

# 1. Airgram From the Embassy in Argentina to the Department of State<sup>1</sup>

A-36

Buenos Aires, May 16, 1979

## SUBJECT

The Malvinas (Falkland) Islands: A Political and Social Review

(U) SUMMARY: This airgram provides a detailed study of the Malvinas (Falkland) Islands: its history; the foreign policy problem it represents for Argentina and the United Kingdom; travel and logistics; economic, administrative and social factors; American residents and interests on the Malvinas; and aspects of life on the Islands today. It was prepared following the drafting officer's week-long visit to the Islands January 24-31, 1979.

(U) During that trip, American businessmen, American historians and marine architects, American conservationists, American journalists and tourists, and resident American settlers met in Stanley expressed an interest in having on record at the State Department basic information on the Islands, including travel, communications, documentation, and visitors' facilities. Although changes in plane schedules and accommodations will undoubtedly occur, the enclosed information should provide basic orientation for the prospective traveler.

(C) The paper concludes that Argentina will eventually regain political sovereignty over the disputed Malvinas Islands, as a result of gradualist bilateral negotiations with Great Britain. Deterioration of

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<sup>1</sup> Source: Department of State, Bureau of Inter-American Affairs, Falkland Files of Luigi Einaudi, Lot 90D400, Falklands Crisis History. Confidential. Drafted by Yvonne Thayer (POL); cleared by Chaplin; approved by Hallman. Sent for information to London, Montevideo, Santiago, and USCINCSO.

the current talks could postpone but probably not avoid the eventual end of Britain's admittedly anachronistic colonial rule. It is less clear whether the Argentines will be successful in populating and rejuvenating the Islands' economy over the long term. As long as the Malvinas do not fall into unfriendly hands or are not exploited for harmful strategic and military ends, US interests are unlikely to be adversely affected by future disposition of the Islands. END SUMMARY.

## THE MALVINAS ISLANDS

### I. Introduction

(U) The Malvinas (Falkland) Islands constitute one of Argentina's oldest foreign policy problems. The question of sovereignty over the Islands, claimed by Argentina but administered by Great Britain since English marines threw out Argentine settlers in 1833, has become an Argentine staple at the UN and among the Non-Aligned, absorbing for many years a disproportionate amount of Argentine international political capital and energy in world fora.

(U) Argentina wants to re-establish uncontested sovereignty over the Malvinas and far-flung dependencies to the southeast—the South Georgias, Sandwich and Shetland Islands—for a number of reasons: to right its historic grievance against British usurpation; to obtain the strategic and military benefits of a land base and enormous territorial sea claim in the southern Atlantic; to establish possession over the petroleum, fishing, krill, and other maritime resources; and to control access as well as fortify its claim to a corresponding sector of Antarctica.

(C) Argentine claims in Antarctica overlap with those of Great Britain—and, in part, Chile—largely based on overlapping claims to the Malvinas Islands and dependencies. Argentine fear that Chilean rights in the Beagle Channel could spread to future Chilean claims eastward toward the Malvinas and southward in Antarctica helped to feed the southern border controversy with Chile which nearly erupted into war in late 1978.<sup>2</sup>

### II. The Argentine Claim

(U) Argentina bases her claim to the Malvinas on the Islands' possession and occupation by Spain in the late 1790s. Though the actual discoverer of the Islands remains in dispute, the first documented settlement was established by the French in 1764. The French named the Islands "Iles Malouines", after the French port St. Malo. (The name was later translated by the Spanish to Malvinas.) Two years later the

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<sup>2</sup> Documentation relating to the Carter administration's handling of the Beagle Channel dispute between Argentina and Chile is scheduled to be printed in *Foreign Relations, 1977-1980*, vol. XXIV, South America; Latin America Region.

French sold the islands to the Spanish Crown for 25,000 British pounds. In the meantime the British, in 1765, laid claim to the islands, initiating a sovereignty dispute first with France, then with Spain which was only abandoned when Britain's attention was turned to the Revolutionary War launched by the American colonies to the north.

(U) The Spanish remained in actual possession of the Islands for the next 40 years until Argentina, newly independent from Spain, claimed them for itself. A small Argentine delegation established a new capital at the protected harbor of Stanley, only to be dislodged by three boatloads of British seamen in 1833. The British, through the royally chartered Falkland Islands Company, populated the Islands with colonists and sheep, and have administered it ever since.

