

Falklands
 Box file
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MINISTER OF STATE'S MEETING WITH FALKLAND ISLANDS COMMITTEE:
 11.00 AM 28 AUGUST 1979

Present

Mr Nicholas Ridley MP
 Mr K D Temple
 Mr J R Cowling
 Mr C W Osborne

Air Commodore B G Frow
 (Honorary Secretary)
 Mr F Mitchell (Managing
 Director, Falkland Islands
 Company)

1. Mr Ridley opened the meeting by saying how much he had enjoyed his visit to the Falkland Islands. Air Commodore Frow first apologised on behalf of the other Committee members who had been unable to attend and then referred to the report which the Committee had received on the visit. This report from an Island Councillor was so extreme that the Committee felt that the remarks attributed to the Minister must have been quoted out of context. The Committee felt it right to give the Minister a chance to put the record straight before considering further action. Mr Ridley expressed appreciation that the Committee had decided not to stir things up. He considered the report fallacious and recalled that the Councillor's telegram had preceded his second meeting with Councillors. This visit he felt had gone well. He believed that he had moved Islander opinion to the extent that progress might now be made towards solving the dispute with Argentina. Before discussing this further, however, he hoped the Committee would treat what he said as confidential and off the record. Mr Mitchell and Air Commodore Frow agreed.

2. Mr Ridley said that the Islanders as a whole recognised that their future was inhibited by the dispute. They also recognised their vulnerability as regards communications and

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travel. But more importantly, they recognised the dead hand of the dispute on investment and development in the Islands. Mr Ridley said that he had discussed the question of fishing and oil exploration with the Islanders and had explained the realities of developing these resources and the vulnerability of oil exploration to Argentine naval interference. On fishing, he had made it clear that while he personally was keen to declare a 200 mile zone, in present circumstances such a declaration would not be respected by the Argentines and the areas would be subject to harassment. The Argentines were likely to turn more difficult in the future. Their disputes with Brazil and Chile were at present effectively frozen, and in the run up to the selection of a new President in 1981 they badly needed to register a foreign policy success which was why they were pressing us hard on negotiations. The Island Councillors appreciated that we were entering a dangerous and difficult time and that there was a great need to get the dispute off their backs.

3. On the commercial side, the great inhibitor was lack of population and too little investment. The Islands had great economic potential which could be unlocked. He had come back with a determination to try and make commercial capital available to the Islands. He was however against putting in more aid simply to build roads and hostels. The commercial development of the Islands themselves was more important than the development of fishing and oil. People should see the Islands as a place to be settled and in which money could be made. Mr Ridley hoped to develop these ideas in parallel to the negotiations.

4. Mr Ridley said that he had discussed the question of future negotiations with the Councillors who had supported him. He would keep in close touch with them, and the

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Government would be delighted if one of them was willing to sit in on the negotiations. It was a fundamental principle that any solution that emerged must prove acceptable to Islanders, and any solution would have to protect and preserve their way of life. Stressing that he was speaking in total confidence Mr Ridley said he thought the Argentines were unlikely to agree to the dispute being "frozen" for a number of years. "Leaseback" might be worth considering or possibly some form of international guarantee involving perhaps the EEC/OAS under which titular sovereignty was passed to Argentina. The Foreign Secretary was to meet his Argentine counterpart in September at the UN General Assembly Meeting in New York. It was expected that the Argentines would then request a further round of negotiations towards the end of the year. Mr Ridley hoped by then we would have a clearer idea of where we were going.

5. Air Commodore Frow returning to the question of internal development asked the Minister how he was going to get people interested (who were not already involved) in investing in the Islands. Mr Ridley said that this question had still to be gone into. But he believed more land should be made available for smaller holdings - at present there were no proper banking facilities and no credit available- Capital was needed to improve the land. Air Commodore Frow said that the present infrastructure of the Islands discouraged people from going there to settle. Mr Ridley agreed but added that the problem was clearly complicated by the dispute. He said that he believed the Islanders were people who could do things for themselves providing the facilities were made available to them. It would not happen quickly. He believed /that

