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VISIT BY THE MINISTER OF STATE, MR NICHOLAS RIDLEY MP, TO THE FALKLAND ISLANDS,
NOVEMBER 1980

First session with Councillors: Monday, 24 November, 1100-1300

Present:

Mr Nicholas Ridley MP
Mr Fearn
Mr Temple
Mr Gozney

H E The Governor (Chairman)
X Mr Morrison
X Mr Rowlands
Mr Monk
Mr Bowles
Mr Wallace
Mr Goss
Mr Bennett
Mrs Jennings
Mr Luxton
Mr Miller
Mr Evans
Mr King (Clerk of Councils)
Mr Growcott (Governor's Assistant)

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1. After the Governor had welcomed Mr Ridley on behalf of the Councillors, Mr Ridley explained why he had come. First, he loved the Islands; second, it was necessary to talk about the problems which arose from time to time, like the YPF jetty; thirdly, there was continuing pressure from the Argentines to resume negotiations. This pressure had been expressed when Lord Carrington met the Argentine Foreign Minister in New York in September, and again when he had passed through Buenos Aires on his way to the Islands. Mr Ridley explained that the pressure from the Argentines was not demonstrated publicly, because our talks in New York had shown that we were prepared to continue a dialogue. But if we refused another round, we could expect the Argentines to become belligerent. The problem had not gone away. During those talks, he had nearly persuaded the Argentines to acquiesce in a British declaration of a 200 mile zone around the Falkland Islands, to permit exploitation of the fish resources; but the Argentines had said that this had to be part of an overall settlement of the sovereignty question. Similarly, British oil companies would not be interested in exploration unless it was settled. At New York, he had made it clear to the Argentines that he could do nothing that was unacceptable to the Islanders, that the Islanders wanted to remain members of a British colony, and to continue the way of life which they have enjoyed for generations. Nothing

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substantive had been agreed. At the end of the meeting, the Argentine Deputy Foreign Minister had said that, at the next round, real progress would be necessary. It would perhaps be possible to meet once more without discussing the core of the dispute, but Mr Ridley was far from sure that this was in any-one's interests. It simply put off the evil day. Therefore it would be best to consider what options we could offer to the Argentines.

2. In answer to a question from Mr Bowles, Mr Ridley said that it was for the Islanders to decide whether the next round should be substantive; he had promised always to consult them. His own strong view was that he should continue to negotiate and to talk substantively; the alternative would be to have a breakdown which could be disastrous. Mr Bennett asked if the question could be taken to the ICJ. Mr Ridley said that internationally, we were in a minority of one on the issue. The Argentines would not accept ICJ arbitration. In any case, what would the Islanders do if the ICJ decided that the Islands should go to Argentina? Surely it was preferable to seek a solution through negotiation. Mr Bowles asked if the talks could not be protracted until the Islanders enlisted Commonwealth support. Mr Ridley considered this unrealistic; the problem was really one between the UK, the Islanders and Argentina. One could either break off negotiations altogether, or filibuster, or negotiate properly. If we filibustered, it was open to the Argentines to interrupt communications, withdraw medical services etc, while appearing not unreasonable in international opinion.

3. Mr Evans asked bluntly what the options were. Mr Ridley said he believed that the Argentines were mainly interested in the political problem of sovereignty, rather than in any oil or fish resources the Islands might have. There were three possible options we might offer to the Argentines. The first was a condominium. Our experience in the New Hebrides had shown how difficult this would be to operate. Nor would the Islanders be likely to welcome it, since it would mean some Argentine administration and presence. The second option was a freeze of the whole question; this would appear to give the Argentines nothing. Moreover, to the Islanders it might seem unattractive because if the question was frozen only for a short period, the threat and uncertainty to the Islanders would remain. This was the case in the freeze between Guyana and Venezuela, which was shortly coming up for review. The third idea was, as he had mentioned during his last visit, to negotiate some form of leaseback which would give the Islanders what they wanted. This might well not be acceptable to the Argentines. But if agreement could be reached on a lease for a long period, it seemed worth talking about. Its implications would be: no change

