

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

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## FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

## STEERING BRIEF

Introduction

1. Apart from Mr Ridley's discussions in Buenos Aires in July 1979 and the Secretary of State's conversation with the Argentine Foreign Minister in New York last September, there have been no Ministerial exchanges with the Argentines on the Falklands dispute by this Government.

Objectives

2. Our objectives are:

- (i) to avoid a breakdown of the talks or ending them in a climate prejudicial to further exchanges or to our relations with Argentina;
- (ii) to ensure that the discussions remain exploratory and that we are not at this stage drawn into substantive negotiations on sovereignty;
- (iii) to demonstrate to the Argentines that we are starting afresh. While we will need to take stock of the positions reached in the 1977-79 discussions, we are not bound by them nor by the policies of the previous Government. We want to take an entirely new look at the issues;
- (iv) to make it clear to the Argentines that we want to make progress towards a solution; but that we have no doubt about our sovereignty (Briefs A4, 5 and 6) and that the wishes of the Islanders remain paramount. On this basis, we want to hear Argentine proposals on how progress might be made;

- (v) to find out where the Argentines now stand on all matters relating to the dispute (in particular economic co-operation and the joint development of resources). To listen to Argentine views on sovereignty but to avoid any specific response;
3. Argentine objectives can be expected to be:
- (i) to make progress towards their goal of securing sovereignty over the Islands;
  - (ii) to explore the policy of the new British Government;
  - (iii) to be seen to be talking (for domestic consumption) but not to expect dramatic results.

#### Tactics

4. Mr Ridley's opening statement (Brief No 2) should be used to set out our views on the scope and purpose of the discussions. We must get the Argentines to accept from the outset that these talks are exploratory; limited (in the decision-making sense) but wide-ranging in content; and that their purpose is no more than to provide a platform for consideration of policy and for future, more substantial exchanges. Thus, if asked, we would say that while we do not necessarily dissent from the 1977 Terms of Reference (Brief No A7), we do not see any need to have specific terms of reference for this preliminary round.

5. It will be right to make the Argentines aware that, on the one hand, we take a robust view of our sovereignty position and of our commitment to the Islanders' future and that our room for manoeuvre is consequently narrow: and, on the other, that we do not intend to be inflexible and that we want a solution not only to remove an irritation to our bilateral relations but also to open up important areas of economic co-operation to mutual advantage. We



-3-

can expect the Argentines to raise the sovereignty issue at an early stage and we must show readiness to listen to what they have to say (though without ourselves taking a position on sovereignty options (Brief No A4)). But we should aim to concentrate discussion as far as possible on the safer and more productive issues of joint development of resources, and economic and other co-operation (Briefs A8 to 17), seeking to persuade them of the direct benefits to them of making progress on these aspects (irrespective of the sovereignty question) and of the indirect advantages of demonstrating to the Islanders the potential for a positive Argentine contribution to their future.

#### Cooperation issues

6. Against this background we should suggest that the items in paras (a) - (f) below should first be discussed seriatim with the limited objective of ensuring that each side has a clear understanding of the other's position, while probing for possible progress. If there seems to be little hope for movement on any one issue, it will be better to leave it and to pass on to others. We want as far as possible to leave doors open at the end of this first exploratory round.

- a) Oil (Brief No A8). It is still on balance unlikely that there are significant deposits. But the dispute inhibits the sort of commercial investments required to find out. We might see whether Argentines are interested in progress, eg, in working towards some regime under which exploration companies might be licensed jointly.
- b) Fish (Brief No A9). There are fish but not of the sort to interest the UK industry. But licensing revenue is attractive to the Islanders. We should again explore possibilities of co-operation (separating the subject from the sovereignty issue).



-4-

- c) Antarctic (Briefs Nos A10/11/12). Examples (eg, Fisheries Convention) of practical, beneficial co-operation, despite our differences. Important that we continue to collaborate.
- d) Southern Thule (Brief No A13). We shall have to raise this issue to protect our sovereignty position and to meet Parliamentary interest. But the Argentines are in the stronger position, given continuing Islander refusal to take the draft Scientific Co-operation Agreement further.
- e) 1971 Communications Agreement (Brief No A14). It is an example of how we and the Argentines can co-operate to our mutual benefit and to the Islanders' advantage. We should try to detect whether there is any Argentine reluctance to continue to provide services: if so, we should keep the card of Chilean commercial interest in mind (Brief No A20).
- f) 1974 YPF Agreement (Brief No A15). The Argentines have got themselves into a bit of a problem over their tender to build the jetty. We do not wish to embarrass them but we should enquire about their intentions. Neither of these matters (e) and (f) are of significance but we will want to have at least touched on them.

#### Falkland Islands Internal

7. We shall probe possibility of Argentine input into economic development of the Islands. The chances are not high and previous suggestions from Argentines (eg, banking) have met with intense Islander suspicion, especially of a backdoor economic takeover. We have not responded to earlier Argentine interest in a takeover of FICO, unless as part of an overall settlement. (Briefs Nos A18 to 20 and D44).

#### Bilateral Relations

8. On UK/Argentine Bilateral issues (Briefs Nos B21-26), we would only wish to raise human rights (B21) and consular cases (B22);

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(B22); they might be best covered informally outside the working session. If the Argentines wish to discuss any other specific issues we might suggest that they are dealt with on the final day of the talks. It might help us presentationally after the talks to be able to say we have touched on other issues (trade B23; defence cooperation B24; East West Relations B25). It might be of interest to ask about progress on the Beagle dispute (B26), when we could underline our non-involvement.

#### Islander participation

9. There is a separate steering brief and speaking note (Brief No C31) for dealing with Mr Monk. Our objective is to assure him of HMG's continued support, but at the same time to expose him to the realities of the situation. But his presence will raise some delicate problems which will need careful handling to avoid embarrassment.

#### Publicity

10. The Argentines may press for a joint report to the UN or a communiqué (Brief No 3). If so, we would seek to keep these short and in line with our view of the discussions (para 3 above).

#### Future Arrangements

11. The question will arise of how exchanges should be continued in the future. We cannot commit ourselves to formal negotiations until Ministers have again considered policy options in the light of the exploratory round. But we want to keep the channels open. We could propose that the next Ministerial exchange might be at Foreign Minister level at the UNGA this autumn; and that we should meanwhile take stock of the present discussions and consider the scope for further interim work at official level on specific issues.



CONFIDENTIAL

ANNEX

TEXT OF UKMIS NEW YORK TEL NO 1132 OF 26 SEPTEMBER: FALKLAND ISLANDS

1. The Argentine Foreign Minister called on you here this morning. He brought with him Carlos Ortiz de Rosas whom he introduced as his nominee for the post of Ambassador in London.
2. Brigadier Carlos Washington Pastor referred with satisfaction to the recent visits of Mr Ridley and of Argentinian officials to London. He mentioned his own memories of Britain and of British aircraft which he had flown. He described the expansion of the Argentine economy and said that this opened many possibilities for British industry, which had enjoyed a high reputation in Argentina since the British initiative on the railway in 1854.
3. Turning to what he described throughout as the Malvinas Islands, Brigadier Pastor said that there were two basic facts to be remembered. First, the Islands were a long way down in British priorities but at the top of the list for Argentina. Second, the British view that the wishes of the Islanders must be considered was not shared by Argentina, which did however acknowledge that these must be taken into account. The task was to find a formula for a government to government solution having regard to this. Argentina approached this task with the best possible intentions and was sure there would now be progress, starting at once.
4. Brigadier Pastor proposed what he called a programme of work at three levels:
  - a) our respective Foreign Ministries should keep in touch through Ambassadors: this contact should be at least weekly. It followed that Ambassadors should be nominated as soon as possible.

/b)

CONFIDENTIAL



- b) Mr Ridley and his Argentinian opposite number should meet twice a year very informally with an open agenda, switching to official meetings when there was something agreed to be formalised.
- c) The two Foreign Ministers should meet once a year at the UN General Assembly, but also perhaps elsewhere: he invited you to visit Argentina at any time.