(U) For many years the Argentines maintained their claim with little more than routine official protests to the British government. Since the mid-1960s however, Argentina has increasingly pressed its claim and persistently raised the issue in world fora. In 1964 the UN, in response to an Argentine appeal, classified the Islands as a non-self-governing territory administered by the UK and called on both parties to initiate talks towards peaceful resolution of their conflicting sovereignty claims.

(U) Confidential bilateral talks began in 1966, showing little progress until 1971. By that time, the Falkland Islands Company, popularly called the FIC, had announced its intention to withdraw its monthly Stanley-Montevideo cargo boat run, thus ending the Islands' only regular link to the mainland. The resultant communications crisis led to the 1971 Joint Statement which established regular Argentine air service to the Islands; norms for telephone, telegraph and postal services; and agreement on travel documents. Subsequent agreements established a Joint Commission to consult on matters of mutual concern regarding the Islands, placed an Argentine official representative to the Joint Commission resident in Stanley, and authorized the Argentine petroleum company YPF and gas company, Gas de Estado, to distribute fuel on the Islands. Today more than a dozen Argentines live in Stanley—the official Joint Commission representative, Argentine Air Force Vice-Commodore Canosa, employees of YPF and Gas de Estado and two Spanish language teachers financed by the Argentine Education Ministry.

(U) In the meantime, bilateral relations with Britain took a sudden turn for the worse when in late 1975 the British government unilaterally dispatched a high-ranking mission to investigate the worrisome economic stagnation of the Islands. Although the Shackleton mission eventually concluded the economic improvement irrevocably required greater ties to the Argentine mainland, the Argentine government strongly opposed the visit and, in an incident overplayed at home

allegedly to distract the Argentine public from more pressing internal problems, recalled its ambassador from London in early 1976. London reciprocated by bringing its ambassador home from Buenos Aires and the two countries have maintained relations at the chargé level since then.

(U) In 1977 the two countries resumed bilateral negotiations over the fate of the Islands and by early 1979 Argentina officially suggested diplomatic representation be upgraded to the level of ambassador. Reportedly the two countries will exchange ambassadors before the end of the year.<sup>3</sup>

(C) The current talks promise to be a drawn-out affair. Great Britain has tried to focus the talks on economic cooperation, which Argentina insists on tying to progress on the sovereignty question. Britain has, both publicly and privately, signalled its willingness to withdraw as an anachronistic colonial power from the Islands; but it has also, in response to significant UK parliamentary pressure, promised to take no step without the consent of the Islanders.

(C) The Islanders are opposed to further Argentine presence on the Islands and adamantly opposed to the Islands' transfer. The Islanders maintain a powerful Falkland Islands lobby in Britain and have enlisted conservative MPs in opposing any change in the Islands' colonial status. The Islanders are deeply suspicious of the renewed bilateral talks, grudgingly admitting economic benefits but rejecting any change in political status.

(C) The Islanders are loathe to admit any Argentine foothold in the archipelago. When after the December, 1978 round of talks, the sides announced tentative agreement toward potential cooperation in scientific research in the outer island dependencies, the Islanders emphatically rejected the proposal.<sup>4</sup> (Argentina already has a small

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<sup>3</sup> On November 15, 1979, Argentina and the United Kingdom announced their decision to renew full diplomatic relations at the ambassadorial level. Anthony Williams was named the British Ambassador to Argentina and Carlos Ortiz de Rozas was posted to London as Argentine Ambassador to the United Kingdom. (Telegram 9375 from Buenos Aires, November 15, 1979; Department of State, Central Foreign Policy File, D790531-0622)

<sup>4</sup> The talks between Argentina and the United Kingdom took place in Geneva, December 18-20. In telegram 10044 from Buenos Aires, December 26, 1978, the Embassy transmitted a summary and assessment of the meetings. (Department of State, Central Foreign Policy File, D780534-0248)

scientific research station on the south Georgian island of Thule,<sup>5</sup> to the periodic consternation of the Islanders and their British Parliament supporters. The December proposal would have, in effect, legitimized the Argentine presence on Thule.) The communique released after the last round of talks in New York in March, 1979 conspicuously omitted any mention of joint scientific cooperation and announced only that the talks were held and another session would be scheduled later in the year.

(C) Argentina is clearly annoyed at British foot dragging on the question. It also feared a Conservative victory in the upcoming British elections.<sup>6</sup> The Conservative Party has traditionally shown far less willingness than the Laborites to discuss the future political disposition of the Islands.

