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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

SUB-COMMITTEE ON THE SOUTH ATLANTIC
AND THE FALKLAND ISLANDS

FALKLAND ISLANDS: THE INDEPENDENCE OPTION

Memorandum by the Foreign and Commonwealth Secretary

1. This paper examines independence for the Falkland Islands as a possible long-term solution.

Present Situation

2. A statistical note on the Falkland Islands is attached at Annex A. The Islands have experience of self-government under the guidance of a Governor. The population is about 1,800 and there are few natural resources. Sheep-farming is the only established industry on the Islands.

3. The Islands are geographically remote and their only natural lines of communication are with the South American mainland.

The Route to Independence

4. Precedents for the independence of other small states suggest the following necessary sequence of events:

- (i) the establishment through a plebiscite or a general election that Islanders wish to proceed to independence;

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- (ii) early provision for a majority of elected members in an Executive Council, to give them experience of exercising responsibility. (Although the present Falkland Islands constitution provides for such a majority in the Legislature, it does not contain a similar provision for the Executive Council.);
- (iii) the introduction of a Ministerial system with elected members responsible for all portfolios other than Defence, External Affairs, Internal Security and the Public Service, for which the UK would retain responsibility;
- (iv) agreement between Her Majesty's Government and the Falkland Islands Government on a timetable for independence;
- (v) transition to full internal self-government, possibly for up to three years, during which Britain would retain responsibility for defence and external affairs;
- (vi) transition to independence. A delay of two years would allow sufficient time for the preparation of a draft independence constitution to be fully debated in the Islands, agreed at a Constitutional Conference and approved by the United Kingdom Parliament.

Precedents

5. The population of the Falkland Islands is about 1,800, including expatriates, and was never higher than 2,392 (in 1931). No country with a population as small as this has ever been brought to Independence. Two cases, Tuvalu (population 9,000) and Nauru (8,000) are considered in Annex B. But these are not convincing precedents. Both were internationally accepted on independence. Neither has any geographical claims against it, and Nauru is rich. Other possible precedents include the Maldives Islands and Vanuatu. But in both cases the population is over 100,000, and the similarities with the Falkland Islands therefore slight.

Considerations relevant to the Falkland Islands

6. In considering the possibility of independence for the

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Falkland Islands, the following factors are relevant:

(a) Islanders' attitude to independence

This is hard to ascertain at present. Hitherto, although the idea of independence has occasionally surfaced, it has never been seriously considered by Islanders, because of the problems it would entail for their security, and for their economic development; and because of their deep attachment to the Crown.

(b) Economic viability

The wool industry provides a basic platform for the Islands' economy, at least in the short term. The Islands at present have a small trading surplus (their trade being almost exclusively with the UK). There have however in recent years been increasing difficulties in balancing the Islands' budget, as a result of declining wool prices and world inflation. The UK is providing about £1 million per annum in capital aid and technical assistance. Budgetary support has not yet been required. But the economy at present can do little more than stagnate.

Growth in the medium and longer-term would require diversification, adequate internal and external communications, and an expanded labour force. There is potential for development, eg inshore fishing, salmon ranching, frozen meat production, kelp (seaweed) harvesting; but this would require substantial outside aid or investment. The licensing of deep-water fishing, which could provide a valuable source of revenue, would require enforcement. The development of any hydrocarbon resources on the continental shelf would be impractical without Argentine acquiescence. The natural source of finance would be the UK. Immediately after independence, the Falkland Islands could apply for IMF membership, which would have to be approved by a majority of the IMF Board of Governors (under the weighted voting system); however, even if an application were accepted, the Islands could expect only a small quota. They would get no more financial advantage in terms of trade or aid from the EC than they do at present. Private finance would be unlikely to be attracted to the Islands so long as the Argentine threat to them remained. Contract officers would continue to be needed after independence

to help run the Islands' services.

(c) Defence/Security

The overriding preoccupation of Islanders and of the UK in considering the feasibility of independence would be a guarantee of the Islands' security. The Islanders would look to the UK for this in the first place, and we should have to respond. There would be clear advantage to us in sharing this burden with others. The only possibility would be the United States. It is not clear whether the US would consider the Falkland Islands of sufficient strategic importance to provide a security guarantee. Their strong interest in maintaining good relations with Latin America would in any case be an inhibiting factor. They might possibly be attracted by the offer of a base or of base rights, in the Falkland Islands or South Georgia, though this would depend on their assessment of the need to counter Soviet influence in the area.

