

(24) (5)

AW 353/3		
RECEIVED		
14 MAR 1980		
DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

put with Falklands papers psc.

Mr Duggan
Mr Fourn o/r
Mr Harding

FAMILIARISATION VISIT:
I: FAULKLAND ISLANDS

1. I visited the Falkland Islands for 5 days between 29 February and 5 March. This was the longest period I spent anywhere on my 2 week tour and was the most valuable in terms of absorbing the atmosphere, meeting a cross-section of the people and coming to terms with living in what appears to be a remote Scottish island somehow removed to the South Atlantic.

2. The predominant impression gained was that the Islands are in decline. The population figure of 1800, estimated last year, not only includes all the various expatriates, the imported labour and the marine detachment but is even then on the high side. There are perhaps no more than 1200 - 1400 "real" Islanders (census due in 1982). The lack of manpower is a major factor in the stagnation of the Islands' economy, in many ways just as inhibiting as lack of money. Many of the public administration sectors and some farms are unable to function efficiently for shortage of labour. Yet there is little in the Islands to attract people from outside, specifically the UK. Many of the expatriates already there, although prepared to make their careers on the Falklands, would leave if they were asked to accept Island wage-levels without the OSAS topping-up they receive at present. The Sheep Owners' Association (SOA) told me that they would like to see graduates of UK agricultural colleges, who could not find work at home, trying their luck in the Falklands. But, when pressed, they admitted that there was little prospect of such people actually owning even a small farm, at least until more farms are subdivided on Green Patch lines; what the Islanders want (as distinct from what they need) are basic labourers - few college graduates will accept that. There are now a substantial number of Chilean labourers working on farms and with the Public Works Department. Everyone told me that they work well and after some initial

/difficulties

CONFIDENTIAL

difficulties have settled down (although the murder by one of their number of an Islander during my stay has evidently given rise to fresh distrust of the Chileans, without whom many farms would find it hard to continue operating). But, while I am sure they live comfortably and are treated well (if paternalistically) it is unrealistic to expect people used to the way of life in the UK to live in dormitories and bunkhouses and work for low wages.

3. This unrealistic atmosphere pervaded most of my discussions with the Islanders themselves. For example, they want the airport runway extended to take long-haul flights from South Africa and even Europe, not because airlines have indicated any interest but because if it were built they are sure airlines would wish to use it. There was no understanding of the costs involved, nor of the business airlines would need to have guaranteed before they would consider international flights to the Islands. The occasional tourist cruise-liners which call at Port Stanley already reduce the town to chaos but the Islanders can see no discrepancy between their dislike of this and their wish to have Jumbo aircraft disgorging hundreds of tourists several times a week in the summer season. There is now only just enough hotel accommodation to fit in tourists from the twice-weekly LADE flights and it was clear that the Islanders do not want to build more; where would the tourists stay? They want the money from tourism but not the tourists, just as they want the revenue from fish and oil without the normally concomitant visible signs of offshore industry. There was much talk of Mr Julian Fitter's scheme for improving the tourist industry, but it is fairly clear that commissioning him was an expensive (£25,000) mistake; it is not possible to increase tourism significantly without altering the Islanders' way of life. In any case, tourism can only be a success as long as the Islands have something to offer in terms of peace and quiet and wild life. Neither the atmosphere nor the bird-sanctuaries would survive mass tourism.

CONFIDENTIAL

/4. ...

4. One of the factors which struck me was the Islanders' lack of enterprise and innovation. Granted that more effort has to be put in there than in the UK simply to exist, it still seems strange that the descendants of the people who went to such trouble to pioneer the colony should be so unwilling to experiment themselves, especially as there is considerable scope for skilled workers to start businesses, build houses etc. In many ways, society is positively feudal: the Governor and his Government are responsible for everything. The Superintendent of Education told me that even PTA meetings usually resulted in resolutions calling on the Government to correct matters as trivial as badly-painted classrooms, instead of parents banding together to do the work themselves for the good of their children. There is very little real sense of community. The Islanders not only resent the expatriates who run most of the major administration departments and comprise practically the entire teaching-staff, they even resent success amongst themselves. Those few Islanders who have made good and remained on the Islands are not popular. This inhibits Islanders from trying too hard to better their circumstances.