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that the Shackleton report had been along the wrong lines in the most of its proposals were based on the general premise that the Government should take the initiative. He did not believe that this was what the Islanders wanted. It was significant that during his visit Lord Shackleton and his report were not once mentioned. Mr Temple said that when Islanders did mention aid and Government input it was usually in critical terms. Mr Ridley said that he was sure that the British Government had a part to play in the initial stages of developing the Islands but the long term solution lay in encouraging commercial interests and investment. Mr Mitchell said that it was difficult to see what fresh investment could be made in present circumstances. The Islands had great advantages to offer to offshore financial institutions but the Bank of England/Treasury had always been against such proposals. Mr Ridley said that if this was the case he did not necessarily agree with their view. However, it was not fly-by-night financial institutions that the Islands needed but sound commercial banking facilities that would make capital available locally. Mr Mitchell said that it was difficult to see how the land could be improved until the GTU's functions were fully restored. He said that he had heard recently from one of his managers that some reseeding experiments had been abandoned because of recent aid cuts. Mr Ridley said that he was not aware of this but would look into it. Mr Mitchell said that the sheep industry in the Falkland Islands was generally against sub-divisions as it had proved uneconomic in the past particularly in Chile where the effect had proved ruinous. The Green Patch development, which was now going ahead, would be a welcome chance to experiment. Mr Ridley agreed this would be a useful guide to the future. The cost of improving the production of present holdings was enormous. With smaller holdings and capital available to the Islanders perhaps the productivity of the land could be improved. Mr Mitchell said that another problem was finding markets. Mr Ridley agreed but said that this was

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for commercial interests to solve. Mr Mitchell said that one of the problems was that the Governor and the Chief Secretary were career people and were only in the Islands for a limited period. There was therefore no incentive for them to try and change the situation. Air Commodore Frow said that the inbuilt conservatism of the Islanders was also an inhibiting factor.

6. Air Commodore Frow referring to Mr Ridley's previous reference to an internationally guaranteed settlement asked if this would involve some change in the status of the Islands and if so could the Minister explain the concept more fully. Mr Ridley said that the idea was still only partly formed in his own mind and that it was too early to speculate on what form such an agreement would take. But the general aim would be to look for a solution with international backing. Air Commodore Frow suggested the Minister might wish to consider trying to sell the idea to the Committee first so that they in turn could help

convince Islanders. He knew that some local Committee members held very extreme views. The main committee could play a useful role in helping to temper opinion. Mr Ridley emphasised that he had to work through Councillors as the elected representatives of the Islanders. He was ready to tell the Committee what he could but he was worried about confidentiality. It was essential that our negotiating position should not be revealed. Nothing must emerge that could damage our position. During his visit the majority of Islanders were pressing him to find a solution to the dispute. There were of course a few Islanders who still believed that we could send down a military force in defence of the Islands. This was not the case. Mr Mitchell said that he had always believed the Argentines were more interested in sovereignty than the development of oil and fishing. Mr Ridley said it was a question of history. Argentines had

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for generations been brought up in the belief that the Islands were theirs, although few would want to live there.

7. Air Commodore Frow turning to the question of the Falklands Conservation Foundation said that Peter Scott believed there was great potential in the project and was soon to announce a national appeal which it was hoped would raise £250,000. He asked if such an appeal would have FCO support. Mr Ridley said that it would as long as it was understood that there could be no financial involvement. He asked if it would help if he saw Peter Scott. Air Commodore Frow said that it would be most helpful, perhaps after the appeal had been launched.

8. Returning to the question of offshore development Mr Mitchell said that we appeared to be losing by default on the development of the resources around the Islands. The Argentines were not inhibited by the dispute and were pressing ahead, particularly with fishing. Mr Ridley said markets were needed in which to sell the fish. The main commercial benefit to the Islands would be revenue obtained from licensing. The establishment of a licensing mechanism, however, was dependent upon our declaring the 200 mile zone - and this would not be done until we were sure the Argentines would respect it.

9. Mr Ridley said he would like to keep in touch with the Committee. He hoped that if he could take them into his confidence they in turn would give the Government their support during the negotiations. But he said the negotiations must be conducted in total secrecy to avoid wild rumours. The whole question was very sensitive and he would have to discuss the problem with his parliamentary colleagues. It would therefore be very useful if they could all work together. Air Commodore Frow agreed. The Committee were assumed to be behind all Parliamentary Questions on the

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Falkland Islands but this was not the case.

10. Mr Mitchell said he had been most encouraged by what the Minister had said and in particular would send reassurance to the Councillor who had sent the telegram.

South America Department
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