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in the British administration of the Islands. Mr Rowlands asked what sort of guarantee there would be that the Argentines would not alter terms. Mr Ridley replied that we would seek international guarantees. Moreover, the Argentines would have signed an agreement, and if they broke it, they would be seen to be in the wrong. The difference from the present situation would be that international opinion would be on the side of the Islanders. At the moment, there was a disputed freehold. An agreed leasehold might give greater security to the Islanders during the period of the lease. He stressed that he was only discussing this as something on which we might negotiate with the Argentines. Mr Miller asked if leasehold would give the Argentines what they wanted. Mr Ridley believed that they wanted titular sovereignty. Of course a leaseback arrangement would mean a fundamental change, but it would be a titular change, not a practical change. If the only difference in the Islands was an Argentine flag, and nothing else, would that be so awful? He believed that what mattered to the Islanders was their way of life. In any case, it was important to remember that no solution was possible without some concession. Mr Monk thought that the Argentines were not interested in the oil there might be around the Falklands, but in fish. The problem with a leaseback was that it handed over sovereignty once and for all; a 100 year freeze would be better. (Mr Morrison and Mr Miller assented). Mr Ridley thought that in a freeze arrangement, it would probably not be possible to exploit any oil. Under a leaseback, we would have rights over the maritime areas. If there were any oil, would the Islanders want oil installations in the Islands, or all oil operations oriented towards Argentina? In other words, did they want oil, or just the revenue of oil? Mr Goss replied that the Islands would not be recognisable if oil operations were based on them. He thought that the Islands would probably not get much out of it at all. Mr Ridley said that the rights to any oil around the Islands were vested in the Falkland Islands Government. If any were found, we could suggest an arrangement of the exploitation of the oil so that the only result for the Islands would be the revenue. Mr Morrison commented that a leaseback arrangement would mean giving sovereignty to Argentina, which the Islanders would not accept.

4. Mr Miller asked whether the Argentines were not already drilling near the Falklands? Mr Ridley believed that they were licencing some blocks for exploration near to the median line; but that the British Government had made it plain to the Argentine Government that they should not cross that line. Mr Fearn added that arrangements covering the exploitation of oil tended to be extremely complex. It was not possible at this stage to say what kind of regime might apply to the Islands.

5. Mr Evans said that he admired Mr Ridley for speaking so frankly. Of the three options which he had outlined, a condominium was obviously unacceptable. That left a freeze or a lease. The Islanders would be better off negotiating a freeze, even for only 25 years, because a lease would be deciding the fate of the Islanders' descendants, which Councillors had no right to do.

Mr Ridley said that if the fish were exploitable, through a 200 mile zone, our estimate was that perhaps up to £3 million per annum might accrue to the Islands through licencing revenues. From this would have to be deducted the cost of patrolling and administration, but it would be a clear extra source of revenue to the Islands. Exploiting the fish or the oil both meant more money for the Islands, although it seemed that exploiting the fish meant less money with less disruption. Mr Wallace suggested that the opening position in negotiation should be a freeze. If this was unacceptable to the Argentines, Mr Ridley should then come back to seek Islander views again. Mr Ridley repeated that it was hard to see the attractions of a freeze for Argentina. Moreover in a freeze arrangement, it seemed unlikely that the Argentines would co-operate in fish and oil. But he agreed that seeking a freeze could be the first negotiating position. Mr Wallace thought that the Argentines would not expect the British to offer more. Mr Ridley said that the Argentines wanted the Islands now. That was why he was looking for positions mid-way between the two extremes. It was necessary to some extent to meet Argentine requirements. Mr Gozney believed that the Argentine Government would find it difficult to sell domestically a freeze of the question, even if it gave them access to some of the oil. The Argentines regarded it as their oil anyway. Mr Goss thought a 1,000 year lease would be more acceptable than a freeze, or a short-term lease. Mr Ridley agreed, but Mr Goss could not imagine that that would be acceptable to Argentina. He did not think that 99 years would be acceptable to the Islanders, because it would affect their grand-children. Mr Monk did not agree, Mr Ridley emphasised that he was not talking now about the exact term of a lease, simply of exploring the idea in negotiations with the Argentines. If we did so negotiate, our position would be to seek British Government of the Islands, British law, British administration, a British way of life; rights for the Islanders to the oil and fish around the Falkland Islands in the 200 mile zone; and a period for the lease long enough to give the Islands confidence. Contrary to what Mr Goss had said, he thought that 100 years would be enough for this. Such a package could be the second fallback position if a freeze could not be negotiated. Mr Bennett asked about the mechanics of such a negotiation. Mr Ridley suggested that Councillors should be present at the negotiations. Several rounds would be necessary. There would be no general publication of the details agreed until a draft settlement was negotiated. Then Islanders would have a chance to agree to it, or reject it. Final commitment would not be necessary until then. There would be many opportunities for debate,

not least because legislation would be necessary in the UK to effect a leaseback. Moreover there were elections imminent in the Falkland Islands. Mr Bowles asked if independence would be possible during such a lease, if the population had grown sufficiently. Mr Ridley said that the British Government would never stand in the way of independence if the Islands wanted it. Indeed we would help with aid and so on. But in reality the problem with Argentina would make it impossibly difficult. The economy would not be viable. During his visit he wished to discuss his concerns over the Islands' economy; the population was at the moment dwindling, and the resources were not being exploited. He saw possibilities in oil, fish, tourism, sheep (both wool and meat), and maybe other exports. All this required both capital and people. But he believed that it was necessary to resolve the political dispute before any of this could be properly developed. If a political solution was not reached, the population would continue to fall. What were the views of Councillors as to the future of the Islands 50 or 100 years hence? It was for the Islanders to decide.

