft accordingly, and should be grateful for your agreement that it should be despatched.

I am copying this letter to the Private Secretaries of other OD members.

Yours ever

John Holmes

(J E Holmes)

A J Coles Esq, 10 Downing Street Private Secretary

UNOFFICIAL TRANSLATION OF LETTER TO THE FOREIGN AND
COMMONWEALTH SECRETARY FROM THE ITALIAN FOREIGN MINISTER,
SIGNOR COLOMBO

Minister and dear colleague

On my return from a visit to Latin America which took me to Peru, Brazil and Argentina, I would like to share with you and with my other Community colleagues some reflections and assessments which may, I believe, be of some use for our work together within the framework of European political cooperation. Moreover, I held in Lima a meeting of Italian Ambassadors in Latin America and I was thus able to get a general view of the situation in the region.

(1) There is everywhere a lively recognition of the problem of the revival of the European/Latin American relationship. I would say that it is seen in both polemical and constructive terms, in the sense that while there are resentments and misunderstandings, there is also a strong desire for a dialogue. Over and above the resentments caused by the Falklands conflict (which of course caused the greatest difficulties in Argentina) there is, it seems to me, a firm resolve to initiate at least a more political, more sustained and more intense relationship between the Ten and the Latin American region. Careful attention must be paid to a tendency which is apparent in Venezuela, and more recently in Colombia, in favour of a close integration of these countries with the non-aligned movement. There are no precise ideas on the procedures for reviving the European/Latin American relationship but there is certainly an expectation that the Ten should put forward proposals and that there should in any case be a stronger presence and greater attention paid than in the past. I think that the bilateral channels which are at the disposal of each of us are useful: but closer coordination is necessary. This is the general view, particularly explicit in Brazil - a country which seems to me resolved to take up more firmly the role and responsibilities which belong to it.

*We started
the Greek
alliance
2 years ago.*

(2) Nobody sought to hide the concern which is felt at the deterioration of relations with the United States. Some aspects of US behaviour during the recent crisis have caused a greater resentment than the Community's solidarity with Great Britain. Rightly or wrongly, they had counted on an inter-American solidarity, which would have taken priority over all other considerations.

(3) Argentina is naturally a special case. The process of a return to democracy seems certain to me. However, because of the very serious current economic, financial and social conditions, and also the serious wounds inflicted on the national pride, the task of the democratic forces may not be easy. Moreover, the latter, having been for so long detached from concrete problems, will undoubtedly have difficulties in taking up the heavy responsibilities, which are now placed on them in charting a path towards a revival of their country's fortunes.

(4) Still on Argentina, there is also the problem of the initiatives which Buenos Aires intends to promote at the next United Nations General Assembly. With the support of other Latin American countries (particularly at this moment of Mexico), Argentina is aiming for a resolution which would in some way balance out in the eyes of public opinion the serious defeat which they have suffered. I was very frank with them. I said that, so far as Italy was concerned, despite the damage caused by the inadmissible use of force by Argentina, it was certainly to be hoped that there would be a resumption of the dialogue between London and Buenos Aires under the auspices of the United Nations. But I added that it did not seem to me acceptable to Europe that one should try to lay down, by means of a General Assembly Resolution, guidelines which would be prejudicial and of a committing nature with regard to the objectives of a dialogue on the future of the Falkland Islands.

/I believe

NO

I believe that it is necessary for us in Europe to follow closely the evolution of this debate, either in Buenos Aires or in the other Latin American capitals and to try to avoid the creation in September of a new and contentious situation in the Western region which would see Europe and Latin America ranged against each other. We should, in my view, do everything possible to avoid this or at least, in a spirit of reciprocal loyalty between Europeans and Latin Americans and understanding of our respective positions, to minimise the negative repercussions of such a confrontation.


(5) I think we must also reflect on what we need to do with regard to the serious economic and financial difficulties of Latin American countries. This is of course not a matter for the Ten alone. But it seems to me unwise to ignore the situation either from the political point of view or taking into account the important interests which all of us have in Latin America.

(6) In the context of Latin America, the special problem of the Central American nations is becoming increasingly acute and confused. There is a risk that on top of the local tensions and difficulties the theme of East/West confrontation will become even more dangerously present than it is now. I believe therefore that we must resume discussion in the Ten on ways of promoting and contributing to the efforts which other countries are in a position to make (United States, Mexico, Venezuela, Canada), efforts aimed at providing a prospect of political stability at least to those countries of Central America where it is still practicable.

With best wishes

EMILIO COLOMBO

OUT TELEGRAM

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|  | Classification and Caveats | Precedence/Deskby |
| | CONFIDENTIAL | IMMEDIATE |

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1 ZCZC
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6 FM FCO AUGUST 82
7 TO IMMEDIATE ATHENS
8 TELEGRAM NUMBER
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10 AND IMMEDIATE OTHER EC POSTS
11 INFO ROUTINE UKMIS NEW YORK, WASHINGTON, CANBERRA, WELLINGTON,
12 OTTAWA, OLSO
13 UK POLICY ON THE FALKLANDS
14 1. Please pass the following message from me to the Foreign
15 Minister. UKREP Brussels should take action with M. Thorn.
16 BEGINS
17 Following the holiday period I would like to share with you
18 some thoughts on future relations with Argentina and the future
19 of the Falkland Islands.
20 Our aim is to see peace fully restored in the South Atlantic
21 and the Falklands issue removed as a factor complicating Europe's
22 relations with the region. We are more than willing to live at
23 peace with Argentina and to normalise our economic and commercial
24 links as soon as this is possible. It must be in Argentina's own
25 interest to contribute to a stable and peaceful state of affairs

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| NNNN ends telegram | BLANK | Catchword in |
| File number | Dept Private Office | Distribution Falklands General Additional distribution - Falkland Islands |
| Drafted by (Block capitals) J E HOLMES | | |
| Telephone number 233 4641 | | |
| Authorised for despatch | | |
| Comcen reference | Time of despatch | |

OUT TELEGRAM (CONT)

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| | Classification and Caveats CONFIDENTIAL | IMMEDIATE | Page 2 |
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1 <<<<
 2 in the region. But there is as yet no sign of their recognising
 3 this. They have accepted only a de facto suspension of
 4 hostilities, clearly reserving the right to resort to force again
 5 if they choose. Although there has been a certain relaxation
 6 of tension in the area, our efforts towards normalisation have
 7 not yet been fully reciprocated by Argentina. We must hope that
 8 the internal situation in Argentina will evolve in a way which
 9 will allow a more sensible and realistic outlook to emerge. It
 10 will be valuable for ^{us} ~~us~~ to keep in close touch on developments
 11 in this context.

X

12 I know that there is much interest in the question of our
 13 resuming negotiations with Argentina. But I fear that it is
 14 unrealistic to pretend that nothing has happened and that
 15 'negotiations' can simply be resumed where they left off. There
 16 needs to be a fundamental change in Argentine attitudes. Serious
 17 negotiations, conducted in good faith on our part, were abruptly
 18 broken off by the invasion of the Falklands. The fact of this
 19 invasion and its physical and psychological effects cannot just
 20 be ignored or forgotten. Nor can the loss of life and damage
 21 caused by the unlawful Argentine resort to force.

///
 //
 /

22 At present the Islanders' full attention is being absorbed
 23 by the immediate problems which confront them. The aftermath
 24 of war is still with them, including the constant risks from
 25 the mines so indiscriminately scattered by the occupying
 26 Argentine forces. It will be some time yet before they are able
 27 to give proper consideration to what they want for their future.
 28 After a reasonable period of reconstruction we shall want to take
 29 soundings of Islander opinion. I would however be surprised if,
 30 after what has happened, they opted for closer association with
 31 Argentina. Britain will certainly not be prepared to push them
 32 in this direction, which I am sure you will agree would be
 33 unreasonable, indeed impossible.

34 Given our responsibilities towards the people of the

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| NNNN ends telegram | BLANK | Catchword territory |
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OUT TELEGRAM (CONT)

Classification and Caveats

CONFIDENTIAL

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territory under the UN Charter, and against the background of

3

Argentine insistence that negotiations must lead to a transfer

4

of sovereignty despite the Islanders' clear opposition, I am

5

convinced that it would be irresponsible to encourage the idea

6

that negotiations over sovereignty between the UK and Argentina

7

offer a realistic way ahead for the foreseeable future. Of

8

course we want to encourage cooperation between the Falkland

9

Islands and their neighbours on the mainland, but even this is

10

difficult to contemplate for the moment.

11

I know that we shall be in close touch before the UN

12

General Assembly discusses the Falklands, and I hope that you

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will resist pressures to support any resolution calling for us

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to negotiate with Argentina on the sovereignty issue and

15

disregarding the principle of self-determination to which we

16

all attach great importance. However moderate the wording of

17

the resolution may appear, its implications need to be fully

18

understood. For Argentina, negotiations mean only a cession of

19

sovereignty to them, without taking any account of the wishes

20

of the inhabitants of the Falklands. This is of course quite

21

unacceptable to me and, I hope, to you.

22

(For Rome only)

23

I was most interested to learn of your views on future

24

relations between Europe and Latin America, as set out in your

25

recent message. I am grateful to you for sharing your thoughts

26

on this matter of interest to us all. Our assessment is that

27

our own relations with the rest of South America have suffered

28

surprisingly little, despite an inevitable degree of rhetoric.

29

I do not believe it necessary for any of us in Europe to regard

30

negotiations between Britain and Argentina as a prerequisite to

31

the revival of our relations with the rest of Latin America.

32

(All except Rome)

33

I do not think any of us in Europe should regard such

34

negotiations as being necessary in order to revive the momentum

NNNN ends
telegram

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Catchword

of

OUT TELEGRAM (CONT)

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| | Classification and Caveats CONFIDENTIAL | Page 4 |
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of our relations with the rest of Latin America, which I know is a common concern to us all. Our assessment is that our own relations with the rest of the continent have suffered surprisingly little, despite an inevitable degree of rhetoric.
(To all)
There is also the important question of arms supplies to Argentina. In our view it is still important to ensure that Argentina does not succeed in re-equipping its forces in the immediate future. Argentina has not renounced hostilities. The Argentine Government is still keeping open the option of a further unlawful recourse to force and a resumption of arms supplies can only give her an unfortunate signal that this is acceptable internationally.
(Following additional paragraph for Paris only)
I was naturally disappointed to hear that France had decided to lift the ban on arms supplies to Argentina. I hope that the French Government will scrutinise very carefully any proposed arms sales to Argentina, and ensure that particularly sensitive and sophisticated equipment (particularly of course AM39 missiles and Etendard aircraft) is not supplied for the immediate future. I would also hope that our Governments could continue to keep in close touch on this issue: as you know, I greatly value the close and confidential cooperation that we have been receiving.
ENDS
2. UKREP Brussels have discretion to make minor necessary editorial changes for M. Thorn.
3. We hope that these messages will get the basic elements of our approach across to EC partners on their return from holiday. We shall be pursuing them in bilateral contacts and at eg the Political Directors' meeting on 1/2 September and the Ministerial Poco discussion on 9 September. You should ensure that these points are also put across in your own direct contacts.

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OUT TELEGRAM (CONT)

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|  | Classification and Caveats CONFIDENTIAL | Page 5. |
| | CONFIDENTIAL | |

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SECRET

19458 - 1

OO WASHINGTON

GRS 291

SECRET

FM FCO 201730Z AUGUST 82

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 1543 OF 20 AUGUST

YOUR TELEGRAM NO. 2782: ARGENTINA: FINANCIAL AND COMMERCIAL
SANCTIONS: AIR SERVICES.

1. WE AGREE WITH THE LINE YOU TOOK WITH BAILEY (PARAGRAPH 4 OF YOUR TUR). FOLLOWING A FURTHER REVIEW HERE OF THE SITUATION, WE CONTINUE TO FEEL STRONGLY THAT THE AIR SERVICES ISSUE MUST BE MAINTAINED IN THE FINANCIAL/INVISIBLES PACKAGE.
2. WE REALISE THAT THE AMERICANS MAY BE TEMPTED TO CONTINUE TO PRESS US TO UNTIE THE PACKAGE RATHER THAN THEMSELVES TO URGE THE ARGENTINES TO DELIVER OVER BRITISH CALEDONIAN. NEVERTHELESS, GIVEN STRONG AMERICAN DESIRE FOR MOVEMENT ON THE FINANCIAL PACKAGE (FOR WHICH THE ARGENTINES MUST ALSO BE VERY ANXIOUS) AND THE SUPERIORITY OF THEIR CONTACTS WITH THE ARGENTINIAN AUTHORITIES (OURS ARE OF COURSE CONFINED TO CONTACTS BETWEEN CENTRAL BANKS), WE NOW SEE ADVANTAGE IN ENLISTING THEIR ASSISTANCE.
3. PLEASE THEREFORE TAKE AN EARLY OPPORTUNITY OF TELLING THE AMERICANS THAT, FOR THE REASONS MENTIONED ABOVE, WE SHOULD BE GRATEFUL IF THEY COULD BRING WHAT PRESSURE THEY CAN TO BEAR ON THE ARGENTINES (INCLUDING THE ARGENTINIAN AIR FORCE) TO MEET US ON THE BRITISH CALEDONIAN ISSUE.
4. WE HAVE SENT YOU BY BAG A COPY OF A CALL ON EVANS ON 18 AUGUST BY STROMAYER (ECONOMIC MINISTER AT THE AMERICAN EMBASSY) IN WHICH THE POSSIBILITY OF THEIR HELPING US IN THIS WAY WAS RAISED.
5. WE DO NOT AT THIS STAGE WANT TO INVOLVE THE AMERICANS IN THE DETAILS OF THE NEGOTIATIONS: THIS WOULD NO DOUBT EXPOSE US TO PRESSURE TO LOWER OUR BID. BUT THEY MIGHT LIKE TO BE REASSURED THAT ON OVERFLYING ALL WE ARE SEEKING IS PERMISSION FOR BRITISH CALEDONIAN TO FLY BETWEEN BRAZIL AND CHILE WITHOUT

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19458 - 1

THE EXPENSIVE DETOUR. THIS IS OF COURSE IN ADDITION TO THE RESTORATION OF UK-ARGENTINE AIR SERVICES BY BRITISH CALEDONIAN. AIR SERVICES BY BRITISH CALEDONIAN.

PYM

FALKLAND ISLANDS GENERAL

FCO

FALKLANDS UNIT

CABINET OFFICE

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MR FORTMAN DOT
MR FACER CABINET OFFICE

2

SECRET

Prime Minister
2/8
[Signature]

FM BIS BUENOS AIRES

TO PRIORITY FCO

TELNO 301 OF 19 AUGUST

INFO PRIORITY DOT BANK OF ENGLAND TREASURY
ECONOMIC ROUND UP

1. SINCE 6 JULY, WHEN EXTREME ECONOMIC MEASURES WERE APPLIED, DIFFICULTIES ARE INCREASING IN ALL SPHERES OF THE ECONOMY.

2. THE DEVALUATION AND THE SPLITTING OF THE EXCHANGE RATE ON A TWO-TIER SYSTEM (THERE ARE ACTUALLY 17 EXCHANGE RATES) IS SAID TO BE A FAILURE, AS FARM PRODUCTS ARE EXPORTED AT COMMERCIAL RATE WITH HEAVY RETENTIONS WHILST THE CENTRAL BANK LOSES RESERVES OF APPROXIMATELY US-DOLLARS 80 MILLION PER WEEK IN ORDER TO KEEP THE FINANCIAL RATE STEADY.

3. RESERVES DROPPED A FURTHER 200 MILLION DOLLARS DURING THE WEEK OF 9 AUGUST MOST OF WHICH WAS AIMED AT PAYING THE OUTSTANDING FOREIGN DEBT.

4. WAGES CALCULATED ON THE BLACK MARKET DOLLAR RATE HAVE NOW FALLEN TO CRITICAL LEVELS. A WORKER'S BASIC WAGE IS NOW THE EQUIVALENT OF US-DOLLARS 25 PER MONTH. SPECIALIZED LABOUR AND MOST EMPLOYEES EARN LESS THAN US-DOLLARS 100 WITH EXCEPTIONS ABOVE 150 WHILST SENIOR EXECUTIVES EARN LESS THAN US-DOLLARS 1,000 PER MONTH.

5. LACK OF IMPORTED RAW MATERIAL ASZQL [GP UNDEC] COMPONENTS IS AFFECTING LOCAL INDUSTRY WHICH IS MOSTLY SURVIVING ON REMAINING STOCKS. FORD MOTOR ARGENTINA HAS APPROXIMATELY 1,500 CRIPPLED UNITS IN THEIR YARD.

6. GDP DROPPED 8.1 PER CENT DURING THE SECOND QUARTER OF THE YEAR WHICH INCLUDES A 14.5 PER CENT DECLINE IN INDUSTRIAL ACTIVITY. A 7 PER CENT GDP DROP WAS RECORDED FOR THE FIRST SIX MONTHS.

UNEMPLOYMENT HAS NOW REACHED 6 PER CENT WHILE ANOTHER ESTIMATED 8.2 PER CENT REMAIN UNDEREMPLOYED.

JOY

POWELL-JONES

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FCS/82/115

MINISTER OF STATE FOR DEFENCE PROCUREMENT

Prime Minister

A

MS

attached

1. Thank you for your letter of 13 August, addressed to Douglas Hurd. I agree that we now have very little choice but to agree to the release of the equipment for the frigates. You will have seen from Bonn telegram number 690 that the Germans have indicated to us they are not happy to give extra assurances above and beyond those already implicit in their arms embargo. The report we have had from our Embassy in Washington seems to me to confirm there is a real risk that General Electric may grab the business if we continue to prevent Rolls Royce from delivering. Unless, therefore, any of our colleagues object I would propose to instruct our Embassy in Bonn to tell the Germans on 20 August that we are no longer looking for a separate assurance and that Rolls Royce is being authorised to negotiate delivery with Blohm and Voss.

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

MS

FP

(FRANCIS PYM)

Foreign and Commonwealth Office
18 August, 1982



Foreign and Commonwealth Office

London SW1A 2AH

18 August 1982

Dear Tim,

h pm
signature
19/8

Gift By Bermuda to the South Atlantic Fund

I enclose a draft reply for the Prime Minister to send to the Premier of Bermuda, Mr John Swan, in response to the latter's letter of 4 August forwarding a cheque for £122,608.76 for the South Atlantic Fund which you enclosed with your letter of 12 August.

We will arrange for the reply to be delivered through the Governor.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing Street

DRAFT: ~~minute~~/letter/~~telex~~/~~dispatch~~/~~note~~

TYPE: Draft/Final 1+

FROM: The Prime Minister,
The Rt Hon Margaret Thatcher MP
DEPARTMENT: TEL. NO:

Reference

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:
Hon John W Swan JP MP
Premier
The Cabinet Office
Hamilton
BERMUDA

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

I should like to express my most sincere thanks for the very generous donation to the South Atlantic Fund enclosed with your letter of 4 August which I have now seen on my return from a short holiday. I am greatly moved by the strength of the support of the Bermuda Government and people and for the encouragement and solidarity you have shown by this remarkable gesture.

Please convey to the Government and people of Bermuda my personal appreciation and that of the British Government.

With all good wishes,

Enclosures—flag(s).....

Argentina

Copied to Master Set
Subject copy on
Mexico
UK/Mexico Rel
May 1981

NOTE FOR THE RECORD

Following her lunch yesterday with Herr Leutwiler, President of the Swiss National Bank, the Prime Minister had two telephone conversations with Sir Douglas Wass.

Mexico

The Prime Minister said that Herr Leutwiler was concerned about the financial situation in Mexico. It would be very serious if the Mexican Government were to repudiate or to default on any of its loans. Herr Leutwiler had wondered whether President Lopez Portillo, and President-designate De La Madrid, appreciated the seriousness of the situation. The Prime Minister suggested that a political demarche to the Mexican Government might be timely. After talking to Sir Antony Acland and the Chairman of the US Federal Reserve, Sir Douglas Wass came back to the Prime Minister and told her that a political demarche of this sort could be counter-productive. The Americans considered that the Mexicans were determined to avoid even a rescheduling of their debt, and the thought of default or repudiation had not even entered their minds. It would not be wise even to hint at these possibilities at this stage. The Mexicans were seeking help from the IMF, and were likely to announce this shortly. Repudiation or default would then be quite out of the question. President Reagan was in touch with President-designate De La Madrid, but it was unlikely that he would make the sort of demarche suggested by Herr Leutwiler. The Prime Minister said that she was content not to press this suggestion.

Argentina

The Prime Minister told Sir Douglas that Herr Leutwiler shared the Bank of England's eagerness to lift financial restrictions on Argentina. She had explained to him that this was the last card that might enable us to achieve the lifting of restrictions on air service operators such as British Caledonian, and that we could not afford to throw away this opportunity lightly. She agreed

/with

with Sir Douglas that it would have been absurd to have conceded the lifting of financial restrictions when we had not even received a reply to the conditions that had been put to the Argentines.

In the second telephone conversation, Sir Douglas explained that the Bank of England had now had a formal reply from the Argentines to the conditions that we had put forward; that is to say, to the suggestion that we would lift financial restrictions if the Argentines were willing to agree to lift restrictions on all invisible trade, including air services. The Argentines were not willing to accept this suggestion. The US State Department had told us that the control of Argentine air space was in the hands of the air force, and that it was not within the power of the present government to persuade the air force to lift its restrictions, except on terms unacceptable to us. It seemed that the Argentines were not even inclined to promise us parallel terms to those European air service operators at present subject to Argentine restrictions. Lufthansa and Air France, for instance, were confident of negotiating a lifting of restrictions by the end of September; at present it seemed unlikely that we would be able to achieve the same for British Caledonian. Sir Douglas recommended that we should at present make no further move in the negotiations. There was no point in conceding the lifting of financial restrictions to the Argentine at the first set-back. We should simply make no move. The Prime Minister agreed.

WPK

17 August 1982

GRS 150

UNCLASSIFIED

FROM PORT STANLEY 161332Z AUG

TO ROUTINE FCO TELNO 209 OF 16 AUGUST

150 TH ANNIVERSARY CELEBRATIONS.

X | 1. THE CO-ORDINATING COMMITTEE DECIDED TO GO AHEAD WITH THE CELEBRATIONS BUT TO POSTPONE THE DATES FROM THE FIRST WEEK IN JANUARY TO THE LAST WEEK IN FEBRUARY, IE 20 TO 26 FEBRUARY. THIS DECISION WAS TAKEN TO GIVE MORE TIME FOR THE STANLEY RACECOURSE TO RECUPERATE AND TO EASE ACCOMMODATION AND COMMUNICATIONS PROBLEMS.

2. THE COMMITTEE EXPRESSED THE HOPE THAT PRINCE ANDREW, THE PRIME MINISTER AND YOU OR ONE OF YOUR MINISTERS WOULD BE ABLE TO GRACE THE CELEBRATIONS WITH YOUR PRESENCE. THEY WOULD ALSO LIKE TO INVITE SIR JOHN FIELDHOUSE, ADMIRAL WOODWARD, GENERAL MOORE, PETER KING, (FROM CALLING THE FALKLANDS) AND HAROLD BRILEY, (BBC LATIN AMERICAN CORRESPONDENT).

3. IF YOU SEE NO OBJECTION, I SHOULD BE GRATEFUL IF THE DEPARTMENT WOULD NOTIFY THE ABOVE NAMED OF THE CHANGE OF DATES AND SAY THAT INVITATIONS WILL FOLLOW AS SOON AS OUTWARD MAIL LINKS ARE RESUMED.

HUNT

THIS TELEGRAM
WAS NOT
ADVANCED

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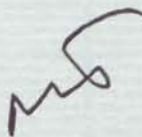
*T: W.
I don't see how
she can be away
at that time.
Continue to note: 11/8.
This dashes with the
Institute of Directors
speech.
T.*

RIME MINISTER

In our last conversation you asked about the position of European air service operators flying to Argentina. The position is Lufthansa and Air France and some other European operators are not allowed to fly into Argentina but expect to be able to negotiate other flying rights and landing rights by the end of September. Al Italia, Iberia and Swiss Air, either because of their support for the Argentines or their neutral position, are all flying into Argentina.

When the Department of Trade say that they would like to be able to negotiate the same treatment as the Europeans, they mean that they would like to be able to negotiate the same treatment as Lufthansa and Air France.

More generally, as Sir Douglas Wass mentioned, we have not yet had a reply to the conditions that we put to the Argentines. The Treasury, the FCO and the Department of Trade all feel we should not make any concessions at least until we have had a reply.



WILLIE RICKETT

16 August 1982

File

OSG

27/8

Alan

Will you BH or me?

Kay

16/8

16 August 1982

BF

As I mentioned on the phone this morning, the Prime Minister has received the attached letter from Mr. Ted Needham, the Chairman of Coalite Group, seeking a meeting with her. Before responding to Mr. Needham, I should be grateful for your advice on the advisability and timing of such a meeting. Could I therefore trouble you for a draft reply for the Prime Minister's signature, to reach this office by Friday 27 August.

Timothy Flesher

John Holmes, Esq.,
Foreign and Commonwealth Office.

da

CONFIDENTIAL

File



Copy Questions

OSG

Argentina

10 DOWNING STREET

From the Private Secretary

MR. FACER

CABINET OFFICE

FALKLAND ISLANDS ECONOMIC STUDY 1982

Thank you for your minute of 12 August (reference T 05841). The Prime Minister has agreed that Lord Shackleton's report should be published as a Command Paper and presented to Parliament by her.

Timothy Flesher

16 August 1982

CONFIDENTIAL



MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State
for Defence Procurement

D/MIN/TT/12/3/2

13th August 1982

Rue Münster

J

16/8

Dear Douglas

When OD met on 21st July (OD(82)15th Meeting) to consider the arms embargo against Argentina (OD(82)58) and the supply of British equipment for frigates being built in Germany for Argentina (OD(82)63) it was agreed that the Foreign Secretary should seek assurances from the German Government that the frigates would not be delivered to Argentina without prior consultations with HMG. On this basis the remaining British equipment could be released for delivery. These assurances were of course sought by our Embassy in Bonn last month.

will repeat if reqd

Since OD our officials have been in touch over the telegrams that have been exchanged with Bonn on this subject. John Nott is currently on leave, but he has seen Bonn telegram 677 of 3rd August and expressed his concern that the British equipment for the frigates has not yet been released. It is certainly very worrying that our Embassy in Bonn thinks that the Germans may be in no hurry to give us the assurance we have requested or may not be willing to give such an assurance at the end of the day.

/ I believe ...

The Rt Hon Douglas Hurd CBE, MP

~~CONFIDENTIAL~~
~~CONFIDENTIAL~~
2

*had
referred
if need*

I understand from John that it was the intention of OD that this equipment should not be delayed indefinitely if a German assurance is not forthcoming. I imagine that your understanding is the same in the light of the last sentence of your telegram (No 375 of 5th August) to Bonn last week in which you say that if there has been no progress in a week's time we shall need to look at the matter again. The various British manufacturers involved are becoming increasingly concerned that if they are not given the go-ahead to deliver their equipment to Germany very shortly they will not only lose this particular business but also the possibility of any further business in other countries with the shipbuilders Blohm and Voss and the other major German companies involved. There is also a very real risk that what will be seen as a failure to deliver the goods will not go unremarked in a wider field to the detriment of our defence sales effort.

I therefore believe that the time has now come to permit our manufacturers to deliver the equipment still outstanding for these frigates and I seek your agreement to this course. For the present the German embargo on all defence sales to Argentina would prevent the delivery of the frigates on their completion.

I am copying this letter to members of OD and Sir Robert Armstrong.

*Yours
Trenchard*

Trenchard

~~CONFIDENTIAL~~
CC. ~~CONFIDENTIAL~~

Argentina
Relecta
010

P.O. BOX No 21, CHESTERFIELD, DERBYSHIRE S44 6AB
TELEPHONE: 0246 822281 (10 LINES)
TELEGRAMS: 'COALITE, BOLSOVER, TELEX: TELEX: 54250

FROM THE CHAIRMAN



Coalite Group PLC

FALKLAND ISLANDS COMPANY LTD.

PERSONAL

12th August, 1982

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London SW1.

R13

Dear Prime Minister

FALKLAND ISLANDS

I have deferred writing again earlier since you would obviously wish to see the up-dated Shackleton Report before taking a view on many aspects of the future on the Islands.

The obvious priority so far has been to do whatever possible to enable the Islanders to return to something approaching normal life as soon as possible. The major burden of cleaning up and removing dangers has fallen on the Forces and it is clear that they have been doing a marvellous job. We are trying to play our part in sending out essential equipment for the farms and domestic and other items which the Islanders need.

There is of course much speculation as to what will be "normal life" on the Islands in future and what changes should be made. I am hoping to arrange to visit the Islands to try to form a clearer view. Before doing so, it would be most helpful and greatly appreciated if you could spare a little time for an informal personal exchange of views on what changes might be favoured and how the Falkland Islands Company might help or, as some suggest, reduce our commitment.

You will no doubt still be receiving much correspondence regarding the Falklands but I thought you might be amused and touched as I was by the attached copy of a delightful letter from a would-be pair of emigrants to the Islands. Since references to the Falklands featured more prominently this year in my Statement to shareholders, I am enclosing a copy of that also in case of interest.

With best wishes.

C. E. Needham
C. E. Needham

30 Devizes Close
Grangewood Estate
Chesterfield
Derbyshire S40 2UL

7/7/1982

Dear Mr Needham,

Many thanks for your welcome letter just received.

I will gladly give you any details you need. My Mom said you would not take us because of our age but i am going to try anyway.

I am 58 and i am an experienced children's nanny, G.P.O trained telephonist, and experienced in all types of Switchboard here and in Canada and America where i lived for 14 years returning here because of the death of my dear father. Before i went to Canada in 1947 i worked as a bus conductress and in the woollen mill in the spinning combing, winding and balling of the wool, also in the twisting. I also had a year with my cousins in Australia where i worked as a cook for a sheep shearing team.