(C) In the meantime, however, Argentina is following a patient, multifront policy designed to build international pressure to force Britain into speeding negotiations on the sovereignty question while, at the same time, steadily seeking to win the Islanders' confidence if not their loyalty. On the international front, Argentina consistently raises the issue in the Non-Aligned, the OAS and the UN and has long conditioned its vote on third world issues to ensure maximum LDC support for its Malvinas position. For the Islands, Argentina provides at great financial sacrifice the twice weekly Air Force LADE flights, subsidized petroleum products and bottled gas, a vastly overbuilt fuel storage complex, two language teachers giving free Spanish lessons, full scholarships to any Islander youth interested in studying in Argentina, and maintenance support for the Stanley airstrip. Air Force Vice Comodoro Canosa told the reporting officer he also intended to offer the Islanders an additional weekly cargo flight to bring in fresh food

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<sup>5</sup> Reference is to the 1976 Argentine establishment of a weather research station, staffed by 40 scientists, on Southern Thule, an island in the South Sandwich Islands. The United Kingdom formally protested the Argentine presence at the end of 1976 and again in October 1977. In May 1978, the Argentine Foreign Ministry rejected the British protest with a communiqué that "strongly reaffirmed Argentina's sovereignty over the Southern Sandwich Islands." To this, former Prime Minister Lord Home (Sir Alec Douglas-Home) "urged Britain to give Argentina a deadline to withdraw the 40 scientists before Argentina 'try something more ambitious and even more dangerous' in the disputed area," a suggestion a British Foreign Office spokesman reportedly rejected. In telegram 3648 from Buenos Aires, May 11, 1978, the Embassy reported that an official of the British Embassy in Buenos Aires stated "the UK has no real problem with the Argentine base per se and has already taken the legal steps to reaffirm its claims on the Islands," adding "neither country wants trouble over the Thule base and both hope the issue will simply fade away." (Department of State, Central Foreign Policy File, D780201-0845)

<sup>6</sup> In the British General Election held May 3, 1979, the Conservative Party, led by Margaret Thatcher, defeated the incumbent Labour Party government of Prime Minister James Callaghan.

and other desirable supplies from the Argentine mainland. GOA, he said, is also considering offering to build a vocational school on the Islands, which it would construct wholly from Argentine building materials and staff with Argentine teachers. (To date all building materials are shipped in from England at great cost.) With these attractive offers, Argentina hopes to accustom and soften the Islanders to accepting eventual Argentine sovereignty.

(C) Argentine Foreign Ministry officials have made it clear that the Islanders will be free to retain their British citizenship and enjoy advantageous immunities, not to mention considerable economic assistance, under Argentine rule.

(C) COMMENT: The Embassy predicts, based on contacts and information available here, that eventually Argentina will regain political sovereignty over the Malvinas, most likely with solid guarantees conserving the Islanders' patrimony and life style and bilateral agreements for joint economic and scientific exploitation of the area. The opposition of the new Conservative government in Britain could delay that outcome, but it is clear that the continued decline and depopulation of the Islands will require some accommodation if the Islands are to remain viable at all.

(C) Another outburst of Argentine impatience and revanchism could, however, upset and maybe destroy the delicate gradualist approach underway today. Such an event would probably stiffen British backs and public opinion from letting go of the Islands and bring about further deterioration in bilateral UK-Argentine relations.

(C) It appears unlikely at this writing that Argentina would attempt an armed occupation of the Islands, which would only bring international sympathy to the stalwart Islanders as an endangered species. The Argentine Foreign Ministry officials currently responsible for the Malvinas negotiations have expressed to an Embassy officer their support for the present gradualist process and their confidence that the Islands will revert to Argentina sooner or later. The recent unnerving near-war with Chile over conflicting Beagle Channel claims may have also helped to temper Argentine officials' impatience in pursuing a Malvinas solution. At the same time, Argentine diplomats will be compelled to demonstrate to the home audience real progress in the ongoing talks, balancing that off against potential British backlash at any sign of a "selling-out" of the Islanders. END COMMENT.

### III. *Economic, Administrative and Social Factors*

(U) The Islands themselves are of little economic importance. The single enterprise on the islands is sheep raising and the entire organization of the Islands is geared to the production of wool. The Malvinas produce about two and one half million kilos of wool each year at a

value of about US \$5 million. (By way of comparison, Argentina produces 155 million kilos of wool per year and exports 90 million kilos.) Other economic endeavors—meat and kelp processing, canning, mink ranching—quickly met with failure, due in good part to the inertia and opposition of the Islanders, who fight any change in their quaint and isolated existence.

