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Foreign and Commonwealth Office

London SW1A 2AH

1 June, 1982

Mr. Whitmore

A.J.C. 46.

Dear John,

Clive Whitmore's letter of 25 May to Brian Fall asked for a factual note on the Falkland Islands Company, following an approach by Mr Robert Simpson.

// I enclose a background note. I also enclose a guidance telegram recently sent to all posts to enable them to rebut Argentine allegations about the Company's role in the Islands. We have not prepared a draft reply to Mr Simpson since his letter was not copied to us, but could of course do so if required.

However, it seems to us that it would be inappropriate for the Government to comment, as Mr Simpson asks, on the functions of a private company. Could Mr Simpson be advised to contact the Falkland Islands Company or Coalite direct to obtain the information he is seeking?

Yours ever

(J E Holmes)
Private Secretary

J E Holmes

A J Coles Esq
Private Secretary
10 Downing Street

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FALKLAND ISLANDS COMPANY

Essential Facts

1. The Falkland Islands Company (FICo) is a major owner of land in the Falklands and is by far the largest of the overseas companies with commercial interests in the Islands. It is a wholly owned subsidiary of Coalite Limited, whose Chairman is also the Chairman of FICo. Coalite's interests are very wide-spread. They include the production of smokeless fuel; chemical-processing; coal and fuel-oil distribution (including 6% interest in Sovereign Oil and Gas UK); vehicle-building and distribution; building materials; shipping; oil-rig servicing; transport and warehousing. The turnover was of the order of £360 million in the financial year 1980/81; profit was about £21.5 million. The Company was No.46 in the profitability league of the top 200 British companies in 1981.

2. FICo has virtual monopoly control in many areas of commercial life in the Islands. Its operations include:-
 - (a) ownership of 45% of farmland and 50% of the wool producing capacity;
 - (b) through ties with other externally-owned farming companies, a strong influence on at least half of the remaining farmland;
 - (c) providing direct employment for 240 people and, indirectly, many more;
 - (d) effective control of internal and external shipping;
 - (e) ownership of the sole commercial jetty and direct employer of the only dock labour force, giving it control over the loading and unloading of all produce and supplies;
 - (f) a dominant rôle in the marketing of Islands' wool through its conduct of auctions between the two UK brokers principally involved;

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- (g) most of the insurance, finance and other commercial services for its own and other enterprise;
- (h) the largest buying agent and importer of equipment for its own and other farms and for retail in its own stores and the settlement shops;
- (i) marketing diesel fuel supplied by MOD.

3. The Company's investment record in the Islands has in the past been poor but has improved in recent years. Under the supervision of the Grasslands Trials Unit, 500 acres in Lafonia have been reseeded with encouraging results. The Company has also responded to Lord Shackleton's recommendation concerning the establishment of smaller farming units by selling its Green Patch Farm to the Government for subdivision. Nevertheless, local FICo managers are under strict control of the Head Office in London and find it difficult to obtain money for capital investment projects which do not show quick returns. Lack of investment was one of the major criticisms in the 1976 Shackleton Report.

4. The Argentines regard the Company as a major obstacle to their ambitions. In 1978 Argentine interests made a fairly overt bid for ownership of the Company, although the Argentine Government at the time maintained that they had played no direct part. The Argentine Government suggested to the previous Government on several occasions that the Company be taken over by a joint holding company representing UK, Argentine and Islander interests. Since the invasion the Argentines have repeatedly tried to portray the Company as a principal perpetuator of the Islands' colonial status, particularly in their discussions with the UN Secretary-General.