Both my Mom and i are professional knitters and crocheters, and although my Mom is 78 she is very active and in her lifetime she is a professional cook and a very good one i can tell you.

We would dearly love to go and live in The Falklands and it seems to be the ideal quiet life that we like.

I was so happy to see our Falklands being retaken by our forces and although it should not have happened at all, i am sure our Iron Lady will keep an alert and very watchful eye out that it does not happen again.

(2)

We are so sorry for what your people had to suffer during the rotten invasion and although it is all over i do not trust those argentinnes, although at the moment i think they have more than enough on their hands at the moment and i hope the world has learnt by now that it does not do to tread on the toes of the British.

Our thoughts were always with you in those terrible moments and as i am an ex-army sergeant myself, i would have loved the chance to go out there then and do my bit to help and gladly have gone.

I feel sure that now our Government are going to do something to develop the Island and help the people there, at least we hope so. Our boys must not have lost their lives in vain and you people deserve the best for what you have suffered.

Many thanks for the address in Port Stanley and i am writing today.

I do hope you will consider us to go out and live their, surely we can be of some use out there and you know what they say, "there is many a good tune played on an old fiddle".

Once again many thanks for your letter and hope to hear from you again.

Yours sincerely

M. Wragg

(Miss)

Mollie Wragg

Chairman's Statement



Financial Results

Group turnover increased by 13.7%, from £358m to £407m. Profit before tax improved from £21.86m to £23.86m, an increase of 9.1%. The tax charge for the previous year had been unusually low due to stock relief provisions of the Finance Act, 1981. The return to a normal tax level this year is reflected in reductions in after-tax profit from £19.67m to £15.65m and in earnings per share from 24.01p to 18.20p. Cash and near-liquid funds improved by £13.9m, producing an increase of £1.3m in interest revenue. On the other hand, profit from the sale of investments was lower by £1.1m. Supplementary accounts on a current cost basis appear on pages 22 to 25, indicating a profit increase on the current cost basis from £13.04m to £15.75m.

Your Directors recommend that a final dividend of 3.1p per share be paid in August 1982. Together with the interim dividend of 1.43p paid in February, this makes a total of 4.53p per share (1981: 4.16p).

The following comparisons briefly summarise our progress over the five years from March 1977 to March 1982.

| | 31st March 1982 | 31st March 1977 |
|--------------------|-----------------|-----------------|
| | £m | £m |
| Ordinary capital | 21.5 | 14.5 |
| Reserves | 86.6 | 18.1 |
| Net current assets | 79.6 | 22.7 |
| Turnover | 406.9 | 57.4 |
| Profit before tax | 23.9 | 10.2 |

Directorate

Mr. John Sparrow, who joined the Board in May 1974, assumed his new responsibilities as Head of the Government Central Policy Review Staff on April 1st, 1982. He was obliged thereby to relinquish his company Directorships and duly resigned from the Coalite Group Board on March 31st, 1982. We are greatly indebted for the benefit of the concise judgement and wide experience of industry and finance which he contributed to our deliberations.

Dr. Keith Sugars, who joined the Company as an Executive Director in March 1981, resigned by mutual agreement in December 1981.

Companies Act 1980

Set out in the Notice of the Meeting is a resolution resulting from the Companies Act, 1980. Resolution No. 6 is the proposed renewal of a similar resolution which was passed last year. It is a waiver of the pre-emption rights arising under Section 17 of the Act and is a short term authority restricted to a maximum of 5% of the Company's total authorised share capital. I commend the proposal to shareholders as being in the interest of the Company.

It had been hoped to submit a resolution adopting new Articles of Association but they have yet to be finalised and will be submitted for your approval in 1983.

In accord with requirements of the 1980 Act, the name of the Company has been changed to and re-registered as 'Coalite Group PLC'.

The Year in Retrospect

Since recent problems come most easily to mind, there is a tendency to magnify them out of perspective. Each financial year presents its share of difficulties and last year was no exception but there were also opportunities. The balance held between the two enabled us to emerge with improvements in turnover and profits to roughly match the rate of inflation. That result was made

Photographs taken by the Chairman when visiting Port Stanley, including views of Company offices, the jetty, m.v. 'Monsunen', the 'Upland Goose Hotel' and the Colony Club.



Chairman's Statement *continued*

possible by the sustained energy and co-operation of management and employees to improve our ability to compete in highly depressed markets. Appreciation is also extended to our customers and suppliers for their continued confidence and support.

During the year, a number of changes were made to simplify structures within the Group. Instead of manufacturing 'Coalite' smokeless fuels and processing oils and chemicals under several separate operating companies, these activities have been consolidated into one company under the name of Coalite Fuels and Chemicals Limited. Similarly, our substantial interests in the distribution of solid and liquid fuels are now operated under one company, Charringtons Fuels Limited, although original trade names have been retained where appropriate. The same comment applies to vehicle distribution, for which Chatfields-Martin Walter Limited is now the single operating company.

The processing and distribution of fuels and chemicals remain our predominant activities. Whilst margins on chemicals and hydrocarbon oils are still low by historic standards and the markets are subject to fairly wide fluctuations, there was a welcome improvement in overall performance. The absurdly over-competitive price of natural gas relative to other fuels has wrought havoc in the domestic market over the past decade. The present Government policy of gradually increasing the real price of gas is beginning to correct that position but there is still some considerable way to go to restore sensible differentials. Bearing this and the general economic climate in mind, the various fuels and chemicals activities performed well to improve profits.

There was a small contraction in the total market for domestic solid fuels in spite of what could be regarded as a reasonably cold winter. The cold weather was in fact a little too severe in December and January, when poor road conditions and frozen oil in vehicle fuel tanks caused problems in distribution. The volume of fuel oil sales was slightly higher in spite of the fact that the total U.K. fuel oil market declined overall. There was unfortunately some disruption in supplies of all fuels due to strikes on the railways. Solid fuels distribution interests were extended in March 1982 by acquisition of the business of Franklin Fuels, an old established and respected name in the trade, operating throughout much of Bedfordshire, Hertfordshire, Buckinghamshire and North Middlesex. Our continuing close working relationships with the N.C.B. and Mobil proved invaluable in maintaining the best possible service to all our customers.

The market for 'Coalite' and other smokeless fuels has suffered not only from unrealistically low gas prices but also from illicit sale and use of bituminous coal in smoke-controlled areas and it is encouraging to see authorities now taking active steps to combat this reversal in progress towards clean air. Having carried over substantial stocks of 'Coalite' from the previous winter, output was reduced in the first half of last year and stocks lowered. Randolph Coke and Chemicals Company, acquired at the end of the previous year, was returned to profitability and made a modest contribution in this first year.

Furnace Instruments managed to increase market share under highly competitive conditions, inevitably at some expense to margins, but producing results which still represent a satisfactory return on capital and show promise of rapid recovery on any industrial upturn.

Ruypm, our builders merchanting company, managed to achieve modest increases in turnover and trading profit to justify the cost of a continuing expansion programme. Additional warehousing was acquired to widen the product range of the Dudley branch and the general refurbishment and extension of showrooms has continued to improve market share in home improvement. A sustained increase in house-building would be a welcome sign of returning confidence and it is to be hoped that current optimistic forecasts will prove correct.

Reorganisation in automotive distribution reduced overhead charges. Stocks were better controlled and margins increased to produce a substantial improvement over last year. Our range was extended by the acquisition of a Dodge and Renault outlet in South Manchester to complement existing commercial vehicle interests in that area. It is also intended to acquire suitable premises in Stoke-on-Trent to establish a separate Ford truck dealership.

Specialised vehicle building was still suffering from general market depression and local government spending cuts. Product lines have been rationalised and production facilities reorganised to provide a stronger position when demand improves.

Chairman's Statement *continued*

Despite continued reorganisation and pruning, Transport and Warehousing showed few signs of recovering from the impact of reduced demands for storage space and intense competition in transport prices, making it difficult to recover cost increases.

In Southern Ships Stores, poorer results in Southampton due to continual dock labour disputes and reduced warehousing demand were balanced by increased export business to the Middle-East. Dundee, Perth and London Shipping experienced mixed fortunes, with declines in North Sea oil activities and ships chandlery but improvements in stevedoring and travel business. In October 1981, we acquired the 50% of shares in Dundee Petrosea previously held by Thiess Holdings, making it a wholly owned subsidiary.

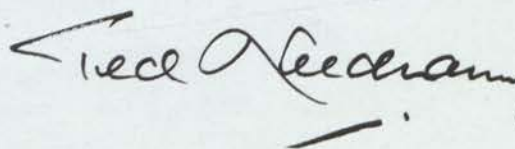
Our interests in offshore oil remained unchanged, with a 5.9% holding in Sovereign Oil and Gas and 5% direct participation in two blocks awarded to a seventh round consortium headed by Mobil. We have entered into preliminary discussions on participation in the prospective eighth round of licences. Production from the South Brae field, in which we have an interest through Sovereign Oil and Gas, is scheduled to commence in 1983.

You are well aware of our involvement in Falkland Islands affairs through ownership of The Falkland Islands Company. I have referred in previous years to the continuing debate on the sovereignty issue. It is very sad that the debate should have deteriorated in the meantime into open conflict and serious loss of lives. There seems little point now in crying over diplomatic shortcomings over the past fifteen years or so. The Argentines evidently came to the conclusion that they could occupy and retain the Islands with impunity. Purposeful reaction from the U.K. Government and brilliant and brave action by our armed forces have now achieved complete British re-occupation. It is in our best national tradition that the well-being and right to self determination of the fervently British Falkland Islanders, even though only about 1700 in number, should provoke in this Country such profound determination for their protection. Regardless of whatever the eventual arrangements for the proper defence of the Islands or development of their economy, I fervently hope that it will not be long before the Islanders will be able to resume the pleasant way of life they used to know and enjoy.

Having made that personal comment, you will wish me to refer to your interests there. Your Company owns about 1½ million acres of grazing land, supporting 300,000 sheep. Full time employees number approximately two hundred and fifty. The other main assets on the Islands are buildings, machinery and farming equipment. The total assets are greatly undervalued in the books at a historical figure of £4.537m. Needless to say, all business on the Islands has been completely disrupted, with wool which would otherwise have been in the U.K. still in storage at scattered farms. The small ship 'Monsunen' with which we normally collect this wool into Port Stanley was first requisitioned by the Argentines, who grounded it under fire, and then by our own forces to transport ammunition and other supplies around the coast. The larger supply ship 'A.E.S.', which we charter full-time to take supplies to the Islands and return the wool crop to the U.K., was half way south at the time of the Argentine occupation. It has been held in mid-Atlantic in the meantime but resumed her journey south on June 3rd with the aim of getting the long overdue supplies to the Islanders as soon as the military situation would allow. They are extremely resourceful and resilient people but will have had much to endure and I am sure you will wish to join me in sending our very best wishes to all our people out there.

Prospects

The return to single figure inflation is the most reassuring sign we have seen for some time. Both the causes and effects of the rapid inflation of the 1970's engendered depression, whereas now we at least have the prospect of improving competitiveness and confidence provided that past lessons do not have to be learned anew. The timing of the eventual upturn is still uncertain and it is likely to be a slow process but, with our physical and financial resources satisfactorily consolidated over a difficult period, we have every reason to look confidently to the future.



Chairman.



CONFIDENTIAL

2 Questions

T 05841

MR FLESHER

10 Downing Street

FALKLAND ISLANDS ECONOMIC STUDY 1982

In your minute of 9 August to Richard Hatfield you reported that the Prime Minister agreed that it would be best to aim to publish Lord Shackleton's Report shortly after the Ministerial discussion planned for 6 September.

2. The Secretary of the Shackleton Committee will soon be able to deliver the text of the unclassified version of the Report to HMSO for printing. If printing is to be completed in time for publication shortly after the Ministerial discussion on 6 September, decisions are required now on the format of the Report. Because of the inclusion of maps, printing will take longer than usual: it will take some two to three weeks to produce and print them.

3. Lord Shackleton would prefer his study to be published as a Command Paper and printed in the normal Command Paper size (Royal Octavo - 6" x 9 $\frac{1}{2}$ "). He believes that the subject is appropriate for publication as a Command Paper. Command Papers can have either glossy pictorial covers or plain covers: Lord Shackleton would prefer the former, though the latter is more usual and of course cheaper. It would be presented to Parliament by a Minister, presumably in this case the Prime Minister.

4. I should be grateful if you would let me know whether the Prime Minister is content that the report should be published as a Command Paper and presented to Parliament by her, so that printing can proceed without delay.

R L L FACER

12 August 1982

CONFIDENTIAL



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13 AUG 1982

Argentina
Relations



FILE

da

10 DOWNING STREET

From the Private Secretary

12 August 1982

Dear Stephen,

I attach a copy of some correspondence the Prime Minister has received from the Premier of Bermuda via the Governor. As you will see, Bermuda has donated £122,608.76 to the South Atlantic Fund and I have passed the cheque to the Ministry of Defence.

B/F - I have acknowledged both the Governor's letter and that of the Premier, but I should be grateful if you could submit a draft reply for the Prime Minister's signature on her return by 22 August.

Yours ever,

Timothy Flesher

Stephen Lamport, Esq.,
Foreign and Commonwealth Office.

RM



10 DOWNING STREET

From the Private Secretary

12 August 1982

Dear Jane,

As I mentioned on the phone, Bermuda has donated £122,608.76 to the South Atlantic Fund and I attach herewith the cheque, together with a copy of the correspondence from the Premier of Bermuda. The Prime Minister will be replying to Mr. Swan herself on her return from holiday.

Yours ever,

Tim

Timothy Flesher

Miss Jane Ridley,
Ministry of Defence.



10 DOWNING STREET

From the Private Secretary

12 August 1982

Dear Private Secretary,

I am writing on behalf of the Prime Minister, who is at present out of the country, to acknowledge Mr. Swan's letter to Mrs. Thatcher, enclosing a cheque for £122,608.76 for the South Atlantic Fund. I know that Mrs. Thatcher will be delighted by this remarkably generous gesture, and she will be writing to Mr. Swan herself as soon as she returns from her holiday in Switzerland.

*Yours sincerely,
Timothy Flesher*

Timothy Flesher

The Private Secretary to the
Premier of Bermuda



10 DOWNING STREET

From the Private Secretary

12 August 1982

Dear Sir Richard

Thank you for your letter of 6 August, enclosing one from the Premier of Bermuda and a cheque for £122,608.76 for the South Atlantic Fund.

The Prime Minister is at present in Switzerland but will be replying to Mr. Swan on her return; in the meantime I have acknowledged Bermuda's most generous contribution to the Fund.

*Yours sincerely,
Tim Flesher*

Timothy Flesher

Sir Richard Posnett, K.B.E., C.M.G.

PS
PS/MR HURD
PS/MR SLOW
PS/MR RIFKIND
PS/PUS
SIR J BULLARD
SIR I SINCLAIR
MR GIFFARD
MR WRIGHT
MR ADAMS
LORD N G LENNOX
LORD BRIDGES
MR URE
MR GILLMORE

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Mr. Freeland
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MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

~~ROOM 8 FOR MODUK C IN C FLEET~~

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Mr. COLIN ROTH, LAEPD, ODA
~~Mr. BARNES~~, LAEPD, ODA.
MRS. M. PATTERSON

GRS 750
CONFIDENTIAL
FM WASHINGTON 112345Z AUG 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 2710 OF 11 AUGUST

MY TELNO 2683: ARGENTINA: FINANCIAL AND TRADE SANCTIONS

1. BURT (ASSISTANT SECRETARY FOR EUROPEAN AFFAIRS) ASKED ME TO CALL THIS AFTERNOON TO LET ME KNOW THE RESULT OF THE SOUNDINGS WHICH THE U S EMBASSY IN BUENOS AIRES HAD MADE ABOUT RECIPROCAL MOVEMENT ON TRADE AND FINANCIAL SANCTIONS (PARAGRAPH 3 OF MY TELEGRAM UNDER REFERENCE)
2. DAGNINO PASTORE, ARGENTINE MINISTER OF THE ECONOMY, HAD TOLD THE U S EMBASSY IT WOULD BE IMPOSSIBLE FOR THE ARGENTINIAN GOVERNMENT TO LIFT TRADE SANCTIONS AT THE SAME TIME AS FINANCIAL SANCTIONS. BUT HE HAD GIVEN HIS ASSURANCE THAT IF AGREEMENT COULD BE REACHED TO LIFT FINANCIAL SANCTIONS, TRADE SANCTIONS WOULD BE LIFTED WITHIN A MONTH. THE U S EMBASSY HAD EXPLAINED THAT WHILE DAGNINO PASTORE CARRIED PRIMARY RESPONSIBILITY FOR FINANCIAL DECISIONS, HE COULD NOT ENTER INTO COMMITMENTS ABOUT THE BROADER AND MORE POLITICAL TRADE SANCTIONS. BUT THEIR ADVICE WAS THAT IF A FIRST STEP COULD BE TAKEN ON THE FINANCIAL SIDE, WE COULD BE CONFIDENT THAT THE WAY WOULD BE CLEARED FOR LIFTING TRADE SANCTIONS.
3. BURT SAID THAT THE STATE DEPARTMENT HAD CONSIDERED THIS ADVICE VERY SERIOUSLY AND FELT IT TO BE RIGHT. THEY RECOGNISED THAT IT WOULD BE VERY DIFFICULT FOR US TO CONTEMPLATE NOT LIFTING BOTH TYPES OF SANCTIONS SIMULTANEOUSLY. BUT THE CONSIDERED VIEW OF THE U S GOVERNMENT WAS THAT IN ALL THE CIRCUMSTANCES THIS WAS THE MOST PROMISING WAY TO MAKE PROGRESS.

4. I TOLD BURT THAT THIS WAS A DISAPPOINTING RESULT OF THE INITIATIVE WHICH ENDERS HAD OFFERED DURING MR CRANLEY ONSLOW'S VISIT. THE AMERICANS WOULD UNDERSTAND THAT IT WOULD BE EXTRAORDINARILY DIFFICULT FOR HMG, IN PRESENT CIRCUMSTANCES, TO MAKE A MOVE ON FINANCIAL SANCTIONS WHICH WAS MANIFESTLY TO THE ADVANTAGE OF ARGENTINA, WITHOUT OBTAINING A PARALLEL MOVE ON TRADE SANCTIONS WHICH WOULD BE OF BENEFIT TO THE UK. BURT UNDERSTOOD THIS, BUT HE ARGUED THAT THE REMOVAL OF FINANCIAL SANCTIONS WOULD BE OF BENEFIT TO THE UK AS WELL AS TO ARGENTINA SINCE UK BANKS WERE MORE EXPOSED THAN OTHERS. MOREOVER, IF FINANCIAL SANCTIONS WERE NOT LIFTED, THE PROSPECT OF RESCHEDULING ARGENTINIAN DEBTS WOULD BE ENDANGERED. BURT ADDED ON A PERSONAL NOTE THAT THE U S HAD A VITAL INTEREST IN BRINGING ABOUT A DE-ESCALATION OF THE PRESENT DIFFICULT RELATIONSHIP WITH ARGENTINA. THE ADMINISTRATION HAD GIVEN US UNSTINTED HELP DURING THE FALKLANDS CONFLICT. THEY RECOGNISED THAT WE TOO WERE DOING OUR BEST NOW TO DE-ESCALATE AND HOPED VERY MUCH THAT WE WOULD SEE IT AS A FURTHER STEP IN THIS DIRECTION TO ACCEPT THE LIFTING OF FINANCIAL SANCTIONS IN ADVANCE OF THOSE APPLYING TO TRADE.

5. THE STATE DEPARTMENT HAVE EVIDENTLY CALCULATED THAT THIS UNWELCOME MESSAGE WOULD BE SLIGHTLY MORE PALATABLE COMING FROM BURT THAN FROM ENDERS. THIS ALSO SHOWS THAT IT HAS FAIRLY WIDE BACKING WITHIN THE STATE DEPARTMENT, EVEN IF (AS BURT ADMITTED) IT HAS NOT YET BEEN ENDORSED BY SHULTZ. BURT HAD NO ANSWER TO MY QUESTION ABOUT HOW WE COULD BE EXPECTED TO ACCEPT AN ASSURANCE OF A MEMBER OF THE ARGENTINE GOVERNMENT. HE SIMPLY REPEATED THAT THE STATE DEPARTMENT'S VIEW WAS THAT THIS WAS THE ONLY HOPEFUL WAY FORWARD.

6. IF WHAT THE AMERICANS ARE SUGGESTING IS UNACCEPTABLE, IT WILL BE IMPORTANT TO SAY SO QUICKLY. THE BEST RESPONSE MIGHT BE TO THANK THE AMERICANS FOR TAKING THIS QUESTION UP IN BUENOS AIRES, AS THEY HAD UNDERTAKEN TO DO; BUT TO SAY THAT, WHILE WE UNDERSTOOD THE ARGUMENTS THEY HAD PUT TO US, IT WOULD ATTRACT SERIOUS POLITICAL CRITICISM IN THE UK IF HMG WERE TO OFFER SOMETHING TO THE ARGENTINIANS IN PRESENT CIRCUMSTANCES WITHOUT GETTING ANYTHING TANGIBLE IN RETURN. THIS WOULD AMOUNT TO A BLIND ACT OF FAITH FOR WHICH THERE WAS NO POSSIBLE BASIS. WE COULD CONFIRM THAT WE ARE SEEKING WAYS OF DE-ESCALATING, AS WE HOPE THE ARGENTINIANS THEMSELVES ARE DOING, BUT CANNOT BE EXPECTED TO GIVE THEM A BLANK CHEQUE. FINALLY, WE COULD URGE THE AMERICANS, IN THEIR OWN INTERESTS AS WELL AS OURS, TO CONTINUE TO TALK TO THE ARGENTINIANS ABOUT THIS AND TRY TO BRING THEM TO A MORE REASONABLE POSITION.

THOMAS

NNNN



Foreign and Commonwealth Office

London SW1A 2AH

11 August 1982

T Flesher Esq
Private Secretary
10 Downing Street

Handwritten: \square 11/8.

Handwritten: Doating,

FALKLAND ISLANDS: REHABILITATION

The Private Secretary's letter of 27 July covered the last situation report on the programme of rehabilitation. The Prime Minister has asked for this to be updated at two-week intervals or as necessary.

I enclose a note giving details of progress on rehabilitation work, compiled with contributions from the Ministry of Defence.

I am sending copies of this letter to the Private Offices of all members of OD(FAF) and to PS/Sir Robert Armstrong.

Handwritten signature: Yours ever,
Stephen Lampport

S M J Lampport
Private Secretary
to Mr Hurd

FALKLANDS REHABILITATION: PROGRESS REPORT

Housing

1 Tenders for the supply of 27 housing units have been issued to a short list of 14 firms, including one French and two German firms. The closing date is 25 August, and it is hoped to place orders on 7 September. The objective is to complete the first house by the end of the year but the schedule is very tight.

Mobile Homes

2 Quotations for 10 mobile homes have been requested from 7 British companies and these are currently being evaluated. It is hoped to place an order by the end of the week. The units will be ready for shipping within 4-5 weeks of the order being placed. Expected cost per unit is between £10-15,000.

Building Materials

3 The last of the building materials in the Civil Commissioner's first order will be shipped on 14 August.

Fuel

4 The first consignment of 504 cylinders of propane gas, 200 drums of kerosene and 300 tons of coal is being shipped on 14 August. The balance will follow by 25 August.

5 5,000 gallons of aviation gasoline (100LL) are being ordered, for supply in drums by the first available ship.

Shipping from the UK

6 The next cargo ships departing from UK are:

| | | | | |
|-----------|---|-----------|-------------|--------------|
| Merdeka | - | 14 August | due Stanley | 14 September |
| AES | - | 18 August | due Stanley | 15 September |
| Segried S | - | 26 August | due Stanley | 22 September |

/Replacement

Replacement Aircraft for Falkland Islands Government Air Service (FIGAS)

7 FCO Ministers are considering a recommendation by officials that we should initially buy a second-hand Beaver aircraft in Canada for FIGAS. This is a 5-6 passenger piston engined aircraft, which will use the AVGAS mentioned in para 5 above. The Chilean authorities have said that they would not expect to have any objection to its being flown through Chile to the Falklands; but the aircraft can be dismantled and shipped from Chile if this proves impossible. We are considering the longer term aircraft needs for FIGAS.

Air and Sea Communications with Latin America

8 Our Embassies have asked the Uruguayan and Chilean authorities whether they would accept the establishment of regular communications by air or by sea. Neither would be willing at present and Uruguay has said that Argentina is attempting to maintain an effective blockade on the Falklands. However, both countries are prepared to envisage the purchase of supplies for the Falklands, provided they are shipped unobtrusively.

9 Brazil has agreed to the staging of military transport aircraft through Rio, and 3 flights are scheduled for 9, 10 and 11 August.

Personnel

10 We have agreed with the Civil Commissioner that the number of new posts to be filled is 37. Four officers (a doctor, a police superintendent, a development officer and a nursing sister) have been formally engaged and the first two are now in the Falklands. Seventeen others (5 policemen, 4 teachers, a registrar general, an attorney general, 2 philatelic administrators, an assistant director of public works, a water supervisor, an engineering surveyor and a senior plant mechanic) have been selected and we hope they

/will

will sign contracts shortly. Interviews have been arranged for this month for all the remaining 16 posts which are for public works staff, teachers and nursing sisters.

Compensation

11 A three-man team of assessors from the Ministry of Defence is now in the Islands. It will be receiving claims for compensation, and has authority to agree and settle the majority of claims. An explanatory pamphlet on the scheme is being prepared and will be issued as soon as possible.

General

12 We are not aware of any major problems. The Civil Commissioner in Stanley has said that morale in the Islands is beginning to improve and that he is grateful for the work being done in London on rehabilitation.

W F S Rickett Esq



WFR to see
13/8
WR

CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A09298

11 August 1982

*Dear Kit,*Argentina: Financial and Commercial Restrictions

At our meeting this morning you reported on the latest state of play of the private discussions which the Bank of England had been having with members of the Central Bank of Argentina about the removal of financial and commercial restrictions. You said that the latest state of play was that Argentine representatives had indicated that they were prepared to agree to the reciprocal removal of all financial restrictions and all restrictions on "invisible" transactions other than air services. They had indicated that they wished to deal with the problem of air services in the context of negotiations with a group of European Governments, and they had indicated that the removal of commercial restrictions might follow before long, but they were not prepared either to commit themselves in principle or to set a date for discussions.

In the light of our discussion at the meeting, reports were made to the Prime Minister and the Chancellor of the Exchequer.

The Prime Minister and the Chancellor have agreed that, while we should make it clear to the Argentines that we are ready to proceed with the reciprocal removal of commercial restrictions, we need not insist upon coupling that with the removal of financial restrictions, provided that the removal of financial restrictions extends to the removal of restrictions on all "invisible" trade, including air services. British Caledonian has, as you know, incurred significant loss as a result of the disruption of its scheduled services to Buenos Aires, and Ministers regard it as important to secure the restoration of those services in the context of any removal of restrictions on financial transactions and "invisible" trade.

I reported this to you on the telephone and you said that you would proceed accordingly with your Argentine contact.

/ In case

C W McMahon Esq

PERSONAL AND CONFIDENTIAL

In case it may be possible to come to an agreement, Douglas Wass is ready to deal with the problems of removing the existing Orders and making a Press announcement.

I am sending copies of this letter to Douglas Wass, Michael Franklin and Richard Evans and to Willie Rickett (10 Downing Street).

ROBERT ARMSTRONG

PERSONAL AND CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

10 August 1982

~~From The Minister of State~~

Tim Flesher Esq
Private Secretary to
The Rt Hon Margaret Thatcher MP
No 10 Downing Street
London SW1

JF
11/8.
Mr Pym's advice
(see x below) expected
by the end of August.

JF
13/8

Dear Tim,

FALKLAND ISLANDS GOVERNMENT OFFICE IN LONDON

In your letter of 2 August, you noted that the Prime Minister had told Lord Shackleton that she was having considered without delay the possibility of establishing in London a Falkland Islands Government Office.

Port Stanley telno 128 of 30 July (copy attached) indicates that Councillors in the Falkland Islands would like to proceed with this and that the Government in Port Stanley has already given a certain amount of preliminary consideration to the subject. We have asked Mr Hunt for his views on some of the main issues raised and in particular on the question of urgency.

The proposal raises a number of questions, including the relationship of a FIG Office to a Falkland Islands Development Agency, if it is decided to establish one, as well as to the FCO. It is clear that a FIG Office would need to be funded by FCO. This could have implications for the representative offices of other British dependent territories.

To clarify these points, we are drawing up a blue-print of the responsibilities a FIG Office might have and how it might be organised. Mr Pym will let the Prime Minister have his views as soon as this available. In the meantime, as you know, we

/do



-2-

do not believe that there is a need for immediate action of the kind Lord Shackleton suggested.

Yours ever,

S M J Lamport

S M J Lamport
Private Secretary to
Mr Hurd

GRS 220

UNCLASSIFIED

FM PORT STANLEY 301915Z JUL 82

TO ROUTINE FCO TELNO 128 OF 30 JULY

FALKLAND ISLANDS GOVERNMENT OFFICE IN LONDON.