5. You said it was sad for Britain that there was disagreement with a country with which Britain enjoyed a long tradition of friendship. The Minister had pin-pointed the difficulty for Britain. As with the similar case of Gibraltar, British opinion would not countenance any solution which ignored the inhabitants of the territories concerned. The problem was thus difficult, but you hoped it was not insoluble provided that each understood the other's position. You had to confess that the overriding problems of European Community affairs and Southern Africa had made it difficult for you to think deeply about the Falkland Islands. You had no solution at present. But you were considering the matter. You agreed that the two Ambassadors, once appointed, should be invited to deploy their imagination and experience on the problem.

6. I asked how Argentina planned to handle this matter at the General Assembly. Brigadier Pastor said that he would refer to it in his speech, but in a friendly manner. He did not plan any action going beyond this, e.g. in the Fourth Committee. I explained that if I were obliged at any stage to exercise my right of reply, it would be for technical reasons.

7. Brigadier Pastor asked what we and you should say to the press about the meeting. A form of words was agreed and telexed to News Department. This was to the effect that the Falkland Islands/Malvinas had been among the questions discussed, and that the intention of both sides was to proceed in the near future to the appointment of Ambassadors.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

## OPENING STATEMENT

### Points to Make

#### Climate of Relations

1. As said in my message, much improved bilateral relations (Ambassadors). Spirit of co-operation. Want to make progress to resolve Falklands dispute. But recognise that it is very difficult issue.

#### Approach to Talks

2. First talks by this Government: fresh look. New to subject. Establish where each side stands: basis for further consideration and future discussions.

Exploratory: wide-ranging: nothing excluded.

Without commitment: not negotiations.

But have to make clear that HMG has no doubts on legal position. Want Argentine views on how progress can realistically be made.

#### Islander Presence

3. Islander participation as member of UK delegation for first time. Welcome. Islanders are the people whose future we are discussing. Right and proper consult them. Islanders' wishes must be taken fully into account. Parliament insists: self-determination has governed UK decolonisation policy since War.

#### Future Co-operation

4. Want viable future for Islands: Islanders should benefit from our co-operation. Need to diversify Islanders' overseas markets. Joint interest in economic development of S W Atlantic: recognised in co-operation on Antarctic matters. Seas rich in fish: should together be licensing (200 mile zone).

May be oil: should find out: in both our interests to do so.

#### Handling of Talks

5. Suggest we look at full range of issues, seriatim.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1982)

REPORTING TO THE UNITED NATIONS: COMMUNIQUE

Points to Make

1. No need to report these purely exploratory talks to the UN Secretary-General.
2. (If Argentines press) No objection to (separate) short factual notes to Secretary-General (stating met New York, 28 - 30 April) to be sent by our respective Missions.
3. A joint communique after the talks would be in order. It could also be sent to UN Secretary-General.



Essential Facts

1. At Ministerial talks conducted with the previous Government, the Argentines invariably suggested that both Governments report on the talks to the UN Secretary-General, in the context of the General Assembly's resolution in December 1976. We did not dissent and brief separate reports were duly sent in parallel. It has also been the practice to issue a short communique after previous rounds of talks.
2. There is no commitment to submit reports to the UN. The Argentines encourage it because of the overwhelming majority in their favour at the UN on the Falklands issue. If the talks result in substantial progress it would be in our interest to demonstrate to the UN the advantages of negotiation. If, as is more likely, there are no concrete results, there are no advantages for us. However, provided that the talks end in a reasonably positive climate and that there are no difficulties in agreeing the wording of a joint communique, we need not dissent.
3. The draft of a short communique is attached.

UNITED NATIONS  
GENERAL ASSEMBLY  
DRAFT JOINT COMMUNIQUE

Following separate announcements in London and Buenos Aires on 15 April by the Argentine and UK Governments, an Anglo-Argentine Ministerial meeting was held in New York from 28 - 30 April 1980 to discuss the Falkland Islands question.

The British and Argentine delegations were led respectively by Mr Nicholas Ridley, Minister of State at the Foreign and Commonwealth Office, and Comodoro Cavandoli, Deputy Foreign Minister

The discussions were wide-ranging and conducted in a positive spirit. A full exchange of views took place.

The two Governments intend to meet again to continue these exchanges.

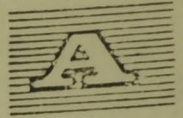
1/ A/1981/ and Corr.1, annex, para. 37.

2/ A/11/197, annex I, para. 118.

3/ A/11/23/Add.2 (Part II), chap. XIX.

4/ *Ibid.*, para. 6.





UNITED NATIONS  
GENERAL  
ASSEMBLY



Distr.  
GENERAL

A/RES/31/49  
17 December 1976

Thirty-first session  
Agenda item 25

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY

/on the report of the Fourth Committee (A/31/362)/

31/49. Question of the Falkland Islands (Malvinas)

The General Assembly,

Having considered the question of the Falkland Islands (Malvinas),

Recalling its resolutions 1514 (XV) of 14 December 1960, 2065 (XX) of 16 December 1965 and 3160 (XXVIII) of 14 December 1973,

Bearing in mind the paragraphs related to this question contained in the Political Declaration adopted by the Conference of Ministers for Foreign Affairs of Non-Aligned Countries, held at Lima from 25 to 30 August 1975, 1/ and in the Political Declaration adopted by the Fifth Conference of Heads of State or Government of Non-Aligned Countries, held at Colombo from 16 to 19 August 1976, 2/

Having regard to the chapter of the report of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples relating to the Falkland Islands (Malvinas) 3/ and, in particular, the conclusions and recommendations of the Special Committee concerning the Territory; 4/

1. Approves the chapter of the report of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of

1/ A/10217 and Corr.1, annex, para. 87.

2/ A/31/197, annex I, para. 119.

3/ A/31/23/Add.9 (Part III), chap. XXX.

4/ Ibid., para. 8.



Independence to Colonial Countries and Peoples relating to the Falkland Islands (Malvinas) and, in particular, the conclusions and recommendations of the Special Committee concerning the Territory;

2. Expresses its gratitude for the continuous efforts made by the Government of Argentina, in accordance with the relevant decisions of the General Assembly, to facilitate the process of decolonization and to promote the well-being of the population of the islands;

3. Requests the Governments of Argentina and the United Kingdom of Great Britain and Northern Ireland to expedite the negotiations concerning the dispute over sovereignty as requested in General Assembly resolutions 2065 (XX) and 3160 (XXVIII);

4. Calls upon the two parties to refrain from taking decisions that would imply introducing unilateral modifications in the situation while the islands are going through the process recommended in the above-mentioned resolutions;

5. Requests both Governments to report to the Secretary-General and to the General Assembly as soon as possible on the results of the negotiations.

85th plenary meeting

1 December 1976



UNITED NATIONS  
GENERAL  
ASSEMBLY



Distr.  
GENERAL

A/33/58  
1 February 1978

ORIGINAL: ENGLISH

Thirty-third session

IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF  
INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

Letter dated 30 January 1978 from the Permanent Representative  
of the United Kingdom of Great Britain and Northern Ireland to  
the United Nations addressed to the Secretary-General

I have the honour to address Your Excellency with reference to the question of the Falkland Islands.

In this regard, and bearing in mind paragraph 5 of General Assembly resolution 31/49 of 1 December 1976, I have the pleasure to inform Your Excellency that, on the basis of the agreement expressed in the joint communiqué annexed to the note dated 8 June 1977 addressed to Your Excellency (A/32/11), representatives of the Governments of the United Kingdom of Great Britain and Northern Ireland and the Republic of Argentina met in New York from 13 to 15 December to continue the negotiations on the Falkland Islands. Both parties decided on the creation of two working groups which will meet shortly; one on political relations, including sovereignty, and the other on economic co-operation. They also agreed to meet again during the second quarter of 1978.

