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bcc. Mr. Ure (Fro)
Peter Jenkins
(HMT)

10 DOWNING STREET

From the Private Secretary

15 April, 1982

Dear John

Mr. C. E. Needham, Chairman of the Falkland Island Company, called on the Prime Minister this afternoon at 1700. Mr. Ure was also present.

Mr. Needham said that his company was in daily telex communication with their offices in the Falklands, and he thought these telexes would give the Prime Minister a useful picture of conditions on the Islands. He handed round the attached telexes, and summarised their contents. All the Company's staff were safe. Many were leaving Port Stanley to live on outlying farms. Freedom of movement on the Islands was good. In the last two days, the Argentine authorities had requisitioned a substantial quantity of groceries from the Company, but this was not a cause for concern; the stores and butchery were still under the Company's control. The Argentines had also sought to requisition one of the Company's ships, the "Monsunen", but they had not carried out this threat in the face of the Company's refusal. None of the 35 people who had left the Islands were staff of the Company; they were all civil servants. The remaining islanders were all intensely loyal to the Crown, and their overriding desire was to get back to the life they had lived before the occupation. There was no enthusiasm for living under Argentine administration. The tension of the crisis was producing a feeling in some people that they would prefer evacuation to open warfare.

Mr. Needham concluded this part of the discussion by asking if we could treat the existence of his telexes as confidential since he did not wish his communication link to be jeopardised.

Mr. Needham then went on to say that he was sure the British public would criticise the Government if hostilities took place while the islanders remained in the Falklands. He recognised, however, that it would be difficult for the Government to be seen to be organising an evacuation. To avoid this problem, he was willing to stage an evacuation through the offices of the Falkland Island Company. He felt his offer should be considered seriously and quickly by the Government. But there were some

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difficulties. The islanders would have to be flown out by the Argentines who would expect payment. The islanders would also no doubt wish to bring their savings with them to the UK. The Argentines would be most unlikely, however, to allow sterling to be exported from the Islands. The Falkland Island Company could issue its employees with travellers cheques in return for payment in sterling at Port Stanley; but there was no guarantee that the Company would be able to make use of these sterling deposits. Not only that, but the islanders would be worried about how they would be treated on arrival in the UK and whether they would be able to find accommodation. The cost of the evacuation would be at least £2 million (based on an assumed air fare of at least £1,000 for 1,800 inhabitants).

In conclusion, Mr. Needham indicated, though not very specifically, that if he were to proceed with the evacuation, he would need:

- a) an assurance from the Government that the evacuees and his Company would not lose financially. His main concern here seemed to be that his Company should not lose financially from issuing travellers cheques to the islanders in return for sterling, which it might not be able to export. Without a suitable assurance from the Government, he could not authorise his Port Stanley office to issue such cheques;
- b) to be able to assure the islanders that they would be properly looked after on arrival in the UK, and that temporary accommodation would be provided if necessary. He did not accept that it was his Company's responsibility to provide entirely for its employees on arrival in the UK, given that the situation was not of the Company's making. Nor did he seem to be entirely satisfied that the social security system, and local authority help with housing, would be seen as an adequate safety-net by the islanders.

The Prime Minister said that she would consider Mr. Needham's suggestion urgently, and let him have a response within a few days. She was determined that nothing should stand in the way of those islanders who wished to return to the UK, and the Home Secretary had given an assurance that there would be no problems from the point of view of immigration policy. But Mr. Needham's suggestion raised wider issues which would need to be considered very carefully.

In the light of this discussion, the Prime Minister would be grateful for your Secretary of State's advice on Mr. Needham's

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offer, and a draft letter which we might send to him, as soon as possible.

I am copying this letter, but not the enclosures, to John Halliday (Home Office), David Omand (Ministry of Defence) and David Wright (Cabinet Office).

Yours ever

Wilkie Ricketts

John Holmes, Esq.,
Foreign and Commonwealth Office

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