1. WE HAVE IDENTIFIED OFFICE SPACE OF 1,000 SQUARE FEET (FIVE ROOMS) IN LONDON FOR A TWO AND A HALF YEAR LEASE AT AN ALL INCLUSIVE FIGURE OF FOURTEEN THOUSAND POUNDS. COUNCILLORS WOULD LIKE TO TAKE UP THIS OFFER AND HAVE ASKED ME TO APPROACH ADRIAN MONK TO RUN THE OFFICE. AS YOU KNOW, MONK WAS A SENIOR COUNCILLOR IN THESE ISLANDS FOR MANY YEARS AND HAS RECENTLY ANNOUNCED HIS RETIREMENT AS GOVERNMENT AGRICULTURAL OFFICER. HIS WIFE WISHES TO RETURN TO THE UK AND HE WILL BE ACCOMPANYING HER IN SEPTEMBER OR OCTOBER. I HAVE YET TO PERSUADE HIM TO TAKE THE POST AND HE MAY HAVE NO DESIRE TO LIVE IN LONDON OR TO COMMUTE.
2. WE ESTIMATE AN INITIAL BUDGET OF SEVENTY THOUSAND POUND FOR THE FIRST YEAR, REDUCING TO THIRTY FIVE THOUSAND POUNDS IN NORMAL TIMES. THIS WILL BE A HEAVY BURDEN ON THE FALKLAND ISLANDS GOVERNMENT AND, IN VIEW OF THE FACT THAT THE OFFICE WILL UNDOUBTEDLY TAKE SOME OF THE WORKLOAD AT PRESENT CARRIED BY YOUR FALKLAND ISLANDS UNIT, I SHOULD BE GRATEFUL IF YOU WOULD LOOK SYMPATHETICALLY INTO SOME FORM OF FINANCIAL ASSISTANCE FROM HMG TO SUPPORT THE OFFICE.

HUNT

FALKLANDS UNIT

S AM D

ODA

FINANCE D

NEWS D

MR GIFFARD

MR URE

[NOT ADVANCED]

ADVANCE COPIES: FALKLAND ISLANDS GENERAL

44 49

PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
SIR J BULLARD
SIR I SINCLAIR
MR GIFFARD
MR WRIGHT
MR ADAMS
LORD N G LENNOX
LORD BRIDGES
MR URE
MR GILLMORE

IMMEDIATE

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MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

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HD/PLANNING STAFF
RESIDENT CLERK

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Mr. COLIN ROTH, LACPD, ODA
Mr. BORDEN, LACPD, ODA.

GRS 160

CONFIDENTIAL

ms

FM SANTIAGO 091700Z JUL 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 347 OF 9 JULY

INFO ROUTINE WASHINGTON, UK MIS NEW YORK, MEXICO CITY, BRASILIA, CARACAS, BOGOTA, QUITO, LIMA, LA PAZ, MONTEVIDEO, ASUNCION, PANAMA CITY, SAN JOSE, TEGUCIGALPA.

YOUR TELEGRAM NUMBER 506 : MEXICAN INITIATIVE ON THE FALKLANDS.

1. MEXICO HAS NO MISSION IN SANTIAGO BUT I UNDERSTAND THAT THEIR AMBASSADORS IN LONDON AND NEW YORK HAVE BEEN LOBBYING THE CHILEANS THERE. ZEGERS, DIRECTOR GENERAL OF FOREIGN POLICY, TOLD ME YESTERDAY THAT THEIR LATEST INFORMATION IS THAT THE ARGENTINES MAY NOW BE INCLINED TO FAVOUR THE MEXICAN PROPOSAL FOR INSCRIPTION AS A SPECIAL ITEM. HE HAD HEARD OF COMING VISIT OF OLTRI AND QUEJADA TO MEXICO (MEXICO CITY TELNO 532) AND SAID THAT THEY WERE ALSO CONSULTING EN ROUTE IN BRASILIA AND CARACAS. ZEGERS SAID THAT, UNTIL SOME KIND OF LATIN AMERICAN CONSENSUS EMERGED, THE CHILEANS WOULD RESERVE JUDGMENT. HE UNDERSTANDS OUR OBJECTIONS TO THIS PROPOSAL BUT CLEARLY HOPES TO AVOID TAKING A VIEW BETWEEN CONFLICTING

WOULD RESERVE JUDGMENT. HE UNDERSTANDS OUR OBJECTIONS TO THIS
PROPOSAL BUT CLEARLY HOPES TO AVOID TAKING A VIEW BETWEEN CONFLICTING
POSITIONS FOR AS LONG AS POSSIBLE.

HICKMAN

NNNN

SENT AT//RECD AT 092113Z P L N //JMS

CONFIDENTIAL

MR. HATFIELD

The Prime Minister has seen Sir Robert Armstrong's minute of 6 August (reference AO9232) about the Falkland Islands Economic Study 1982. She has agreed that the Report should be made available to the Secretaries of State for Energy and Scotland and the Minister of Agriculture on the same basis as to members of OD(FAF). She has also commented that the Civil Commissioner in Port Stanley will probably have to discuss the Report with the Military Commissioner.

On publication of the Report, the Prime Minister agrees that it would be best to aim for shortly after the Ministerial discussion of 6 September at which Ministers can consider the public line which the Government should take.

TIM FLESHER

9 August 1982

CONFIDENTIAL



Prime Minister:

agree i) to the additions
to the circulation list
ii) that publication
of the sanitised version can
be after the Ministerial meeting
on 6 September

Yes Mr

Ref. A09232

MR COLES

Falkland Islands Economic Study 1982

Thank you for your minute of 3 August. We have now arranged for the members of OD(FAF) to receive copies of the confidential version of Lord Shackleton's report, stressing the Prime Minister's wish that it should be circulated within Departments on a strict "need to know" basis and that its contents should be carefully protected.

JF
6/8

2. The report was considered at a meeting of ODO(SA)(FE) on 4 August with a view to preparing an interdepartmentally agreed commentary to help Ministers in their examination of the report at the next meeting of OD(FAF) on 6 September. Officials thought that it would be useful if copies of the confidential version of the report could also be made available to the Secretary of State for Energy, the Minister of Agriculture and the Secretary of State for Scotland, whose Departments have a direct interest in certain aspects of the report and will have a contribution to make to the preparation of the official commentary. I should be grateful for the Prime Minister's agreement to the report being made available to these three Ministers on the same basis as to the members of OD(FAF). It would also be sensible for them to be invited to the OD(FAF) meeting on 6 September.

3. The Foreign and Commonwealth Secretary will be making a copy of the report available to the Minister for Overseas Development, whose senior officials will be directly involved in assessing the report's recommendations; and I understand that the Prime Minister has already agreed (your telephone conversation with Mr Goodall of 4 August) that a copy may be sent to the Civil Commissioner at Port Stanley, on the strict understanding that it is for his personal information only and that he is not to reveal that he has received it or to discuss its contents with anyone else.

He will probably
have to discuss it
with the
Military Commissioner
MB



4. ODO(SA)(FE) also considered the question of publication of the unclassified version of the report which is expected to be ready by 13 August. Preliminary inquiry by the Secretary of the Shackleton Committee has established that it will take a minimum of two weeks and possibly three from the delivery of the text to HMSO before printing can be completed and copies can be put on sale to the public. An additional constraint on early publication is the need for copies to be available in the Falkland Islands; it was thought (I am sure rightly) that there would be public criticism both in the Falkland Islands and here if the report was published in London without being simultaneously available to the Falkland Islanders. Since Port Stanley airfield will be closed for reconstruction work for three weeks from about 7 August, there is no way in which copies of the unclassified report can be got to the Falklands before the first week in September. This being so, ODO(SA)(FE) took the view that it would probably be best to defer publication until after the Ministerial discussion on 6 September. Pressure for publication during August is in any case likely to be limited; and it may be easier to protect the sensitive parts of the report from Press interest over the next four weeks if publication is deferred until the end of that period.

5. q If this is agreeable to the Prime Minister, it will mean that Ministers can consider the public line which the Government should take on the report at their meeting on 6 September and that publication can take place shortly thereafter.

A handwritten signature in dark ink, appearing to read 'RIA'.

ROBERT ARMSTRONG

6 August 1982



Government House
Bermuda

6th August, 1982.

The Private Secretary to the Prime Minister,
10 Downing Street,
London SW1

Jean Rivak Secretary,

4/8/82

I am forwarding herewith a letter and cheque representing the proceeds of the collection made in Bermuda under the sponsorship of the elected Government for the South Atlantic Fund. The Premier, the Hon. J.W. Swan, mentioned this to Mrs. Thatcher during his visit in June. The collection was entirely voluntary, except insofar as the Government itself agreed to contribute. In neither case did I exert any pressure or offer any advice. It can therefore be seen to be entirely the product of the people of Bermuda.

Yours sincerely

Richard Posnett

Richard Posnett
Governor

SUBJECT

T 157A/82

cc Master
ops

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 157A/82



Premier

The Cabinet Office
Hamilton 5-24, Bermuda
4th August, 1982.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London SW1.

Dear Prime Minister,

Since you were gracious enough to mention Bermuda's effort to raise money for the South Atlantic Fund during our meeting on the 8th of June, I am taking the liberty of forwarding with this letter a cheque for £122,608.76 (BD\$215,497.16).

I am pleased to say that the largest amount, \$134,000, was contributed by individuals in Bermuda and is, I feel, very creditable for a population of some 53,000.

The ex-service associations - the Royal Navy, the Royal Air Force and Artillery raised \$30,000, while Government contributed \$50,000.

Our fervent hope is that there will not be a similar occurrence in the future but you can be assured that should such be the case Bermuda will be ready to assist in any way we can.

With all good wishes.

Yours sincerely,

John W. Swan
Premier

Enc...

ADVANCE COPY

IMMEDIATE

PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
~~SIR J BULLARD~~ MR GOODISON
~~SIR I SINCLAIR~~ MR FREEMAN
~~MR GIFFARD~~ MR DONALD
MR WRIGHT
~~MR ADAMS~~
~~LORD N G LENNOX~~ MR STREETON
~~LORD BRIDGES~~ MR EVANS
MR URE
~~MR GILLMORE~~
HD NAD
HD/PUSD (2)
HD/S AM D
HD/FALKLANDS UNIT (2)
HD/DEFENCE DEPT
HD/NEWS DEPT
HD/ERD
HD/ECD(E)
HD/UND
HD/PLANNING STAFF
RESIDENT CLERK

~~PS/NO 10 DOWNING ST (2)~~
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

~~ROOM 8 FOR MODUK C IN C FLEET~~

Mr. COLIN ROTH, LAEPD, ODA
Mr. BORDEN, LAEPD, ODA.

CONFIDENTIAL

DESKBY 050900Z

FM WASHINGTON 042335Z AUG 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 2662 OF 4 AUGUST

INFO IMMEDIATE UKMIS NEW YORK

US/FALKLANDS

1. WE HAVE BEEN SHOWN IN CONFIDENCE THE DRAFT OF A STATEMENT ON US POLICY DURING THE FALKLANDS CRISIS WHICH ENDERS IS DUE TO MAKE WHEN TESTIFYING ON 5 AUGUST BEFORE THE HOUSE SUB-COMMITTEE ON INTER-AMERICAN AFFAIRS. MUCH OF THE STATEMENT COMPRISES JUSTIFICATION FOR AMERICAN PEACE-MAKING EFFORTS AND SUPPORT FOR THE UK. IT REEMPHASIZES AMERICAN OPPOSITION TO THE USE OF FORCE TO RESOLVE DISPUTES AS WELL AS NEUTRALITY ON THE SOVEREIGNTY ISSUE. ITS THEME HOWEVER IS THAT HAVING TAKEN A STAND ON A MATTER OF PRINCIPLE AT NO SMALL COST TO ITS RELATIONS WITH LATIN AMERICA, THE US MUST NOW MEND FENCES, ECONOMIC AS WELL AS POLITICAL. ENDERS ALSO SEEKS TO LAY THE GROUND-WORK FOR INCREASED US ARMS SALES TO THE HEMISPHERE (NOT NECESSARILY ARGENTINA) IN ORDER TO WIN POLITICAL INFLUENCE WHICH HAS BEEN LOST IN RECENT YEARS THROUGH AMERICAN RESTRAINT AND

HAS BEEN LOST IN RECENT YEARS THROUGH AMERICAN RESTRAINT AND TO KEEP THE RUSSIANS OUT.

2. THE MAIN POINT OF DIFFICULTY FOR US MAY LIE IN SECTIONS OF THE STATEMENT WHICH SPELL OUT IN GREATER DETAIL THAN HAS BEEN OFFICIALLY ACKNOWLEDGED BEFORE THE ELEMENTS OF HAIG'S FINAL PROPOSAL OF 27 APRIL (OUR TELNO 1472) AND THE PERUVIAN PLAN OF 5 MAY. TEXT OF RELEVANT PARAGRAPHS IN MIFT. (attached).

3. THE STATEMENT ALSO NOTES THAT A MINOR LESSON FROM THE CONFLICT IS THAT RESTRAINT IN THE USE OF SANCTIONS CAN PAY DIVIDENDS AND GOES ON TO CLAIM THAT AMERICAN SANCTIONS AGAINST ARGENTINA WERE QUOTE LARGELY SYMBOLIC UNQUOTE.

4. THE DRAFTER OF THE STATEMENT HAS TOLD US THAT AN ADVANCE COPY HAS ALREADY BEEN SENT TO THE HOUSE SUB-COMMITTEE.

THOMAS

NNNN

I indicated that line should not pose too much difficulty since both plans were put to the Argentines first. JH s/s.

GRS 250
SECRET

SECRET

H

FM SANTIAGO 032000Z AUG 82
TO PRIORITY FCO
TELEGRAM NUMBER 375 OF 4 AUGUST
INFO PRIORITY CIVIL COMMISSIONER PORT STANLEY

MS

YOUR TELNO 309 : AIRCRAFT FOR FALKLAND ISLANDS

1. I HAVE TAKEN SOUNDINGS FROM GENERAL MATTHEI VIA OUR CONTACT WITH GENERAL RODRIGUEZ AND RECEIVED A CAUTIOUS REPLY.
2. MATTHEI WOULD NOT WISH US TO LEASE ANY CHILEAN CIVIL AIRCRAFT FOR INTERNAL AIR SERVICES ON THE FALKLANDS, SINCE HE THOUGHT THIS WOULD PUT CHILE IN A DIFFICULT POSITION WITH ARGENTINA. NOR WAS HE AT ALL KEEN TO ALLOW US TO STAGE BRITISH-REGISTERED AIRCRAFT THROUGH CHILE TO THE FALKLANDS.

*Paragraph 3 deleted and retained
under Section 3(4).*

*M Wayland
27 April 2012*

4. THE CHILEAN AIR FORCE REACTION TO THIS REQUEST UNDERLINES THEIR SENSITIVITY OVER SUCH MATTERS. THEY ARE MOST ANXIOUS TO HELP BUT MUST USUALLY BE GIVEN AN ESCAPE ROUTE SO THAT THEY CAN DENY DIRECT INVOLVMENT SHOULD ANY CRITICISM BE DIRECTED AT THEM SUBSEQUENTLY. THIS ATTITUDE CONTRASTS SHARPLY WITH THAT OF THE CHILEAN NAVY REPORTED IN MY TELEGRAM NUMBER 373. THE REASON COULD BE SIMPLY THAT SHIPS ARE HARDER TO CONCEAL THAN AIRCRAFT, BUT WE ALSO KNOW FROM PREVIOUS EXPERIENCE THAT THE NAVY ARE APT TO OVERPLAY THEIR HAND.

HICKMAN

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FALKLANDS REHAB SECT
FINANCE D
APD
ESID
DEFENCE D
ODA
PS

PS/MR ONSLOW
PS/MR RIFKIND
PS/MR MARTEN
PS/FUS
MR GIFFARD
MR STREETON
MR URE
MR GILLMORE

ADDITIONAL DISTRIBUTION

FALKLANDS REHABILITATION

SECRET

CONFIDENTIAL

GR 550

CONFIDENTIAL

DESKBY 050900Z

FM WASHINGTON 042336Z

TO IMMEDIATE FCO

TELEGRAM NUMBER 2663 OF 4 AUGUST 1982

INFO IMMEDIATE UKMIS NEW YORK

MIPT: US/FALKLANDS

1. TEXT OF PARAGRAPHS ON THE HAIG PROPOSALS IS AS FOLLOWS:-
ON APRIL 27, AS PROSPECTS FOR MORE INTENSE HOSTILITIES INCREASED, THE UNITED STATES PUT FORWARD A PROPOSAL OF ITS OWN. IT REPRESENTED OUR BEST ESTIMATE OF WHAT THE TWO PARTIES COULD REASONABLY BE EXPECTED TO ACCEPT. IT WAS FOUNDED SQUARELY ON U.N. SECURITY COUNCIL RESOLUTION 502, WHICH BOTH SIDES ASSERTED THEY ACCEPTED.

THE U.S. PROPOSAL CALLED FOR NEGOTIATIONS TO REMOVE THE ISLANDS FROM THE LIST OF NON-SELF-GOVERNING TERRITORIES UNDER CHAPTER XI OF THE U.N. CHARTER. IT SPECIFIED THAT THE DEFINITIVE STATUS OF THE ISLANDS MUST BE MUTUALLY AGREED, WITH DUE REGARD FOR THE RIGHTS OF THE INHABITANTS AND FOR THE PRINCIPLE OF TERRITORIAL INTEGRITY. AND IT REFERRED BOTH TO THE PURPOSES AND PRINCIPLES OF THE U.N. CHARTER, AND TO THE RELEVANT RESOLUTIONS OF THE U.N. GENERAL ASSEMBLY.

THOSE NEGOTIATIONS WERE TO BE COMPLETED BY THE END OF THE YEAR. PENDING THEIR CONCLUSION, AN INTERIM AUTHORITY COMPOSED OF ARGENTINA, BRITAIN, AND THE UNITED STATES WAS TO OVERSEE THE TRADITIONAL LOCAL ADMINISTRATION, TO BE SURE THAT NO DECISION WAS TAKEN CONTRARY TO THE AGREEMENT. ARGENTINE RESIDENTS OF THE ISLANDS WERE TO PARTICIPATE IN LOCAL COUNCILS FOR THIS PURPOSE. DURING THE INTERIM PERIOD TRAVEL, TRANSPORTATION AND MOVEMENT OF PERSONS BETWEEN THE ISLANDS AND THE MAINLAND WERE TO BE PROMOTED AND FACILITATED WITHOUT PREJUDICE TO THE RIGHTS AND GUARANTEES OF THE INHABITANTS.

THE PROPOSED INTERIM AUTHORITY OF THREE COUNTRIES WAS TO MAKE PROPOSALS TO FACILITATE THE NEGOTIATIONS, INCLUDING RECOMMENDATIONS ON HOW TO TAKE INTO ACCOUNT THE WISHES AND INTERESTS OF THE INHABITANTS, AND ON WHAT THE ROLE OF THE FALKLAND ISLANDS COMPANY SHOULD BE.

SHOULD THE NEGOTIATIONS NOT HAVE BEEN COMPLETED BY YEAR'S END, THE UNITED STATES WAS TO BE ASKED TO ENGAGE IN A FORMAL MEDIATION/ CONCILIATION EFFORT IN ORDER TO RESOLVE THE DISPUTE WITHIN SIX MONTHS.

THE BRITISH GOVERNMENT INDICATED THAT OUR PROPOSAL PRESENTED CERTAIN REAL DIFFICULTIES BUT THAT IT WOULD SERIOUSLY CONSIDER IT. HOWEVER, THE PROPOSAL WAS NOT ACCEPTABLE TO THE ARGENTINE GOVERNMENT, WHICH CONTINUED TO INSIST THAT ANY SOLUTION MUST HAVE A PREDETERMINED OUTCOME.

CONFIDENTIAL

/ 2. TEXT OF

CONFIDENTIAL

2. TEXT OF PARAGRAPH ON THE PERUVIAL PLAN IS:-
ON MAY 5, PRESIDENT BELAUNDE OF PERU TOOK THE INITIATIVE TO
PUT FORWARD A NEW PEACE PLAN, DRAWING ALSO ON THE FUNDAMENTAL
ELEMENTS OF RESOLUTION 502. WE WORKED CLOSELY WITH HIM. THE
SIMPLIFIED TEXT FORWARDED BY PERU TO BUENOS AIRES AND LONDON
CALLED FOR: AN IMMEDIATE CEASE-FIRE; CONCURRENT WITHDRAWAL AND
NON-REINTRODUCTION OF FORCES; ADMINISTRATION OF THE ISLANDS BY
A CONTACT GROUP PENDING DEFINITIVE SETTLEMENT, IN CONSULTATION
WITH THE ELECTED REPRESENTATIVES OF THE ISLANDERS; ACKNOWLEDGEMENT
OF CONFLICTING CLAIMS; ACKNOWLEDGEMENT IN THE FINAL SETTLEMENT
OF THE ASPIRATIONS AND INTERESTS OF THE ISLANDERS; AND AN UNDER-
TAKING BY THE CONTACT GROUP TO ENSURE THAT THE TWO PARTIES
REACHED A DEFINITIVE AGREEMENT BY APRIL 30, 1983.
BRITAIN MADE CLEAR THAT IT COULD SERIOUSLY CONSIDER THE
PROPOSAL. ARGENTINA ASKED INSTEAD FOR THE U.N. SECRETARY GENERAL
TO USE HIS GOOD OFFICE AS, OF COURSE, IT WAS ITS FULL PRIVILEGE
TO DO.

THOMAS

FAULKLAND ISLANDS GENERAL

FCO

FAULKLANDS UNIT

NAD

CABINET OFFICE

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- 2 -

CONFIDENTIAL

Argentina



10 DOWNING STREET

From the Private Secretary

4 August 1982

ROLLS-ROYCE'S INTEREST IN
MOTORES ROLLS-ROYCE LIMITADA

The Prime Minister has noted without
comment your letter of 30 July.

A. J. COLES

David Saunders, Esq.,
Department of Industry.



10 DOWNING STREET

Note to the file

I discussed the attached with the Prime Minister who agreed that the report could be sent to members of ODFAF under strict conditions of confidentiality. See now my minute to Sir Robert Amstrong.

A.J.C. $\frac{3}{8}$

p.a.



Argentina

10 DOWNING STREET

*From the Private Secretary*SIR ROBERT ARMSTRONGFALKLAND ISLANDS ECONOMIC STUDY, 1982

Would you please refer to my letter of 27 July to Brian Fall.

The Prime Minister would be grateful if you could arrange for the members of OD(FAF) to receive copies of the Confidential version of Lord Shackleton's report, with a view to preparing for a discussion in September of the recommendations in the report. Mrs. Thatcher would like you to stress to the Ministers concerned that it is of great importance that the contents of the report should be very carefully protected so that possible leaks to the press are entirely avoided. The report may be circulated within departments to those who need to know its contents in order to prepare their Ministers for the discussion in September but should not be circulated more widely than this.

Should you judge that departments not represented on OD(FAF) need to receive the report, I suggest that you seek authority separately to send it to them.

A. J. COLES

3 August 1982CONFIDENTIAL



10 DOWNING STREET

Prime Minister

I am so sorry to bother you again but do you agree with para. 1 of the attached, namely that the Cabinet Office should distribute copies of Lord Shackleton's report to all members of OD (FAF) and any other departments who will need to be involved in considering the recommendation?

If we do - i will
A.J.C. 2/8
leak. I have
not been through it - all
but. would prefer
to see what
should be deleted. *ref*

PRIME MINISTER

2

Return of the Scots Guards

I understand that the arrangements for meeting the Scots Guards were discussed at Cabinet Committee and that the Home Secretary was going to go with the Duke of Kent. The date of the Guards' return has now changed to 10 August and the Home Secretary cannot therefore go; the Duke of Kent will however still do so.

2 August 1982

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

2 August 1982

Falkland Islands Economic Study

Thank you for your letter of 29 July listing the people to whom Lord Shackleton would like to send copies of the confidential version of his Study.

The Prime Minister has considered this but would prefer those listed to receive the unclassified version on which Lord Shackleton is working. She otherwise fears that the risk of the press learning of the parts of the initial report which Lord Shackleton thinks should not be published will be greatly increased.

Paragraph deleted and closed, 40 years, under
FOI Exemptions. Wayland
31 May 2012

A. J. COLES

K.D. Temple, Esq.

CONFIDENTIAL



file 15

10 DOWNING STREET

From the Private Secretary

2 August 1982

BF

Falkland Islands Economic Study

X I enclose a copy of a letter which the Prime Minister has sent to Lord Shackleton thanking him for his report. You will note that in her last paragraph Mrs Thatcher states that she is having considered without delay the possibility of establishing in London a Falkland Islands Government Office. The Foreign and Commonwealth Secretary may accordingly wish to let the Prime Minister have early views about this proposal.

I am copying this letter to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

A.J. COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office.

15



10 DOWNING STREET

THE PRIME MINISTER

2 August 1982

File 15
CFO
MOD
CO.

Dear Lord Shackleton,

Thank you so much for your letter of 26 July and the enclosed Falkland Islands Economic Study.

We shall be considering the Report urgently and I shall certainly want to discuss it with you in due course. Meanwhile, may I say how grateful I am to you for undertaking this task and for the splendid way with which you have accomplished it. Please thank your team on my behalf for all their hard work.

I should indeed be grateful if you could now, as you suggest, prepare in consultation with Whitehall Departments an unclassified version for eventual publication by the Government. We shall be informing the press that I have received your initial Report, that it is being considered, and that we shall hope to publish your final Report as soon as possible.

I have noted your recommendation that a Falkland Islands Government Office should be established in London and I am having this possibility considered without delay.

Best wishes,

Yours sincerely

The Rt. Hon. Lord Shackleton, K.G., O.B.E.

Margaret Thatcher



10 DOWNING STREET

From the Private Secretary

2 August 1982

South Atlantic Fund

The Prime Minister has noted the contents
of your letter of 30 July.

A.J. COLES

D.O. Arnold-Forster, Esq.,
Ministry of Defence.

For



de

10 DOWNING STREET

From the Private Secretary

2 August 1982

Falklands: War Graves

The Prime Minister has noted without comment the contents of your letter of 30 July.

I am copying this letter to Francis Richards (Foreign and Commonwealth Office).

A. J. COLES

Miss J.E. Ridley,
Ministry of Defence.

8-21

GRS 300

CONFIDENTIAL

CONFIDENTIAL
FM MONTEVIDEO 301945Z JUL 82
TO ROUTINE F C O
TELEGRAM NUMBER 617 OF 30 JULY.

MEETING WITH PRESIDENT ALVAREZ.

1. TODAY AT LONG LAST I WAS ABLE TO DELIVER THE MESSAGE FROM THE PRIME MINISTER (YOUR TELEGRAM NUMBER 417). PRESIDENT ALVAREZ WAS CLEARLY VERY PLEASED.

2. IN THE COURSE OF OUR CONVERSATION PRESIDENT ALVAREZ MADE TWO POINTS OF SOME INTEREST:

(I) HE HOPED WE WOULD UNDERSTAND IF NO FORMAL REPLIES WERE FORTHCOMING TO OUR NOTES ABOUT THE WATER FOR THE FORT TORONTO AND SHIPPING SERVICES TO THE FALKLAND ISLANDS (YOUR TELEGRAMS NUMBERS 442 AND 306 TO SANTIAGO REFER). ARGENTINA WAS EXERTING MUCH PRESSURE AND FOR LATIN AMERICAN REASONS URUGUAY COULD NOT APPEAR TO BE BREAKING THE ATTEMPTED ARGENTINE BLOCKADE. ON THE OTHER HAND THE URUGUAYAN GOVERNMENT RECOGNISED THE HUMANITARIAN NEEDS OF THE CIVILIAN POPULATION ON THE ISLANDS. THEREFORE THE URUGUAYAN AUTHORITIES WERE QUITE PREPARED FOR SUPPLIES FOR THE CIVILIAN POPULATION TO BE PURCHASED IN URUGUAY PROVIDED NO INDICATION WAS GIVEN AS TO THEIR DESTINATION. WHEN I COMMENTED THAT SHIPPING WAS A PROBLEM THE PRESIDENT SAID THAT SURELY A VESSEL COULD HEAD TOWARDS THE UNITED KINGDOM AND THEN TURN SOUTH.

(II) THE PROTECTION ZONE AROUND THE ISLANDS WAS A CONTINUING IRRITANT TO ARGENTINA, CONTRIBUTING TO HER CONTINUED INTRANSIGENCE AND WAS ALSO A MATTER OF CONCERN TO OTHER COUNTRIES IN THE AREA INCLUDING URUGUAY. IN RESPONSE TO MY COMMENT THAT WITHOUT THE PROTECTION ZONE, HOW COULD WE BE CERTAIN THAT THERE WOULD NOT BE ANOTHER 2 APRIL, PRESIDENT ALVAREZ' REPLY WAS THAT ARGENTINA AT PRESENT WAS IN NO CONDITION POLITICALLY, ECONOMICALLY OR MILITARILY TO ENGAGE IN FURTHER ADVENTURES.

HUTCHINSON

FAKLAND ISLANDS GENERAL

FCO

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16879 - 1

GRS 312
CONFIDENTIAL
FM FCO 300920Z JULY 82
TO PRIORITY CIVIL COMMISSIONER PORT STANLEY
TELEGRAM NUMBER PERSONAL 17 OF 30 JULY

Read in full.

YOUR TELNO 69: THE DAVIDOFF CONTRACT

1. FEARN HAS NOW WRITTEN TO ELIOT OF SALVESENS (COPY OF LETTER FOLLOWS BY BAG) TO MAKE IT CLEAR THAT IT IS MOST UNLIKELY THAT THE BRITISH AUTHORITIES WOULD ALLOW DAVIDOFF TO LAND ON SOUTH GEORGIA. FEARN REITERATED THIS POINT IN A CONVERSATION WITH GOW OF SALVESENS, WHO TELEPHONED ON RECEIPT OF THE LETTER. IT WAS AGREED THAT SALVESENS SHOULD TELL SHARP, DAVIDOFF'S LONDON AGENT, THAT DAVIDOFF WOULD NOT (NOT) BE ALLOWED TO RETURN TO SOUTH GEORGIA.