(C) The presence of maritime resources and possibly oil in the surrounding sea has sparked renewed interest in the Islands; however, major economic projects have to date been largely kept in abeyance until the political sovereignty question is resolved. A major British food processing firm is tentatively investigating the possibility of commercializing krill which exists in abundance off the South Georgia Islands. Seismic studies prepared by international geophysical research companies suggest oil may be present in the nearby sea, a factor of little interest to the Islanders and one typically downplayed by both the British and Argentine claimants in their discussions over sovereignty of the Islands. Physical and climatic conditions would at any rate make oil exploitation a tremendously costly proposition and near-term exploitation of possible oil reserves does not appear likely.

(U) The limited economic activity and opportunity on the Islands has led to their steady depopulation. Spurred by farm mechanization, economic stagnation, residents' personal dissatisfaction and nagging doubts over the political future of the Islands, the resident population has dropped from 2,400 to about 1,600 in the last ten years. The dismantling several years ago of international satellite tracking and communications installations caused an abrupt fall in the population and outside influence in Stanley. The lack of women, outnumbered by men by almost two to one overall and by an even greater proportion in "the Camp," has also inhibited family growth and permanent settlement on the Islands.

(U) About half of the population of the Islands lives in Stanley, the rest in camp settlements. Camp dwellers, scattered randomly on the two main islands of West and East Falklands and on some of the nearby 200 outer islands of the archipelago, entertain a traditional disdain and dislike for the "city folk" of Stanley and the two societies live effectively cut off from one another.

(U) Responsible both for the economic existence and the increasing stagnation of the Islands is the Falkland Islands Company. The FIC, as it is called, exercises a virtual monopoly over the Islands, owning about half the land, half of the 600,000 sheep and producing nearly half the revenue, at a profit of some US \$1.2 million a year. The company, set up by British royal charter in the mid-1800's, operates the Islands' only inter-island cargo vessel, the main Stanley jetty, the main warehouse and repair service and the largest general store. Its domain



embraces nearly every aspect of the Islanders' daily life. Workers live in the company houses, eat in company kitchens or receive company supplied food, shop at the company store and save at the company "bank."

(C) At the same time, the company encourages no competition and has made no effort to develop the islands beyond wool production. While resident company officials, mostly non-"natives," are among the loudest to condemn Argentine intentions, most are assigned to the Islands only temporarily and evidence little loyalty beyond that to their stockholders.

(U) The Islands are administered by a governor appointed by the British Crown, assisted by an executive council which includes the colonial secretary and the treasurer (also appointed from England) and six island counselors and a legislative council which includes again the colonial secretary and treasurer and five locally elected representatives, apportioned from Stanley and the Camp. Government, for the most part, means carrying out instructions received from London, administering public services, keeping the inter-islands Beaver aircraft flying, and serving as liaison between island interests and the UK. Forty-two Royal British marines comprise the Falklands' token defense force.

(U) The British government is, along with the FIC, the main employer on the Islands. Local revenues come from fairly hefty local taxes, with the British government kicking in mainly salary differentials for British government-hired doctors, teachers, pilots and other necessary skilled personnel. The UK also finances major projects, such as the new airstrip, boarding facilities for the Stanley school, and the first road to be built outside of Stanley, currently under construction.

(U) Given the declining and largely unskilled native population on the Islands, contract workers make up as much as a quarter of the population. These are hired by the British government as well as by the wool companies. Most come to the Islands on two-year renewable contracts with a one-way (to the Islands) trip paid. Contract workers are paid the Islands salaries of some two to four thousand pounds a year (US \$4,000-\$8,000), with the difference from normal British salaries paid directly to their accounts in the UK.

(C) The presence of contract workers and the posted British officials is viewed as a necessary evil, occasioning among many Islanders considerable resentment as well. Native Islanders, for example, are not paid the salary differential automatically granted to British contract workers for the same work. From what the reporting officer saw and heard while visiting the Islands, the "natives" do not mix easily with officials or contract workers, partly due to personality differences and native prejudice against "outsiders." Many of the Islanders (quite correctly) also distrust the UK's commitment to retaining the Falklands



as a colony and are deeply suspicious of the current bilateral talks with Argentina. The Islanders also spoke of the social segregation and "snobbish" behavior of the temporarily-posted officials and contract-workers.

(C) Among the complaints of the Islanders were the failure of Britain to provide more generous and active economic support and to "face down" the Argentines on the question of political sovereignty. Knowledgeable Islanders suspect the winds are changing against continued political attachment to England. Some are coming to grips with that possibility and speak of their determination to remain on the Islands under any flag; others prefer to fight the Argentine presence. One British-born long-time resident married to an Islander asked if the United States might be interested in "taking over" the Islands if the British bowed out. Another hinted ominously that the inhabitants may "offer" the Islands to the Russians, who heavily fish the surrounding waters.