The text of the joint communiqué issued on 15 December 1977 when the meeting was concluded is attached.

I request Your Excellency to arrange for this letter and its annex to be circulated as a document of the General Assembly and brought to the attention of the Special Committee on Decolonization.

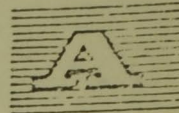
(Signed) Ivor RICHARD

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UNITED NATIONS  
GENERAL  
ASSEMBLY



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A. J. Nitz 3/2

Distr.  
GENERAL

A/33/57  
1 February 1978  
ENGLISH  
ORIGINAL: SPANISH

Thirty-third session

IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF  
INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

Letter dated 30 January 1978 from the Permanent  
Representative of Argentina to the United Nations  
addressed to the Secretary-General

I have the honour to address Your Excellency with reference to the question of the Malvinas.

In this regard, and bearing in mind paragraph 5 of General Assembly resolution 31/49 of 1 December 1976, I have the pleasure to inform Your Excellency that, on the basis of the agreement expressed in the joint communiqué annexed to the note dated 8 June 1977 addressed to Your Excellency (A/32/110), representatives of the Governments of Argentina and the United Kingdom met in New York from 13 to 15 December 1977 to continue the negotiations on the Malvinas. They decided to create two working groups which will meet shortly, one on political relations, including sovereignty, and the other on economic co-operation. They also decided to hold a <sup>first</sup> ~~second~~ round of negotiations during the second quarter of 1978.

The text of the joint communiqué issued on 15 December 1977 when the meeting was concluded is attached.

I request Your Excellency to arrange for this letter and its annex to be circulated as a document of the General Assembly and brought to the attention of the Special Committee on Decolonization.

(Signed) Enrique J. ROS  
Ambassador  
Permanent Representative

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## ANNEX

Joint communiqué

In accordance with the agreement reached in Rome in July, an Anglo/Argentine Ministerial Meeting was held in New York from 13 to 15 December 1977 to continue negotiations on future political relations, including sovereignty, with regard to the Malvinas, South Georgia and the South Sandwich Islands and Anglo/Argentine economic co-operation with regard to the said territories in particular and the South West Atlantic in general.

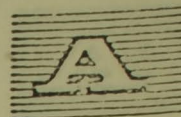
The delegations were led respectively by Captain Gualter Oscar Allara, Under-Secretary for Foreign Relations of the Argentine Republic, and by Mr. Ted Rowlands, Minister of State at the Foreign and Commonwealth Office. In accordance with the terms of reference for the negotiations announced in the statement of 26 April 1977, the two sides conducted a full exchange of views on how to make progress on the two themes. The discussions between the two delegations were conducted in a positive spirit.

The two sides recognized that there was a wide range of issues involved which would require detailed study. They accordingly agreed to establish at official level two parallel working groups on political relations, including sovereignty, and on economic co-operation, to pursue these studies in depth and to report back to the heads of delegations. The venue, composition and timing of the meetings of the working groups will be settled through diplomatic channels.

The two Governments will keep under constant review the progress of the studies of the working groups. A further round of negotiations will be held within the second quarter of 1978.



UNITED NATIONS  
GENERAL  
ASSEMBLY



Distr.  
GENERAL

A/34/66  
22 January 1979

ORIGINAL: ENGLISH

Thirty-fourth session

IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF  
INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

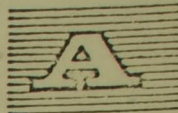
Letter dated 19 January 1979 from the Permanent Representative  
of the United Kingdom of Great Britain and Northern Ireland to  
the United Nations addressed to the Secretary-General

I have the honour to address Your Excellency in relation to the question of the Falkland Islands.

In this connexion and bearing in mind paragraph 5 of General Assembly resolution 31/49 of 1 December 1976, I have the pleasure to inform Your Excellency that representatives of the Governments of the United Kingdom of Great Britain and Northern Ireland and of Argentina met at Geneva from 18 to 20 December 1978 and, as stated in the joint communiqué annexed to the present note, decided to meet again in early 1979.

I request Your Excellency to arrange for this letter and its annex to be circulated as a document of the General Assembly under the item entitled "Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples", and brought to the attention of the Special Committee on Decolonization.

(Signed) Ivor RICHARD



UNITED NATIONS  
GENERAL  
ASSEMBLY



Distr.  
GENERAL

A/34/65  
22 January 1979  
ENGLISH  
ORIGINAL: SPANISH

Thirty-fourth session

IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE  
TO COLONIAL COUNTRIES AND PEOPLES

Letter dated 19 January 1979 from the Permanent Representative of Argentina  
to the United Nations addressed to the Secretary-General

I have the honour to address myself to you in connexion with the question of the Malvinas Islands.

In that connexion, and bearing in mind paragraph 5 of General Assembly resolution 31/49 of 1 December 1976, I am pleased to inform you that representatives of the Governments of Argentina and of the United Kingdom of Great Britain and Northern Ireland met in Geneva from 18 to 20 December 1978 and, as reported in the communiqué annexed to this note, decided to resume their meetings early in 1979.

I request you to arrange to have this letter and the annex thereto circulated as an official document of the General Assembly in connexion with the agenda item entitled "Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples" and to bring them to the attention of the Special Committee on Decolonization.

(Signed) Enrique J. ROS  
Ambassador  
Permanent Representative



ANNEX

Joint communiqué dated 20 December 1978

1. In accordance with the announcement made simultaneously by the Argentine and United Kingdom Governments on 15 December 1978, the delegations of the two countries met in Geneva from 18 to 20 December 1978 in order to participate in the third round of negotiations on the Malvinas Islands, South Georgia and the South Sandwich Islands in accordance with the terms of reference announced on 26 April 1977. The two delegations were headed respectively by Capitán de Navío D. Gualter Allara, Under-Secretary for Foreign Affairs of the Argentine Republic, and Mr. Ted Rowlands, Minister of State at the Foreign and Commonwealth Office.
2. The discussions between the two delegations were conducted in a positive spirit and reviewed all the matters within the scope of the negotiations. The delegations reached agreement in principle on the framework for a system of co-operation for scientific research activities in South Georgia and the South Sandwich Islands.
3. They agreed to continue consideration of the various questions under consideration at a meeting to be held early in 1979. The date, place and level of the next meeting will be determined through the diplomatic channel.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

SOVEREIGNTY OPTIONS

Points to Make (only if raised by Argentines)

1. Ready to listen to Argentine views and to comment where we can (see Essential Facts).
2. But this exploratory round is not the place to undertake any substantive discussion of sovereignty proposals.
3. All these have to be seen in the context of the paramountcy of Islanders' wishes.



Essential Facts

1. We have no wish to raise sovereignty options. But Argentines will want to discuss sovereignty. This paper summarises the range of possible scenarios for a political solution and comments briefly on their feasibility.

Leaseback

2. Concession to the Argentines of sovereignty over the Falkland Islands, the Dependencies and their Maritime Zones. Argentina would simultaneously lease them back to HMG and agree on the co-administration of the economic resources of the maritime zones and seabed. A perpetual lease would be ideal (but the Argentines could not agree to this). The term would have to be negotiated: we should try for, say, 99 years but would inevitably have to settle for something shorter. Comment: it would be a formidable task to negotiate an agreement of this kind acceptable to Britain, Argentina and the Islanders. It would require Argentine agreement to leave the administration and way of life of the Islanders unchanged throughout the period of the lease. It would probably also require outside guarantees.

3. A further extension of a "leaseback" solution, involving more far-reaching concessions to the Argentines, would be to grant effective Argentine sovereignty over the Dependencies and their Maritime Zones, with leaseback operating only for the Falkland Islands and their Maritime Zone. Comment: this might be of more interest to the Argentines. But it could only be carried through against fierce opposition from the Islanders and the lobby.