2. SHARP HAS NOW BEEN IN TOUCH BY TELEPHONE WITH THE FALKLANDS UNIT. HE ACCEPTED THAT THERE COULD BE NO QUESTION OF DAVIDOFF BEING INVOLVED IN ANY FUTURE EXECUTION OF THE CONTRACT. HE HAS PROPOSED INSTEAD THAT THE CONTRACT SHOULD BE TRANSFERRED TO HIS NAME. HE WOULD THEN PERSONALLY SUPERVISE ITS EXECUTION, USING EITHER CHILEAN OR URUGUAYAN SHIPPING AND LABOUR. HE WOULD ENSURE THAT ALL NECESSARY FORMALITIES WERE MET: THERE WOULD BE NO REPEAT OF THE NONSENSSES OF LAST TIME. HE ASKED FOR OUR VIEWS.

3. WE TOLD SHARP THAT HE WOULD HAVE TO SUBMIT A FORMAL PROPOSAL, HAVING FIRST CLEARED HIS LINES WITH DAVIDOFF AND SALVESENS. WE WOULD THEN NEED TO CONSIDER HIS PROPOSITION CAREFULLY AND CONSULT YOU. AT FIRST SIGHT, HOWEVER, AND ASSUMING SHARP CAN SQUARE DAVIDOFF AND SALVESENS, WE CAN SEE MERIT IN HIS PROPOSAL. OUR QUARREL IS NOT, AFTER ALL, WITH THE CONTRACT BUT WITH THE PRESENCE OF DAVIDOFF AND ARGENTINE NATIONALS ON SOUTH GEORGIA AND WE KNOW THAT NO BRITISH COMPANY IS LIKELY TO BE INTERESTED. SHARP'S PROPOSAL WOULD AVOID THE POSSIBILITY OF AN UNPLEASANT DISPUTE, EVEN IF WE WERE NOT A PARTY TO IT. BUT OF COURSE SINCE DAVIDOFF WOULD STILL PROBABLY BE THE ULTIMATE BENEFICIARY, WE SHOULD HAVE TO CONSIDER THE PRESENTATIONAL ASPECTS.

/4.

1

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4. GRATEFUL FOR YOUR VIEWS ON SHARP'S IDEA.

PYM

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FAIKLANDS REHAB SECT

FINANCE D

APD

ESID

DEFENCE D

ODA

LEGAL ADVISERS

PS

PS/MR ONSLOW

PS/MR RIFKIND

PS/MR MARTEN

PS/PUB

MR GIFFARD

MR STREETON

MR URE

MR GILLMORE

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16959 - 1

PP MOSCOW

GRS 421

CONFIDENTIAL

FM FCO 300910Z OF 30 JULY 1982

TO IMMEDIATE MOSCOW

TELEGRAM NUMBER 420 OF 30 JULY

AND TO PRIORITY WASHINGTON SANTIAGO MONTEVIDEO BRASILIA UKDEL NATO.

INFO MODUK, CINC FLEET

INFO SAVING UKMIS NEW YORK, UKMIS GENEVA

FCO TELNOS 631 TO UKMIS NEW YORK AND 412 TO MOSCOW ONLY:

PROTECTION ZONE AROUND FALKLANDS

1. BECAUSE IT IS NOT POSSIBLE TO DISTINGUISH THE NATIONALITY OF A SUBMERGED SUBMARINE, OUR FORCES IN THE SOUTH ATLANTIC HAVE TO HAVE RULES OF ENGAGEMENT ENABLING THEM IF NECESSARY TO ENGAGE ANY CONVENTIONAL SUBMARINE DETECTED WITHIN THE 150 MILE PROTECTION ZONE DECLARED TO ARGENTINA AROUND THE FALKLANDS.
2. AS LONG AS WE NEED TO HAVE SUCH RULES OF ENGAGEMENT THERE WILL BE A RISK, HOWEVER SLIGHT, THAT OUR FORCES MAY INADVERTENTLY ENGAGE A NON-ARGENTINE SUBMARINE IN THAT ZONE.
3. TO REDUCE THIS RISK TO THE SMALLEST POSSIBLE EXTENT YOU, AND OTHER ADDRESSEES, EXCEPT UKDEL NATO, SHOULD EXPLAIN THE POSITION TO THE GOVERNMENT TO WHICH YOU ARE ACCREDITED AND SUGGEST THAT IN THEIR OWN INTERESTS THEY SHOULD CO-OPERATE IN KEEPING ALL (ALL) SUBMARINES CLEAR OF THE PROTECTION ZONE DECLARED TO ARGENTINA. IT DOES NOT SEEM SENSIBLE TO TRY TO DISTINGUISH BETWEEN NUCLEAR AND CONVENTIONAL SUBMARINES. TO DO SO WOULD ONLY PROVIDE SCOPE FOR CONFUSION. YOU MAY SUPPLY DETAILS OF PRECISE CO-ORDINATES AS IN PARA 8 OF FCO TEL 631 TO UKMIS NEW YORK IF YOU WISH. BUT YOU SHOULD EXPLAIN THIS ORALLY AND INFORMALLY AND WITHOUT HANDING OVER ANY SPEAKING NOTES, SINCE FOR WIDER REASONS WE WISH TO AVOID GIVING THE IMPRESSION THAT WE ARE SEEKING TO ENFORCE A FORMAL BAN ON VESSELS OF THIRD COUNTRIES.
4. WE DO NOT PROPOSE TO GIVE ANY PUBLICITY TO THIS, BUT UKDEL NATO SHOULD TAKE ALL NECESSARY ACTION TO ENSURE THAT ALL NATO PARTNERS AND THE SECRETARIAT ARE INFORMED, ON A CONFIDENTIAL BASIS.

Head in full.
mf

CONFIDENTIAL

CONFIDENTIAL

16959 - 1

5. FOR YOUR OWN INFORMATION IF THE RUSSIANS OR OTHERS SEEK TO EXPLOIT OUR WARNINGS, EG BY CLAIMING THAT WE ARE ILLEGALLY ENFORCING AN UNJUSTIFIED EXCLUSION ZONE, WE PROPOSE TO TAKE THE FOLLOWING LINE:

'ARRANGEMENTS REMAIN AS SET OUT IN THE PRIME MINISTER'S ANNOUNCEMENT OF THE PROTECTION ZONE ON 22 JULY, BUT WE HAVE BEEN IN TOUCH WITH A NUMBER OF INDIVIDUAL GOVERNMENTS ASKING FOR THEIR CO-OPERATION TO AVOID UNNECESSARY ACCIDENTS. OUR FORCES WILL NATURALLY HAVE TO BE ABLE TO TAKE SUCH MEASURES AS ARE NECESSARY FOR THEIR OWN PROTECTION. AS IS WIDELY KNOWN FROM EVENTS AT SOUTH GEORGIA, ARGENTINE SUBMARINES WERE INVOLVED IN THE INVASION OF BRITISH TERRITORY FROM THE OUTSET AND THEIR REAPPEARANCE IN THE AREA WOULD HAVE TO BE TAKEN VERY SERIOUSLY.'

PYM

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GRS 630

CONFIDENTIAL

1456

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FM PARIS 301400Z JUL 82

TO PRIORITY FCO

TELEGRAM NUMBER 782 OF 30 JULY 1982

INFO ROUTINE MODUK

*Read in file.
mt*

MY TEL NO 777: ALLEGATIONS OF FRENCH HELP FOR ARGENTINA OVER EXOCETS

1. WHEN A MEMBER OF CHANCERY CALLED ON HEISBOURG, THE DIPLOMATIC ADVISER TO THE FRENCH MINISTER OF DEFENCE, ON ANOTHER SUBJECT ON 29 JULY, HEISBOURG RAISED THE SUBJECT OF THE SUNDAY TIMES ARTICLES. HE SAID HIS MINISTER HAD NOTED WITH SURPRISE THE RECENT STATEMENT BY MR PATTIE ABOUT FRENCH ASSISTANCE TO THE ROYAL AIR FORCE DURING THE FALKLANDS CRISIS. HERNU DID NOT INTEND TO MAKE OFFICIAL REPRESENTATIONS ABOUT THIS. BUT IT WAS NONETHELESS REGRETTABLE THAT SUCH A CONFIDENTIAL ISSUE HAD BEEN MENTIONED PUBLICLY. ADMITTEDLY THERE HAD PREVIOUSLY BEEN LEAKS IN THE FRENCH PRESS (ALTHOUGH HE WISHED TO NOTE IN PASSING THAT DJMOULIN OF L'EXPRESS, THE FIRST AUTHOR OF A STORY ON THIS SUBJECT, PRIVATELY CLAIMED TO HAVE RECEIVED THIS INFORMATION FROM THE BRITISH MINISTRY OF DEFENCE). BUT SUCH REPORTS WERE GIVEN GREATER AUTHORITY WHEN EXPRESSED BY A MINISTER.

2. HEISBOURG SAID THAT HE HOPED THE SUNDAY TIMES AFFAIR WAS NOW CLOSED. THE FRENCH ENQUIRY WAS EFFECTIVELY COMPLETED, ALTHOUGH THE FRENCH GOVERNMENT WOULD OF COURSE BE ON THE LOOK-OUT FOR ANY FURTHER RELEVANT INFORMATION. THE PRESIDENT OF DASSAULT, THE DIRECTOR FOR INTERNATIONAL RELATIONS, AND M COLIN HIMSELF HAD ALL BEEN GRILLED. (COLIN MIGHT BE ON HOLIDAY AS FAR AS THE PRESS WERE CONCERNED, BUT THE FRENCH GOVERNMENT HAD FOUND HIM AND QUESTIONED HIM AT LENGTH.) HEISBOURG HIMSELF HAD NOT BEEN CONVINCED WHEN THE ENQUIRY BEGUN THAT DASSAULT HAD NOT BEEN UP TO SOME DIRTY BUSINESS. NOW HE WAS. HEISBOURG SAID HE FEARED THAT THINGS WOULD GET VERY MURKY IF THE SUNDAY TIMES PERSISTED IN FOLLOWING UP THE ISABEL HILTON STORY. EVEN THOUGH THE FRENCH GOVERNMENT WISHED TO TURN A PAGE ON THE EPISODE, FRENCH INDUSTRIALISTS HAD HAD AS MUCH AS THEY COULD TAKE. THEY FELT THEY HAD BEEN UNJUSTLY ACCUSED. MOREOVER THEY BELIEVED THAT THEY WERE IN POSSESSION OF ITEMS OF INFORMATION WHICH, IF KNOWN, WOULD DEFLECT THE BLAME ELSEWHERE. THE FRENCH GOVERNMENT HAD NO IDEA WHETHER THIS INFORMATION WAS CORRECT OR NOT. BUT FRENCH INDUSTRIALISTS WERE ALLEGING PRIVATELY THAT:

(1) DURING THE FALKLANDS CONFLICT AN ITALIAN FIRM MANUFACTURING UNDER LICENCE FROM A BRITISH COMPANY (? BAKER) HAD BEEN SUPPLYING SPARE PARTS FOR THE EJECTOR SEATS OF ARGENTINE MIRAGES:

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/ (11) A

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(II) A TEAM FROM ROLLS ROYCE HAD ALREADY RETURNED TO ARGENTINA TO DISCUSS SALES OF MILITARY AERO-ENGINES;

(III) THE ARGENTINE MILITARY PURCHASING MISSION DISPLACED FROM LONDON HAD SET UP BUSINESS IN HAMBURG AND WAS IN THE THICK OF NEGOTIATIONS WITH GERMAN ARMS COMPANIES.

*Not
Correct / think
nt*

IF DASSAULT CONTINUED TO BE PUT ON THE SPOT, THEIR EXECUTIVES WOULD BE STRONGLY TEMPTED TO LEAK THESE ALLEGATIONS TO THE PRESS.

3. AT MY REQUEST THE HEAD OF CHANCERY SUBSEQUENTLY REGISTERED TWO POINTS WITH HEISBOURG. FIRST, MR PATTIE'S OBJECTIVE HAD BEEN TO PAY TRIBUTE TO THE FRENCH FOR THE HELP THEY HAD AFFORDED AND THEREBY TO SET THE RECORD STRAIGHT IN THE FACE OF PRESS ALLEGATIONS LIKE THOSE IN THE SUNDAY TIMES. HEISBOURG ACCEPTED THIS BUT COMMENTED THAT THE FRENCH PREFERRED THE FORMULATION USED BY MR NOTT ON 27 JULY. HIS STATEMENT HAD BEEN MUCH APPRECIATED. SECOND, ARBUTHNOTT SAID THAT NEITHER OF THE TWO GOVERNMENTS COULD CONTROL THE PRESS. IF THERE WERE FURTHER STORIES IN THE SUNDAY TIMES, WE HOPED THAT, IN THE SPIRIT OF THEIR COMMUNIQUE (MY TELNO 778), THE FRENCH WOULD CONTINUE TO TRY TO DAMP DOWN REACTION. THERE SEEMED NO NEED FOR DASSAULT ITSELF TO CREATE NEW STORIES WHEN COMMENTING ON THOSE WHICH APPEARED IN THE PRESS. HEISBOURG SAID THAT THE FRENCH WOULD CONTINUE TO ASK DASSAULT TO COOL IT. NEVERTHELESS, THERE WAS CONSIDERABLE BITTERNESS IN THE FRENCH ARMS INDUSTRY ABOUT WHAT WAS SEEN AS SHABBY TREATMENT BY THE BRITISH PRESS AFTER ALL THE EFFORTS THE FRENCH HAD MADE.

FRETWELL

[NOT ADVANCED]

FAULKLAND ISLANDS GENERAL

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FAULKLAND ISLANDS

FAULKLANDS UNIT

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CABINET OFFICE

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010
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g/e JV (2)
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

JF1312

Secretary of State for Industry

30 July 1982

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Prime Minister

AR 3/8.

Dear John

When the Prime Minister spoke to my Secretary of State after the OD meeting she asked about Rolls-Royce's interest in the Brazilian company Motores Rolls-Royce Limitada.

2 Motores Rolls-Royce is a wholly-owned subsidiary of Rolls-Royce Limited, registered in Sao Paulo in 1958. The company provides an overhaul and repair service primarily for Rolls-Royce engines (though it has diversified to provide a service for engines manufactured by other companies) operating in South America. MRR's turnover in 1981 was approximately £6m resulting in a profit of £2.04m on capital employed of £2.6m but the significance of the operation is much larger since without this overhaul and repair facility RR would be at a severe disadvantage with their competitors in making sales to South American airlines. When the Falklands invasion started two civil Spey engines owned by the Argentine airline Austral were at MRR for repair. Immediately after the invasion, on the instructions of RR London, MRR ceased to do business with Argentina and the Austral engines, although completed and ready for transhipment, were kept at MRR.

3 The position over the Brazilian subsidiary caused Rolls some considerable difficulties. They were advised that, while Brazilian law does not specifically make it illegal for a controlling shareholder to decide the countries with which its subsidiary may trade, company law does forbid a shareholder from instructing its subsidiary to take actions which are contrary to its best interests. Since Argentina represents about 25% of Motores Rolls-Royce's business, an instruction not to trade with Argentina could clearly be interpreted as being illegal.

4 Despite these difficulties Rolls did in fact succeed in delaying the return of the engines throughout the hostilities but legal proceedings have now been instituted by Austral and Motores Rolls-Royce have concluded that they now have no alternative but



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to return them. Incidentally it should be noted that the engines are for use in BAC 1-11 civil aircraft and could not be used in any other aircraft. I understand that Austral were charged \$160,000 for the first engine and \$400,000 for the second, of which about 30% would be profit for MRR - some \$168,000 in all.

5 My Secretary of State had emphasised to Lord McFadzean the importance for the UK's national interest of Rolls-Royce taking all possible steps to safeguard the integrity of the UK's policy on the ban of exports to Argentina. He is satisfied that Rolls have done all that could reasonably have been expected of them on that score. Indeed, on a separate, but related, issue, Rolls had been working with the West German shipbuilder Blohm and Voss on frigates for the Argentine Navy. The export of engines for the warships from the UK stopped of course with the revocation of export licences. But in addition Rolls withdrew their technical support personnel at the Blohm and Voss yard thereby leaving themselves open to possible action by the shipbuilder for breach of their contractual obligation to supply personnel.

6 I am copying this letter to Jim Nursaw (Attorney General's Office) and Francis Richards (FCO).

Yours sincerely
David Saunders

DAVID SAUNDERS
Private Secretary



22 AUG 1982



PRIME MINISTER

Lord Shackleton's Report

It would be helpful if you could let me know after the weekend how you wish this Report to be handled in Whitehall. At the moment, as you know, I have only sent copies to ^{the} Foreign and Defence Secretaries and Sir Robert Armstrong for their personal use. Further copies are available. It will speed up work if the Cabinet Office can be authorised to distribute copies to all members of OD(FAF) and any other Departments who will need to be involved in considering the recommendations. Agree that we should proceed in this way?


I also attach a letter from Lord Shackleton's Private Secretary listing a number of people to whom Lord Shackleton would like to send the confidential version of his Report. Distribution of these confidential versions will of course increase the risk of leakage. But you may think that, provided Lord Shackleton emphasises personally to all those on the list that they must protect the contents of the Report carefully, they may all receive copies.

Agree? Yes - but it would be better if they had the 'restricted' version

The letter refers to Lord Buxton's request for a copy of the Report. Would you wish him to have one also?

*otherwise the public
hardly think I should
A.S.C. not be published
will get into the
press
not*

30 July 1982



*With the compliments of
the Attorney-General*

*Attorney General's Chambers,
Law Officers' Department,
Royal Courts of Justice,
Strand. W.C.2A 2LL*

01 405 7641 Extn. 3201

Prima Similia

A.F.C. 20/7



[Handwritten signature]

SECRETARY OF STATE FOR DEFENCE

SOUTH ATLANTIC FUND

I see no objection to the Trustees' proposal provided that the interim payments are made by the trustees of service benevolent funds and are stated to be for the purpose of relieving the needs of the widows and other dependents of those who died.

2. On this basis there is no reason why the Trustees should not make a public statement that they are immediately transferring £x from the funds which they hold over to the service benevolent funds for this purpose.

MH

30 July 1982



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-9207022 218 2111/3

MO 5/21

30th July 1982

Dear John,

Prime Minister

To note.

MR 30/7

FALKLANDS: WAR GRAVES

In your letter of 26th July you asked about progress on establishment of the Commonwealth War Graves cemetery in the Falklands.

We are now ready to begin the process of consulting individual families about whether they want the bodies of their next of kin to be returned to the UK or buried formally in a cemetery in the Falklands. As soon as we know how many choose the latter option we will arrange for the Commonwealth War Graves Commission to prepare the headstones and send them to Port Stanley where they can be erected over the graves into which the bodies will by then have been moved from their temporary burial places.

All this should be done by January 1983. However we do not believe it will be possible to prepare and erect by that date the memorial in the cemetery to all those buried or lost at sea or whose graves are unknown; nor will it be possible to carry out all the horticultural work on the cemetery - landscaping, planting of shrubs, and so on - which will be necessary to make it a more attractive setting. This second process will take some time. For these reasons we are thinking in terms of arranging visits for next of kin sometime during the following Falklands summer, ie a year after the 150th anniversary, when everything should be finally in place.

I am copying this to Francis Richards (Foreign and Commonwealth Office).

Yours ever,

Jane Ridley
 (J E RIDLEY)(MISS)

A J Coles Esq

MINISTRY OF DEFENCE
MAIN BUILDING WINDMILL LONDON SW1
Telephone 01-914 1031

30 JUL 1982





de

10 DOWNING STREET

From the Private Secretary

30 July 1982

The South Atlantic Fund

Thank you for your letter of 28 July explaining the situation about payments from the above Fund. The Prime Minister accepts Mr. Nott's advice that it would not be appropriate for her to write to the Chairman of the Trustees.

A. J. COLES

Nick Evans, Esq.,
Ministry of Defence.

S



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 (Direct Dialling)

01-218 9000 (Switchboard)

PARLIAMENTARY UNDER-SECRETARY OF STATE
 FOR THE ARMED FORCES

Prime Minister

To note.

MR 30/7

D/US of S(AF)/JW/
 25-5-7-9

30th July 1982

MB

attached (original with PM)

Dear John,

Nick Evans wrote to you on 28th July setting out the proposals for immediate lump sum payments of South Atlantic Fund money to dependants and mentioning the legal problems, of which the Prime Minister was informed by the Attorney General yesterday afternoon. The Trustees of the Fund accept that there is a modest legal risk in proceeding but Mr Wiggin believes that this risk must be taken.

The Trustees have therefore made their judgement that the immediate needs of dependants justify the grant of up to £10,000 per dependant in the first instance and arrangements are being made to proceed with such payments. Future needs will be assessed by the Benevolent and Dependants Funds.

Mr Wiggin intends to hold a Press Conference on Monday afternoon in order to clarify disbursements from the Fund to date (£1.5m) and confirm the above payments (a further £1.8m). The total of £3.3m disbursed out of £10½m should prevent any severe criticism of the Fund's management, and much will be made of the likelihood that the most substantial demands for financial assistance from the Fund will come in the longer term as psychiatric, disablement and educational problems manifest themselves. The Service Benevolent Funds will be well placed to dispense the South Atlantic Fund money remaining for such purposes.

It is hoped that this will all pre-empt any criticism.

Yours Ever,

David Arnold-Forster

(D O ARNOLD-FORSTER)
 Private Secretary

A J Coles Esq

MINISTRY OF DEFENCE
HEADQUARTERS
CANTONMENT
LONDON



0 JUL 1982



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WONFO 29/3040 NN 005/30

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IMMEDIATE



PP UKMIS NEW YORK

ADVANCE COPY

PS
PS/M Orslaw
PS/M Howard
PS/Pus
~~W. W. W. W. W.~~
M Use

OO F C O (DESKBY 300830Z)

Hil/NAD
Hil/Strick
Falkland Island Unit
Hil/Newport
PS/N° 10 JS (2)

PP PARIS

PP BONN

PP UKDEL NATO

PP UKREP BRUSSELS

PP ROME

GPS 600

CONFIDENTIAL

DESKBY 300830Z

FROM WASHINGTON 300210Z JUL 82.

TO IMMEDIATE F C O

TELEGRAM NUMBER 2607 OF 29 JULY

INFO PRIORITY UKMIS NEW YORK, UKREP BRUSSELS, UKDEL NATO,
PARIS, BONN, ROME.

M.I.P.T.: MEETING WITH SHULTZ.

FALKLAND ISLANDS

1. SHULTZ SAID THAT HE HAD BEEN STRUCK HOW SWIFTLY A SEEMINGLY ISOLATED DISPUTE HAD BECOME INTERNATIONALIZED. THIS HAD BROUGHT HOME TO HIM THE FORMIDABLE DIFFICULTIES OF CONTAINING DISPUTES.

2. YOU REPLIED THAT OUR DECISIVE AND RAPID ACTION TO

2. YOU REPLIED THAT OUR DECISIVE AND RAPID ACTION TO RESOLVE THE DISPUTE HAD PREVENTED THE DAMAGE FROM SPREADING AS WIDELY AS SOME HAD FEARED: BRITISH RELATIONS WITH LATIN AMERICA HAD NOT BEEN BADLY HURT, ALTHOUGH YOU KNEW THAT THE AMERICANS WERE WORRIED ABOUT THE IMPACT ON THEIR OWN RELATIONS WITH LATIN AMERICA AS A RESULT OF THE INVALUABLE SUPPORT THEY GAVE TO THE UK.

3. SHULTZ AGREED THAT THE US HAD BEEN HURT MORE THAN THE UK. THE LATINOS REGARDED US POLICIES OVER THE FALKLANDS AS AN ACT OF BETRAYAL. THE UNITED STATES HAD NO SECOND THOUGHTS ABOUT ITS SUPPORT FOR US, EVEN THOUGH MAJOR PROBLEMS WOULD NEED TO BE RESOLVED WITH SEVERAL LATIN COUNTRIES, ESPECIALLY VENEZUELA.

4. YOU DESCRIBED HOW WE RECOGNISED THAT IT WOULD PROBABLY PROVE IMPOSSIBLE SOON TO OBTAIN FROM THE ARGENTINES ACKNOWLEDGEMENT OF A FULL CESSATION OF HOSTILITIES. WE WERE NEVERTHELESS TRYING TO DE-ESCALATE TENSION WITH ARGENTINA (SHULTZ SAID THAT HE APPRECIATED OUR SKILL IN DOING THIS) AND THAT WE WOULD PROBABLY LIFT ECONOMIC SANCTIONS IN DUE COURSE. FOR THE PRESENT HOWEVER THE TASK IN HAND WAS TO REHABILITATE THE ISLANDS. WE APPRECIATED THE DIFFICULTY IN MAKING OUR FRIENDS UNDERSTAND WHY WE COULD NOT NEGOTIATE WITH ARGENTINA AT THE MOMENT: HOWEVER THE FALKLANDS WERE BRITISH, AND THUS AS LONG AS ARGENTINA INSISTED ON ARRANGING A TRANSFER OF SOVEREIGNTY TO THEM, THERE WAS NOTHING FOR US TO DISCUSS.

5. YOU SAID THAT WE WOULD CONTINUE TO IMPOSE OUR ARMS EMBARGO AGAINST ARGENTINA AND HOPED THAT THE US WOULD KEEP ITS OWN EMBARGO IN PLACE. SHULTZ REPLIED THAT THERE WAS A CONTINUUM OF STEPS OPEN TO THE US. THE FIRST WAS A REOPENING OF THE ARMS SUPPLY PIPELINE WHICH HAD BEEN CLOSED ON 30 APRIL. THIS CONTAINED ABOUT DOLLARS 3.6 MILLION OF WAR MATERIALS BASED ON CONTRACTS WHICH PRE-DATED THE IMPOSITION OF A GENERAL ARMS EMBARGO AGAINST ARGENTINA IN 1978. SECONDLY, THERE WAS A MORE GENERAL QUESTION OF THE ARMS EMBARGO ITSELF. THE US CONTINUED TO BE CONCERNED ABOUT ARGENTINA'S HUMAN RIGHTS PERFORMANCE, AND A JUDGEMENT WOULD NEED TO BE MADE ON WHEN TO LIFT THAT EMBARGO. SHULTZ UNDERTOOK TO MAINTAIN CLOSE CONTACT WITH THE UK ON US THINKING ABOUT ARMS SALES AND TO GIVE ADVANCE WARNING OF ANY CHANGE IN EXISTING POLICY. HE THOUGHT THAT THE TIME WOULD SOON COME TO RELEASE THOSE ITEMS CAUGHT IN THE PIPELINE WHEN IT WAS CLOSED IN APRIL.

~~THOUGHT THAT THE TIME WOULD SOON COME TO RELEASE THOSE ITEMS
CAUGHT IN THE PIPELINE WHEN IT WAS CLOSED IN APRIL.~~

6. YOU EXPLAINED THAT THE COST OF MILITARILY DEFENDING THE ISLANDS AGAINST ARGENTINE THREATS WOULD RUN INTO HUNDREDS OF MILLIONS OF POUNDS. YOU ADDED HOWEVER THAT THE RECOVERY OF THE ISLANDS HAD HAD A SIGNIFICANT POLITICAL IMPACT IN UK DOMESTIC POLITICAL TERMS. SHULTZ DREW A PARALLEL BETWEEN THE INTERNATIONAL IMPACT OF OUR DETERMINATION OVER THE FALKLAND ISLANDS TO THE DOMESTIC IMPACT OF PRESIDENT REAGAN'S ACTION IN FIRING THE AIR TRAFFIC CONTROLLERS. NO ONE HAD THOUGHT THAT THESE RESOLUTE ACTIONS WOULD EVER HAVE BEEN POSSIBLE; HOWEVER THE FACT THAT BOTH GOVERNMENTS HAD THE COURAGE TO TAKE SUCH STEPS INJECTED A NEW AND ENCOURAGING REALITY INTO THE SITUATION. BRITISH ACTION IN THE FALKLAND ISLANDS WOULD HAVE MADE PEOPLE REALISE THAT SOME COUNTRIES WERE PREPARED TO FIGHT FOR PRINCIPLES. THIS COULD HAVE A HEALTHY STABILISING EFFECT BEYOND PARTICULARS OF THE DISPUTE ITSELF.

HENDERSON

NNNN

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FALKLAND ISLANDS ECONOMIC STUDY 1982

Room 1/6
Old Admiralty Building
Whitehall, London SW1A 2AS

Telephone 01-273 3045/5073

Chairman: Lord Shackleton KG PC OBE
Secretary: K D Temple

Ref: 0281

29 July 1982

J Coles Esq
No 10 Downing Street
London
SW1

Jean John,

FALKLAND ISLANDS ECONOMIC STUDY

We spoke yesterday about the people to whom Lord Shackleton would like to send copies of the confidential version of his Falkland Islands Economic Study. You asked me to send you a list of their names and a note on why they might receive the document; they are as follows:

*Paragraphs deleted and closed, 40 years
under FOI Exemptions.*

*Wayland
31 May 2012*

- c. HUGH THOMAS : (with whom Lord Shackleton had a discussion on the Falkland Islands when they had a chance encounter very recently).
- d. RAY ADIE : British Antarctic Survey (who provided Appendix 4 of our study, and much advice passim).
- e. JIM PARKER : (former Governor of the Falkland Islands, who has had two long meetings with us and provided much useful advice).
- f. LORD FRANKS : (as a courtesy, since I know that his team has studied Lord Shackleton's 1976 Report).

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We also discussed Lord Buxton who has been pressing to receive a copy of the report. I have passed a message to him explaining that the Prime Minister's Office are restricting circulation of the document very tightly at the moment, and that I can do no more.

I will not send copies to any of the above-named until I hear from you again, nor indeed will I distribute any of the offset-litho printed copies until so instructed by either you or someone appropriate in the Cabinet Office.

Yours sincerely,



K D TEMPLE
SECRETARY

CONFIDENTIAL



copy
box
on 29/7

MO 5/21/3

ATTORNEY GENERAL

THE SOUTH ATLANTIC FUND

The Trustees of the South Atlantic Fund are anxious to make immediate interim payments of £10,000 to all widows of those who died with the Task Force, and smaller sums in respect of each child or for other dependants. The figures are equivalent to payments made under the Criminal Injuries Compensation Act for deaths in Northern Ireland.