6. Mr Monk said that the Islands could never be independent after a leaseback arrangement was negotiated. It would be irrevocable. Mr Ridley suggested that it was inconceivable that the Argentines would accept eventual independence. Mr Gozney added that it was important not to judge from the present Argentine attitude to the Islands what the Argentine attitude would be during a leaseback. Mr Wallace appreciated that it was necessary to consider the substantive alternatives which Mr Ridley had outlined. But would not the Argentines be willing to discuss matters like oil separate from the central question? Mr Ridley believed that Islanders were not aware of the extent of Argentine pressure. He could not for ever do nothing. In any case doing nothing itself had implications for the Islands. He was not seeking to bounce the Councillors, rather seeking their advice as to what he should do with them.

7. Mr Bennett believed it was clear that the Argentines would settle on nothing less than sovereignty. If the Islands were unable to tap Argentine finance, was there any prospect of better FIG revenue within the Islands? Mr Ridley thought that relying on wool alone would never make the Falkland Islands rich. Agriculture had to be diversified, and other activities needed to be introduced. But resources like oil and fish could never be realised without a political solution with Argentina. Mr Miller said that his aim was to have a future population in the Islands of 10 - 20,000 people. But he added that it was always the Islanders who made compromises in the negotiations. The Argentines

had never done so. Mr Goss said that if the British wanted to work the fish, they could do so. Mr Ridley explained that Britain did not need fish from elsewhere.

9. Mr Wallace said that all Islanders would like a large community of 20,000 people or more; this would need investment, which in turn required a settlement. But to talk about a leaseback at the next round of negotiations was a very significant step to take. Mr Ridley repeated that he wanted to help the Islanders, not to pressurise the Councillors into a hasty decision. He recognised that they needed time to consider the ideas. He himself had given a lot of thought to them since his last visit. What was the best way forward? Was it to try to settle, or to prevaricate, or to break off negotiations? It seemed to him that the second and third options amounted to the same thing. The Argentines would turn awkward and the UK was not in a position, because it was so far away, to provide all the help that would be necessary. How would the Islanders acquire oil, communications, etc? Of course the UK would assist over the short term in an emergency, but was that how Islanders would want to live in the long term? It would solve nothing, and indeed would be a nightmare for the Islands. Islanders had to understand the implication of the alternative to a settlement with Argentina. He agreed (as did everyone in the UK) that a negotiated solution was unpalatable, but to him the alternative seemed worse.

10. Several Councillors asked if the Islands could not rely on communications with other South American countries. Mr Ridley explained that Argentina could persuade Chile, Uruguay and Brazil not to provide assistance.

11. Mr Ridley asked if Councillors wanted him to bring his suggestions into the open during his visit. Mr Wallace thought that Mr Ridley should say in public everything he had said to Councillors. Mr Miller agreed. The Islanders were very curious to know why Mr Ridley had come. Some discussion followed on the effect on Argentine public opinion of a public debate within the Islands. It was agreed that inevitably a public debate would ensue in Argentina as well. Mr Bowles asked how Mr Ridley proposed to quell the suspicions he had aroused among Islanders. Mr Ridley explained that he intended to stress that he had not come to announce a deal or anything sinister but simply to discuss with Islanders how to respond to the Argentine request for continuing negotiations. The Governor brought this session to a close by giving his personal view. He did not believe that the Islands could continue as they were, with the population drifting away and economic stagnation. Clearly there was a need to negotiate with Argentina and this had to be about sovereignty. He did not think that the Islanders should rule out either option, the freeze or the leaseback.

12. The meeting ended at 1.00.

Second session with Councillors: Tuesday, 15 November, 9.30-11.15

The participants were the same as during the First Session.

