

*file 16*

*SUBJECT*



*Ge Hester*

10 DOWNING STREET

From the Private Secretary

28 May 1982

*Dear John*

FALKLAND ISLANDS: CALL ON THE PRIME MINISTER  
BY LORD SHACKLETON AND LORD BUXTON

The Prime Minister invited Lord Shackleton and Lord Buxton to call on her today, after she had read their contributions to recent Lords' debates on the Falkland Islands.

As a result of their discussion, the Prime Minister invited Lord Shackleton to up-date the Shackleton Report. She asked that this should be done as a matter of urgency. She told Lord Shackleton that the Government would meet the expenses of the task, and would provide whatever back-up was required. Ministers would also provide Lord Shackleton with several outline scenarios for the future of the Islands which would provide an essential background.

Lord Shackleton said that he knew that the members of his team were all available. He was himself within a few days of retiring from RTZ, and could therefore give whole-hearted attention to the project. He believed that much of the Report was still valid, but the international economic context would need up-dating. He would hope to stay in touch with Lord Buxton whilst the up-dating exercise was in progress.

In the course of the discussion, the Prime Minister made it clear that there could be no question of negotiating with Argentina over sovereignty, given the sacrifice of British life which had become necessary to enable Britain to re-possess the Islands. The Prime Minister said that she and her colleagues had started to consider the form of long-term arrangements. The status quo prior to the invasion could not return.

Lord Buxton and Lord Shackleton both emphasised that the development of the Islands had been seriously hampered by lack of confidence. The existing population had been able to make a respectable living from sheep, but there had not been a sufficiently secure prospect to attract the investment necessary to realise the Islands' potential. The Prime Minister said that future prospects might be built around the idea of working towards independence with some form of security guarantee. This would enable the Islands to

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retain their British character: it would avoid the pitfalls of UN trusteeship arrangements, and also help to give the lie to Latin American charges that Britain's interest was colonialist.

Lord Buxton emphasised that there would have to be some settlement with Argentina. Even if Argentina was defeated in the Falkland Islands, the issue was the one point of unity in a divided country. Any successor government to the Junta was likely to have a continuing interest in military adventures directed at the Falklands unless some agreement had been reached. But Argentina would be in need of economic and financial assistance. The Prime Minister suggested that the US might play a role here, and this could indeed be an important part in creating secure longer-term arrangements in the region.

Lord Shackleton stressed that the future military arrangements would be an important factor in establishing scenarios to be the basis of a re-working of his Report. The handling of garrison arrangements could be the making or breaking of the Islands. Too large a garrison would over-strain resources. Yet, handled in the right way, a garrison could make an important contribution to the infrastructure requirements for further development, in such areas as road building and even the necessary extension of the runway. Lord Buxton suggested that the cost of garrisoning could be lower than many assumed. It could be possible to release UK training land for agricultural purposes and rotate the garrison on the Falklands for exercises.

In discussion of the development potential of the Islands, Lord Shackleton argued the case for a special agency, perhaps modeled on the lines of the Highlands and Islands Development Board. The Prime Minister said that she was confident of a major boost for tourism once peace was re-established, provided suitable arrangements for easier access could be devised. The interest would cover both the recent history and the ecology of the area. Lord Buxton added that game fishing could be developed. Lord Shackleton stressed that Antarctic oil prospects were Argentina's real interest in the area. Wider questions of Antarctic development might prove to be a helpful part of longer-term arrangements for the region growing out of a cessation of hostilities. Lord Buxton referred to the recent interest of a US company in investing \$25 million on alginates. He was confident that this was not intended to be a front for Argentine investment. He added that the real importance of the Islands, including South Georgia, were their role as a gateway to Antarctica. Other countries wanted to co-operate with the UK. Uruguay and Brazil for instance did not wish to establish their own bases, but were keen to have a role in ours. In particular, they would like to be able to hire, for a fair price, a vessel like ENDURANCE for a period each year. This could make a survey vessel virtually self-supporting. Chile and Argentina on the other hand maintained their bases essentially for military reasons. The Russian interests were self-evident. They had one base right opposite Cape Horn, and another right opposite Cape Town.

In discussion of the wider political consequences of the current situation, Lord Buxton suggested that the effect of South American opinion could be exaggerated. Argentina was unpopular. Lord Shackleton

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- 3 -

referred to Rio Tinto Zinc discussions in Panama about a major copper project. The company had held back in view of the hostilities but had recently received a clear message from Panama that the Panamanians would be ready to resume discussions as soon as the immediate situation was resolved.

Winding up the discussion, the Prime Minister said that she would gratefully accept Lord Buxton's offer to produce his own report on future arrangements in the Islands. This would be complementary to the important exercise of up-dating the Shackleton Report. She hoped that Lord Buxton and Lord Shackleton would stay in contact whilst their separate reports were prepared. Over the coming weekend, she would consult her inner group of colleagues about her request to Lord Shackleton to revise his Report. She would arrange for some one to contact Lord Shackleton on her behalf very early next week, to settle administrative arrangements for re-assembling his team and providing the necessary support. He had offered to complete the work in a very few weeks. It might be reasonable to aim to start work on 7 June, by which time he could be provided with written terms of reference for the revision, including - on a confidential basis - outline scenarios for the future. She handed Lord Shackleton a copy of the Governor's recent report.

I am sending copies of this letter to the Private Secretaries to the members of OD(SA), and to the FCO Emergency Unit.

*Yours ever*

*Mike Pattison*

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Foreign and Commonwealth Office.

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