2. I fully support the Trustees in this and so does the Prime Minister. I understand however that the Treasury Solicitor has some doubts about whether such payments are fully in accordance with the Trust Deed. I hope that these difficulties can be quickly resolved. Those who contributed so generously to the fund will I am sure welcome such payments and it would be unfortunate if they were held up on a legal nicety.

3. I am copying this minute to the Prime Minister and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be the initials "S.W." or similar, written in a cursive style.

Ministry of Defence
29th July 1982

ADVANCE COPIES: FALKLAND ISLANDS GENERAL

~~43~~ [TYPISTS AA]

PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
~~SIR J BULLARD~~ Mr Hanning
SIR I SINCLAIR
~~MR GIFFARD~~ Mr Donald
MR WRIGHT
~~MR ADAMS~~ Mr Goodson
~~LORD N G LENNOX~~ Mr White
LORD BRIDGES
MR URE
~~MR GILBERT~~

PS/NO 10 DOWNING ST (2)
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

HD/PUSD (2)
HD/S AM D
HD/FALKLANDS UNIT (2)
HD/DEFENCE DEPT
HD/NEWS DEPT
HD/ERD
HD/ECD(E)
HD/UND
HD/PLANNING STAFF
RESIDENT CLERK

ROOM 8 FOR MODUK C IN C. FLEET

Mr. COLIN ROTH, LAEPD, ODA
Mr. BORDEN, LAEPD, ODA

IMMEDIATE

CONFIDENTIAL

FROM UKMIS GENEVA 291618Z JUL 82

TO IMMEDIATE FCO

TELNO 446 OF 29 JULY

INFO PRIORITY UKMIS NEW YORK, CASTRIES

MY 2 IPTS: ECOSOC/ ARGENTINA SANCTIONS

1. THIS OUTCOME WAS A SERIOUS DEFEAT FOR ARGENTINA, COMING ON TOP OF THEIR FAILURE TO SECURE G77 ENDORSEMENT. IT WAS ALSO A VICTORY FOR COMMONWEALTH AND COMMUNITY COOPERATION. THE RISK WE FACED WAS THAT A NUMBER OF DEVELOPING COUNTRIES, WHILE UNHAPPY ABOUT THE RESOLUTION, WOULD NOT FEEL ABLE TO VOTE AGAINST IT, AND THAT AS A RESULT THE ARGENTINIANS WOULD BE ABLE TO GET A SMALL MAJORITY IN ITS FAVOUR. THEY WERE INDEED CONFIDENT OF THEIR ABILITY TO DO SO. BUT, FOR THE REASONS EXPLAINED IN MY TELNO 441, I FELT WE COULD ACHIEVE OUR OBJECTIVE IF WE WERE TO STYMIE THE ARGENTINIAN DRAFT PROCEDURALLY. OUR CONSULTATIONS WITH THE COMMONWEALTH SHOWED THAT A SUFFICIENT NUMBER OF THEM MIGHT BE PREPARED TO VOTE IN FAVOUR OF SUCH A PROCEDURAL MOTION WHEREAS THEY COULD ONLY HAVE ABSTAINED ON THE RESOLUTION ITSELF.

A SUFFICIENT NUMBER OF THEM WERE PREPARED TO
~~SUCH A PROCEDURAL MOTION WHEREAS THEY COULD ONLY HAVE ABSTAINED ON
THE RESOLUTION ITSELF.~~

2. I AM GRATEFUL FOR THE RAPID ACTION TAKEN IN LONDON AND IN
CASTRIES TO HELP SECURE THE NECESSARY AUTHORITY FOR THE ST LUCIA
DELEGATE, ST. AIMEE, TO PROPOSE THE PROCEDURAL MOTION. HE DID THIS
CONVINCINGLY. BAHAMAS, KENYA, MALAWI AND SWAZILAND IN ADDITION TO
ALL THE EUROPEANS, USA, AUSTRALIA, CANADA, JAPAN AND NEPAL VOTED
IN FAVOUR OF THE PROCEDURAL MOTION. FIJI WAS ABSENT. INDIA,
BANGLADESH, NIGERIA AND CHINA ABSTAINED, AS DID MOST OF THE ASIAN
COUNTRIES AND SOME OF THE AFRICANS. THE LATIN AMERICANS VOTED
SOLIDLY AGAINST THE PROCEDURAL MOTION. THEY HAD THE SUPPORT ONLY
OF THE SOVIET BLOC, BENIN, ETHIOPIA, IRAQ, LIBYA AND TUNISIA.
THE FRANCOPHONE AFRICANS DID NOT COME UP TO SCRATCH.

3. THE MATTER WILL UNDOUBTEDLY COME UP AGAIN IN THE GENERAL ASSEMBLY.
BUT THE OUTCOME IN ECOSOC MAY GIVE SOME OF THE FAINT HEARTS PAUSE
FOR REFLECTION AND POSSIBLY ENCOURAGEMENT. THE DANES DID A VERY
GOOD JOB ON BEHALF OF THE COMMUNITY IN CAPITALS AS WELL AS IN
GENEVA. THE HEAD OF THE US DELEGATION, SORZANO FROM NEW YORK,
SAID TO ME RATHER WISTFULLY THAT ONCE AGAIN THE POLITICAL APPOINTEES
HAD BEEN SHOWN BY THE BRITISH PROFESSIONALS HOW TO USE THE UN.

4. YOU MAY WISH TO CONVEY TO THE ST LUCIA AUTHORITIES AND EXPRESSION
OF OUR APPRECIATION FOR THE WAY IN WHICH ST AIMEE HANDLED THE ISSUE.

MARSHALL

NNNN

SENT AT 29/1653Z IM

ADVANCE COPIES: FALKLAND ISLANDS GENERAL

~~44~~ 42 39

IMMEDIATE

PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
SIR J BULLARD
SIR I SINCLAIR
MR GIFFARD
MR WRIGHT
MR ADAMS
LORD N G LENNOX
LORD BRIDGES
MR URE
MR GILLMORE

MR HAINWAY

MR GOODISON

MR WHITE

HD/PUSD (2)
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HD/UND
HD/PLANNING STAFF
RESIDENT CLERK

PS/NO 10 DOWNING ST (2)
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

ROOM 8 FOR MODUK C IN C FLEET

Mr. COLIN ROTH, LAEPD, ODA
MR. BORDEN, LAEPD, ODA

Prime Minister

UNCLASSIFIED
FM UKMIS GENEVA 291600Z JUL 82
TO IMMEDIATE FCO
TELNO 444 OF 29 JULY 1982
INFO PRIORITY UKMIS NEW YORK, CASTRIES

First round to the U.K. -
but it will not be so easy in
the General Assembly.

A.S.C. 30/7

YOUR TELNO 317 (NOT TO CASTRIES): ECOSOC/ARGENTINA SANCTIONS

1. A PROCEDURAL PROPOSAL BY ST LUCIA UNDER RULE 67(2) THAT ECOSOC SHOULD TAKE NO ACTION ON THE ARGENTINIAN DRAFT RESOLUTION (L51) WAS ADOPTED TODAY (29 JULY) BY 20 VOTES TO 18 WITH 15 ABSTENTIONS. VOTING PATTERN IS BEING SENT TO THE FCO BY FACSIMILE.

2. THE DRAFT RESOLUTION WAS INTRODUCED BY VENEZUELA WITHOUT POLEMICS. ST LUCIA (ST AIMEE) DREW ATTENTION TO THE LATE SUBMISSION OF THE DRAFT, DEPLORED ITS DIVISIVE CHARACTERISTICS, CONTRASTED IT WITH OUR ATTEMPTS TO "REVITALISE" ECOSOC AND FORMALLY PROPOSED THAT NO DECISION SHOULD BE TAKEN UPON IT. DENMARK ON BEHALF OF THE COMMUNITY SPOKE IN SUPPORT (TEXT IN MIFT). VENEZUELA REPLIED BRIEFLY BUT UNCONVINCINGLY AND ASKED THAT THE VOTE SHOULD BE BY ROLL CALL. AFTER THE ARGENTINIAN AMBASSADOR HAD ATTEMPTED TO CONFUSE THE ISSUE THE COUNCIL VOTED WITH THE RESULT INDICATED ABOVE.

3. AFTER THE VOTE VENEZUELA SAID TTHAT THEY WOULD REVERT TO THE QUESTION DURING THE GENERAL ASSEMBLY. BULGARIA MADE A RAMBLING STATEMENT ON BEHALF OF THE SOVIET BLOC ALLEGING THAT ST LUCIA WAS ACTING UNDER COERCION.

4. IN A WELL PRESENTED RIGHT OF REPLY AT THE END OF THE SESSION ST AIMEE REJECTED THE BULGARIAN ALLEGATION.

5. SEE MY 2 IPTS.

MARSHALL

NNNNN *

SENT AT 291642Z IM

PS
 PS/MR HURD
 PS/MR ONSLOW
 PS/MR RIFKIND
 PS/PUS
~~SIR J BULLARD~~
 SIR I SINCLAIR
~~MR GIFFARD~~
 MR WRIGHT
~~MR DAVIS~~
~~LORD BRIDGES~~
 LORD BRIDGES
 MR URE
~~MR GILMORE~~
 Mr Goodison
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 MR LITTLER)
 MR BULL) B/ENGLAND
 MISS DICKSON) D/ENERGY
 MR PERETZ) TREASURY
 SIR R ARMSTRONG)
 SIR M PALLISER)
 MR. A D S GOODALL) CABINET OFFICE
 DIO)

~~ROOM 8 FOR MODUK 8 IN C FLEET~~

Mr. COLIN ROTH, LACPD, ODA
 Mr. BORDEN, LACPD, ODA.

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FM WASHINGTON 292145Z JUL 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 2599 OF 29 JULY

ARGENTINA: ECONOMIC SANCTIONS

1. THE FOLLOWING MESSAGE HAS BEEN RELATED TO US BY THE US
 TREASURY FROM MR RICHARD DAVIS, COUNSEL RETAINED BY THE
 ARGENTINIAN CENTRAL BANK IN THE US, WITH THE REQUEST THAT IT
 BE PASSED ON TO THE BRITISH AUTHORITIES:

QUOTE MY CLIENTS WISH TO MAKE IT CLEAR THAT IF THE RESTRICTIONS
 ARE REMOVED, THEY WILL PAY THE BRITISH BANKS UNQUOTE.

2. THE MESSAGE CAME BY WAY OF MR RUSSEL MUNK, (ASSISTANT GENERAL
 COUNSEL FOR INTERNATIONAL AFFAIRS, US TREASURY) AND MR JIM AMMERMAN
 (DIRECTOR, INTERNATIONAL BANKING US TREASURY). MR DAVIS WAS
 ASSISTANT SECRETARY AT THE US TREASURY AT THE TIME OF THE IRANIAN
 ASSETS FREEZE AND MAY BE SEEN AS AN APPROPRIATE CHANNEL FOR
 COMMUNICATION BY THE ARGENTINIAN AUTHORITIES.

3. AMMERMAN AND MUNK BELIEVE, APPARENTLY ON THE BASIS OF

3. AMMERMAN AND MUNK BELIEVE, APPARENTLY ON THE BASIS OF EARLIER DISCUSSIONS WITH MR DAVIS, THAT THE TERM QUOTE THE RESTRICTIONS UNQUOTE REFERS TO THE ASSET FREEZE, TRADE SANCTIONS, RESTRICTIONS ON THE MOVEMENT OF ARGENTINIAN NATIONALS AND THE EXCLUSION ZONE. IT WAS NOT CLEAR WHETHER IT WAS THE TEZ OR THE MODIFIED ZONE THAT WAS REFERRED TO.

COMMENT

4. OUR CONCERN TO ENSURE ARGENTINIAN RECIPRICITY FOLLOWING THE RELAXATION OF UK RESTRICTIONS, PARTICULARLY IN RESPECT OF THE POSITION OF UK BANKS, IS WELL KNOWN BY THE US AUTHORITIES (AS IT IS INDEED BY MANY OTHERS). IT SEEMS LIKELY THAT THE US AUTHORITIES HAVE BEEN GOING OVER THIS GROUND INFORMALLY WITH MR DAVIS AND THAT HE HAS PASSED THESE THOUGHTS BACK TO BUENOS AIRES. THIS MESSAGE APPEARS TO BE A REACTION. IT SEEMS REASONABLE TO SUPPOSE THAT THIS HAS BEEN SANCTIONED AT A HIGH LEVEL WITHIN THE BANK OF ARGENTINA (AND THEREFORE MOST-PROBABLY IN THE ECONOMICS MINISTRY) BUT WIDER GOVERNMENT APPROVAL, PARTICULARLY BY THE RULING JUNTA, CERTAINLY CANNOT BE TAKEN FOR GRANTED. THE ATTEMPTS TO LINK THE UNBLOCKING OF PAYMENTS TO ACTION IN RELATION TO THE TEZ IS OF COURSE COMPLETELY UNREALISTIC.

5. FCO PLEASE ADVANCE TO BAYNE (FRD), BULL (BANK OF ENGLAND) AND PERETZ (H M TREASURY)

HENDERSON

NNNN

P 252100Z JUL 82
FM HM CIVIL COMMISSIONER

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PT STANLEY

TO FCO LONDON
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SIC CSA

TO PRIORITY FCO LONDON TEL NO OF 29 JUL 82.

YOUR TEL NO PERSONAL 13 LEGISLATIVE COUNCIL.

1. THERE WERE A FEW SURPRISES YESTERDAY AT THE FIRST MEETING OF THE LEGISLATIVE COUNCIL SINCE THE ARGENTINE INVASION
2. AFTER MY OPENING STATEMENT, COUNCILLOR PECK COMPLAINED THAT THE ATTENDANCE OF THE MILITARY COMMISSIONER AS PROVIDED FOR IN THE FALKLAND ISLANDS (INTERIM ADMINISTRATION) ORDER REPRESENTED A BREACH OF THE PRINCIPLE THAT THE CONSTITUTION SHOULD NOT BE CHANGED WITHOUT CONSULTATION. THIS WAS A PREDICATBLE COMPLAINT GIVEN THE TRADITIONAL SENSITIVITY ON THIS PRINCIPLE. I HAD HAD SOME DIFFICULTIES WITH THE COUNCILLORS IN PRIVATE CONSULTATION ON THIS BUT I DO NOT EXPECT TO HEAR MORE OF IT - THEY ALL SEE THAT IT MAKES COMMON SENSE FOR THE GENERAL TO BE PRESENT AND ANSWER QUESTIONS ON MILITARY MATTERS
3. ALL COUNCILLORS THEN SPOKE OF THEIR GRATITUDE TO HMG AND TO THE TASK FORCE FOR THEIR LIBERATION
4. THERE WAS NO REAL DISCUSSION OF THE LONGER TERM FUTURE OF THE ISLANDS, ALTHOUGH ONE COUNCILLOR EXPRESSED RESERVATIONS ABOUT PERSONAL VIEWS THAT I HAD EXPRESSED ON THE RADIO ABOUT THE DESIRABILITY IN TERMS OF INTERNATIONAL OPINION OF A LOOSER ASSOCIATION WITH BRITAIN
5. THERE WAS LITTLE OF INTEREST TO REPORT ON THE DISCUSSION ON MOTIONS CONTAINED IN MY TEL NO 099, APART FROM THE WITHDRAWAL OF PECKS MOTION ON RECRUITMENT IN UK REPORTED SEPARATELY. HE ALSO WITHDREW HIS MOTION ON CONSTITUTIONAL CHANGES AS THIS SUBJECT IS UNDER CONSIDERATION BY A SELECT COMMITTEE
6. WE WERE ALSO ASKED WHETHER THERE HAD BEEN ANY REPLY FROM THE ARGENTINE GOVERNMENT TO HMG REQUEST TO ENSURE THAT THEIR WARSHIPS AND MILITARY AIRCRAFT DID NOT ENTER A ZONE 150 MILES AROUND THE FALKLAND ISLANDS. WE PROMISED TO ASK YOU IF THERE HAD BEEN ANY FURTHER COMMUNICATION TO OR FROM THE ARGENTINE GOVERNMENT. HUNT

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50

PRIME MINISTER

Lord Shackleton's Report

It would be helpful if you could let me know after the weekend how you wish this Report to be handled in Whitehall. At the moment, as you know, I have only sent copies to Foreign and Defence Secretaries and Sir Robert Armstrong for their personal use. Further copies are available. It will speed up work if the Cabinet Office can be authorised to distribute copies to all members of OD(FAF) and any other Departments who will need to be involved in considering the recommendations. Agree that we should proceed in this way?

A. J. COLES

29 July, 1982

Re-submitted to pm as per AJC to pm of 30/7/82



see AH
cc MOD

10 DOWNING STREET

From the Principal Private Secretary

29 July 1982

RESTRICTED

RF

Dear Jim,

SOUTH ATLANTIC FUND

When the Attorney General saw the Prime Minister this afternoon about another matter, he took the opportunity to mention that it was important that we should be very careful about what was said in public about payments from the South Atlantic Fund to the widows and other dependants of those killed in the Falklands campaign. Unlike the Penlee fund, the South Atlantic Fund was a charity, and this meant that payments from it could be made only on need. He understood that Mrs Jones, the widow of Lieutenant-Colonel Herbert Jones, had inherited £187,000, and at first sight it appeared unlikely that it could be shown that she was in need. It was therefore wrong to make statements to the effect that every widow would get £10,000, as press reports had suggested.

The Prime Minister said that this was very disappointing. She believed that the fund was intended to compensate dependants for the loss of their husbands and fathers and that they should all therefore be treated in the same way. She would be grateful if further work could be done to establish whether there was any way at all in which the fund could make payments of the kind she would like to see.

I am sending a copy of this letter to Richard Mottram (Ministry of Defence).

Yours ever,

John Major

J. Nursaw Esq.,
Law Officers' Department.

see MOD 6151
30/7

AH

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GRS 340
CONFIDENTIAL
FM PARIS 281310Z JUL 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 777 OF 28 JULY 1982

MY TELNO 774: ALLEGATIONS OF FRENCH HELP FOR ARGENTINA OVER EXOCETS

1. THE FRENCH MINISTRIES OF DEFENCE AND EXTERNAL RELATIONS ISSUED LAST NIGHT (27 JULY) A JOINT STATEMENT (TRANSLATION IN MIFT). THE QUAI SENT US THE STATEMENT THIS MORNING UNDER COVER OF A NOTE SIMPLY TRANSMITTING THE TEXT.

2. GUTMAN TOLD ME LAST NIGHT THAT THE FRENCH WERE STILL PURSUING THEIR ENQUIRIES WITH FIRMS CONCERNED AND ALTHOUGH HE REFERRED TO A STATEMENT WHICH HAD BEEN IN PREPERATION FOR THE PREVIOUS DAY AND A HALF, CLEARLY WAS UNAWARE THAT IT ISSUED IN FACT JUST BEFORE I SAW HIM. WE THEREFORE ASKED THE QUAI THIS MORNING WHETHER THE STATEMENT WAS DIFINITIVE AND WHETHER IT MEANT THAT ENQUIRIES WERE COMPLETE. THE QUAI REFERRED US TO THE MINISTRY F DEFENCE AND SAID THAT GUTMANN WAS ANGRY THAT HE HAD NOT BEEN TOLD THAT THE STATEMENT HAD ISSUED. THE MINISTRY OF DEFENCE (HEISBOURG IN HERNU'S CABINET) DID NOT REPLY DIRECTLY TO THE QUESTION WHETHER ENQUIRIES WERE NOW COMPLETE BUT SAID THAT THE FRENCH WERE "ON THE WATCH" FOR POSSIBLE FURTHER INFORMATION. HEISBOURG THOUGHT IT UNLIKELY THAT THERE WOULD BE A FURTHER STATEMENT.

3. IT LOOKS THEREFORE AS THOUGH THE FRENCH HAVE NOT YET EXHAUSTED ALL THEIR LINES OF ENQUIRY BUT ARE HOPING THAT THE STATEMENT WILL SUFFICE TO DAMP DOWN THE AFFAIR.

4. A MEMBER OF LEMOINE'S CABINET (LEMOINE IS SECRETARY OF STATE AT THE MINISTRY OF DEFENCE AS HERNU'S DEPUTY) TOLD US YESTERDAY THAT THE FRENCH SUSPECTED THAT THE SUNDAY TIMES WAS BEING MANIPULATED IN ORDER TO CAUSE FRICTION BETWEEN FRANCE AND BRITAIN AT A TIME WHEN EUROPE WAS STANDING UP TO THE US. THERE IS AN ALLUSION TO THIS IN THE LAST SENTENCE OF THE STATEMENT.

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/ 5. A DASSAULT

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5. A DASSAULT SPOKESMAN IS QUOTED BY AGENCE PRESSE AS SAYING THAT THE BRITISH UNDERESTIMATED THE ARGENTINES, WHO HAD ENGINEERS PERFECTLY COMPETENT TO FIT AM39S TO THE SUPER ETENDARDS. THE SPOKESMAN ALSO SAID THAT THE FRENCH TECHNICIANS STAYED IN BUENOS AIRES PROVINCE THROUGHOUT THE CONFLICT AND COULD NOT HAVE WORKED ON THE SUPER ETENDARDS, WHICH WERE BASED IN PATAGONIA.

6. THE PRO-GOVERNMENT LE MATIN QUOTES GOVERNMENT SOURCES AS CONFIRMING THAT SUPER ETENDARDS AND MIRAGE 111 MADE SIMULATED ATTACKS ON THE BRITISH FLEET.

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FM PARIS 281610Z JUL 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 778 OF 28 JULY 1982

MIPT. EXOCETS: FRENCH STATEMENT

BEGINS

QUOTE IN AN ARTICLE IN THE SUNDAY TIMES OF 25 JULY ASSERTIONS WERE MADE WHICH MIGHT DISTURB FRANCO-BRITISH COOPERATION. AN ENQUIRY WAS IMMEDIATELY ORDERED BY THE MINISTER OF DEFENCE. IT TRANSPIRES THAT:

I) THE FRENCH GOVERNMENT IMPOSED ON 7 APRIL AN EMBARGO ON ALL MILITARY EXPORTS TO ARGENTINA. NO DELIVERY OF MILITARY MATERIAL HAS BEEN MADE TO ARGENTINA SINCE THAT DATE. THE EMBARGO ALSO COVERED MILITARY TECHNICAL ASSISTANCE. THESE INSTRUCTIONS WERE CONVEYED TO ALL THE FIRMS INVOLVED.

II) THE TEAM OF TECHNICAL ADVISERS (SEE ANNEX) WHICH WAS PUT IN PLACE IN NOVEMBER 1981 UNDER THE TERMS OF THE SUPER ETENDARD SALES CONTRACT CONCLUDED IN 1979, CARRIED OUT ITS WORK NORMALLY UNTIL THE BEGINNING OF HOSTILITIES IN PARTICULAR IN RESPECT OF THE CHECKING OF CIRCUITS ON THE AIRCRAFT IN PREPARATION FOR THE ARRIVAL OF THE SNIAS TECHNICIANS, ARRANGED BEFORE THE FALKLANDS CONFLICT FOR 10 APRIL. THE SNIAS MISSION, WHICH WAS DUE NOT ONLY TO MOUNT THE AM39 MISSILES BUT ABOVE ALL TO ADJUST THEM AND COMPLETE THEIR FINAL PREPARATION, WAS CANCELLED ON 7 APRIL. THERE WERE THEREFORE NO FRENCH AM39 SPECIALISTS IN ARGENTINA.

III) THE FOUR OPERATIONAL SUPER ETENDARDS OF THE ARGENTINE NAVY LEFT THE BASE AT BAHIA BLANCA ON 19 AND 20 APRIL FOR SOUTHERN ARGENTINA SOME 2,000 KILOMETRES AWAY. IT WAS FROM SOUTHERN ARGENTINA THAT ARGENTINE AIR OPERATIONS WERE CONDUCTED AGAINST THE BRITISH FLEET WHICH ARRIVED IN THE AREA ON OR ABOUT 30 APRIL, THE DATE ON WHICH THE UK IMPOSED ITS AIR AND SEA TOTAL EXCLUSION ZONE. IN ACCORDANCE WITH THEIR INSTRUCTIONS NONE OF THE NINE FRENCH TECHNICIANS LEFT BAHIA BLANCO DURING THE HOSTILITIES. NO FRENCH TECHNICIAN WAS IN SOUTHERN ARGENTINA.

IV) THE FRENCH GOVERNMENT TOTALLY FULFILLED THE OBLIGATIONS IMPOSED ON IT BY ITS COMPLETE SOLIDARITY WITH ITS BRITISH ALLY. AMONGST THE TEN STATES OF THE EUROPEAN COMMUNITY FRANCE WAS EXEMPLARY IN CARRYING OUT THE PROVISIONS IN FORCE FROM 7 APRIL THROUGHOUT THE VARIOUS DIPLOMATIC AND MILITARY PHASES OF THE CONFLICT.

/ THE FRENCH

THE FRENCH ATTITUDE WAS WITHOUT RESERVATION OR AFTERTHOUGHT. IT WOULD BE REGRETTABLE IF ERRONEOUS AND TENDENTIOUS PRESS ALLEGATIONS CONTRIBUTED TO SOWING DOUBTS AT A TIME WHEN THE UNITY OF EUROPE IS AN ABSOLUTE NECESSITY.

ANNEX

COMPOSITION OF THE SUPER ETENDARD TEAM SET UP FOR ONE YEAR IN NOVEMBER 1981

5 TECHNICIANS FROM MARCEL DASSAULT AIRCRAFT INCLUDING M. HERVE COLIN (NOT COLEN AS PRINTED BY THE SUNDAY TIMES)

1 TECHNICIAN FROM SNECMA

1 TECHNICIAN FROM THOMPSON-CSF (RADAR, HUD)

1 TECHNICIAN FROM ITEP (POWER SUPPLIES)

1 TECHNICIAN FROM SNIAS SPECIALISED IN AUTOMATIC GROUND TESTING EQUIPMENT FOR AIRCRAFT (ATEC) DESIGNED AND SUPPLIED BY THE QUOTE AIRCRAFT UNQUOTE DIVISION OF SNIAS, A STRUCTURE WHICH IS INDEPENDENT OF THE QUOTE TACTICAL MISSILES UNQUOTE DIVISION. THE SPECIALIST IN QUESTION HAS NO COMPETENCE IN THE FIELD OF TACTICAL MISSILES UNQUOTE
ENDS

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~~ROOM 8 FOR MODUR C IN C FLEET~~

Mr. COLIN ROTH, LACPD, ODA
Mr. BORDEN, LACPD, ODA.

MB

GRS 410
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FM SANTIAGO 281530Z JUL 82
TO IMMEDIATE FCO

TELEGRAM NUMBER 365 OF 28 JULY

INFO IMMEDIATE MEXICO CITY PRIORITY WASHINGTON, UKMIS NEW YORK
BRASILIA, CARACAS, BOGOTA, QUITO, LIMA, LA PAZ, MONTEVIDEO,
ASUNCION.

MY TELNO 347 : FALKLANDS : MEXICAN INITIATIVE IN THE UN

1. ZEGERS, DIRECTOR GENERAL OF FOREIGN POLICY, CALLED ME IN
YESTERDAY TO PASS ON INFORMATION WHICH HE THOUGHT WOULD BE
USEFUL TO US AND TO HAND OVER A COPY OF THE MEXICAN MEMORANDUM
OF 2 JULY LAUNCHING THIS INITIATIVE (TEXT BY BAG TO FCO ONLY). HE
SAID THAT, PROVIDED THE FORMAL LETTER TO THE UN SECRETARY GENERAL
IS DRAFTED IN TOLERABLY NEUTRAL TERMS, HE UNDERSTOOD THAT ALL
LATIN AMERICAN COUNTRIES (EXCEPT EX-BRITISH CARIBBEAN) WOULD
PROBABLY JOIN MEXICO AND ARGENTINA IN SUPPORTING INSCRIPTION
OF THE ITEM. ZEGERS ADDED THAT THE MAIN ELEMENTS IN ARGENTINA'S
CASE FOR INSCRIPTION WERE :

A) THE FALKLANDS DISPUTE HAD LED TO WAR AND WAS THEREFORE A

~~CASE FOR INSCRIPTION WERE:~~

A) ~~THE FALKLANDS DISPUTE HAD LED TO WAR~~ AND WAS THEREFORE A THREAT TO PEACE OF THE SOUTH AMERICAN CONTINENT AND TO THE INTER-AMERICAN SYSTEM SMI CLN

B) IT WAS A COLONIAL PROBLEM WHICH HAD BEEN UNDER CONSIDERATION IN THE UN LONG BEFORE THE CONFLICT SMI CLN

C) WITHOUT PRE-JUDGING THE QUESTION OF SOVEREIGNTY, THE RESOLUTION SHOULD DEMAND NEGOTIATIONS ABOUT THE PROBLEM UNDER UN AUSPICES.

2. ZEGERS STRESSED THAT CHILE HAD MADE NO DECISION ON THE MATTER AS YET. HE DID NOT REPEAT NOT REGARD THE CONFLICT AS A THREAT TO PEACE IN THE CONTINENT IN ANY REAL SENSE. HOWEVER, IT WOULD BE VERY DIFFICULT FOR CHILE TO STAND OUT ALONE AGAINST ALL FELLOW LATIN AMERICANS. HE ALSO MADE THE POINT THAT PREVIOUS UN RESOLUTIONS ON THE FALKLANDS HAD APPLIED EQUALLY TO SOUTH GEORGIA AND SOUTH SANDWICH ISLANDS AND SUGGESTED THAT IT HAD BEEN UNWISE OF BRITAIN TO ALLOW THIS EQUIVALENCE TO GO UNCHALLENGED. LIKE ALL HISPANIC STATES OF SOUTH AMERICA AND BRAZIL, CHILE HAD TO ACCEPT THE LEGAL BASIS FOR ARGENTINA'S CLAIM TO THE FALKLANDS SINCE THE UTI POSSIDETIS DOCTRINE WAS FUNDAMENTAL TO THEIR EXISTENCE AS STATES. BUT THE CLAIM TO OTHER TERRITORIES HAD A TOTALLY DIFFERENT BASIS AND, BY IMPLICATION, WAS NOT VALID IN CHILE'S VIEW.

