

Ref: B06591

*Letter sent.**AR 9/a.**h-a.*PRIME MINISTER

c Sir Robert Armstrong
Call by Lord Shackleton

I understand that Lord Shackleton is calling on you at his request at 6 pm today, to discuss the line he might take at his press conference on 13th September to launch the "Falkland Islands Economic Study 1982". Lord Shackleton will no doubt be looking for a general endorsement of his report and perhaps of some of its main recommendations. He may also be anxious to establish that the Government is not disappointed that the report is too cautious in assessing the possibilities for economic development in the Falklands.

2. In the light of the discussion in OD(FAF) on 6th September, you will not wish to be drawn into endorsing any of the report's detailed recommendations. But you could congratulate Lord Shackleton warmly on the quality of the report and also on the realism it displays. You could show him the text of the Government statement which will be made about it on 13th September; and you could tell him that the initial reaction of the Civil and Military Commissioners was also very welcoming.
3. At the same time you will wish to make it clear that the recommendations as they stand would involve substantial Government expenditure; and when the expense of guaranteeing the security of the Islands is added (without which no economic development would be feasible) the costs become very large indeed. The Government cannot sign a blank cheque for all this: difficult choices will have to be made. Ministers have not yet addressed the recommendations in detail: they hope publication of the report will stimulate a public debate both in the United Kingdom and - even more important - in the Falkland Islands; and that this will help to establish priorities.
4. You could also remove any fear Lord Shackleton may feel that his report might be effectively shelved: the Civil Commissioner is being instructed to initiate consultations with the Islanders immediately and to make an interim report on their reactions by the end of October. Detailed study of the recommendations by officials in London will proceed in parallel; and Ministers will examine the recommendations in detail in the light of the officials' study and the Civil Commissioner's reports with a view to taking



at least some initial decisions on implementation (in addition to the rehabilitation work which is already in hand) before the end of the year.

5. If Lord Shackleton asks whether a decision has yet been taken to establish a Falkland Islands Government Office (FIGO) in London, you could say that this is linked to the proposal to establish a Falkland Islands Development Agency. It would be premature to take a decision on one without the other, For the moment, the tasks which a FIGO could carry out are being handled satisfactorily by the FCO and ODA.

A D S Goodall

9th September 1982

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