Mixed Approach

4. Differentiation between territory (in which the Argentines are primarily interested) and people, which is the burden of our concern. It would involve conceding sovereignty over the uninhabited Dependencies (e.g. South Sandwich Islands; but possibly not South Georgia for Antarctic, fish reasons) and their Maritime Zones to

Argentina who would as a quid pro quo abandon her sovereignty claim over the inhabited Falkland Islands. Comment: unacceptable to Argentina because it would not involve the concession of sovereignty over the Falkland Islands which they are seeking.

Joint Sovereignty or Condominium

5. An example is the Anglo-French condominium of the New Hebrides. Co-sovereignty would have to lead eventually to co-administration. It would be extremely complicated. Comment: the Islanders would find it unacceptable because it would involve Argentine intervention in their way of life. It would probably be unacceptable to the Argentines in that it would involve their admitting the UK to a share of sovereignty which they claim exclusively.

Joint Administration

6. Favoured by the Argentines. Short period of joint administration, followed by phasing out of British presence and full Argentine sovereignty. Comment: unacceptable to the Islanders.

Symbolic Gestures

7. These would be designed to recognise the existence of a special Argentine interest in the Islands without allowing Argentina to exercise the more substantive attributes of sovereignty, which would remain exclusively with Britain. An example could be the flying of Argentine flags from certain public buildings. Although we would request such a gesture to be covered by the sovereignty umbrella, it would be difficult to maintain that there was not at least some erosion of our position on sovereignty. Comment: the Argentines would be unlikely to be satisfied unless the gesture was clearly a first step to more substantial concessions on sovereignty. Symbolic gestures would probably be of most use as part of a package of practical measures designed to reduce the Falkland Islands' isolation from the Argentine mainland.

Sovereignty "freeze"

8. This would require Argentine agreement to leave the sovereignty dispute in abeyance for a given period, say 30 years, at the end of which we would both review the sovereignty claim. Comment:



nothing in this that would appeal to the Argentines, who want early progress on the sovereignty front.

#### Other Models

9. Two existing examples of shared sovereignty are:

- (a) Spitzbergen where Norway has sovereignty but other powers have the right of "economic access".
- (b) The Aaland Islands where Finland has sovereignty but the Islanders enjoy certain special rights reflecting their relationship with Sweden.

Neither would be acceptable to the Islanders, because they would involve an Argentine presence and intervention in their way of life.

#### Arbitration

10. See Brief no. 6.

#### "Fortress Falklands"

11. We should firmly refuse to consider any concessions to the Argentines. They will either give way or mount direct or indirect attacks on the Islands and their economy. We should then have to defend them. Comment: The Argentines are not going to give up a sovereignty claim they have maintained for decades. There would be substantial economic and military costs in attempting to maintain such a position in the Islands. We could expect no support internationally, certainly not from Uruguay or Brazil, to whom we would have to look for alternative transit facilities. We are in a minority of one in the United Nations on this issue. The fortress concept would effectively prevent all development in the Islands without the continued injection of substantial capital and other aid; and it would also prevent any exploitation of the Maritime Zones generated by the Islands and Dependencies.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

THE LEGAL POSITION

Points to make (if raised)

1. We have no doubts about British sovereignty over the Falkland Islands and their Dependencies.
2. The UK have exercised sovereignty continuously over the Islands for 147 years. Argentina's claim is without legal foundation.



THE NATIONAL ARCHIVES

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REVIEW NOT COMPLETED

## THE ARGENTINE CLAIM

1. Since Britain took possession in 1833, Argentina has protested that she is entitled to sovereignty over the Islands. Her claims are primarily based on the grounds that:

- a) she has inherited Spain's previous titles to the Islands (Spain in fact appears not to have formally renounced her title or to have explicitly ceded it to Argentina);
- b) she effectively occupied the Islands from 1820 to 1833 when they reverted to a status of terra nullius (in 1829 an Argentine political and military governor was appointed);
- c) the Islands belong to Argentina by right of geographical contiguity, since they are on the Argentine continental shelf;
- d) the Islands' present colonial status is anachronistic;
- e) the Islands' economy has been neglected and would benefit from close association with Argentina.

2. Argentina also argues that the initial forceful occupation and settlement of the Islands and the expulsion of Argentine nationals in 1833 vitiates the whole period of British possession thereafter, and cannot form a good basis for title.

The Dependencies

3. Argentina has from time to time put forward claims to the Dependencies and continues to do so. These claims have at different times been based on proximity to Argentina and alleged inheritance of title from Spain. Argentina first claimed South Georgia in 1927 and the South Sandwich Islands in 1948. Her Majesty's Government rejects all these claims, as without legal or historic foundation.



FAULKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

INTERNATIONAL ARBITRATION

Points to Make (Defensive)

1. [We should not raise this question and it is most unlikely that the Argentines will. If they do ask whether we would consider taking the dispute to an international tribunal, Mr Ridley should say that he will need time to consult his Ministerial colleagues before giving HMG's answer].

Essential Facts

1. The question of British sovereignty over the Falkland Islands and their Dependencies has not been submitted to the International Court of Justice (ICJ) or to any other international arbitration. Since Argentina has not accepted the compulsory jurisdiction of the ICJ, any reference to the Court could only be made with the agreement of the Argentine Government.
2. In 1947 and subsequently HMG offered to submit the dispute over Argentine claims in the Dependencies to the ICJ. In 1955 HMG applied unilaterally to the Court against encroachments on British sovereignty in the Dependencies by Argentina and Chile. However, the matter could not be pursued since both Argentina and Chile declined to submit to the Court's jurisdiction in the matter.
3. In 1966 the question arose as to whether in the course of negotiations with the Argentines the UK should offer to refer the dispute over the Falkland Islands to the ICJ. The Law Officers were asked to advise whether the strength in law of the British case for sovereignty over the Falkland Islands and Dependencies was sufficient to justify such a reference. The Law Officers in an opinion dated 25 November 1966 expressed the view that the strength in law of the British case was sufficient to justify such a reference, although they could not exclude the possibility that the ICJ might find against the UK: particularly over the South Sandwich Islands.
4. The question was not, however, pursued further. This was partly because reference to the Court would have had no attraction for Argentina, but more because the composition of the Court had by then become less favourable for the UK on what is seen by many other members of the UN as a colonial problem.
5. Legal Advisers do not dissent from the views expressed by the Law Officers in 1966, nor do they consider the composition of the ICJ as any more favourable to the UK position than in 1966. If for political reasons it seemed advisable to offer international



-2-

arbitration (either the ICJ or an Ad hoc Arbitration Tribunal) to the Argentines again as a method of resolving the dispute, the Law Officers would need to be consulted before taking such a step. They also advise that reference to an ad hoc arbitration tribunal might be preferable to reference to the ICJ since the composition of the former would have to be agreed between us and the Argentines. But, given the Argentines' repudiation of the British award in the Beagle Channel case (see Brief no 26), the Argentine Government might think we were being offensive if we suggested arbitration again as a means of solving the dispute.

CHALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

TERMS OF REFERENCE

Points to make (if raised)

1. We do not necessarily dissent from the Terms of Reference which you agreed with the previous British Government.
2. What we discuss now is of course understood as being without any commitment by either side. We start with a clean slate (cf Brief no 2). Our talks are to be wide-ranging and exploratory. No issue excluded. Not necessary at this stage to limit our room for manoeuvre with formal Terms of Reference: the time for that will come when we have each established what the other's position is and have considered the scope for further more substantive exchanges.



Essential Facts

1. The joint Terms of Reference (see Annex), under which the previous Government held 4 rounds of talks with the Argentines, were announced simultaneously in Buenos Aires and London in April 1977. (The Argentines had wanted a fuller reference to sovereignty and to have it accorded precedence over all other elements in the negotiations; the UK insisted that sovereignty was only one of a number of elements).
2. Ministers wish us to explore the ground at this first exchange and to make no concessions on sovereignty. The reference to sovereignty in 1977 Terms makes them inappropriate, although otherwise they are unexceptionable.
3. In our exchanges with Argentines leading up to these discussions, we have not made any reference to the 1977 Terms. The Argentines may assume that we regard them as still valid. It will be apparent from Mr Ridley's opening statement (Brief No 2) that this is not so.
4. Part of the purpose of the New York talks is to establish the outlines of what the future terms governing further exchanges might comprise. If we are eventually to get the Argentines to agree to them there will presumably need to be a reference to sovereignty; but we shall have to go back to Ministers here first.