3. I SAID THAT OUR POSITION WAS THAT ALL THESE ARGENTINE CLAIMS WERE BAD AND IT WAS NOT EASY TO SEE HOW WE COULD DISTINGUISH BETWEEN TWO ILL-FOUNDED CLAIMS. IT WAS NEVERTHELESS VERY HELPFUL TO BE MADE AWARE OF CHILE'S THINKING ON THE MATTER. ZEGERS DID NOT SPELL OUT THE SPECIFIC PURPOSE OF HIS APPROACH TO ME BUT NO DOUBT IT WAS TO PREPARE THE WAY FOR, AND TO TRY TO EXPLAIN TO ME, CHILE'S VOTE IN FAVOUR OF INSCRIPTION. I LEFT HIM IN NO DOUBT ABOUT OUR OPPOSITION TO THIS.

HICKMAN

NNNN

SENT AT//RECD AT 282044Z P L N //MNJ

ADVANCE COPIES: FALKLAND ISLANDS GENERAL

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SIR I SINCLAIR
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Mr. COLIN ROTH, LAEPD, ODA
Mr. BORDEN, LAEPD, ODA.

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FM WASHINGTON 282225Z JUL 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 2581 OF 28 JULY
INFO PRIORITY UKMIS NEW YORK.

YOUR CALL ON SHULTZ: FALKLANDS

1. WHEN YOU SEE SHULTZ, I THINK IT WILL BE IMPORTANT TO RE-EMPHASISE OUR CONTINUED OPPOSITION TO RELAXATION OF THE U.S. ARMS EMBARGO AGAINST ARGENTINA. THERE IS EVIDENCE THAT SOME U.S. OFFICIALS WOULD LIKE THE ADMINISTRATION TO BEGIN TO EASE THE RESTRICTIONS IN THE FAIRLY NEAR FUTURE. TWO SEPARATE QUESTIONS ARE AT ISSUE:

(1) THE EMBARGO ON ARMS SHIPMENTS TO ARGENTINA WAS ORIGINALLY IMPOSED IN 1978 ON HUMAN RIGHTS GROUNDS. THE EMBARGO DID NOT COVER ALL MILITARILY RELEVANT EQUIPMENT: JET ENGINES FOR USE IN ARGENTINA'S SKY HAWK AIRCRAFT ARE NOT, FOR INSTANCE, SUBJECT TO LICENSING FOR EXPORT. A GOOD DEAL OF EQUIPMENT IN THE PIPELINE WAS ALLOWED TO GO THROUGH. SINCE THE ARGENTINE INVASION, UNDER STRONG PRESSURE FROM US, THE EMBARGO HAS BEEN MUCH MORE STRICTLY ENFORCED. SOME PROGRESSIVE LIBERALISATION IS INEVITABLE, AS THE AMERICANS AT OUR

THROUGH. ~~SINCE THE ARGENTINE INVASION, UNDER STRONG PRESSURE FROM US, THE EMBARGO HAS BEEN MUCH MORE STRICTLY ENFORCED.~~ SOME PROGRESSIVE LIBERALISATION IS INEVITABLE, AS THE AMERICANS AT OUR BEHEST HAVE BEEN HOLDING UP A NUMBER OF ITEMS MAINLY BY ADMINISTRATIVE DELAY. BUT WE DO NOT WANT LIBERALISATION TO GO TOO FAR, OR TOO FAST.

(11) BEYOND THAT, THERE ARE THOSE ON THE LATIN AMERICAN SIDE OF THE STATE DEPARTMENT WHO WOULD LIKE TO MOVE PROGRESSIVELY TOWARDS A CERTIFICATION THAT THE ARGENTINE RECORD ON HUMAN RIGHTS HAS IMPROVED SUFFICIENTLY TO ENABLE THE EMBARGO TO BE LIFTED COMPLETELY IN A FEW MONTHS/TIME. (A MOVE WOULD HOWEVER BE LIKELY TO ENCOUNTER CONSIDERABLE RESISTANCE IN CONGRESS).

2. AGAINST THIS BACKGROUND, I THINK IT WOULD BE WORTH FOCUSING SHULTZ'S MIND ON THIS STRAIGHTAWAY, REMINDING HIM THAT THE ARGENTINES HAVE NOT RENOUNCED THE USE OF FORCE NOR GIVEN ANY FORMAL ACCEPTANCE OF THE GENERAL CESSATION OF HOSTILITIES, AND THAT WE HOPE THE AMERICANS WILL NOT MOVE TOWARDS ANY EARLY RESUMPTION OF ARMS SUPPLIES.

3. YOU MAY WISH ALSO TO RAISE THE QUESTION OF THE EXPECTED ARGENTINE DIPLOMATIC DEFENSIVE AT THE U.N. GENERAL ASSEMBLY. (UKMIS TELNO 1165). THE AMERICANS WILL REMAIN NEUTRAL ON THE QUESTION OF SOVEREIGNTY; AND THEIR ATTITUDE WILL DEPEND ON THE PRECISE TERMS OF ANY RESOLUTION WHICH IS PUT FORWARD. A SIMPLE CALL FOR NEGOTIATIONS, WITHOUT PREJUDICE TO THE QUESTION OF SOVEREIGNTY, THEY WOULD PROBABLY WANT TO SUPPORT. IF, HOWEVER, A RESOLUTION IS TABLED WHICH REITERATES PREVIOUS GENERAL ASSEMBLY AND NON-ALIGNED RESOLUTIONS RECOGNISING ARGENTINE QUOTE SOVEREIGNTY UNQUOTE, THEN THERE IS A GOOD CHANCE THAT THE AMERICANS CAN BE INDUCED TO ABSTAIN.

4. YOU WILL NO DOUBT WISH TO TELL SHULTZ THAT, SO FAR AS WE ARE CONCERNED, TALK OF NEGOTIATIONS NOW IS SIMPLY NOT ON AFTER ALL THAT HAS HAPPENED. YOU MIGHT ADD THAT WE ATTACH IMPORTANCE TO VERY CLOSE CONSULTATION, AND THE AVOIDANCE OF SURPRISES BETWEEN US, OVER WHATEVER RESOLUTIONS ARE TABLED AT THE U N.

HENDERSON

NNNN



South Atlantic Fund

Prime Minister

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

D. J. T. Collins
(Duty Clerk)
28/7/82

Telephone 01-~~938 7022~~ 218 2111/3

MO 5/21/2

28th July 1982

M

M

Dear John,

THE SOUTH ATLANTIC FUND

You told me this morning that, following the meeting of OD(FAF) this morning, the Prime Minister had asked for a draft letter which she might send to the Trustees of the South Atlantic Fund. The purpose would be to reinforce her concern that substantial capital payments from the Fund should be made as soon as possible to the next-of-kin of Servicemen killed in the South Atlantic.

By way of background I should explain that the Trustees have already made initial grants totalling over £1.5M to Service Benevolent, Amenity and Dependant Funds to reimburse them for monies already paid out. In addition the Trustees have agreed that immediate payments should be made on the following scale: to widows, £10,000; to children, an additional £1,000 per child; and where the next-of-kin is not a widow, £2,500. In total these payments will amount to a further £1.5M.

An important point to make is that these are initial payments only and further payments will be made, as appropriate, when the degree of dependancy has been assessed. This will be based on a generous assessment of the particular circumstances and life-style of each dependant. These arrangements are based on payments made for next-of-kin of those killed in Northern Ireland and are very much more generous than comparable compensation for death in the UK or other parts of the world. The payments will, of course, be in addition to pensions and grants to be paid from public funds.

There is a possible difficulty in that we received legal advice this afternoon that it may not be possible to make immediate payments in advance of proof of need. As you know Mr Nott shares the Prime Minister's concern to avoid any repetition of the problems which surrounded the Penlee Life-boat Appeal. Like the Prime Minister he would wish to ensure that the Fund does not attract the criticism that it is sitting on huge sums which cannot be disbursed to those in need because of legal technicalities. In this connection I should make

A J Coles Esq



it clear that the figures above refer only to payments in respect of death. Further sums will be paid to those injured and in other cases of need and these will take up a substantial proportion of the balance of the Fund. We are awaiting a clarification of the legal advice and if there is still a problem Mr Nott intends to take the matter up with the Attorney General tomorrow. In the meantime he does not feel that it would be appropriate for the Prime Minister to write to the Chairman of the Trustees, Air Chief Marshal Sir David Evans, the Vice Chief of Defence Staff (Personnel and Logistics), here, who is fully conscious of the problem and is as anxious as the Prime Minister and Mr Nott to ensure that the Fund is disbursed as quickly as possible. I will inform you tomorrow before Prime Minister's Questions of the latest position.

Yours ever

Nich Evans

(N H R EVANS)



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28 July 1982

Ref: 0284

J Coles Esq
No 10 Downing Street
London SW1

Jean John.

FALKLAND ISLANDS ECONOMIC STUDY

I am so sorry that a nonsense occurred in the covering letter which Lord Shackleton sent with the advance copies of his report, and that we failed to notice it.

I have already telephoned the necessary amendment to your staff, but enclose a further top copy of the letter which incorporates the correction.

Yours ever,
K D Temple
K D TEMPLE

Enc:

Covering CONFIDENTIAL

RESTRICTED

16606 - 1

GRS 331

RESTRICTED

FM FCO 281710Z JULY 1982

TO IMMEDIATE CIVIL COMMISSIONER PORT STANLEY

TELEGRAM NUMBER PERSONAL 14 OF 28 JULY

Read in full.

1. TODAY'S 'GUARDIAN' CARRIES AN ARTICLE BY PAUL KEEL FROM STANLEY HEADED 'ISLANDERS AIR THEIR OLD RESENTMENTS'. THE GENERAL THEME IS THAT A LARGE NUMBER OF ISLANDERS MISTRUST THE FIG AND RESENT THE HIGHER PAY OF OSAS WORKERS AND THE FACT THAT MANY OF THE LATTER LEFT THE ISLANDS DURING THE OCCUPATION. SOME QUOTES ARE:

'SPEAKER AFTER SPEAKER MADE BITTER ATTACKS ON THE COLONY'S OSAS WORKERS, THE TEACHERS AND OTHER PROFESSIONALLY QUALIFIED STAFF SENT OUT ON CONTRACT FROM BRITAIN. THE ROOT CAUSE OF THE ISLANDERS' HOSTILITY IS THAT THEY EARN AROUND DOUBLE THE SALARY OF THE ISLANDERS THEY WORK WITH.'

'BUT ON MONDAY NIGHT THIS RESENTMENT WAS LINKED TO CRITICISM OF THEIR BEHAVIOUR DURING THE ARGENTINE OCCUPATION, WHEN MANY OSAS WORKERS RETURNED TO BRITAIN. 'IT MAKES ME SQUIRM TO SEE ALL THOSE OSAS PEOPLE RUN LIKE RATS AND EXPECT TO COME BACK AND TAKE UP THEIR HIGHLY PAID JOBS', SAID ONE MIDDLE-AGED WOMAN. 'THIS IS THE KIND OF THING WE AS FALKLANDERS HAVE GOT TO FIGHT AGAINST,' SHE SAID TO ENTHUSIASTIC APPLAUSE.'

'MRS HULDA STEWART, AN ISLAND-BORN TEACHER, SAID THE CALIBRE OF HER COLLEAGUES HAD DECLINED SINCE THE APPOINTMENT OF OSAS PEOPLE, WHOM SHE ACCUSED OF COMING TO THE FALKLANDS FOR THE MONEY. 'THAT THEY DO NOT HAVE THE SAME INTERESTS IS SELF-EVIDENT IN THE WAY THAT THEY GOT OUT. THEY FLED, THERE IS NO OTHER WORD FOR IT, AND I SHARE THE CONTEMPT THE PARENTS HAVE FOR THEM,' SHE SAID.'

2. THIS IS A WORRYING REPORT. YOU WILL REMEMBER THAT WE RAISED THIS POINT WITH YOU (OUR TELNO 12 AND YOUR TELNO 23). PUBLIITY OF THIS KIND COULD BE VERY DAMAGING TO THE RECRUITMENT PROCESS HERE. IN ALL FAIRNESS, WE SHALL HAVE TO WARN ANY

1

RESTRICTED

/CANDIDATES

RESTRICTED

16606 - 1

CANDIDATES WHO ASK US IF THERE IS LIKELY TO BE FEELING AGAINST THEM. WE SHOULD BE GRATEFUL FOR YOUR ASSESSMENT IN DUE COURSE. IN THE MEANTIME, NO DOUBT YOU WILL DO WHAT YOU CAN TO SET THE RECORD STRAIGHT.

PYM

[COPIES SENT TO NO 10 DOWNING STREET]

FAKLANDS REHABILITATION

LIMITED

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|---------------------|---------------|
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| FAKLANDS REHAB SECT | PS/MR RIFKIND |
| FINANCE D | PS/MR MARTEN |
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| ESID | MR GIFFARD |
| DEFENCE D | MR STREETON |
| ODA | MR URE |
| PS | MR GILLMORE |

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MR BAWDEN }

MEMORANDUM

From PRIVATE SECRETARY

A.S.C. 29/7.

To Mr Cates, No. 10 p.a.

Mr Onslow thought
you would like a
blind copy of this -
ref: your memo of
~~26/7~~ to David Omand.

S Bailey
APS/Mr Onslow

28/7

29 JUL 1982



POST OFFICE RECEIVED

MEMORANDUM

NUMBER OF LINES

Argentina

Mr Jackson, Falklands Unit

FALKLAND ISLANDS: WAR GRAVES

1. Mr Onslow spoke on the telephone this morning to Mr Pallot, Director-General of the Commonwealth War Graves Commission at Maidenhead, and enquired how far the War Graves Commission had become involved with the question of a war cemetery on the Falkland Islands. Mr Pallot said he thought it was generally agreed by all concerned that the Commission were considered to be the experts on this and they were doing everything they could to help in any way. They had been closely in touch with MOD throughout and had produced a note on the Commission's practices and policies which they understood had been of help to the Government. As Mr Onslow would know, there had been a lot of argument as to whether or not the bodies should be brought back; but this had now been resolved and the next-of-kin had been given the option of bringing their dead back to this country. He had suggested to the MOD that, for those whose relatives opted to leave bodies out there, there should be a plot or cemetery built on the usual lines. Mr Onslow enquired as to the numbers involved and Mr Pallot said that he thought that probably about 20 next-of-kin would opt for the bodies to remain in the Falkland Islands. Mr Pallot said that the estimate of 20 burials was that of the MOD, who were at presently seeing the next-of-kin and talking to them. Mr Pallot reminded Mr Onslow that in fact they had a small plot in the civil cemetery on the Falkland Islands containing about 30 or 40 dead from the two World Wars.

2. Mr Onslow said that he was especially interested to know of the Commission's progress, bearing in mind that the 150th Anniversary of the Falkland Islands would be upon us in January 1983 and he very much hoped it would be possible for the war graves to have been completed before then; he wondered at what point the Commission would be in a position to make decisions. Mr Pallot said that the Commission had already told the MOD that they would send one of their men out with the MOD Unit at the end of August or September to make a reconnaissance and to give advice, particularly on construction and maintenance on which, of course, they were the experts. The MOD however, would be responsible for bringing bodies back and for the re-burials in the Falkland Islands. He thought this work would start pretty quickly and be completed in a plain and simple fashion, within a month or so. The Commission should be able to produce headstones within a month or two from their workshops in France and have them shipped out to the Falkland Islands, but they would first need to have the details which needed to be carved on the headstones. Whether or not the work could be completed in time for the 150th Anniversary would depend very much on what progress the Army team made with it all. But the Commission would need to know fairly soon which headstones to carve

/and they

and they would also need to know whether it was planned to erect a memorial to all the buried and missing in the Falklands. They had suggested to the MOD that, in addition to both the graves and the memorial to those with no known grave, there should be a memorial at Brookwood or in London.

3. Mr Onslow said he would very much like to be kept informed of the progress on this subject and it might be helpful if Mr Pallot could supply him with a list of any necessities, and/or problems to be resolved, in order to get everything ready before the beginning of January. Mr Pallot readily agreed to do this.

4. Mr Pallot pointed out that in fact he would be off this week on leave and then back only briefly in September in order to hand over to his successor, Sir Arthur Hockaday, presently Second Permanent Secretary in the MOD, who would be taking over from him. In the meantime, he would speak to Alistair Lane, his deputy, and would inform him of the details of the conversation with Mr Onslow. Mr Lane would be in touch with the MOD, had already had discussions with them, and was fully in the picture. Mr Pallot would tell Mr Lane to keep in touch with Mr Onslow.

5. Mr Onslow would be grateful if you would liaise with the MOD and take any necessary action to facilitate progress on this matter. Or, if you think it more appropriate, this could be done at the appropriate level by Defence Department.

S Bailey

28 July 1982

Sylvia Bailey
APS/Mr Onslow

cc

Mr Weston, Defence Department

PRIME MINISTER

Lord Shackleton's Report

I attach a letter from Lord Shackleton forwarding to you his Report on the Falkland Islands. I have, as agreed, sent copies to the Foreign and Defence Secretaries for the personal use of them and their Permanent Under Secretaries and also to Sir Robert Armstrong on the same basis.

You will wish to settle soon, possibly at OD(FAF), how the Report is to be processed. If Whitehall Departments are to get to work rapidly on the recommendations we ought to send copies to all members of OD(FAF) soon. You may think that there should be a meeting of OD(FAF) in the first half of September to consider the various recommendations.

There will be wide public interest in the Report. Following the meeting of OD(FAF) tomorrow, you may like to write to Lord Shackleton, thanking him for his Report and asking him, as he suggests, to begin work on an unclassified version for publication purposes.

Meanwhile, if asked, Bernard Ingham will say that you have received the Report and are considering it.

*Weekend work please
in box
mf*

A.J.C. 27/7

27 July 1982



Foreign and Commonwealth Office

London SW1A 2AH

27 July 1982

Prime Minister

To note.

ADL 28/7

Dear John,

MT

7/7/82

I am enclosing a letter sent by President Eyadema of Togo in reply to the Prime Minister's personal message of 17 June about the Falklands crisis.

ADL 2/8

h-a.

President Eyadema salutes the British victory in the Falklands as a justification of the Prime Minister's firm support of the principles of sovereignty and of the self-determination of peoples. Togo consistently upheld the justice of this stand in international fora. The Togolese also told the special Argentine envoy, sent to Togo at the beginning of the conflict, that Argentina should withdraw from the Falklands and allow American diplomacy a chance of finding a peaceful solution. The outcome of the conflict gives Britain the initiative in future negotiations which should be held so as to help give free expression to the wishes of the Islanders. As Togo had supported UN Security Council Resolution 502 in the name of peace, so too it hoped that there would be no recourse to arms in the definitive settlement of the Falklands issue.

Good evening

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street



2

Foreign and Commonwealth Office

London SW1A 2AH

27 July 1982

Prime Minister has seen.

A.S.C. $\frac{25}{7}$

Dear Sir,

ADL $\frac{25}{7}$

Falkland Islands: Rehabilitation

p-a.

My letter of 16 July covered a situation report on the programme of rehabilitation. The Prime Minister has asked for this to be updated at two-week intervals or as necessary.

I enclose a note giving details of progress on rehabilitation work, compiled with contributions from the Ministry of Defence.

I am sending copies of this letter to the Private Offices of all members of OD(FAF) and to PS/Sir Robert Armstrong.

Yours ever,

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

REHABILITATION BY THE CIVIL AUTHORITIES

Housing

1. Detailed specifications for the 27 prefabricated houses requested by the Falkland Islands Government are in preparation and will be forwarded to a short list of selected suppliers by the end of the month. They will be asked to tender for a turnkey project for the manufacture and construction of all the houses. It is hoped that the housing can be manufactured and shipped by October and that construction will be underway by December. ODA and the Crown Agents are pursuing immediate supplies of mobile homes, some of which we hope to ship in early August.

Building Materials

2. The bulk of the building materials requested by the Civil Commissioner on 5 July were shipped by MOD chartered vessel which sailed on 24 July. The remainder will follow as soon as possible.

3. We await the Civil Commissioner's further requests for materials.

Reinforcement of Falkland Islands Government

4. The special ODA Falklands Recruitment Unit are recruiting for 40 posts, an increase of 5 on the original request. They have advertised the 'artisan' posts on the list through Job Centres, and encouraged TV, Radio and press coverage of the whole recruitment process, provoking an avalanche of enquiries. There are now being sifted and interviews arranged. All of the 40 posts will be filled in the short term, notice to current employers permitting. 15 personnel have already been chosen, and travel arrangements will be made as fast as possible.

Replacement of aircraft for Falkland Islands Government Air Service (FIGAS)

5. A submission on this question has been put to FCO Ministers. We are pursuing the various options for delivery of immediate replacement aircraft (shipping, flying to the Falklands, leasing in Chile etc).

Compensation

6. Urgent interdepartmental consultation is being pursued on the details of a compensation scheme. Claim officers will arrive in Port Stanley in early August to evaluate claims collected by the Civil Commissioner.

Stanley Airport

7. The Ministry of Defence's paper on the proposals for a permanent replacement airport is to be discussed at OD(FAF) on 28 July.

Civil Air and Sea Links

8. Our Embassies in Santiago, Montevideo and Brasilia have been consulted on the timing of approaches to their governments of the possibility of sea and air links with the Falklands. On the basis of their advice they have been instructed to make soundings on sea services.

Fuel

9. The Civil Commissioner's request for 1,000 tons of solid fuel to replace peat stocks was received on 8 July. The order has been placed, bagging of the fuel is underway, and the first consignment of fuel will be shipped on 9 August.

10. On 18 July the Civil Commissioner requested supplies of kerosene and propane gas for domestic use. These have been ordered and will be shipped with the first consignment of solid fuel.

Replacement equipment for Stanley Power Station

11. Spares and replacement equipment for Stanley Power Station requested by the Civil Commissioner on 4 July have been delivered or are now being flown to Stanley.

ASSISTANCE FROM THE ARMED FORCES

12. The Royal Engineers are concentrating efforts on dealing with unexploded ordnance, with limited clearance of mines. Other minefields are being identified, recorded and marked. In addition to RE assistance to PWD in repairing water supply installations,

service water trailers are being used to boost the supply. Military generators are supporting the Port Stanley supply with others in various settlements. The Army has been helping to repair overhead lines.

PS
PS/MR HURD
PS/MR ONSLOW
PS/MR RIFKIND
PS/PUS
~~SIR J HILLARD~~
SIR I SINCLAIR
~~MR GIFFARD~~
MR WRIGHT
MR ADAMS
~~LORD N G LENOX~~
LORD BRIDGES
MR URE
~~MR GILLMORE~~

~~PS/NO 10 DOWNING ST~~ (2)
PS/S OF S. FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

HD/PUSD (2)
HD/S AM D
HD/FALKLANDS UNIT (2)
HD/DEFENCE DEPT
HD/NEWS DEPT
HD/ERD
HD/ECD(E)
HD/UND
HD/PLANNING STAFF
RESIDENT CLERK

ROOM 8 FOR MODUK C IN C FLEET

→ MR. COLIN ROTH, LACPD, ODA
MR. BORDEN, LACPD, ODA

GRS 390
CONFIDENTIAL
FM PARIS 271915Z JUL 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 774 OF 27 JULY 1982

YOUR TELNO 445: ALLEGATIONS OF FRENCH HELP FOR ARGENTINA OVER EXOCETS.

1. I SAW GUTMANN, SECRETARY GENERAL AT THE QUAI, THIS EVENING (27 JULY) AND ASKED WHAT CLARIFICATIONS HE COULD OFFER.
2. GUTMANN SAID THE QUAI HAD ESTABLISHED THE FOLLOWING FACTS BASED ON REPORTS FROM THE FRENCH MISSION IN BUENOS AIRES:
 - (A) THE FRENCH TECHNICIANS HAD STANDING INSTRUCTIONS, DATING FROM BEFORE THE FALKLANDS CRISIS, NOT TO HELP THE ARGENTINES IN THE EVENT OF AN ARMED CONFLICT. THESE INSTRUCTIONS APPLIED GENERALLY TO FRENCH TECHNICIANS IN THE EVENT OF THE COUNTRY WHERE THEY WERE SERVING BECOMING INVOLVED IN CONFLICT.
 - (B) NO HELP HAD BEEN GIVEN, NOR WAS ANY NECESSARY. THE EQUIPMENT HAD BEEN OPERATIONAL FROM DECEMBER 1981. HOWEVER THERE HAD BEEN NO TEST FIRINGS BEFORE THE OUTBREAK OF HOSTILITIES. THIS WAS WHY THE FIRST OPERATIONAL FIRINGS HAD BEEN FROM

~~EQUIPMENT HAD BEEN OPERATIONAL FROM DECEMBER 1981. HOWEVER,~~
~~THERE HAD BEEN NO TEST FIRINGS BEFORE THE OUTBREAK OF HOSTILITIES.~~
THIS WAS WHY THE FIRST OPERATIONAL FIRINGS HAD BEEN FROM
LESS THAN THE MAXIMUM DISTANCE. THE ARGENTINE PERSONNEL HAD
BEEN TRAINED IN FRANCE AND HAD ALL THE NECESSARY KNOW-HOW.
(C) THE FRENCH TECHNICIANS HAD REMAINED IN ARGENTINA FOR
COMMERCIAL REASONS. DURING THE CONFLICT THEY HAD BEEN TOLD TO
STAY AT HOME. READING FROM A TELEGRAM GUTMANN QUOTED THE
FRENCH MILITARY ATTACHE AS SAYING THAT AS FAR AS HE KNEW NO
COUNTER-INSTRUCTIONS HAD BEEN GIVEN BY THE FRENCH COMPANIES
INVOLVED. IN ANY CASE NO EXOCET AM39 SPECIALIST WAS PRESENT
IN ARGENTINA.

3. I ASKED ABOUT COLIN (NOT COLEN, AS PRINTED IN THE SUNDAY TIMES).
GUTMANN SAID HE WAS ON HOLIDAY AND HAD NOT YET BEEN QUESTIONED.
GUTMANN THOUGHT THAT WORDS MIGHT HAVE BEEN PUT INTO COLIN'S
MOUTH ON THE BASIS OF LEADING QUESTIONS FROM THE SUNDAY
TIMES, WHICH SEEMED TO BE PURSUING A VENDETTA AGAINST FRANCE.
THE SUNDAY TIMES HAD MADE UNTRUE ALLEGATIONS ON THE SAME THEME
ON A PREVIOUS OCCASION DURING THE CONFLICT.

4. GUTMANN SAID THAT THE FRENCH WERE NOW PURSUING THEIR ENQUIRIES
WITH THE FIRMS CONCERNED, AND EXPECTED TO BE ABLE TO MAKE A
DETAILED STATEMENT IN A DAY OR TWO, REFUTING THE SUNDAY TIMES
ALLEGATIONS, AND WITH LUCK FORESTALLING FURTHER STORIES THE
PAPER MIGHT BE ABOUT TO PUBLISH.

5. GUTMANN'S TONE WAS CONCILIATORY, HE SAID THAT THE FRENCH
HAD BEEN CONSIDERABLY VEXED BY THE EPISODE, BUT ACKNOWLEDGED
THAT WE WERE RIGHT TO LOOK TO THEM FOR AN EXPLANATION AND
PROMISED A WRITTEN COMMUNICATION WHEN ENQUIRIES ARE COMPLETE.

FRETWELL

NNNN

CONFIDENTIAL

16339 - 1

PP WASHINGTON
PP UKMIS NEW YORK
GRS 171

CONFIDENTIAL

FM FCO 271015Z JULY 82

TO PRIORITY CIVIL COMMISSIONER PORT STANLEY
TELEGRAM NO 93 **OF 27 JULY**

INFO PRIORITY UKMIS NEW YORK, WASHINGTON

UKMIS NEW YORK TELNO 1170: COMMITTEE OF 24

1. MINISTERS WOULD WELCOME IT IF IT WERE POSSIBLE FOR FALKLAND ISLAND REPRESENTATIVES TO APPEAR BEFORE THE COMMITTEE OF 24 IN AUGUST AS PROPOSED BY UKMIS NEW YORK. WE HOPE THAT THE OPPORTUNITY COULD BE TAKEN TO INTRODUCE THE ISLANDERS TO DELEGATIONS, ESPECIALLY COMMONWEALTH ONES, WHICH DO NOT PARTICIPATE IN THE COMMITTEE OF 24 BUT WILL HAVE A VOICE IN THE LATER DEBATES IN THE GENERAL ASSEMBLY. WE ALSO AGREE WITH THE MISSION THAT IT WOULD BE USEFUL IF AT LEAST ONE OF THE REPRESENTATIVES COULD BE SOMEONE WHO LIVED THROUGH THE ARGENTINE OCCUPATION. WE RECOGNISE THAT BECAUSE OF THE PROPOSED CLOSURE OF PORT STANLEY AIRPORT FOR TWO WEEKS FROM MID-AUGUST THE ISLANDERS WOULD HAVE TO BE AWAY FROM HOME FOR SOME TIME. WE SHOULD BE GRATEFUL IF YOU WOULD DISCUSS THE POSSIBILITIES WITH ISLAND COUNCILLORS AND ENCOURAGE THEM TO RESPOND TO UKMIS NEW YORK'S REQUEST.