(C) Despite its threats, the formerly vociferous Falkland Islands Committee which fights for keeping the Islands British, has lost a lot of its thunder of late. Finances for the small, albeit effective, Committee delegation in the UK is growing tight, and Islander membership is falling off. A spate of vandalism against Argentine targets or symbols on the Islands in 1975 and 1976 has also ceased and a sense of resignation, with pockets of vocal protest, permeates Stanley.

(C) It can be expected that if the Islands return to Argentine possession, a significant number of British residents will depart the Islands. It is less clear whether Argentina will have any more luck populating the Malvinas with Argentine pioneers than it has had populating its own vast, empty Patagonia.

#### *IV. Americans and US Interests in the Islands*

(U) There are some ten US citizens living in the Malvinas, five in Stanley and another five or six in the Camp. All but one at the time of the reporting officer's January 1979 visit were Bahai, a universalist religious sect which increases exposure to the faith by encouraging members to "pioneer" in various parts of the world. Pioneers pay their own travel expenses and find their own jobs. They live scattered throughout the community and apparently seek adherents not through active proselytizing, but through attracting others to their simple and serene life style. Members abstain from political activity and alcohol, but are not rigidly organized or segregated. The reporting officer did not detect any aberration or coercion in connection with their presence or activities in Stanley.

Those Bahais visited in Stanley appeared to be fairly well integrated into the community. The senior Bahai was John Leonard, a gracious

fatherly person who has worked for the FIC in Stanley for 22 years. Other US citizens on the Islands are John and Jeanne Sheridan (she works as the secretary to the British colonial secretary, he is a cabinet maker and artist); Kathryn Watson (a nurse married to a British-contract dentist); Don and Debbie Youngquist (who live in Port Stephans settlement, where he works as an electrician); Greg and Polly Malby (who live on Fox Bay East settlement where he works as a carpenter and electrician and she as a nurse); and Martin Dibble and Robin Grey who work as laborers at the Port Howard settlement. American citizen Margaret Smith, who is not a Bahai, was working on a settlement during the reporting officer's January 1979 visit. The Bahais in Stanley expressed considerable satisfaction at the visit of an American government official and requested assistance with US tax, passport, residency and other documents and information. (It was later arranged with the UK Embassy in Buenos Aires that US citizens on the Islands could transmit their passports for renewal to the US Embassy in Buenos Aires through the British Embassy's Stanley-Buenos Aires weekly air pouch.)

(U) The US at present has no economic or political interests in the Islands. An American shrimp-shelling equipment manufacturer has been approached by a British firm to consider participating in a commercial krill processing project, with no concrete results to date. Potential oil reserves are unknown and high extraction costs preclude near term petroleum exploitation in the Malvinas area. American marine archeologists and conservationists are increasingly visiting the Islands, attracted by the many historical shipwrecks and interesting and unique flora and fauna.

(U) Strategically the Malvinas are important for their geographical location straddling the southern Atlantic. Although a Soviet presence or base on the Malvinas might properly be viewed with alarm by the US for strategic and defense reasons, that possibility appears remote. The US position on the Argentine-British dispute has been strictly neutral and the USG has always abstained on the issue in world fora.

[Omitted here are sections on "Travel and Logistics" and "Life on the Malvinas."]

## VII. *Conclusion*

(C) The steady depopulation and economic stagnation of the Islands coupled with Britain's confidentially acknowledged intention to ease out of its anachronistic colonial rule make it fairly apparent that Argentina will eventually triumph in its long pressed claim to the Malvinas. What of the present British heritage will remain and whether the Argentines will be more successful in populating and making economically viable the archipelago is worthy of doubt. Argentine interest in the Malvinas is primarily strategic and historic and only secondarily

economic. The vast barrenness and distance of the Malvinas, coupled with its present minimal economic output, would require a major costly and sustained effort on the part of succeeding Argentine governments to boost the islands out of their present stagnation. Argentine Vice-Commodore Canosa, who presently represents his government on the Islands, speaks expansively of future Argentine plans to bring roads and houses, businesses and factories, tourists and Argentine pioneers to the Malvinas. In the end, it may well be the sheep and penguins that win out.

**Chaplin<sup>7</sup>**

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<sup>7</sup> Chaplin initialed "MC" next to this typewritten signature.