

Ref: B06638

PRIME MINISTER

c Sir Robert Armstrong

Falkland Islands Economic Study 1982
(OD(FAF)(82) 22 and 23)

BACKGROUND

Ministers last considered Lord Shackleton's Report on 6th September 1982, immediately prior to its publication (OD(FAF)(82) 5th Meeting). After examining a preliminary commentary on the Report by officials, Ministers asked for detailed recommendations in due course on the implementation of the Report's proposals; and for a comprehensive estimate of the actual and potential cost to public funds of all Falklands-related expenditure. The note by officials circulated under OD(FAF)(82) 22 meets the first of these remits; that circulated under OD(FAF)(82) 23 meets the second.

2. Only the first of these notes contains questions for decision: the second is intended primarily for background, and many of the figures it contains are still uncertain or speculative. It does however highlight the fact that the expenditure proposed for economic development (£30.5 million) and rehabilitation (£15 million) is relatively insignificant beside the combined cost of the garrison and airfield over the same period, which is provisionally estimated at £2,000 million.

3. The note circulated under OD(FAF)(82) 23 stresses that the development package now recommended would not be justified on normal economic criteria: its objective is social and political as well as economic, namely "to generate and sustain a level of useful economic activity for a civilian population of about the present size, or preferably slightly larger, and to provide that population with a secure and reasonably stable social framework". Ministers will wish to decide whether this is a valid and justified objective.

4. Of the main Shackleton proposals, only that for a system of compulsory land transfer is rejected by officials outright; the related proposal for the establishment of a Falkland Islands Development Agency (FIDA) is accepted. Officials prefer a gradualist approach to land transfer, with FIDA acquiring land as it becomes available on the open market and selling

or leasing it on soft terms. This involves considerably less expenditure (initially £0.5 million) than was envisaged by Shackleton under a system of compulsory transfer (£7-9 million). On offshore fisheries, officials in effect make no recommendation. They point out that Lord Shackleton's long-term proposal for an exploratory fishing programme is dependent on the Government's readiness to establish a 200 mile fisheries limit round the Falklands. This has wide implications and is being examined separately. Officials are also a good deal more cautious than Shackleton on tourism, and do not favour building the hotel which Shackleton recommended.

Risk.

5. Shackleton recommendations endorsed (with some modifications) by officials include significant investment (£7 million) in the improvement and diversification of agriculture; measures to encourage the establishment of a small knitwear industry; and initial steps towards the establishment of inshore fisheries. On infrastructure, officials make recommendations for a new jetty (£7.7 million), new roads (£7.5 million) and other projects. The total developmental package identified would cost some £31 million over the next 5 to 6 years. Ministers are invited to endorse this package in broad terms; detailed implementation of the measures proposed would be for the Overseas Development Administration and FIDA.

New jetties
new roads

6. The statement by the No. 10 Press Office welcoming the Shackleton Report on publication said that in addition to obtaining the views of the islanders the Government hoped for a wide measure of interest and public debate of the Report, which would be taken into account before final conclusions were reached. The Report has not yet been debated in either House of Parliament: the Foreign and Commonwealth Office expect a House of Commons debate before the Christmas Recess, but it is not yet clear whether it will relate specifically to the Shackleton Report or deal with Falkland Islands issues generally. Ministers will not want to prejudge the outcome of the forthcoming parliamentary debates; at the same time they will presumably want to be able, in the course of those debates, to give a considered reaction to the Shackleton recommendations and a clear indication of the Government's plans for the development of the Islands. It would therefore seem desirable to reach a preliminary consensus at the present meeting as to which recommendations are suitable for implementation, and on the overall size of the development package, but with the understanding that decisions will be subject to confirmation in the light of the parliamentary debates.

7. The Minister for Overseas Development and the Chief of the Defence Staff have been invited to attend.

HANDLING

8. You may like to invite the Foreign and Commonwealth Secretary to open the discussion: he will probably want to ask Mr Onslow, as the Minister with immediate responsibility for Falkland affairs, to say how far the recommendations in the officials' note tally with his own views following his visit to the Islands in October. Points to establish in the subsequent discussion are -

a. Is the central objective defined in paragraph 6 of the officials' note attached to OD(FAF)(82) 22 the right one? Is it right to accept that strict economic considerations should not apply to the development of the Falkland Islands? (It is because of doubts on this score that Treasury officials have expressly reserved their Ministers' position: you may therefore like to ask the Chancellor of the Exchequer to comment).

b. In the package of measures proposed by officials, is the balance between income-creating and infrastructure projects about right?

c. Is it right to go ahead with the establishment of a Falkland Islands Development Agency as proposed (paragraph 9a and Annex B of the officials' note)?

d. Does the Sub-Committee endorse the gradualist approach to land transfer recommended by officials in preference to Lord Shackleton's more radical proposals for compulsory purchase?

e. Is any of the other measures proposed by officials objectionable? Is anything missing? Is the package recommended sufficient to enable Ministers to refute any charges that important parts of the Shackleton Report are being shelved or ignored?

f. Is the total financial outlay proposed (£30.5 million over 6 years as against Lord Shackleton's very approximate costing of £30-35 million for the proposals in his Report) of about the right order, especially in relation to proposed expenditure on the garrison?

CONCLUSIONS

9. Subject to the discussion, you might guide the Sub-Committee to --
 - a. Endorse the special developmental criteria for the Falkland Islands defined in paragraph 6 of the officials' note.
 - b. Endorse the package of measures proposed in the officials' note provisionally, as the basis for the Government's response to the Shackleton Report in forthcoming parliamentary debates.
 - c. Invite the Foreign and Commonwealth Secretary to begin discussing funding arrangements with the Chief Secretary, Treasury.

A D S Goodall

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23rd November 1982

A D S GOODALL

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WSG 12th Meeting

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FALKLAND ISLANDS REVIEW:

MEETING OF WHITEHALL SUPPORT GROUP (WSG)
WEDNESDAY 3 NOVEMBER 1982 AT 10.00 am

PRESENT:

Mr D H Colvin	- Cabinet Office (In the Chair)
Mr C C Bright	- Foreign and Commonwealth Office
Mr R Jackling	- Ministry of Defence
Mr T W Savage	- JIC

ITEM 1 LATEST DEVELOPMENTS

Summing up a short discussion, the Chairman said that it was now possible to see the Review as falling into four distinct phases:

1. Written evidence (from July to the end of September when written material was compiled and examined).
2. Oral evidence (from the end of September to the beginning of November).
3. Drafting the final report (from November until December/January 1983. The timing remained unclear although the Prime Minister still hoped that the Review Committee would report within six months of embarking on its task ie by 8 January 1982).
4. Publication.

Phases 1 and 2 had now been completed. It was not clear whether, and if so how, the Group would be involved in phases 3 and 4. On phase 3 some consultation might be needed over the drafting/^{of} certain sensitive passages. On phase 4, the question of press arrangements would need to be addressed, whether responses should be centrally coordinated or left to individual Departments etc. There would also be the question of the Parliamentary Debate. On phase 3, the Chairman would try to find a

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suitable occasion to speak to Mr Rawsthorne and let members of the Group know the outcome.

ITEM 2: DATE OF NEXT MEETING

It was agreed to meet when occasion next demanded.

Cabinet Office
8 November 1982

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