FALKLAND ISLANDS: TERMS OF REFERENCE FOR NEGOTIATIONS (WRITTEN PARLIAMENTARY ANSWER BY THE SECRETARY OF STATE, 26 APRIL 1977)

The British and Argentine Governments have now reached agreement on the Terms of Reference for negotiations about the Falkland Islands dispute, as follows:

The Governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland have agreed to hold negotiations from June or July 1977 which will concern the future political relations, including sovereignty, with regard to the Falkland Islands, South Georgia and South Sandwich Islands, and economic co-operation with regard to the said territories, in particular, and the South West Atlantic, in general. In these negotiations the issues affecting the future of the Islands will be discussed, and negotiations will be directed to the working out of a peaceful solution to the existing dispute on sovereignty between the two states, and the establishment of a framework for Anglo-Argentine economic co-operation which will contribute substantially to the development of the Islands, and the region as a whole.

A major objective of the negotiations will be to achieve a stable, prosperous and politically durable future for the Islands, whose people the Government of the United Kingdom will consult during the course of the negotiations.

The agreement to hold these negotiations, and the negotiations themselves, are without prejudice to the position of either Government with regard to sovereignty over the Islands.

The level at which the negotiations will be conducted, and the times and places at which they will be held, will be determined by agreement between the two Governments. If necessary, special Working Groups will be established.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

OIL

Points to Make

1. None of us knows whether there is any oil in Falklands waters. Only drilling can establish that. Unless we resolve the dispute in this area, reputable oil companies will be unwilling to put their capital and equipment at risk. This benefits no-one.
2. We both need to:
  - (i) identify potential resources;
  - (ii) consider how best to explore and quantify them;
  - (iii) consider how best to develop proven resources to benefit all of us, especially the Islanders.
3. Consider setting up an expert Working Group to discuss the details of a possible regime of Anglo-Argentine cooperation on the development of possible hydrocarbon deposits. This would be an exercise in cooperation for our mutual benefit: there are no implications for sovereignty. No need to go into detail now, but UK has a great deal of experience in deep-water oil exploration and would be happy to make this expertise available.
4. (If asked what experts should discuss) Experts would need to agree as a first step:
  - (i) how to split up the area into blocks;
  - (ii) the basis on which requests from oil companies to carry out more detailed surveys on exploratory drilling might be entertained and the terms on which such activities might be authorised;
  - (iii) the terms on which any commercial discoveries might be exploited;

/(iv) ...

- (iv) how to ensure that the Islanders benefit;
- (v) how to solve logistical problems, e.g. provision of base facilities.

If the existence of oil is proved, there are many other questions we should have to deal with.

5. (If the Argentines do not agree to the establishment of Working Groups) We have noted that YPF has started to offer blocks for exploration close to the putative median line between the Falkland Islands and the Argentine Continental Shelves. Grateful for your assurance that you will not be offering blocks over the median line.



## Essential Facts

### Continental Shelf

1. The geomorphological structure of the South West Atlantic area allows both Argentina and the UK in respect of the Falkland Islands and Dependencies to claim large areas of continental shelf. By virtue of its claim to the Islands, Argentina claims to exercise rights over their continental shelf.
2. At UNLOSC, both Argentina and the UK are members of the "Wide Margin Group" which has succeeded in establishing that a coastal state may exercise rights over continental shelf resources up to 350 miles from territorial sea baselines or up to 100 miles beyond the 2500 metre isobath, whichever distance is the greater.
3. Under the Falkland Islands Mining (Mineral Oil) Regulation 1964, the Governor has powers to issue exploration and exploitation licences out to the 100 fathom (approx. 200 metre) line; beyond that point HMG is the licensing authority.

### Surveys

4. There have been two seismic surveys of the Falkland Islands continental shelf. We invited the Argentines to agree to authorise the surveys jointly but they refused; the surveys were thus authorised separately by HMG and the Argentine Government and were carried out in 1978. Data from each were given to both Governments.

Annex A

5. BNOC evaluated one survey. A summary of their report is attached. The main conclusion is that three areas might in normal circumstances warrant further exploration: in particular, the South Malvinas Basin (west of the Islands, half-way between them and Argentina) looks promising. But there is no way of confirming the presence or extent of oil deposits without drilling. Reputable companies keep a watching brief but are unwilling to touch disputed waters. Several small companies have applied to us for permission

to drill and we have turned them down to avoid exacerbating the dispute. But the Argentines have been offering blocks for exploration in their waters closer and closer to the putative median line. If oil were found in the South Malvinas Basin, Argentine cooperation would in any case be necessary to extract it: half of the formation lies in undisputed Argentine waters.

6. The surveys were principally of the area outside the 100 fathom line around the Islands. The Dependencies were not covered (the seas around them are in any case too deep for present day oil exploration technology). There is no indication that there may be hydrocarbons on the Islands themselves.

7. Individuals and companies in the UK continue to show intermittent interest in conducting further surveys of the area. Dr Colin Phipps, the former MP, has plans to conduct an aerial magnetic survey and we have recently received a proposal from the obscure Carroll Group of Companies, seeking exclusive rights to the area. In principle, we do not object to further surveys (although we doubt whether they are worthwhile) but we do not grant exclusive rights and we are not prepared to authorise exploratory drilling. If any of these proposals came to anything we should remind those involved of the wisdom of mentioning their plans to the Argentines, without suggesting that we consider the Argentines to be in a position either to grant or to withhold permission.

#### Previous Talks

8. There has been little discussion of oil at previous talks, partly because we have preferred to concentrate on fisheries (see separate brief) and partly because the Argentines have refused to hold substantive discussions in advance of concessions on sovereignty. At the expert Working Group on economic matters held in Lima in February 1978, the Department of Energy made an extensive presentation of the practical problems which would need to be addressed before any cooperation regime could be worked out. The Argentines submitted at the same meeting a working paper on resources in general, a section of which dealt with oil. But there was little discussion of either side's ideas. The Argentines have also suggested in earlier rounds



the establishment of a joint (Argentine/UK/Islander) holding company to hold blocks in the area and develop them through subsidiaries. But they stressed that this could only be done after they had been assured of sovereignty. The Department of Energy attach importance to our retaining, if at all possible, access for the UK to any oil or gas which might be found in Falkland Islands waters.

UK Practice

9. Attached as annexes are papers on:

Annex C  
Annex D  
Annex E

- (i) UK licensing practice;
- (ii) taxation;
- (iii) national interest and control.

These are relatively detailed. It would be best to refer discussion on these points to expert level Working Groups. They are in any case only illustrations of UK practice. Whether they constitute an appropriate basis for an eventual Falkland Islands regime or whether other regimes would be more appropriate would need to be considered.

Considering both geological and operational factors the area which is most attractive is the South Malvinas Basin. Over all but the south east of the basin water depths are less than 300 m and it is close to and continuous with the oil producing Magallanes Basin of Tierra del Fuego. Some of this seemingly prospective basin would lie on the Falkland Islands side of a median line with the mainland of South America although an interesting basement ridge would not do so. (ie the basin straddles a putative median line).

The Burdwood Trough is by definition deep water but it should rate as second in prospectiveness to the South Malvinas Basin. Sands can be expected in the several kilometers thickness of Tertiary rocks shed from the Burdwood Bank to the south, and deeper Cretaceous prospects would be similar to the South Malvinas Basin.

Water

FALKLANDS SEISMIC SURVEYS: SUMMARY OF FINDINGS BY ENOC'S  
CHIEF GEOLOGIST

Because of the nature of the survey it has not been possible to identify particular targets for drilling. Instead the report has sought to locate regions of the Falklands Shelf where the sedimentary succession (layers) is likely to be thick enough for hydrocarbons to be generated and where the structural style might be conducive to entrapment.