(d) International acceptability

Colonial territories can normally expect a welcome from the international community on independence. There is a reasonable chance that the Falkland Islands would be admitted to Commonwealth membership, though there might be pressure from members of the non-aligned movement to prevent this. There would be no question of the Falklands being accepted into the OAS; and it is questionable whether an independent Falkland Islands would be admitted to the United Nations. Argentina, which has opposed independence for the Falkland Islands in the past, would regard it as a provocation and would inevitably seek to block UN membership. In this she would have the support of other Latin American countries. The position of other Third World countries would vary. In summary, an independent Falkland Islands would be likely to have only limited international recognition. It would in particular be isolated from the Latin American mainland, on which in normal circumstances its political and economic well-being would depend.

Conclusions

7. Independence for the Falkland Islands is feasible, but would

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present very considerable difficulties. Without international acceptance, in particular by Latin America, the future of the Falkland Islands would depend on a continuing British defence and financial commitment. Independence for the Falkland Islands would almost certainly be very expensive for Britain. It would not resolve the dispute with Argentina.

F.P.

FOREIGN AND COMMONWEALTH OFFICE

20 MAY 1982

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FALKLAND ISLANDS: STATISTICS

1. Main Facts

Area:	4,700 sq miles
Population:	1,813 (1980 census)
GNP per capita:	approx £3,000
Exports to UK (nearly all wool):	£2,846,000 (1980)
Imports from UK:	£2,083,000 (1980)
(Exports to and imports from countries other than the UK are negligible)	
Ordinary expenditure:	£2.4 million (1981/82 FY)
Official reserves:	£1.5 million (+ £400,000 in a current account)
British aid: (per capita):	£6.6 million (1976-1980) (£735 per annum)
British defence commitment:	Garrison of about 40 Royal Marines. HMS Endurance in area for five months of the year.

2. Government

The Government is administered by a Governor assisted by an Executive Council which is composed of two ex officio members, two unofficial members appointed by the Governor and two elected members of the Legislative Council nominated by that Council; and a Legislative Council composed of six elected members and two ex officio members (the Chief Secretary and the Financial Secretary).

3. Outside Assistance

In 1981, 46 professionally or technically qualified people were working in the Islands under the British aid programme, mainly in the education and health services. As long as the Islands are not in receipt of budgetary aid they have virtual autonomy in financial matters.

TUVALU (FORMER ELLICE ISLANDS: SOUTH PACIFIC, NORTH OF FIJI)

Population: About 9,000 Area: 10 square miles in 9 low atolls

Secession from Gilbert and Ellice Islands Colony (GEIC)

When Britain began to prepare the GEIC for self-government the Ellice Islanders (ethnically Polynesians) objected to the predominance of the Gilbertese (ethnically Micronesians) in the GEIC and pressed for secession. A British Commissioner held an enquiry into Tuvaluan attitudes in 1973 and in a subsequent referendum (1974) the Tuvaluans voted for secession (3,799 for, 293 against) despite having been told beforehand that if they separated they could expect few of GEIC's assets and, in particular, no share in the Colony's royalties from Ocean Island phosphates, the main source of revenue for the Colony. Legal separation took place on 1 October 1975 and administrative separation on 1 January 1976.

Between Secession and Independence

A House of Assembly was elected in October 1975 and a cabinet form of government established, under a Chief Minister. Britain retained powers over finance, internal security, and some other matters until May 1978, when full internal self-government was granted. The House had in 1976 passed a motion calling for independence by 1978. Negotiations, including a Constitutional Conference in London in February 1978, led to independence on 1 October 1978.

Constitution

The Independence Constitution was drawn up using the report of the 1978 Constitutional Conference at which the Tuvalu Government was fully represented. The Constitution, which provided for a constitutional monarchy with a 12-member unicameral Parliament, was adopted by approval of The Queen in Council, in the Tuvalu Independence Order 1978. The

Constitution provides for an Executive of a Cabinet of the Prime Minister and four other Ministers.

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International Acceptance of Independence

Tuvalu's independence was immediately and fully accepted by its near neighbours (Fiji and Kiribati) and all other South Pacific countries. The US, which had outstanding claims to four of Tuvalu's islands, signed a Treaty of Friendship in 1979 dropping the claims. Although this has not yet been formally ratified by the US, there is no known challenge to Tuvalu's sovereignty. Although they have only one overseas mission in Suva, they have established diplomatic relations with, inter alia, France, FRG, Japan and the US. Tuvalu is a member of the South Pacific Commission and SPEC and the WHO. Tuvalu is a 'special member' of the Commonwealth (not obliged to contribute to the Secretariat).