5. It is in the area of economic development where this "Big House" mentality is most obvious. Mr Harry Milne, Stanley Manager of the Falkland Islands Company (FICo) and Chairman of the SOA, opened his Association's presentation to me by claiming that they felt that the British Government were only putting money into projects which would be expensive to maintain, ie, the airport and the Stanley to Darwin road. (This did not prevent him from saying later on that they would like the runway extended, which would undoubtedly cause the FIG vastly increased recurring maintenance expenses!). But they were unable to present any sensible proposals for using ODA funds (supposing any to be available) to develop profit-making industry, apart from a vague plan to build a fertilizer factory with British Government money but lease it to a commercial company to manage. (They may put this idea to ODA but it sounded a non-starter to me). No-one suggested any schemes whereby the British Government would be asked to assist

/Islanders

CONFIDENTIAL

Islanders in projects started on their own initiative; yet there is money available for borrowing on a small scale. If Islanders do not want to put their own money into the Falklands it is hard to understand how they expect others to do so.

6. It is difficult to see how the Islands can remain economically viable in the absence of a settlement of the dispute. They are too small and too far away. The margin between profit on the wool yield and the costs of production is narrowing all the time. Mr Harold Rowlands, The Financial Secretary, admitted he had only managed to balance the books last year because of an unexpected windfall in the shape of tax from the company who built the airport. The Islands should be trading with South America, not the UK, but Argentina is out and a hoped-for deal with Chilean businessmen appears to be falling through. The Head of the Grasslands Trial Unit (GTU), Mr John Ferguson, told me that his unit's work was showing some signs of success, but the cost of reseeded significant areas of pasture would be high and the benefits long rather than short-term. (He lives in fear of a setback which would turn volatile Islander opinion against his unit's work). The Councillors I met asked again why we were doing nothing about fish and oil and I explained the problems on familiar lines. When it comes to the crunch, their refusal to entertain thoughts of Argentine involvement in their daily lives, no matter how minimal, takes precedence over their wish for economic development. Councillors' inquiries about the possibility of commercial interest sounded ritual; they know that no company is going to risk capital in such an enterprise. The Commonwealth Development Corporation (CDC) got their fingers burnt with the Ajax Bay Freezer project 20 years ago; they and other such organisations are bound to be sceptical about the wisdom of putting money into the Falklands.

7. In short, the Islands face huge problems. The Administration has to provide a population the size (and tax-

CONFIDENTIAL

/paying

paying power) of a small village with most of the facilities for which national government would normally be responsible. The existing roads in Stanley are in bad repair, the town's water-system will soon collapse, the plant being used to build the Darwin Road will not last much longer, the electricity-supply is stretched, the planned school-hostel is a terrible mess. ODA will undoubtedly do what they can but the total capital expenditure required appears enormous for such a small community. Some of the expatriates clearly regard the Islanders as a spoiled and privileged society - they point to the 3 Government aircraft used as air-taxis and heavily subsidised, and the in many ways lavish primary education system. But this is not really fair; if we really want the colony to survive, then the basic minimum per capita expenditure is bound to be higher than, eg, in the UK where a wide variety of facilities and support-services are available which are simply not possible in the Islands.

8. What needs to be done? Two main gaps were apparent to me during my brief stay. One was the lack of Islander understanding about the improbability of any worthwhile development in the absence of an agreement with Argentina. The other was lack of Islander understanding about HMG's policies and intentions. To meet the first, I think we need to promote and accelerate the education of the Islanders about the realities of their situation. Their dislike of everything Argentine is as virulent as ever. We should make it clear that no-one is thinking of forcing them to accept Argentine sovereignty but that if they want nothing to do with their large and powerful neighbour, then they have to accept that it is no use asking HMG to push ahead with development which requires Argentine co-operation. They need to present us and ODA with a coherent economic strategy which accepts the shortage of funds and the impossibility of unilateral action in disputed areas but which builds on existing prospects for development, however limited. There is as yet little sense of the responsibilities which would accompany development of, eg, tourism (hotels, airport

/facilities

CONFIDENTIAL

or marine resources.

facilities, internal island transport)/ Major ambitious schemes are not likely to succeed; small developments will work best (Mr Benbow's report on the Islands' banking-system, which we shall receive shortly, is an admirable example of working within the realities of the situation). However, even if the dispute with Argentina were to disappear tomorrow, it seems to me that the Islanders' isolation and their resistance to change would make it very difficult to introduce worthwhile development independent of the mainland.