Prospectiveness however cannot be viewed in isolation from water depth and there are large parts of the surveyed area which although technically favourable are beyond the depth limits of what could be exploited at the present day.

Considering both geological and operational factors the area which is most attractive is the South Malvinas Basin. Over all but the south east of the basin water depths are less than 300 m and it is close to and continuous with the oil producing Magellanes Basin of Tierra del Fuego. Some of this seemingly prospective basin would lie on the Falkland Islands side of a median line with the mainland of South America although an interesting basement ridge would not do so. (ie the Basin straddles a putative median line).

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/Water



-2-

Water depth over the East Falkland Basin, the sub-basins of the East Falkland Platform and the North Malvinas Basin are too great for consideration at the present state of technology. But as technology advances the sub-basins of the East Falkland Platform will warrant more detailed seismic coverage.

Burdwood Bank has been a disappointment. Water depths there are less than 200 m and the area is therefore easily within present capabilities but the evidence suggests that it is a basement uplift with no sedimentary cover and therefore no prospects. It should not be dismissed entirely however until a shallow hole has been drilled to confirm this information.

If it were decided that the prospects of the region justified a more detailed examination (and technically they do) then a seismic survey over the South Malvinas Basin and Burdwood Trough should be shot.

All of this refers to areas well outside the 100 fathom line. Apart from 2 lines shot by GSI none of the seismic surveys that we know of intrude other than marginally within this area. The nature of the geology of the Islands themselves (being comprised largely of granite rocks) however suggests that it is unlikely in the extreme that oil or gas will be found in or close to them. All of the real prospects lie well outside the 100 fathom line.

## WORKING PAPER

LIMA, 15 FEBRUARY 1978

1. There exists a wide range of fields in which Argentina is willing to analyse an action leading towards an accelerated economic development of the Islands and the bettering of the social and cultural situation of its inhabitants.

The fields where this action could be developed need an integrated economic approach to the insular and neighbouring territories.

2. As has already been pointed out, there exists an indivisible inter-relationship between the negotiations towards the recognition by Great Britain of Argentine sovereignty over the Islands, and the action which may be effected in favour of economic and socio-cultural development, an inter-relationship that subordinates the consolidation of the latter to the advances which may be achieved in the former, a circumstance accepted by the British delegation.

3. Starting from the basis that substantial advances will be achieved in the negotiations over the problem of Argentine sovereignty, the Argentine Government would be willing to identify the sectors in which action in favour of development might produce an impact of consequence in the economic and socio-cultural areas.

4. The first steps to be taken in this sense, would be to evaluate the present resources, and to identify and quantify the potentials, to be able later to plan an exploitation rational and profitable to all parties involved.

5. If we reach an agreement on this, we could start work in the following areas:

- 5.1 Development of the agricultural exploitation of the Islands, through the incorporation of technology, equipment, capital and finance.
- 5.2 Development of the industries for the processing of products originating in the Islands and neighbouring areas, such as fish products, sheep meats, wool, seaweeds etc.



## 5.3 FISHING

- 5.3.1 It is estimated that this sector could offer optimum possibilities for action tending towards economic development of the Islands and the gaining of revenue for the involved parties. For this a start ought to be made with the study of existing information stemming from British, Argentine, German, Japanese and Polish investigations made in the area, in order to extract from them precise orientations and then to plan the field actions to be effected, with the object of quantifying the resource and its capacity from the commercial point of view, and of establishing the rules of exploitation. With regard to this last point, it must be considered that, being a renewable natural resource, extraction must be focused rationally with a view to perpetuation of stocks at a commercial capacity.
- 5.3.2 In the zone there are known to be various species of fish which are well-accepted in the international market, but it is not known if their concentration would allow profitable exploitation. Also, in the neighbourhood of the Islands resources are to be found that clearly justify their study with the expressed aims (such as seaweeds, molluscs, crustaceans, pinnipedia and fish) and in addition the capacity for marine farming processes.
- 5.3.3 As far as studies on krill are concerned, these are currently processed on detection by the use of sonar with different wavelengths and also on appropriate fishing techniques. It is estimated that if the availability of catches of this species is similar to all present world catches, extraction cannot be conventional using nets, but by a new technology which would permit the capture of great quantities with the minimum lapse of time before processing, since the delays required using traditional techniques lead to processes of oxidation which deteriorate the product and even render it useless.
- 5.3.4 On the purely industrial and commercial front, it is estimated that lines of credit would be available for the construction of a fishing fleet adequate for operations in the zone, for

/necessary

necessary port facilities in the Islands and the establishment of the appropriate industrial infrastructure for storage and processing the catch on land, which could be complementary to that done on board the fishing vessels, so as to obtain products of the highest quality. Also, marketing in external markets would receive some promotional treatment which could be achieved through the payment of export premiums, which would permit more competitive prices and more profitable operations.

- 5.3.5. With reference to the foregoing, a working committee could be set up with the task of studying the existing information and then establishing the programmes and projects which would permit the complementation of the knowledge already available in order to achieve the desired ends, that is, rational, efficient and profitable exploitation together with the conservation of the resource.

#### 5.4. HYDROCARBONS

- 5.4.1. Among the present or potential natural resources of the zone, hydrocarbons constitute a resource which deserves to be particularly borne in mind for its economic implications.
- 5.4.2. It may be said without fear of contradiction that in the area under analysis only very general geological and geophysical studies have been carried out, which in no way permit an evaluation, even approximate, of the possible petroleum resources.
- 5.4.3. The lack of complete information with adequate scientific backing, at times replaced by press reports which in referring to the enormous magnitude of the probable resources of the zone excite popular imagination, is without doubt not beneficial to the negotiations. Therefore it is considered that one of the first tasks is to carry out a realistic and scientific evaluation of the possible resources.
- 15.4.4.



5.4.4. To achieve the above aim it is necessary only to follow the classic procedure of an investigation for hydrocarbons, which may easily be carried out, given the possibility of having the assistance of the necessary specialists, who would be able to reach conclusions with sufficient scientific substantiation.

5.4.5. As far as the subject of the geology of the Islands themselves is concerned, it cannot be denied that there exist only general studies, completed at a time when the need to obtain hydrocarbons was not acute. This situation has been very well described by Collin Phipps.

The sediments of the Islands, predominantly Palaeozoic, are of marine origin and of the same age as productive sections of Northern Argentina and also of the same age as the Karroo basin in South Africa, which is being extensively investigated.

5.4.6. It should be emphasised that Argentina has geologists, palaeontologists, geochemists and geophysicists as well as other earth sciences specialists and also can count on the logistic support and instrumentation necessary to carry out an exhaustive investigation.

5.4.7. With respect to off-shore exploration, the data which Western Geophysical and the Geophysical Survey I will supply will undoubtedly permit for the first time, a realistic assessment of the possibilities for the existence of hydrocarbons in the zone.

5.4.8. An adequate interpretation of the said information, independent of the appreciations which might be obtained from private companies, would give a clear view of what these possibilities are, where they are found and what additional studies would have to be made. All of this forms the essential basis for subsequent consideration of courses of action to be adopted in the exploitation of the resources.