1. In opening the discussion the Governor invited Councillors to give their comments on the previous day's ideas.

2. Mr Wallace said that the Councillors had met amongst themselves the previous afternoon. They had reached no decision on the proposals Mr Ridley had put forward, and would like time to consider them further and for the public to react. Generally their view was that preference should be given to the freeze than to the leaseback. Mr Goss personally felt that the Islanders were being bulldozed. He thought that consideration should be given to providing compensation and a place of abode in the UK for all those who did not like whatever settlement was reached. He could not see any scheme working. The only result would be further infiltration and further controls by Argentina. Mr Evans said that more than a week was needed to consider what Mr Ridley had said. If Islanders eventually allowed Mr Ridley to go ahead and discuss the freeze or the leaseback with the Argentines, the Islanders would be giving away a lot and it was not clear to him what they would be receiving. He could see the attractions of a settlement for the UK Government, which would have solved another problem, and secured commercial advantage with Argentina. But he felt that the UK should give the Islanders something. There should be more money to develop the Islands and right of abode for all Islanders in the UK. Mr Bowles was apprehensive. He believed that time was on the Islanders' side (sic). An Agreement with Argentines would not offer security or prosperity. He could not see people agreeing to what Mr Ridley had suggested until the Argentines came up with some better ideas. Mr Miller said that if a leaseback agreement was eventually made, it would have to be so worded as to avoid admitting that Argentina had had rights to the Islands in the past. Such an admission would be a betrayal of the last 140 years. He added that all Islanders should have right of abode in the UK. He would prefer Mr Ridley to explore a freeze first but did not consider 25 years enough. Mr Monk agreed that Councillors needed more time to think these ideas over. He suggested that Councillors were being too suspicious of the ideas; he understood that Mr Ridley was only asking for authority to explore these ideas with the Argentines, not to decide definitively on a settlement. But he added that the

Islanders were being hurried a bit and even frightened a bit. Perhaps there were other ideas which might form the basis of a solution. Personally, he thought that leaseback was the only idea with any possibility of success. He appreciated that transfer of sovereignty was central to the Argentine requirement. Mr Luxton believed that leaseback was the only practicable solution which would lead to stability for the Islands. On the proposals his colleagues had made that all Islanders should have right of abode in the UK, he believed that if a solution was reached which then led to a large-scale exodus from the Islands, such a solution would be a failure. He was clear that Mr Ridley was only seeking at this stage a mandate to explore possibilities with the Argentines; the Islanders could accept or reject a draft package after negotiations. But the Islanders needed time to consider it all. Mrs Jennings preferred a long-term freeze, but thought that a leaseback had the best chance of success. But she believed that a leaseback would provoke an exodus from the Islands. Mr Bennett preferred the freeze. He did not consider that the Argentines would respect a lease agreement. But he agreed that the ideas should be explored in negotiation with Argentina. Mr Rowlands said that the ideas under discussion were very important for the colony. Islanders needed time to consider them but would not drag their feet. As Financial Secretary, he believed that increased financial assistance would be required from HMG in the event of a negotiated settlement with Argentina. It was not unreasonable to ask for this since Britain would be gaining from increased trade with Argentina. Mr Morrison considered that a settlement might give everything away. He was horrified by the leaseback idea which he thought would mean the end of the Falkland Islands. He thought that Councillors should be very wary of it.

3. Mr Ridley was grateful for these initial views. He emphasised that he was not trying to bulldoze the Islanders; he had come to consult them. Of course he would not demand a firm reaction from them before his departure from the Islands, but he expected to have some idea of general reactions by then. There seemed to be a misunderstanding on some of the implications of leaseback. Mr Goss and Mr Bowles had suggested that this would mean introducing the Argentine system into the Islands. This was not his intention; under a leaseback there should be no Argentine administration of the Islands, only a continuation of the British system. He repudiated the suggestion that HMG were putting forward these ideas simply for the prestige of solving the problem or to boost trade with Argentina. As seen from London, we believed that the future of the Islands had to be settled, so that stability and economic development could be assured. He met people who said that the Islands were now bleeding to death because of the dispute, despite the economic potential of agriculture, oil or

fish. Surely it was rather the case that the Islands would need extra financial assistance if they did not settle with Argentina because that would be when the economy was in jeopardy. A settlement would make development more likely, and an exodus of population less likely. But the UK would continue to give to the Islands all the aid that it could. Turning to the comments made by Councillors on right of abode, he accepted that this was a difficult problem for the Islanders. The new Bill would not alter the rights belonging to people already alive. Children born after the Act was passed would have the right of abode if one or both parents had been born in the UK. It would not be possible to make a special exception for Falkland Islanders. Each colony regarded itself as special. Moreover, if special exemption was granted for the Falkland Islands they could become a backdoor for entry to the UK for Chilcans, Pakistanis, etc. But he considered that Islanders would have access to the UK through the Home Secretary's discretionary powers in the event of a real emergency, as they had at present; he gave his tacit assurance on that. Also he was prepared to discuss the subject with the Home Secretary on his return to London to see if there was any possibility of a different arrangement. As to the two alternatives, freeze or leaseback, views seemed to be divided. He appreciated that neither was very palatable. He would be happy to try for a long freeze, but doubted that that would succeed, because it gave the Argentines nothing. At this stage, he was only putting forward possibilities, not firm plans. If Councillors could think of alternative suggestions they would be most welcome. But it was clear to him that we had either to negotiate, or to refuse, in which case emergency procedures might be required. He wanted Islanders to consider most carefully the implications of a decision not to negotiate with Argentina.