PYM

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FALKLAND ISLANDS GENERAL

FCO

UND

FALKLANDS UNIT

CABINET OFFICE

ADDITIONAL DISTRIBUTION
FALKLAND ISLANDS



Ref: B06571

PRIME MINISTER

c Sir Robert Armstrong

Future Administration of the Falkland Islands
(OD(FAF)(82) 15)

BACKGROUND

In answers to questions in the House on 15th June, you said that there would need to be a settling down period of at least six months before it would be realistic to address the problem of the longer term future of the Islands, and you referred to three possible choices for the islanders within the Commonwealth: independence; associated status or self-government. As the Chairman's note explains, the purpose of the attached papers is to examine these options (and the additional option of bringing the Falkland Islands within the ambit of the Antarctic Treaty regime) and to seek guidance from Ministers on the general direction which constitutional development in the Falklands should take. Officials favour full internal self-government with the United Kingdom retaining responsibility for defence and external affairs. This would not preclude us from associating other countries with arrangements for guaranteeing the Islands' security, or even with the exercise of sovereignty over the Islands if that should eventually seem desirable. But nor need it involve any weakening of the Islands' links with the United Kingdom.

2. Linked to the question of future constitutional development is that of economic development on which Lord Shackleton is submitting his report to you today. The Sub-Committee will not have had time to read it: but it will be desirable at this meeting to agree how it should be handled.

HANDLING

3. For convenience the discussion could be divided into three parts.

Constitutional Development.

4. You might invite comments, starting with the Foreign and Commonwealth Secretary, on the following questions.



- i. Is it agreed that there is a requirement for constitutional development, even though there is no pressure for this from the islanders? Are officials right in thinking that constitutional change on the lines suggested will help us with international opinion?
- ii. Is it agreed that self-government, as officials argue, is the only viable option? Are the arguments for ruling out independence, associated status and the Antarctic Treaty regime compelling?
- iii. If full internal self-government is the right long term objective, is it agreed that the proposed single council system is the one to go for rather than following the more normal pattern of constitutional development in a colonial territory by building on the existing executive and legislative councils?
- iv. Are the arrangements proposed adequate to protect the interests of the garrison, which will play a dominating part in the Islands affairs for the foreseeable future?
- v. Once Ministers' have approved the general outline, officials would propose to seek the views of the Civil and Military Commissioners with a view to having constitutional proposals ready for public discussion with the islanders by about the end of the year. Is this timing right? Should it be accelerated? At what point in the process should we inform the United States and our other close allies of what we have in mind?

Further Work

5. The questions here are
 - i. Can officials be authorised to go ahead with the work described in paragraph 7 of the Chairman's note?
 - ii. Do Ministers wish officials to examine the possibilities for associating other countries
 - a. with the security of the Islands, or
 - b. as possible joint protecting powers with the United Kingdom, which could imply some sharing of sovereignty with them.

(This work could be kept strictly confidential: there would be no question of approaching other countries without prior authority from Ministers.)

Lord Shackleton's Report

6. An immediate decision is required on whether and when the report should be published. It has always been understood that Lord Shackleton's findings and recommendations would be made public and the secretary of his committee will be preparing a sanitised version for this purpose. But Ministers will first wish to agree a line to take in announcing publication and in answering questions. Ministers will need to consider this when they have had time to see what the report contains. It would seem sensible for the report then to be remitted to officials to prepare recommendations on it for consideration by Ministers at a meeting of OD(FAF) in September.

CONCLUSIONS

7. Subject to the discussion you might aim to guide the Sub-Committee to the following conclusions.

i. To approve the proposal to move to a system of internal self-government for the Falkland Islands based on a single elected council.

ii. To instruct officials to undertake the further work described in paragraph 7 of the Chairman's note, including consultation with the Civil and Military Commissioners.

iii. To instruct officials to examine and report on the feasibility in principle of associating other countries with the security arrangements or the constitutional status of the Islands.

iv. To invite the Foreign and Commonwealth Secretary to suggest a line to take in announcing publication of the sanitised version of the Shackleton Report for clearance out of committee by the end of this week.

v. To instruct officials to examine the Shackleton Report and make recommendations on its implementation for consideration by Ministers early in September.

A D S Goodall

27th July 1982

A D S GOODALL



20
Argentinian
fe

10 DOWNING STREET

From the Private Secretary

27 July 1982

Falkland Islands Economic Study, 1982

I enclose a copy of a letter which the Prime Minister received earlier today from Lord Shackleton, together with a copy of the above study.

The Prime Minister has agreed that until such time as decisions have been taken on how the study should be processed, copies may be sent to the Foreign and Commonwealth Secretary and the Secretary of State for Defence for their personal use and that of their Permanent Under-Secretaries. Mrs. Thatcher has also agreed that a copy of the report should be sent to Sir Robert Armstrong on the same basis. You should know, with reference to the third paragraph of Lord Shackleton's letter, that the Prime Minister believes that it is desirable to set up urgently a Falkland Islands Government Office in London.

The Prime Minister may wish to discuss at OD(FAF) tomorrow the further handling of the report.

I am copying this letter and enclosure to David Omand (Ministry of Defence) and David Wright (Cabinet Office).

A. I. COLES

Brian Fall Esq
Foreign and Commonwealth Office

PS
PS/MR HURD
PS/MR SNOW
PS/MR RIFKIND
PS/PUS

~~SIR J BULLARD~~ GOODISON

SIR I SINCLAIR
MR GIFFARD URE

MR WRIGHT

~~MR ADAMS~~

~~LORD N G LENNOX~~

LORD BRIDGES

MR URE

~~MR GILLMORE~~

HD/PUSD (2)

HD/S AM D

HD/FALKLANDS UNIT (2)

HD/DEFENCE DEPT

HD/NEWS DEPT

HD/ERD

HD/ECD(E)

HD/UND

HD/PLANNING STAFF

PS/NO 10 DOWNING ST (2)

PS/S OF S FOR DEFENCE

MR J STEWART AUSD STAFF MOD

PS/CHANCELLOR)

MR ILETT) TREASURY

MR LITTLER)

MISS DICKSON D/ENERGY

SIR R ARMSTRONG)

SIR M PALLISER)

MR A D S-GOODALL)

CABINET OFFICE

DIO)

ROOM 8 FOR MODUK C IN C FLEET

Mr. COLIN ROTH, LACPD, ODA
Mr. BORDEN, LACPD, ODA.

CONFIDENTIAL

DESKBY 261315Z

FM PARIS 261232Z JUL 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 767 OF 26 JULY 1982

MIPT: EXOCETS

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IMMEDIATE

1. HERNU, FRENCH MINISTER OF DEFENCE, SPOKE TO MY MILITARY ATTACHE ABOUT THE ALLEGATIONS LAST NIGHT AT THE RECEPTION FOLLOWING THE ANNUAL ST CYR PASSING OUT PARADE. HERNU, CLEARLY CONCERNED AT THE SUNDAY TIMES STORY, SAID THAT AS FAR AS HE WAS CONCERNED THE EMBARGO OF SUPPLIES AND TECHNICAL ASSISTANCE HAD BEEN COMPLETELY EFFECTIVE. HE CONFIRMED THAT DASSAULT TECHNICIANS HAD BEEN IN ARGENTINA WHEN HOSTILITIES BEGAN AND SAID THAT DASSAULT AND THE FRENCH AUTHORITIES HAD REMAINED IN TOUCH WITH THEM. HE STATED THAT THE STORY TOLD BY COLEN (THE LEADER OF THE DASSAULT TEAM QUOTED BY THE SUNDAY TIMES) WAS SIMPLY NOT TRUE: THE WORK WHICH THE TECHNICIANS WERE DOING HAD BEEN STOPPED. HERNU SURMISED THAT COLEN MIGHT HAVE BEEN BRIBED TO SPEAK AS HE DID OR JUST WANTED TO CAUSE TROUBLE FOR THE GOVERNMENT. HE WAS EITHER MAD, DRUNK, OR IN SEARCH OF FAME OR MONEY. THIS WOULD EMERGE FROM THE ENQUIRY.

CONFIDENTIAL

HU



cc FCO

10 DOWNING STREET

From the Private Secretary

26 July 1982

BF

Falklands: War Graves

The Prime Minister asked the other day what progress was being made with regard to the provision of graves in the Commonwealth War Graves cemetery in the Falklands for those who fell in the recent conflict and whose relatives wish them to be buried in the Islands. I know that the Prime Minister particularly hopes that the war graves will have been completed by the time of the 150th anniversary of the establishment of British authority on the Islands, i.e. by January 1983. Could you let me know in due course whether that target is likely to be met?

I am copying this letter to Francis Richards (Foreign and Commonwealth Office).

JL

David Omand, Esq.,
Ministry of Defence.

CONFIDENTIAL

B



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|--|-----------------------------------|
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SIR I SINCLAIR
~~MR. DONALD~~
MR WRIGHT
~~MR. WHITE~~
LORD BRIDGES
MR URE
~~MR. WHITE~~

PS/NO 10 DOWNING ST (2)
PS/S OF S FOR DEFENCE
MR J STEWART AUSD STAFF MOD
PS/CHANCELLOR)
MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
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Mr. COLIN ROTH, LACPD, ODA
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DESKBY 261300Z

FM PARIS 261200Z JUL 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 766 OF 26 JULY 1982

ADVANCE COPY

IMMEDIATE

EXOCET: SUNDAY TIMES ALLEGATIONS

1. THE FRENCH MINISTRY OF DEFENCE ISSUED LAST NIGHT (25 JULY) THE FOLLOWING STATEMENT ON THE SUNDAY TIMES STORY:

"THE MINISTRY OF DEFENCE RECALLS THAT AS SOON AS THE ARGENTINES INVADED THE FALKLANDS THE GOVERNMENT SUSPENDED ALL AUTHORISATION FOR SALES MISSIONS AND THE NEGOTIATION, SALE AND EXPORT OF WAR MATERIAL OR RELATED MATERIAL TO ARGENTINA. THIS TOTAL EMBARGO WAS FULLY RESPECTED AND NO DELIVERY OF WAR MATERIAL HAS BEEN MADE TO THIS COUNTRY SINCE THE BEGINNING OF HOSTILITIES.

IN ADDITION CHARLES HERNU, THE MINISTER OF DEFENCE, IN FULL AGREEMENT WITH CLAUDE CHEYSSON, THE MINISTER FOR EXTERNAL RELATIONS, GAVE INSTRUCTIONS THAT NO TECHNICAL ASSISTANCE OF A MILITARY NATURE SHOULD BE GIVEN TO ARGENTINA AND IN PARTICULAR THAT NO WORK SHOULD

SHOULD BE GIVEN TO ARGENTINA, AND IN PARTICULAR THAT NO WORK SHOULD BE DONE ON MATERIAL USED IN UNITS OPERATING IN THE DIRECTION OF THE FALKLANDS.

THE GOVERNMENT THEREFORE FEELS THAT IT HAS ENTIRELY FULFILLED ITS OBLIGATIONS DERIVING FROM ITS COMPLETE SOLIDARITY WITH OUR BRITISH FRIENDS.

AN ENQUIRY IS UNDER WAY TO SEE WHETHER THE ABOVE INSTRUCTIONS WERE RESPECTED."

2. THE SUNDAY TIMES ARTICLE HAS AROUSED CONSIDERABLE INTEREST IN THE FRENCH PRESS WITH MOST PAPERS REPORTING FACTUALLY AND IN A NEUTRAL TONE THE ALLEGATIONS AND THE FRENCH MOD'S STATEMENT. THE EDITORIAL IN THIS MORNING'S MATIN (PRO-GOVERNMENT) SAYS THAT WHETHER THE ALLEGATIONS ARE TRUE OR NOT THE EPISODE ILLUSTRATES THE PROBLEMS THAT CAN ARISE WHEN A COUNTRY BECOMES ONE OF THE WORLD'S LEADING ARMS SUPPLIERS.

FRETWELL

NNNN

SENT/RECD AT 2691229Z JC/RJ



France
Xocek

LINE TO TAKE (IF RAISED)

I have noted the 'Sunday Times' article and we have discussed it with the French Government. It is clear that these allegations, if confirmed, would point to a clear breach of French Government policy and the French have already set up an urgent enquiry into them. It would be wrong for me to comment further at this stage.

mt

NOTES FOR SUPPLEMENTARIES

WHAT CONTACTS HAVE YOU HAD WITH THE FRENCH GOVERNMENT ON EXOCETS?

1. We have been in close and frequent contact with the French Government over Argentine acquisition of Exocet missiles. The content of those contacts must remain confidential.

HAVE THE FRENCH BEEN COOPERATIVE?

2. I cannot go into detail about exchanges that must remain confidential, but the French Government gave firm and most welcome support to us throughout the conflict.

DO YOU BELIEVE IN THE SINCERITY OF THE FRENCH GOVERNMENT'S STATEMENT?

3. Yes. The French Government have been very explicit and prompt in their statements. We naturally look forward to the results of their current enquiry.

WHAT IF THE STORY IS TRUE?

4. I believe the French Government would deplore that as much as I would, but they are looking into this in detail themselves.

DO YOU HAVE ANY EVIDENCE TO SUPPORT THE ALLEGATIONS?

5. I have nothing to add to my earlier reply.

FRENCH SUPER ETENDARDS IN EXERCISES WITH HARRIERS?

6. Our forces naturally maintain close contacts with their French opposite numbers, and joint training takes place regularly. But it is not our practice to give details.

CONFIDENTIAL



26 July 1982

The Right Honourable
Mrs Margaret Thatcher MP
10 Downing St
LONDON SW1

Seen Prime Minister

FALKLAND ISLANDS ECONOMIC STUDY 1982

I enclose with this letter four advance copies of our Study, which you requested at our meeting on 28 May. The Conclusions and Recommendations are presented at the front of our Report. May I add that we have been able to produce a fuller study than at the outset we expected. It may be that when you and your advisers have read it you may find it useful to discuss certain aspects with us; we should be only too happy to do so.

The printed version (offset litho) will be available later this week

I am aware that some of the facts and political assumptions set out in the Study, especially my Introductory chapter, may be too sensitive for general publication. (This applies particularly to some passages about the military garrison, some decisions concerning the size and type of which remain, I understand, for you and your colleagues to take.) I have therefore been advised to give the whole Study a "Confidential" classification; ~~they will be available later this week.~~ Given the attention the Study has received, I expect that you will wish to release it to Parliament and the public in due course, and we would be happy, subject to your views, to begin the preparation of an unclassified version in consultation with Whitehall, which the Government could then publish.

I should like to draw attention to one need which has arisen in our work, but which is even more immediate than the recommendations in the Study itself. This concerns the establishment of a Falkland Islands Government Office in London, if no decision to this effect has yet been taken. As you will see from our Report, we are recommending the creation of a Falkland Islands Development Agency, with a London representation, which in the long run could fulfil the requirement. But until then some form of official body with the help of the Foreign and Commonwealth Office and Overseas Development Administration must be able to receive and follow up the expressions of interest in commercial activity by British and other enterprises and to process

/correspondence

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correspondence by those individuals who seek to emigrate to the Falkland Islands. As you know the "Falkland Islands Office" purports to carry out these functions at present, but their role is basically that of a pressure group, and they are inappropriate for the task required. Meanwhile the Falkland Islands Rehabilitation Unit in the FCO is coping manfully, but the need is urgent.

I am very pleased that you asked me to update our 1976 Survey. I hope you will find our Study helpful. For our part we are grateful for the forthright stand you have taken. Although we have had some hard things to say, the Falkland Islands hold a warm place in our affections; if I or my team can help further we should be glad to do so.

*Yours sincerely
Shackleton*

SHACKLETON

CONFIDENTIAL

227 JUL 1962



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26 July 1982

Dear Prime Minister

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/their

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*Yours sincerely
Shackleton*

SHACKLETON

The Right Honourable
Mrs Margaret Thatcher MP
10 Downing St
LONDON SW1

CONFIDENTIAL



29 JUL 1982



FILE
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10 DOWNING STREET

From the Private Secretary

26 July, 1982

ARGENTINA: RETURN OF ROLLS ROYCE AIRCRAFT ENGINES

The Prime Minister has noted the contents of John Holmes' letter of 23 July, in particular the fact that the FCO, when consulted by the Department of Industry, took the view that there were no legal grounds for preventing the return of the engines, though you would have preferred them to be withheld.

I am copying this letter to David Omand (Ministry of Defence), Jonathan Spencer (Department of Industry) and Jim Nursaw (Attorney General's Office).

A. J. COLES

F Richards, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

CONFIDENTIAL *Prime Minister*

O 251515Z JUL 82

FM HM CIVIL COMMISSIONER PORT STANLEY

TO FCO LONDON

BT

C O N F I D E N T I A L

SIC CSA

TO IMMEDIATE FCO TEL NO 112 OF 25 JUL 82

FALKLANDS SITREP.

*We can discuss at
ODFAF on Wednesday.*

ms A.S.C. 26/7

1. THE LAST FEW DAYS HAVE SEEN THE ARRIVAL OF THE NEW MILITARY COMMISSIONER AND THE QUEENS OWN HIGHLANDERS AND THE DEPARTURE OF THE WELSH GUARDS AND GURKHAS. WE ARE NOW MOVING FROM THE AD HOC ARRANGEMENTS OF A LIBERATION FORCE TOWARDS A MORE STRUCTURED ARRANGEMENT WITH A PERMANENT GARRISON.
2. THERE CONTINUES TO BE EXCELLENT PROGRESS IN SETTLEMENTS. COOPERATION BETWEEN COMPANY COMMANDERS AND FARM MANAGERS HAS INVARIABLY BEEN EXEMPLARY. THE MILITARY ARE HELPING TO REPAIR BUILDINGS, ESSENTIAL SERVICES, FENCES ETC. THERE HAVE BEEN PROBLEMS IN THE DISTRIBUTION OF FUEL, BUT THE ROYAL NAVY ARE NOW ENSURING THAT ESSENTIAL SUPPLIES GET THROUGH UNTIL THE SUPPLY SHIP MONSUNEN, DAMAGED IN THE FIGHTING, CAN BE PUT BACK INTO SERVICE. OF LONGER TERM CONCERN IS INTERNAL AIR COMMUNICATIONS (INCLUDING THE DELIVERY AND COLLECTION OF MAIL). THE MILITARY CONTINUE TO GIVE HELICOPTER LIFTS TO CIVILIANS WHENEVER THESE CAN BE FITTED IN WITH OPERATIONAL REQUIREMENTS BUT THE NUMBER OF HELICOPTERS IS RAPIDLY RUNNING DOWN. IT IS MOST IMPORTANT THAT THERE CAN BE EARLY PROGRESS ON RESTORING THE FALKLAND ISLAND GOVERNMENT AIR SERVICE. (I SHOULD BE GRATEFUL FOR ANY NEWS FURTHER TO MY TEL NO 051).
3. THE SITUATION IN STANLEY INEVITABLY REMAINS MORE COMPLICATED. THE TOWN IS STILL SUBMERGED BY THE MILITARY AND THE PRESSURE ON ACCOMMODATION REMAINS THE DAILY HEADACHE. OVER 1,400 SOLDIERS ARE BILLETED (LODGED WOULD BE THE BETTER WORD, AS NOBODY HAS BEEN MADE TO TAKE A SOLDIER IN AGAINST HIS OR HER WISH) IN A TOWN IN WHICH THERE ARE ONLY 350 HOUSES. 1,800 MORE COME IN DAILY FROM THEIR ACCOMMODATION ON SHIPS AND THERE ARE ALMOST 500 MORE AT THE AIRPORT. THE SHORTAGE OF SOLID FUEL (MY TEL NO 045) IS BECOMING SERIOUS FOR CIVILIANS AND KEROSENE AND PROPANE GAS ARE ALSO SCARCE (MY TEL NO 092). (GRATEFUL TO KNOW AS SOON AS POSSIBLE WHEN YOU WILL BE ABLE TO HELP). ESSENTIAL SERVICES ARE BEING MAINTAINED. WITH MILITARY HELP THE ELECTRICITY SUPPLY IS NOW SECURE BUT THE WATER SUPPLY REMAINS PRECARIOUS—THE RESERVOIRS WERE EMPTIED LAST WEEK AFTER ANOTHER MAJOR PIPE BURST. (THERE IS NO DOUBT THAT WE MUST RE-CONSTRUCT THE ENTIRE WATER SUPPLY SYSTEM AND I SHALL BE TELEGRAPHING SEPARATELY ON THIS).
4. THERE REMAINS AN AIR OF LETHARGY AMONG THE CIVILIAN POPULATION IN STANLEY. THE SECRETARIAT, A LARGELY INEFFECTIVE TEAM EVEN BEFORE THE INVASION, HAS SO FAR PROVED INADEQUATE FOR THE DIFFICULT TASKS THEY NOW FACE. THERE IS A TENDENCY TO GIVE UP THE STRUGGLE, PARTLY BECAUSE OF THE ENORMITY OF THE PROBLEMS AND PARTLY BECAUSE OF THE INEVITABLE DIFFICULTIES OF FINDING A WAY TO THE APPROPRIATE

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/ MILITARY

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MILITARY AUTHORITIES, WHO HAVE BEEN COMING AND GOING BEWILDERINGLY FAST. TOO MANY PEOPLE ARE TOO READY TO SIT BACK AND WAIT FOR SOMEONE ELSE TO CLEAR UP THE MESS. THIS IS A GOOD EXAMPLE OF WHAT LORD SHACKLETON CALLED ISLANDERS' "DEPENDENCY MENTALITY". THERE IS STILL TOO MUCH BACK-BITING ABOUT WHO STAYED AND WHO LEFT DURING THE OCCUPATION.

5. THE SAPPERS ARE WORKING FLAT OUT ON THE AIRPORT AND CLEARANCE OF MINES AND BOOBY TRAPS. THE INFANTRY HAVE BEEN HELPING IN THE TOWN AND ARE READY TO DO MORE. THE MILITARY ARE HOWEVER RIGHTLY CONSCIOUS OF THE DANGERS OF TAKING OVER HERE COMPLETELY (AS THEY WOULD HAVE DONE IN AN OCCUPIED TOWN IN ENEMY TERRITORY). I HAVE TAKEN THE LINE THAT THE QUICKEST WAY TO RESTORE NORMALITY IS TO KICK AWAY THE CRUTCHES SUPPORTING THE CIVIL POPULATION SO THAT THEY HAVE TO STAND ON THEIR OWN FEET: BUT IF WE DO THIS TOO FAST THE PATIENT MAY COLLAPSE.

6. BUT I DO NOT WISH TO PAINT TOO GLOOMY A PICTURE OF STANLEY. MORALE IS LOW BUT THIS IS BECAUSE OF IMMEDIATE PRACTICAL UNCERTAINTIES OVER FUEL, COMMUNICATIONS, ETC. ONLY ONE OR TWO ISLANDERS ARE YET TALKING OF LEAVING FOR GOOD. RELATIONS WITH THE MILITARY REMAIN BY AND LARGE EXCELLENT AND THERE IS A WILLING ACCEPTANCE OF THE NEED WHATEVER THE DISLOCATION TO CONTINUE TO FIND BILLETTS FOR THEM FOR THE NEXT FIVE OR SIX MONTHS. THERE IS A REALISTIC APPRECIATION THAT REHABILITATION WILL TAKE A LONG TIME. BUT TO RESTORE MORALE I DO NEED SOON TO BE ABLE TO ANNOUNCE HARD FACTS ON COMPENSATION, COMMUNICATIONS (EXTERNAL AND INTERNAL), FUEL NEW ACCOMMODATION, FORCE LEVELS AND THE SITING OF THE PERMANENT GARRISON.

7. THERE IS LITTLE TALK AT PRESENT ABOUT THE FUTURE STATUS OF THE ISLANDS. WHAT THERE IS IS GENERATED LARGELY BY VISITING JOURNALISTS. THE LEG CO MOTIONS REPORTED IN MY TEL NO 099 WERE TABLED BY THE DISAFFECTED COUNCILLOR PECK, WHO HAS BORNE A GRUDGE AGAINST THE ESTABLISHMENT (PARTICULARLY EXPATRIATED) SINCE MY PREDECESSOR FORCED HIS RESIGNATION AS CHIEF POLICE OFFICER IN 1979. HE HAD A DISTINGUISHED WAR AND HAS MUSTERED SOME SUPPORT FOR AN ATTACK ON MYSELF, HIS FELLOW-COUNCILLORS AND THE ADMINISTRATION FOR "KEEPING THE PEOPLE IN THE DARK" AFTER THE NEW YORK TALKS. ESSENTIALLY, HE IS LOOKING BACKWARDS, NOT FORWARDS (THOUGH HE MAY FANCY HIS CHANCES AS THE FIRST ELECTED CHIEF MINISTER). HE DOES NOT REFLECT THE MAJORITY VIEW. YOU ARE, I BELIEVE, FOR THE MOMENT JUSTIFIED IN CONTINUING TO TAKE THE LINE THAT IT WILL BE SOME TIME BEFORE THE ISLANDERS WILL ADDRESS THEMSELVES TO QUESTIONS ABOUT THEIR FUTURE. I SHALL REPORT FURTHER IF THIS WEEKS LEGISLATIVE COUNCIL PRODUCES POINTS OF INTEREST. HUNT

FALKLANDS REHABILITATION

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Mr. COLIN ROTH, LAEPD, ODA
MR. BORDEN, LAEPD, ODA.

IMMEDIATE

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FM BERNE 231930Z

Telegram No 228 of 23 July

TO IMMEDIATE FCO ~~AND REPEATED~~ INFORMATION IMMEDIATE TO UKMIS
NEW YORK UKMIS GENEVA WASHINGTON MONTEVIDEO BRASILIA UKREP
BRUSSELS.

YOUR TELNO 631 TO UKMIS NEW YORK

FALKLAND ISLANDS: PRIME MINISTERS STATEMENT TO PARLIAMENT ON
LIFTING OF TEZ AND 12 MILE LIMIT.

THE FOLLOWING IS OUR TRANSLATION OF A TELEGRAM FROM THE SWISS
EMBASSY IN BUENOS AIRES WHICH THE SWISS FDFA PASSED TO US THIS
EVENING (23 JULY) :

BEGINS

1. CONVEYED CONTENTS OF YOR 323-13 (SWISS TELEGRAM NUMBER)
IN NOTE FORM TO BAQUERIZA (DEPUTY FOR KELLER-SARIEMTO WHO IS
AT PRESENT IN ITALY)
2. ASKED BAQUERIZA FOR ARGENTINA'S REACTION TO BRITISH REDUCTION
OF TEZ. HE HANDED ME PRESS COMMUNIQUE GIVEN TO THE MEDIA
YESTERDAY (TEXT BELOW). HE EXPLAINED THAT THEY HAVE PAID
PARTICULAR ATTENTION TO PARAGRAPH 2 OF THE COMMUNIQUE BECAUSE
PRIME MINISTER THATCHER HAD SPOKEN OF PROTECTION OF THE TASK

ms

AT PRESENT IN ITALY)

2. ASKED BAQUERIZA FOR ARGENTINA'S REACTION TO BRITISH REDUCTION OF TEZ. HE HANDED ME PRESS COMMUNIQUE GIVEN TO THE MEDIA YESTERDAY (TEXT BELOW). HE EXPLAINED THAT THEY HAVE PAID PARTICULAR ATTENTION TO PARAGRAPH 2 OF THE COMMUNIQUE BECAUSE PRIME MINISTER THATCHER HAD SPOKEN OF PROTECTION OF THE TASK FORCE QUOTE EN QUALQUIER PARTE DEL ATLANTICO SUR UNQUOTE WHICH WAS NOT COVERED IN OUR NOTE OF 21 JULY AND IS NOW CLARIFIED FOR THE FIRST TIME IN THE NEW NOTE.

IN GENERAL ARGENTINA CONSIDERED GREAT BRITAIN'S REACTION AS TOTALLY UNSATISFACTORY. WHAT HIS COUNTRY EXPECTED CAME OUT IN THE LAST SENTENCES OF THE PRESS RELEASE. IN ANY CASE ONE COULD NOT LURE THEM WITH SUCH REDUCTIONS. THE WISHES OF THE EEC (INCLUDING BRITAIN) WERE EQUALLY UNSATISFACTORY (FOR A RESUMPTION OF TRADE), FOR A RETURN TO A NORMALISATION OF RELATIONS. TOO MUCH BLOOD HAD FLOWN AND THE ENGLISH REACTION SINCE 2 APRIL HAD BEEN TOO BRUTAL. ARGENTINA WISHED TO SEE POLITICAL STEPS AND GESTURES MADE. ALTHOUGH THEY (ARGENTINES) KNEW THAT THEY COULD NOT PROCEED WITHOUT NORMAL RELATIONSHIPS WITH GREAT BRITAIN, FRANCE AND FRG, THIS WOULD TAKE TIME.

3. (PERSONAL REMARK OF THE SWISS AMBASSADOR IN BUENOS AIRES): THE FUTURE WILL SHOW WHAT THE RELATIONSHIP BETWEEN ECONOMIC PRESSURES AND POLITICAL WISHES WILL BE. ENDS.

4. SPANISH TEXT OF PRESS COMMUNIQUE AS FOLLOWS:
BEGINS:

1.
EL GOBIERNO BRITANICO, POR INTERMEDIO DE LA EMBAJADA SUIZA EN BUENOS AIRES, HA HECHO LLEGAR UNA COMUNICACION AL GOBIERNO ARGENTINO CONTENIENDO APRECIACIONES Y DEFINICIONES UNILATERALES RELATIVAS A LA SITUACION PLANTEADA EN EL ATLANTICO SUR EN ESTA ETAPA DEL CONFLICTO.

2. EN DICHA COMUNICACION SE AFIRMA QUE LAS HOSTILIDADES HAN TERMINADO, PERO AL MISMO TIEMPO SE DAN A CONOCER MEDIDAS DE CLARO CARACTER BELICISTA QUE IMPORTAN EL MANTENIMIENTO CON ALGUNAS MODIFICACIONES - DE LAS ZONAS DE EXCLUSION O BLOQUEO ESTABLECIDAS ANTERIORMENTE POR GRAN BRETANA EL 30 DE ABRIL. EN EFECTO, TODO BUQUE O AERONAVE QUE INCURSIONE DENTRO DE LO QUE SE DENOMINA "ZONA DE PROTECCION", LIMITADA POR UN CIRCULO DE 150 MILLAS NAUTICAS DE RADIO ALREDEDOR DE LAS ISLAS, SERA CONSIDERADO HOSTIL Y TRATADO EN CONSECUENCIA. MAS AUN, EL

GOBIERNO BRITANICO SE RESERVA EL DERECHO DE LLEVAR A CABO
ACCIONES MILITARES "EN CUALQUIER PARTE DEL ATLANTICO SUR"
EN EL CASO EN QUE LAS JUZGUE NECESARIAS PARA LA PROTECCION DE
SUS FUERZAS.