Financial Settlement on Independence

It had been made clear to the Tuvaluans that the British Government thought it more sensible to keep the Gilbert and Ellice Islands administratively together and as a result they were not given access to the former Colony's reserves accrued from phosphate mining on Ocean Island. Therefore, on separation their administration started from scratch in 1975, although on Independence an Independence Development Aid grant of £2.62 million and a Special Development Fund of £2.5 million were both agreed. Neither of these have yet been fully committed. Tuvalu has consistently been unable to raise sufficient revenue to cover governmental costs, and Britain has been giving budgetary support, currently at about 30% of total budget.

Defence

There were no defence commitments given by HMG to Tuvalu on independence. However, no neighbours or others appear to covet Tuvalu territory, and the islands have little of commercial value and have only proved to be of strategic value in exceptional circumstances: Funafuti was used as a base in the Second World War for operations against the Japanese,

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then in the Gilbert Islands. However, the Tuvalu Government is Western-oriented, and wary of the Soviet Union; they have so far refused to establish diplomatic relations with Communist Bloc countries.

NAURU (SOUTH PACIFIC, NORTH-EAST OF SOLOMON ISLANDS)

Population: about 4500 Nauruans plus 3500 expatriate workers;
a single island of about 8 sq miles

History

Formerly a German colony, it was passed by the League of Nations after World War 1 into British/Australian/New Zealand Trusteeship, with Australian administration. Following Japanese occupation during the Second World War it was made a UN Trust Territory along the same lines as the League of Nations mandate. It is economically very successful with phosphate mining providing a current GNP of about US\$20,000 per head.

Government before Independence

In December 1951 the Nauru Local Government Council was established, replacing a former Council of Chiefs which had no powers. The emergence of strong leaders, including the now President Hammer DeRoburt, led to pressure for independence. They made these views known not only to the three partner governments, but at the UN, and to visiting UN missions.

The three partner governments pressed for a solution giving self-government to Nauru, but retaining foreign affairs and defence in Australian hands. The Nauruans rejected this, and on 24 October 1967 full independence was agreed. UN Trusteeship was terminated and Nauru became an independent republic on 31 January 1968.

Constitution

Nauru rejected the idea of a constitution 'imposed' on them by an Australian parliament, and chose instead to achieve independence by means of an Independence Bill passed in the Australian Parliament, but with a Constitution drawn up by a Constitutional Convention set up by Nauru's own legislative Council. A 36-member Constitutional Convention was

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accordingly elected in December 1967. It first met on 3 January 1968, and unanimously adopted the Constitution on 29 January 1968. It was based on an earlier draft, but with several amendments. It provided for a legislative Assembly of 18 members, elected by universal adult suffrage. It also provided for an interim Council of State of five members to exercise the powers of President and Cabinet until the administrative structure had been fully reorganised. President DeRoburt is Head of State, Head of Government and also Chairman of the Nauru Local Government Council, which is not controlled by Parliament.

International Acceptance of Independence

Nauru's independence was internationally recognised in the context of termination of the UN Trusteeship. It has diplomatic relations with a number of countries, including UK, US, France and Japan but only Australia has a resident mission there.

Financial arrangements on independence

A financial settlement on independence was not needed since Nauru had very considerable financial reserves from royalties on phosphate mining, and the Nauru Local Government Council had already obtained control over phosphate mining, after agreeing to pay for the assets of the industry.

Defence

There was no formal defence agreement on independence: during the discussions with Australia (and UK and NZ) on self-government or independence there had been proposals for a Nauru-Australia Treaty of Friendship, but these were not followed up. Nevertheless there is an informal understanding that in some way Australia assures Nauru's defence.

Although phosphates are economically important to Nauru, its reserves are not large by international standards. And Nauru is unlikely to be of much strategic significance - it does not have a good natural harbour, and has only a relatively

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small airstrip. It has good relations with all its near neighbours and there is no known challenge to its sovereignty.

Nauru is a member of the South Pacific Commission, the South Pacific Forum, SPEC and ESCAP, and a 'special member' of the Commonwealth (not obliged to contribute to the Secretariat). It is generally Western-oriented, but President DeRoburt seems to feel a need to demonstrate 'even-handedness' in international relations, and recently established diplomatic relations with North Korea, though this has not been publicly announced.