9. The second, more political point, is perhaps more difficult. Islanders, particularly Councillors, think HMG deals behind their backs. Several mentioned to me that they felt left out. They had heard nothing much for months, then the Acting Governor had flashed round the Islands with a message from the Minister, and then they heard nothing more again for weeks. It is perhaps only to be expected that Councillors with an eye to the misgivings of their constituents should be suspicious. We should consider permitting the Governor to tell them more about our thinking in the hope of keeping them on board. The snag is that nothing remains secret for long in the Islands. I found, for example, that everyone there knows about (and most seem to oppose) the proposal to introduce Vietnamese refugees and that one of the Councillors, Mr Stuart Wallace, had actually held a public meeting, broadcast on the local radio, about the Minister's recent message, which we had fondly supposed to be confidential. And we can assume that anything known in the Islands is automatically relayed to the Argentines by the IADE representative.

10. There is a lesson here for Islander participation in Anglo-Argentine talks: we should be clear from the start that anything Councillors see and hear will be public knowledge in the Islands soon afterwards. It will be no use extracting promises from them to keep material to themselves; back in the Islands they will be more concerned about the views of their constituents than the diplomatic niceties practised by national governments. They interpret the Minister's message to imply a toughening of the

CONFIDENTIAL

/Governor's

Government's position on sovereignty; it would be difficult to talk about any form of sovereignty concessions in talks at which they are present. I had the feeling that many of them still believe the Royal Navy would steam in at a moment's notice in a crisis. It is when they have been most frightened in the past that they have come closest to seeing the advantages of talking to the Argentines. If the forthcoming talks come to nothing because of Islander intransigence, we may need to consider talking toughly to them again. Being the sort of people they are, they might respect us more for that than for trying to mollycoddle them.

11. If much of what I have said appears harsh, let me make it clear that I enjoyed my stay in the Islands very much. I fully sympathize with the Islanders' wish to remain British and share their feeling that any significant degree of Argentine presence would destroy the atmosphere. But I could wish that they were more alive to the constrictions the dispute and their geographical situation and climate place on their development, and to the realities of the relative power and influence of the UK and Argentina in the South Atlantic. I fear that the problem will eventually resolve itself, when the population falls to a level which is unable to support itself: then we shall be faced with the problem of whether to admit to the UK those Islanders without the right of abode. (In fact, nobody quizzed me about nationality and immigration, but I was told that it is a subject they are all concerned about; Mr Ridley's message on immigration was welcome, if naturally not as encouraging as they would have liked, and we must keep them abreast of future developments). Everyone I spoke to (list attached) was very friendly, with only an occasional tinge of suspicion about "Foreign Office bureaucrats". On balance, I detected gratification that the Department had showed enough interest to send someone to see for himself; if anyone else were able to go, I am sure that he would enjoy it and that the Islanders would welcome it.

/12. ...

CONFIDENTIAL

12. In Buenos Aires, I called on the Malvinas Department and met Ambassador Oliveri Lopez and his staff, (Sr Garcia Pinto, Col Balcarce and Sr Richard Forester). There was no pressure about talks, except that the Ambassador said they hoped to hear from us soon. Speaking to members of the large British Community in Argentina and the Embassy, it was clear that while the issue, as Mr Cox told the Minister in January, is an emotional one for most Argentines, who learn in school that the British are occupying the Islands illegally, it is only uppermost in their minds when either the Government or the media remind them about it. It is possible that the mere fact that we are willing to talk will satisfy the Government for a little while at least. How they will react when they learn we are no longer using the original terms of reference is impossible to assess, but the Embassy are fairly confident that we should get through one round of talks at least.

Colin Bright

C C Bright
South America Department

15 March 1980

cc: Mr Davies
Mr Growcott (Fort Stanley)
Mr Gozney (Buenos Aires)

CONFIDENTIAL

PEOPLE I MET ON THE FALKLAND ISLANDS

I had meetings with:

H E The Governor, Mr Rex Hunt
The Chief Secretary, Mr Dick Baker
The Governor's Assistant, Mr Michael Growcott
The Financial Secretary, Mr Harold Rowlands
The Sheep Owners' Association, Mr Harry Milne
Mr Jim Clements
Mr Syd Miller
Mr Tim Miller
The Head of the GTU, Mr John Ferguson
The Superintendent of Education, Mr Tom Lamin
The Head of the PWD, Mr Alan Mason
The Air-Traffic Controller, Mr Gerald Cheek
The Government's banking adviser, Mr Robin Benbow

I met socially:

Councillor Bill Goss
Councillor Tim Miller
Councillor Stuart Wallace
Councillor Mary Jennings
Councillor Willy Bowles
Councillor Harold Bennett
The Deputy Chief Secretary, Mr Doug Morrison
The Secretary of the FI Committee, Mrs Velma Malcolm and others.

CONFIDENTIAL