- 5.4.9. We are sure that all that has been expressed could be very easy to carry out and we are further convinced that the benefits which could result will amply exceed the investments which may be required.
- 5.5. Installation of a branch of the Banco La Nación Argentina with a portfolio sufficient for the grant of promotional loans.
6. There are without doubt various alternatives as to the juridical framework within which these actions could be carried out, which might permit the intervention of the parties involved and at the same time the advantages of a promotional treatment on the part of Argentina.
7. As a first approach we are thinking of the creation in Argentina of a juridical person in private law with a capital divided into shares which would be distributed between Argentina, the United Kingdom and the Islanders.
- 7.1 This society ought to have the opportunity to purchase a part of the shareholding in the Falkland Islands Company, in order to be able to carry out the action indicated at 5.1.
- 7.2. The society ought also to have the capacity to promote exports of the Island's products and perhaps it would be possible to study some sort of reimbursement or special premium for these exports, to be paid by the Argentine Government. Thus, more competitive prices could be achieved and exports could be more profitable.
8. Without prejudice to the impact on socio-cultural affairs which would be produced by economic development, other initiatives could be studied, such as the improvement of medical services through the establishment of professionally qualified Argentines and through the installation of a laboratory for chemical studies or investigation of regional pathology including zoonosis. Similarly, through establishment of a school of arts and crafts etc.
9. It is not the intention of the Argentine Government to encourage any change in the life-style of the present population of the Islands. Within the territory of the Republic of Argentina there have been for many years numerous foreign colonies, among them the English, many of which have conserved their traditional customs. What it is wished to encourage is the economic development of the Islands, by means of a rational, efficient exploitation of their resources to the benefit of the parties involved, which without doubt will have positive repercussions in increasing the income of the Islanders and in the improvement of their socio-cultural condition.



## LICENSING

The Structure of Licensing

1. Different countries have approached the question of the structure of licensing differently in their individual licensing regimes. There seems to be a whole spectrum from the "Risk Contract" under which a single licence gives exclusive rights to explore any territory and develop any discoveries which may be made to a system (which we believe holds good in France) where a licensee can only apply for exclusive title to develop a discovery once he has made it. The UK practice is to give non-exclusive licences for exploration, which allow a licensee to conduct seismic exploration and, subject to consent by the Secretary of State for Energy, to drill, in a designated area of the UK continental shelf which is not already covered by an exclusive production licence. Production licences, on the other hand, may only be applied for in response to a public invitation and, being exclusive, give the licensee the sole right to search for and produce oil or gas from the licensed area. A company may seek a production licence at any stage, but, in practice, companies do not undertake exploration drilling in the absence of the assurance given by a Production Licence, that they will have exclusive right to develop any discoveries which they make. The choice of position along this spectrum must depend on the attractions of the area on offer, the objectives of the Government which is offering the licence, and in particular, on how fast it wishes to have the area explored and how anxious it is to attract prospective licensees.

Choice of Licensees

2. The fundamental question is whether the Government should have discretion in the choice of licensees or whether that discretion should be subject to some constraints, e.g. by a system of auction and accepting the highest bid. The UK has usually preferred to leave the responsible Minister discretion in choosing the licensee's from among applicants; this discretion, however, is always exercised within published criteria (see below). In our view there are important

/advantages

advantages in preserving this discretion:

- (i) it is a condition of a Production Licence that the licensee should carry out a minimum work programme to be agreed with the Secretary of State for Energy. It is easier for the Government to insist on a specific work programme if the licensee has not incurred heavy expenditure in acquiring his licence;
- (ii) assuming that no company has unlimited funds for exploration drilling in the UK, we would rather that they spent money on actual drilling rather than on buying licences;
- (iii) while initial payments for licences could produce useful minor sums, the monies obtained would bear no relation to the profits to be made from a successful discovery.

It can therefore be seen that the UK Government objective in adopting this approach is based on the desire to encourage rapid and thorough exploration.

3. It is the UK practice to allow any company to apply for a Production Licence (but whether it will receive one will depend on the extent to which it satisfies the published criteria) rather than to restrict applications to any class of companies. In particular no restrictions are placed on the nationality of licensees, although foreign companies usually operate through a UK-registered subsidiary, which gives us a guarantee of compliance with UK legislation (especially tax and exchange control) and the conditions of the licence.

4. Under the Fifth and Sixth Round of Licensing, the British National Oil Corporation is a 51% partner in all licences awarded under the Rounds and contributes its share of expenditure.

5. In the UK continental shelf the right to explore and exploit the seabed and subsoil is vested in the Crown. What a Production Licence confers is the exclusive right to search for and to produce

/the oil,



the oil, which, at the wellhead becomes the property of the licensee. Thereafter, the licensee is entitled to dispose of the oil as he wishes, subject only to a requirement that it must be brought ashore in the UK unless formal consent is given to its delivery elsewhere and to informal guidance on the proportion of oil produced that should be refined in the UK.

#### Criteria for the Granting of Licences

6. Applicants will be judged against the background of the continuing need for expeditious, thorough and efficient exploration to identify oil and gas resources of the UK continental shelf, and the following factors will be particularly borne in mind when examining applications:

- (a) technical competence to undertake a programme of exploration and production;
- (b) capability to produce funds commensurate with work programme obligations in respect of initial exploration and the extent of access to adequate funds in the event of a commercial discovery being made;
- (c) where the applicant already holds or has held a licence, his overall performance to date in meeting licence obligations;
- (d) exploration already done by or on behalf of the applicant which is relevant to the areas applied for;
- (e) the extent of the contribution which the applicant has made or is planning to make to the economy of the UK, including the strengthening of the UK balance of payments and the growth of industry and employment;
- (f) where a body incorporated in a country outside the UK applies for a licence or holds a controlling interest in the applicant, how far equitable treatment is afforded in such other country;
- (g) the degree to which the applicant, or any existing licensee in whom he has a controlling interest, or any existing licensee who has a controlling interest in the applicant, has demonstrated his agreement to the conceding to the State a majority share in any discovery made under existing licences;

(h) whether the applicant subscribes to the Memorandum of Understanding agreed by the Secretary of State and UK Offshore Operators Association to ensure that full and fair opportunity is provided to UK industry to compete for orders of goods and services. Where the applicant is an existing licensee, his past performance in providing full and fair opportunity to UK industry will be taken fully into account;

(i) whether the applicant is willing to grant reasonable access to representatives of independent trade unions to his offshore installations, having in mind the Government's objective to negotiate a Memorandum of Understanding on this matter.

TAXATION

1. The UK continuing of profits to some time on the capital continuing de  
 2. In de, HMG has laid great stress on an early tax revenue, and on the need not to discourage the development of smaller and less profitable fields.

3. This fiscal regime is estimated to secure for the Exchequer about 75% of the profits from the UKCS. (BNOC's share in the profits from fields where it has a share of the ownership can be added to this, so that the UK share of profits from a field licensed under the Fifth Round where BNOC will have 51% equity share, might be about 85%.)



## TAXATION

1. The aim of the fiscal regime which has been devised for the UK continental shelf is to secure for the UK a proper share of profits to be made from the exploitation of petroleum. At the same time, HMG is concerned to allow producers a proper return on the capital which they have risked, and not to discourage continuing development and exploration.

2. In designing a suitable fiscal regime, HMG has laid great stress on an early tax revenue, and on the need not to discourage the development of smaller and less profitable fields.

3. This fiscal regime is estimated to secure for the Exchequer about 75% of the profits from the UKCS. (BNOC's share in the profits from fields where it has a share of the ownership can be added to this, so that the UK share of profits from a field licensed under the Fifth Round where BNOC will have 51% equity share, might be about 85%.)

The Management of Oil and Gas Reservoirs

4. The same powers enable the Secretary of State for Energy to oversee the management of oil and gas reservoirs. In this way

BRIEF NO. A 8

ANNEX E

## NATIONAL INTEREST AND CONTROL

1. The national interest is intimately bound up in almost all aspects of the development of an oil field. There is no guarantee that the national interest will coincide with the commercial interest of the licensees. In the UK, development is therefore subject to a full range of control, aimed at securing the national interest.

2. The main areas at which these controls are directed are:

- (a) Depletion.
- (b) The management of oil and gas reservoirs.
- (c) Protection of the environment.
- (d) Safety.

### Depletion

3. The problem is to match the production profile to HMG's best estimate of the country's needs, whether for oil or for revenue at different times. The main control is through a requirement that each field shall only be developed in accordance with a Development Plan approved by the Secretary of State. The Secretary of State has power either to require a licensee to bring forward a Development Plan earlier than he would otherwise have done or to direct a licensee that a field is not to be developed before a certain time. When the Development Plan is approved, the Secretary of State for Energy may serve a Limitation Notice, claiming the right to direct the licensee to reduce production below the level envisaged in the Development Plan. HMG has stated that in normal circumstances this cutback would not exceed 20%. There are also powers to require faster production from a field.