4. Some discussion followed on whether the Falkland Islands Dependencies should be included in any leaseback arrangement. Mr Ridley suggested it might be better to keep hold of them if possible and therefore to exclude them from the negotiations.

5. Mr Monk said that the Islanders were in the classic position of a small country. They could be forced to give up what was rightly theirs; perhaps this was unavoidable, but it was indeed unpalatable. Mr Luxton suggested that the Islands could be incorporated into the United Kingdom. Mr Ridley said that this was impossible while we retained Hong Kong. The British could not have all colonial subjects voting in UK General Elections. Nor would it be possible to incorporate one colony and not another. Mr Miller asked if a freeze or a leaseback was being discussed for Gibraltar. Mr Ridley explained that in negotiations with Spain, we had leverage because the Spanish wanted to join the European Community. Nevertheless negotiations on Gibraltar would still be very difficult.

6. Mr Ridley suggested turning to a discussion of domestic problems. Mr Miller wished to discuss the YPF jetty. He had no objections to this jetty being built by the British but could not accept the Argentines building it and thus having a bigger influence. The Islanders should not accept bribes and charity from their political enemies. Mr Ridley replied that the Islanders should take it or leave it. British aid was limited. Surely a gift of £1.3 million should be accepted. The Argentines were attaching no strings. Councillors ought to realise that Britain was in no position to increase aid to the Islands, and might even have to reduce it. Either they could accept the £1.3 million from Argentina, or it would have to come from elsewhere in the UK aid programme in the Islands. The Governor added that the Argentines had a financial reason for building the jetty. They were losing £300,000 each year on the present delivery arrangements. Mr Gozney added that they had the right to build a jetty under the YPF agreement anyway. Mr Monk complained that the Islanders should never have been put in this position. But he admitted that it would be economic suicide to refuse the Argentine offer. On the general point, Mr Ridley suggested it was a mistake by Islanders to see the attempts of Argentina to be friendly as a threat. The Argentines found it difficult to understand why all their offers were so resented. Why could Islanders not be less suspicious? Mr Miller asked if the jetty would be entirely under Islander control. The Governor explained that these details remained for Councillors to discuss. Mr Ridley repeated that any financial assistance to the Islands which augmented British aid was surely welcome. Why did the Islanders have to regard every dealing with Argentina as dealing with the enemy? To settle the dispute with Argentina would make life so much easier in the Islands. Mr Wallace agreed that if a solution to the dispute was found, of course suspicion of Argentina would decrease. Mr Evans countered that feelings were very strong in the Islands. Mr Ridley entirely understood. What he was saying was that a settlement would remove the uncertainty and the complications which overlay every aspect of life in the Islands. He found it hard to imagine life continuing on the present basis for the next 100 years.

7. Mr Monk turned the discussion to the Stanley-Darwin road. There was a shortage of labour and equipment for the job. The Governor agreed. He said that new capital plant was required to finish the task. Mr Ridley suggested that that Falklands Islands Government could borrow money for this. It was never satisfactory always to rely on public money for such projects. Mr Rowlands countered that the Islands Financial Adviser had said that better

securities would be required against commercial loans. Mr Ridley undertook to look into this on his return to London. Mr Monk suggested that the FIG could sell its own bonds.

8. Mr Wallace raised the possibility of labour from St Helena. The Governor explained where consideration had reached. Mr Wallace believed the labour shortage was linked to the housing shortage. The Governor remarked that he would like 20 or 25 building workers to come, who could first be accommodated in a large vacant building. Mr Monk wondered whether employers could afford to pay new labour. On his own farm there was a shortage of 6 employees but he had calculated that he could only afford to pay one. Mr Rowlands added that labour costs amounted to some 60 per cent of the total expenses of the farms. Mr Ridley suggested that this indicated that new products were needed from the Islands; it was a mistake to rely solely on wool. Mr Luxton considered that the larger farms were now becoming unmanageable. Smaller units were required. Mr Ridley agreed. He thought that mortgages should be available commercially both for buying land and for buying houses. On the economic problems of the Islands, one always came back to the shortage of capital.

9. The meeting ended at 11.15.