3. SE PROCURA ASI, MEDIANTE ACTOS Y DECLARACIONES UNILATERALES,
CREAR UNA SITUACION QUE PERMITA CONSOLIDAR Y HACER ACEPTABLE
LA OCUPACION MILITAR BRITANICA Y LA PRESENCIA COLONIALISTA
DEL REINO UNIDO EN LA ZONA. FRENTE A ELLO, LA CANCELLERIA AR-
GENTINA HACE SABER QUE NO ACEPTA, COMO NO HA ACEPTADO EN EL
PASADO, LA EXISTENCIA DE ZONAS DE EXCLUSION, NI DE LIMITED DE
NINGUNA NATURALEZA EN MARES QUE PERTENECEN A LA JURISDICCION
ARGENTINA, Y QUE CUALQUIER INCIDENTE QUE SE PRODUZCA CON MOTI-
VO DE SU ESTABLECIMIENTO SERA DE LA EXCLUSIVA RESPONSABILIDAD
DEL REINO UNIDO. AL MISMO TIEMPO, REAFIRMA QUE, COMO QUEDA DE-
MOSTRADO POR LA ACTITUD ASUMIDA POR GRAN BRETANA, NO EXISTE
EN LA ZONA UNA CESACION DEFINITIVA DE HOSTILIDADES SI NO UNA
SUSPENSION DE HECHO DE LAS MISMAS. LA PRECARIA SITUACION RE-
SULTANTE, UNICAMENTE PODRA DERIVAR EN UNA PAZ EFECTIVA, SI
GRAN BRETANA DEJA SIN EFECTO LAS MEDIDAS MILITARES Y ECONOMICAS
QUE HA TOMADO Y SE AVIENE A NEGOCIAR CON LA REPUBLICA ARGENTINA,
EN EL MARCO DE LAS NACIONES UNIDAS Y CONFORME CON LAS RE-
SOLUCIONES PERTINENTES, LA SOLUCION DEFINITIVA DE LA DISPUTA.

ØPOWELL-JONES

NNNNN

PARA 4 AFTER BEGINS QM SHD READ

1. EL GOBIERNO



Foreign and Commonwealth Office

London SW1A 2AH

23 July 1982

Dear John,

Argentina: Return of Rolls Royce Aircraft Engines

At Chequers on Sunday, the Prime Minister raised with Sir Antony Acland the question of the return of Rolls Royce aircraft engines to Argentina after overhaul. We have now looked into this.

I think that the Prime Minister already knows the facts but briefly they are as follows. The Argentine internal airline, Austral, sent two Spey engines from a BAC One Eleven airliner to a Rolls Royce subsidiary in Sao Paulo, Brazil (Motores Rolls Royce) for servicing, prior to the Falklands crisis. The Brazilian company decided on its own initiative to delay the return of the engines while the Falklands crisis continued, although under Brazilian law they were liable to legal action for recovery of the engines. Once hostilities were over, Austral threatened to take legal action in pursuit of their contract. Rolls Royce (UK) accordingly wrote to the Department of Industry on 5 July to inform them that the Brazilian company were releasing these engines. The Private Secretary to the Secretary of State for Industry wrote to you on 13 July enclosing this letter and Mr Jenkin's reply.

The FCO were consulted by the Department of Industry by telephone before a reply was sent to Lord McFadzean. We took the view that there were no legal grounds for preventing the return of the engines, though we would have preferred them to be withheld.

Our policy of course remains to be on the alert for the supply to Argentina of equipment with any positive military connotation, and we shall continue to do all we can to prevent the supply of such equipment.

I am copying this letter to the Private Secretaries to the Secretaries of State for Defence and Industry, and the Attorney-General.

Yours ever,
J E Holmes
 for *J E Holmes*
 Private Secretary

A J Coles Esq
 10 Downing Street

CONFIDENTIAL

Argentinian



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~960 7022~~ 218 2111/3

MO 5/21

22nd July 1982

Now see parliamentary

Dear Jim,

answer.

A.S.C. 22/7

FALKLAND ISLANDS : LIFTING OF THE
TOTAL EXCLUSION ZONE

p.a.

You told us this morning that the Prime Minister wished to announce in Parliament this afternoon the lifting of the TEZ and the 12 mile restriction on Argentine naval forces. You also told us that the Prime Minister wished to include in her statement a reference to the zone of 150 miles around the Falklands from which all Argentine naval and air forces would be excluded, and within which they would be liable to attack.

I attach the draft of an Answer on this subject which the Prime Minister might use. The draft has been discussed with John Weston in the FCO and Henry Steel in the Attorney General's Office. I am bound to say that FCO officials would prefer both that the announcement was made in a lower key as originally proposed, and that it should not include a reference to the 150 mile zone. They point out that the original intention was to take a further significant step publicly to de-escalate the situation in the South Atlantic, which will be beneficial internationally, while making the situation as clear as possible privately to the Argentines to minimise the risk of inadvertent conflict. This was the purpose of the original combination of a public announcement about the TEZ and a private warning about the 150 mile zone. However I take it that these points were taken into account by OD Ministers this morning in taking their decision and that the Prime Minister would wish to use the announcement as attached.

I am copying this to John Holmes (FCO), Henry Steel in the Attorney General's Office, the Private Secretaries of OD FAF Ministers and to David Wright.

your ever
Mich Evans

(N H R EVANS)

A J Coles Esq

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D R A F T _ A N N O U N C E M E N T

There have been no further hostilities in the South Atlantic since the surrender of Argentine forces on the Falkland Islands on 14 June. We have therefore concluded that Argentina now accepts, as we do, that active hostilities have ended. On that basis, we have arranged for the repatriation of all remaining Argentine prisoners of war in accordance with Article 118 of the Third Geneva Convention.

We have ~~also now~~ decided to lift the Total Exclusion Zone of 200 nautical miles around the Falkland Islands, which was established on 30 April. Port Stanley harbour and Port Stanley airfield, together with the three mile territorial sea around the Falklands, nevertheless remain closed to commercial shipping and aircraft until further notice for reasons of safety.

Our warning of 7 May that any Argentine warship or military aircraft found more than 12 miles from the Argentine coast would be regarded as hostile similarly no longer applies.] But British forces continue to have authority to take all necessary measures to protect themselves against attack anywhere in the South Atlantic and to defend the Falkland Islands and the dependencies, in accordance with the inherent right of self defence recognised in Article 51 of the United Nations Charter. In particular and to minimise the risk of misunderstandings or inadvertent clashes



we have asked the Argentine Government via the Swiss Government to ensure that their warships and military aircraft do not enter a zone 150 miles around the Islands where they would pose a potential threat to our forces. Argentine civil aircraft and shipping have also been requested not to enter this zone unless by prior agreement with the British Government and also to stay clear of other British dependencies in the South Atlantic.

We have informed the Government of Argentina, via the Swiss Government through the diplomatic channel, about how these measures will be applied, in the interests of avoiding any future misunderstandings now that hostilities have ended.

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TO IMMEDIATE PARIS
TELEGRAM NUMBER 441 OF 22 JULY
AND TO IMMEDIATE BONN

FALKLAND ISLANDS REHABILITATION - EEC ASSISTANCE

1. THE COMMUNITY HAS OFFERED FUNDS TOTALLING 300,000 ECU FOR EMERGENCY ASSISTANCE TO THE FALKLANDS DIRECTING THAT THESE FUNDS BE USED FOR THE PURCHASE OF MEDICAL SUPPLIES, PREFABRICATED HOUSING AND BUILDING MATERIALS.
2. ON HOUSING, WE ARE ALREADY WELL ADVANCED IN NEGOTIATING WITH UK MANUFACTURERS, BUT IF WE WISH TO USE EC FUNDS WE NEED TO SEEK ESTIMATES FROM SUPPLIERS IN THREE EC COUNTRIES. GRATEFUL YOU SUPPLY SOONEST NAME AND ADDRESS OF ONE SUPPLIER OF PREFABRICATED HOUSING WHO IS LIKELY IN YOUR VIEW TO BE CAPABLE OF PRODUCING SUITABLE DOMESTIC ACCOMMODATION FOR USE IN FALKLANDS AND ALSO ABLE TO REACT TO A REQUEST TO TENDER IN ABOUT TEN DAYS.

PYM

FALKLANDS REHABILITATION

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FALKLANDS REHABILITATION

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FOREIGN AND COMMONWEALTH OFFICE

DIPLOMATIC REPORT No. 182/82

ALU 021/1

General Distribution

FALKLAND ISLANDS

21 July, 1982

THE FALKLANDS CRISIS—AS SEEN FROM MONTEVIDEO

*Her Majesty's Ambassador at Montevideo to the
Secretary of State for Foreign and Commonwealth Affairs*

SUMMARY

Uruguay's rôle in the humanitarian operations to repatriate casualties and POWs was established by the repatriation of the Governor and his party (paragraph 1).

2. Uruguay chose a policy of maintaining equidistance between the belligerents, and although this proved impossible, gave no overt material assistance to Argentina and was consistently helpful over humanitarian matters (paragraphs 2-5).

3. Uruguay was hostile to European Community sanctions and she will face increasing economic problems as Argentina is a major trading and investment partner. She will probably feel obliged to support Argentina in any diplomatic campaign but she desperately wants—and needs—a permanent settlement in the South Atlantic (paragraphs 6 and 7).

4. Despite good working relations with the Uruguayans, there were occasional flurries (paragraph 8).

5. Other ways in which the crisis affected this Embassy: dealings with the ICRC and movements of staff (paragraphs 9 and 10).

6. A tribute to the hard work and efficiency of the Uruguayans. The importance of British/Uruguayan co-operation on humanitarian questions for general relations and the position of the Embassy (paragraph 11).

(Confidential)

Sir,

Montevideo,

21 July, 1982

The view from Montevideo of the Falkland Islands crisis was somewhat special, partly because of Uruguay's geographical position and special links with Argentina and also because of Uruguay's tradition of assistance over humanitarian matters. Looking back over the main events since Argentina's invasion on 2 April as summarised in the enclosed calendar, the crucial dates for us were 2 and 8 April, even if their significance was by no means evident at the time. On the evening of 2 April I was summoned by the Foreign Minister to be told that, subject to the concurrence of Her Majesty's Government, Uruguay was

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prepared to accept that night an Argentine military aircraft carrying the Governor of the Falklands, his family and the Marines who had been captured at Port Stanley, with a view to facilitating their return to the UK. In order to enable me to obtain a swift reply, the Ministry's direct dialling facilities were put at my disposal. Surely one of the few occasions on which a Head of Mission has sought instructions from the premises of the MFA of the host country? When I received the go-ahead, the Minister asked me to do everything in my power to prevent the media interviewing the Governor or any of the Marines during their stay in Uruguay. I provided the required assurances. The Governor and his party duly arrived, hours late, part of the delay being due to the Argentines' belated wish to keep the Governor. Only the personal intervention of the Uruguayan Foreign Minister with Buenos Aires ensured that the Governor did in fact arrive in Montevideo. A day later, he and his party were collected by an RAF VC 10, which flew them to the UK. What proved to be the first of a series of humanitarian operations went well, apart from the physical and telephonic siege to which my Residence, the Chancery and members of my then small staff were subjected by representatives of the world media, who wanted to talk to the Governor, or to anyone else from the Falklands for that matter. This Embassy became extremely unpopular with the world media and especially the British press. This temporary unpopularity however was well worth while as the Uruguayan Government, having seen that we were prepared to go to some lengths to prevent any interviews that might prove embarrassing to Uruguay's relations with Argentina, were encouraged to follow their humanitarian traditions and to allow Montevideo to become a transit point for Falkland Islanders leaving the Islands, the Marines captured in South Georgia, Argentine POWs and the hospital ships *Hecla*, *Hydra* and *Herald* who carried our casualties from *Uganda* to Montevideo for onward flights to the UK by RAF VC 10 hospital planes. As will be seen from the statistics in Annex II from 2 April until 12 July, 121 Marines from the Falkland Islands and South Georgia were sent home to the UK via Montevideo and 555 British casualties. To Argentina were repatriated 1,181 Argentine POWs, including a few casualties.

2. 8 April was significant when under cover of a formal note the Foreign Minister handed me a copy of the Uruguayan Council for National Security Communiqué laying down Uruguay's policy of equidistance between the two belligerents and a ban on any Uruguayan organisation or individual taking action which would be of military help to either side. This effectively put paid to any lingering hopes of our using the Port of Montevideo for refuelling or supplying vessels of the Task Force. However, we were at least clear as to the parameters within which we had to operate.

3. In practice it was impossible for Uruguay to remain equidistant. For many years she had supported Argentina's claim to sovereignty over the Islands and while she deplored Argentina's use of force on 2 April, she equally deplored the despatch of the Task Force. Uruguay therefore inevitably supported Argentina in the two meetings of the Treaty of the River Plate held on 27 April and 27 May for which the Uruguayan Foreign Minister was in the chair. However, while it is very possible that Uruguay or Uruguayans helped Argentina or Argentines in under the counter ways, Uruguay made no effort, unlike Peru or Venezuela, to provide overt material assistance to Argentina.

4. Amongst all the Latin-American countries, small Uruguay was probably in the most difficult position. Uruguay today might well be a province of Argentina had it not been for the centralising theories of the early fighters for Argentina's Independence. While our contribution to Uruguay's independence

and development is still recognised, the links between families, industry and commerce, and indeed the Armed Forces on either side of the River Plate are necessarily very close. Also there is—or was—much Argentine capital invested in Uruguay. Thus, while many Uruguayans regard the Argentines as brash and immoderate, they also realise very clearly the dangers of offending Argentina. In the early weeks of the crisis Uruguay was bombarded by Argentine propaganda, via radio, television and the press. Initially it seemed that our only friends were the editors of the thoughtful weeklies, apart from those private individuals who wrote or telephoned to offer support or solidarity. We had little in the way of material or indeed manpower to counter Argentine misinformation. While with the limited resources available we did what we could to get over the main points of our case, we were also conscious of the importance of maintaining a calm stance given the humanitarian help we were likely to require from Uruguay. Fortunately some Argentine activities were counter-productive, particularly those of the Argentine Ambassador who was felt by some Uruguayans at least to be behaving as if he were in Argentina. Furthermore, many Uruguayans were alarmed and horrified by the Hitler-like Galtieri speeches and crowd emotionalism from the Plaza de Mayo shown on their television screens. Finally, we were eventually reinforced on the press side and were able to achieve more with the media. It also gradually emerged that whatever the public statements by the Minister of Foreign Affairs in support of Argentina's claim to sovereignty over the Islands, we had friends in the Ministry and elsewhere in the Uruguayan establishment. These could not overtly support us over the main issue. On the other hand, they could and did help us over the complicated negotiation and organisation for the humanitarian operations.

5. There is little doubt that our work with Uruguayans over humanitarian matters was helpful in maintaining British-Uruguayan relations. We in this Embassy necessarily had daily contact not only with the Ministry of Foreign Affairs at all levels, but also with other parts of the Uruguayan Governmental machine. Even at the height of the crisis when the fighting on the Islands became very tough, I and my staff were treated with unfailing friendliness and courtesy to the surprise of certain of my colleagues, notably the European Community Heads of Mission, and I had access in the Ministry of Foreign Affairs at whatever level and at whatever time I needed it.

6. The reaction in Uruguay to the European Community sanctions against Argentina was unreservedly hostile. This could hardly have been otherwise given the unpopularity of the Community in Uruguay and the fact that the Uruguayan economy is so closely linked to that of Argentina. The withdrawal of British banks from the Salto Grande loan was portrayed as an example of sanctions against Argentina affecting other South American countries and a report in the Uruguayan press that the Bank of England had declared the whole of Latin America a risk area called for a categorical denial from this Embassy. The Asociacion Latino-americana de Integracion, whose headquarters are in Montevideo, joined in the condemnation of the Community sanctions and subsequently met in June to study possible practical economic measures to assist Argentina. In practical terms, the Falklands crisis has so far not had major effects on the Uruguayan economy, but has caused certain difficulties notably the dearth of shipping with so many vessels avoiding the Port of Buenos Aires and thus not coming to Montevideo. The future is, however, a different matter as the country now faces the prospect of a major trading and investment partner in severe economic difficulty, a 1982/83 tourist season with even fewer Argentine visitors and even more unmanageable Argentine competition in markets of

common interest. If there is to be an optimistic note it can be no more than that the events of the last few months may have led some to look towards Uruguay as a more reliable business partner than Argentina.

7. Hopefully the fighting is now over. Many Uruguayans are not sorry that bombastic Argentina has been cut down to size. Nevertheless they are worried. Uruguay desperately wants and indeed needs a permanent settlement in the South Atlantic. This however has not prevented a reaffirmation of Uruguayan support for Argentina's claim to sovereignty and a statement of Uruguayan non-involvement in the future of the Islands unless the prior concurrence of the Government of Argentina is forthcoming. Perhaps these statements were considered the minimum necessary in the light of the political and economic upheavals on the other side of the River Plate, which could well be dangerous for the current régime in Uruguay. During the crisis there were two occasions when the Uruguayan Foreign Minister apparently thought he might have a rôle to play. On 23 May, when prior to the first Rio Treaty meeting he hoped that Her Majesty's Government would provide him with some message which he could use at the meeting, and on 1 June when, horrified by the potential blood bath in and around Port Stanley, he floated the impractical idea of a private meeting here between him, the Argentine Ambassador and myself. Looking to the future I suspect Uruguay would like to help try to find a solution provided such help would not upset Argentina. Nevertheless Uruguay is likely to find it difficult, if not impossible, to avoid supporting Argentina in whatever diplomatic campaigns the latter may launch even if sensible officials understand the need for a period of reconstruction and reflexion.

8. Inevitably despite our good working relations with the Uruguayans, there was the odd flurry. The most important was in relation to the status of the River Plate and our hope to avoid hostilities within the Estuary. Our Note to the Uruguayans on this matter caused considerable concern because nobody here had envisaged that hostilities might come so near to Uruguay. Furthermore it emerged that Uruguay had never accepted the River Plate to be anything but a river throughout its full course. However Her Majesty's Government's highly diplomatic reply to the stiff Uruguayan Note in response to ours calmed down the Uruguayans, not however before Argentina had made full use of the issue at the UN and elsewhere. The second major *mauvais moment* was when a VC 10 carrying medical supplies for one of the hospital ships inadvertently omitted to off-load some Harrier spares at Ascension Island. This became a *cause célèbre* for 24 hours but eventually the Uruguayan authorities, or most of them, accepted our assurances that they had been left on the aircraft by mistake. For us in this Embassy the most tense of a number of worrying days was when British troops landed on South Georgia. The authorities concerned with our security were also bothered, judging from the massive police reinforcements around the Residence and Chancery, and the alarming armed escort I was given when I went to see the acting Foreign Minister.

9. I should perhaps touch on our dealings with the ICRC. Apart from getting certain ICRC delegates onto our hospital ships, our main direct contact was with the Buenos Aires Regional Office who produced inspectors for medical supplies brought in by the RAF VC 10s for the hospital ships. My impression of the delegates reinforced by what the Captains of the hospital ships told me, was that not only were they inexperienced but were operating against a background of accumulated ICRC lore on land conflicts which was mostly irrelevant to the conflict in the South Atlantic. The shining exception was Monsieur Eberlin, the ICRC maritime expert who won glowing tributes from all quarters.

As seen from here the ICRC was not only legalistic but also unnecessarily bureaucratic. Furthermore, communication between the ICRC in Geneva and the Uruguayan Government on several occasions was dangerously inadequate, as indeed on occasion was communication between Buenos Aires and the Argentine Embassy here. This lack of communication was compounded by the lawyers within the Uruguayan Civil Service who initially at least found it difficult to understand how the implicit understanding between Argentina and the UK for returning prisoners while hostilities were still in progress, related to the Geneva Conventions.

10. This report would be incomplete if I failed to touch on the *va et vient* of staff in this Embassy, to the point that at times I felt I was presiding over a railway station. The closing of the Embassy in Buenos Aires added to our administrative problems in the early days of the crisis and then the initial staff reinforcements from there were, for good reason, soon withdrawn. While we were more than glad to be sent additional help from elsewhere, the number of short-term appointments since the crisis started must have the Uruguayans wondering a little. I am grateful, however, to all those in the Office who understood our staff problems and did their best to solve them. A great load was carried by my hard core pre-2 April staff, particularly those who until we were reinforced, covered communications around the clock and still managed a full day's intensive work.

11. However we must remember that many Uruguayans put in long and unsocial hours at the Port and military airbase, sometimes in appalling weather. They proved to be surprisingly efficient organisers. Co-ordination on the Uruguayan side was kept in the hands of the Services under the close eye of Admiral Laborde, the Chairman of the Chiefs of Staff Committee. We learned that the organisation of the transportation for the wounded was being used by the Uruguayan authorities to test and practise their civil emergency plans. Ambassador Rodriguez Nin, the Director of Protocol, was a staunch efficient and helpful adviser at all times. On the numerous occasions on which I expressed appreciation of Uruguayan help, I was told that if fighting had to take place, at least Uruguay could help send the unfortunate wounded and prisoners back to their homes. We must nevertheless remember that had we not been able to work so closely with the Uruguayans on humanitarian matters, our general relations and indeed the position of this Embassy might well have been very different.

12. This despatch is being copied to Her Majesty's Representatives at Asuncion and Santiago, and to the UK Permanent Representatives at New York and Geneva.

I am Sir

Yours faithfully

PATRICIA M. HUTCHINSON.

ANNEX I

Calendar of Main Events

- 28 March RRS *John Biscoe* sails for Port Stanley with new Marine Garrison (NP 8901).
- 2 April Argentine invasion of the Falklands.
- 3 April Governor of the Falkland Islands, Mr. Rex Hunt and family, 92 Royal Marines (NP 8901) and 16 civilians arrive in Montevideo.
- 4 April Governor and party depart for UK in RAF VC 10.
- 7 April British Embassy Buenos Aires closed. Defence and Naval Attachés, First Secretary and four support staff arrive in Montevideo.
- 8 April Uruguayan Council for National Security communiqué calling for a peaceful solution to the Falklands. It made clear Uruguay's wish to remain equidistant as between the two countries and prohibited Uruguayan help to either belligerent.
- 11 April Four civilians (including two Islanders) evacuated to UK.
- 14 April 32 civilians from Falkland Islands evacuated to UK by civilian aircraft.
- 15 April Mrs. Ferguson (ODA) and two children evacuated to UK.
- 19 April 29 Royal Marines and 13 British Antarctic Survey personnel from occupied South Georgia, depart for UK on RAF VC 10.
- 21 April 30 civilians (including five Islanders) evacuated to UK by civilian aircraft.
- 25 April British landing on South Georgia.
- 27 April Rio Treaty meeting: Washington. Resolution supporting Argentina's claim to Falkland Islands and calling on UK to cease hostilities.
- 1 May Uruguay condemns British military action and reasserts support for Argentine sovereignty claim over Falkland Islands. (This followed the return of the Foreign Minister from Washington.)
- 13 May 150 Argentine prisoners captured in South Georgia handed over in Montevideo.
- 27 May Rio Treaty meeting: Washington. Resolution calls on signatories to assist Argentina.
- 1 June Foreign Minister suggests private meeting between Argentine and British Ambassadors and himself.
- 2 June Arrival of HMS *Hecla*: 24 POWs from the Argentine ship *Narwhal* and 18 British casualties. Latter evacuated by RAF VC 10.
- 6 June HMS *Hydra*: 51 British casualties. RAF VC 10 arrives with five cases of non-medical supplies which are impounded by Uruguayan authorities.
- 12 June MV *Norland* arrives Montevideo with 1,013 Argentine POWs.
- 13 June HMS *Herald*: 60 British casualties evacuated by RAF VC 10.
- 16 June HMS *Hecla*: 61 British casualties evacuated by RAF VC 10.
- 18 June HMS *Hydra*: 82 British casualties evacuated by RAF VC 10.
- 24 June HMS *Herald*: 100 British casualties evacuated by two RAF VC 10s.
- 25 June HMS *Hecla*: 76 British casualties evacuated by RAF VC 10.
- 28 June HMS *Hydra*: 51 British casualties evacuated by RAF VC 10.
- 8 July Flight-Lieutenant Glover arrives in Montevideo by Argentine military aircraft. Departs by civil flight following day.
- 12 July HMS *Hydra*: 56 British casualties evacuated by RAF VC 10.

ANNEX II

Statistics: Montevideo 2 April-12 July, 1982

| | | | | | |
|--|-----|-----|-----|-----|-----------------------|
| UK/Falkland Islander civilians evacuated | ... | ... | ... | ... | 100 |
| NP 8901 (Marines) prisoners returned to UK | ... | ... | ... | ... | 121 |
| British casualties from Hospital Ships to VC 10s | ... | ... | ... | ... | 555 |
| British POW (Fl.-Lt. Glover) | ... | ... | ... | ... | 1 |
| Argentine POWs returned via Montevideo | ... | ... | ... | ... | 1,181 |
| Medical stores transferred from VC 10s to Hospital Ships | ... | ... | ... | ... | Just under 29 tons |
| Arrivals of staff at Embassy (excluding dependants) | ... | ... | ... | ... | 31 |
| Departures of staff from Embassy (excluding dependants) | ... | ... | ... | ... | 18 |
| Number of Notes sent to the MFA | ... | ... | ... | ... | 245 |
| Inward telegrams (from all sources) | ... | ... | ... | ... | 1,979 |
| Outward telegrams—including repetitions | ... | ... | ... | ... | 1,561 |
| —excluding repetitions | ... | ... | ... | ... | 944 |

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GRS 425

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FM SANTIAGO 211915Z JUL 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 357 OF 21 JULY

INFO PRIORITY BRASILIA, MONTEVIDEO

INFO ROUTINE PORT STANLEY

YOUR TELNO 299 : AIR AND SEA LINKS

1. AT LEAST SIX CHILEAN AVIATION COMPANIES HAVE APPROACHED US WITH PROPOSALS FOR SETTING UP A REGULAR PUNTA ARENAS-STANLEY AIR LINK. HOWEVER, WE HAVE HEARD FROM LOCAL SUBSIDIARY OF BLUE CIRCLE CEMENT THAT THE MFA NOW CLAIM THAT THEY HAVE GIVEN AN UNDERTAKING TO THE UN (SIC) NOT TO ALLOW AIR LINKS WITH THE FALKLANDS FOR THE TIME BEING. THIS SOUNDS LIKE A PRETEXT, -BUT IN PRESENT CIRCUMSTANCES THE CHILEAN GOVERNMENT WOULD PROBABLY TURN DOWN ANY REQUEST FOR AIR SERVICES, WHETHER OCCASIONAL CHARTERS OR SCHEDULED SERVICES. THEY WOULD BE MORE LIKELY TO AGREE TO PROVIDE ASSURANCES ON AVAILABILITY OF DIVERSIONARY AIRFIELDS IN EMERGENCIES.
2. SEA LINKS MIGHT BE RATHER LESS DIFFICULT. THE MV MONSUNEN USED TO PLY BETWEEN PUNTA ARENAS AND THE FALKLANDS. ADMIRAL MERINO, NAVAL C-IN-C AND MEMBER OF THE JUNTA, TOLD ME ON 2 JULY THAT HE WOULD LIKE TO SEE A REGULAR SERVICE PROVIDED BY A CHILEAN VESSEL IN DUE COURSE. SUBSEQUENT INDICATIONS ARE LESS ENCOURAGING BUT, PROVIDED CERTAIN PRECAUTIONS ARE TAKEN (SEE MY TELNO 346, NOT TO ALL), THE CHILEANS MIGHT TURN A BLIND EYE TO SAILINGS BY SHIPS OF A THIRD COUNTRY FLAG TO PORT STANLEY.
3. THE MFA ARE SHOWING EXTREME CAUTION ABOUT ANTAGONIZING ARGENTINA BY AGREEING TO COOPERATE VISIBLY WITH US IN RELATION TO THE FALKLANDS. THEY SAY THAT THEY WANT TO HELP BUT NEED REASSURANCE THAT ARGENTINA WOULD ACQUIESCE IN SUCH COOPERATION. IN FACT THE DIRECTOR-GENERAL OF FOREIGN POLICY TOLD ME THAT THEY MIGHT NOT BE ABLE TO GO FURTHER THAN URUGUAY FOR THE TIME BEING. THEIR PARTICULAR CURRENT WORRY IS TO AVOID AN INCREASE IN TENSION OVER THE BEAGLE DISPUTE. THIS SUGGESTS THAT CHILEAN CAUTION IS LIKELY TO CONTINUE FOR THE REST OF THIS YEAR.

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/ 4. IN GENERAL,

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4. IN GENERAL, THE CHILEAN GOVERNMENT IS LIKELY TO BECOME MORE RELAXED AS TIME PROGRESSES AND ARGENTINA'S TEMPERATURE COOLS : AND THE JUNTA ITSELF MAY BE LESS CAUTIOUS THAN THE MFA. HOWEVER, IF WE WISH TO PERSUADE CHILE TO AUTHORISE THESE LINKS, WE WILL ALMOST CERTAINLY HAVE TO OFFER SOMETHING SUBSTANTIAL IN EXCHANGE, EG PUBLIC SUPPORT TO AROUSE INTERNATIONAL CONCERN OVER THE BEAGLE ISSUE OR AN INDICATION THAT WE WILL STOP PRESSING OLD HUMAN RIGHTS CASES.

HICKMAN

FALKLANDS REHABILITATION

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PART 27 ends:-

20.7.82

PART 28 begins:-

21.7.82