### The Management of Oil and Gas Reservoirs

4. The same powers enable the Secretary of State for Energy to oversee the management of oil and gas reservoirs. In this way:



- (i) he can satisfy himself that licensees' plans will secure maximum economic recovery;
- (ii) that the reservoir will be operated safely.

#### Protection of the Environment

5. All aspects of Field Development proposals must be approved by the Secretary of State for Energy who takes into account environmental conservation needs and fishing interests. Installations onshore are also subject to normal planning requirements. Dumping of most wastes and oils into the sea is prohibited under the Dumping at Sea Act 1974 and the Prevention of Oil Pollution Act 1971. Operators are required to have contingency plans to deal with various emergencies including spillages of oil and guidelines on treatment of spills have been issued by the Department of Energy. A voluntary notification scheme for chemical to be used offshore has also been instigated by the Department of Energy to guide the industry in this area and to ensure that environmental factors are taken into account when selecting chemicals for particular applications.

#### Safety

6. Safety is a prime concern of the Government. All aspects of the operation are affected:

- (i) structural safety of installations for each fixed installation or mobile rig is required to have a Certificate of Fitness issued by one of a number of Certifying Authorities appointed by the Secretary of State for Energy. This Certificate covers all aspects of design and construction and must be kept up to date by regular surveys. The Certifying Authorities are required to work within a framework of Guidance Notes issued by the Secretary of State which specify common standards;

/(ii) ...

- (ii) the safe operation of reservoirs ("blow out safety") is secured by requiring operators to follow codes of "good oil field practice" and by detailed inspection;
- (iii) the health, safety and welfare of those working offshore is further protected by detailed installations, which may cover any aspect of operational safety. The Health and Safety Executive is primarily responsible. There are also special regulations covering the safety of divers and, in so far as shipping operations are concerned, normal marine safety requirements apply.

7. HMG attaches great importance to building up a strong, efficient UK Offshore Supplies Industry and to ensuring that UK firms are given full and fair opportunity to compete for orders for equipment to be used on the UKCS. This policy has been markedly successful and resulted in an industry which is capable of meeting the requirements of the international offshore oil industry.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

FISH

Points to Make

1. We are playing into the hands of third countries (Poland, Soviet Union etc.). We need to cooperate now to develop this resource for our (and the Islanders') mutual benefit. There is no advantage in delay; area already overfished.
2. As a first step, UK would need to declare 200 mile fishery zone. Would you be prepared to help us police the zone and ensure the rules are adhered to?
3. We should have to identify potential resources (possibly hand over copy of WFA report as a contribution) and consider how best to exploit the fish. It is unlikely that many British trawlers would go that far for a catch: we should prefer to license third country trawlers to fish in these waters. Is there a market in Argentina for the fish?
4. Cooperation to benefit from the area's natural resources need have no implications for sovereignty. If you agree, the next step would seem to be for the experts to meet to discuss details.

Essential FactsGeneral

1. Both the UK and the Falkland Islands claim a three mile Territorial Sea. Argentina claims a 200 mile Territorial Sea. Since 1977 the UK, and a number of Dependent Territories, have had 200 mile fishery limits. However, the Falkland Islands fisheries jurisdiction remains limited to the three mile Territorial Sea since any extension would have provoked a hostile response from Argentina, and would not have been enforceable without at the minimum Argentine acquiescence.

2. The concept of a 200 mile Exclusive Economic Zone (EEZ) and a 12 mile Territorial Sea form part of the proposals currently under discussion at UNLOSC. We would regard both concepts as acceptable in the context of a generally agreed Law of the Sea Convention, but not in advance of it, as we do not recognise the concepts as being valid under current international law.

3. We reserved our rights in respect of the Argentine action of January 1967 in declaring a 200 mile Territorial Sea. We continue to regard waters further than three miles from the Argentine coast as high seas, although we naturally accept the 200 mile fishery zone. In 1978 Argentina harassed foreign trawlers on the Falkland side of a Falkland/Argentine median line, and we reminded them that we could not accept an Argentine attempt to exercise fisheries jurisdiction in these waters.

4. The consequence is that in the waters around the Falkland Islands, which both we and Argentina claim, there is no effective fishery regime, and third country vessels are active in these waters. Japanese, German, Russian and Polish vessels fish there and exploratory surveys have been made by Norway, Poland and the FRG. An estimated 500,000 to 700,000 tons of fish are being taken annually by third parties in the area around the Islands and Dependencies.

/5. ...



5. Were the Falklands fishery limits to be extended to 200 miles, an effective licensing and policing system would be necessary. The latter would require both maritime and aerial surveillance to be effective (the RAF Nimrods form an essential part of the surveillance system in UK fishery limits) and we should probably need to look to Argentina to help with the provision of this surveillance capacity. It would be very expensive for the UK to provide it and we could only consider doing so as part of an overall solution.

Previous Discussions with Argentina

6. At the Geneva talks (December 1978) we stressed the need to bring fishing by third parties under control. Proposals on fishing contained in our outline Co-Administration Agreement for the maritime areas around the Dependencies would have achieved this. The Agreement was designed to fit within the wider framework of an economic cooperation agreement in the maritime areas of the Dependencies. A jointly administered fisheries regime would require us to declare a 200 mile fisheries zone around the Dependencies. Each Government might under its own separate powers declare a 200 mile zone and lay a juridical basis on which the fish regime would operate.

7. Our proposals were unacceptable to the Argentines because:

- (a) they would be under the sovereignty umbrella;
- (b) the Argentines had asked that the scheme should cover the land areas of the Dependencies.

We could reach no agreement on the method to be used to establish a 200 mile fisheries zone. But the Argentines shared UK concern about the need to control third party activities given the evidence of over-fishing of certain species, particularly around the Dependencies. They handed over a paper proposing fisheries cooperation in return for sovereignty over the Dependencies. Since the Argentine paper made no concessions on the Falkland Islands we could not accept it as part of an integral settlement.

THE CO-ADMINISTRATION AGREEMENT FOR THE MARITIME AREAS AROUND THE  
FALKLAND ISLANDS' DEPENDENCIES

8. At the New York talks (March 1979), co-administration of maritime areas was further considered. Methods of assessing fish stocks and controlling fishing operations were discussed. There was agreement that the best way to control operations would be either to license a specific number of vessels allowing only a certain number in to fish at any one time or to limit the catch without limiting the number of vessels. Both posed enforcement problems and possibilities for evasion. We explained the implications of our membership of the European Community for a fishing regime.

9. The Argentines made it clear, however, that since the British proposals concerning the declaration of a 200 mile zone involved no concession on sovereignty by the UK, they were totally unacceptable.

2. Developments

10. The White Fish Authority report is the most up to date paper we have on fish stocks. A copy might be handed to the Argentines if this seems helpful.

(a) Area covered by agreement

We would need to define the waters falling within the area of co-operation. For that part of the area covering the waters which fall within the 200-mile zone around the Dependencies, the British Government would need to declare a 200-mile fishing limit since we should need a juridical basis on which to administer the area. The British Government would be interested to know which maritime area falling under Argentine jurisdiction the Argentine Government would wish to see included in the area covered by the fishing agreement.

(b) Joint Commission

What should be its function - scientific, supervisory or with executive powers delegated to it by the two Governments? What should be its composition? How would it function? Where and how often should it meet?



OUTLINE CO-ADMINISTRATION AGREEMENT FOR THE MARITIME AREAS AROUND THE  
FALKLAND ISLANDS' DEPENDENCIES

1. Section 1

The British Government envisages an agreement comprising preambular paragraphs:

- (a) Establishing that co-administration would be under the sovereignty umbrella; and that the agreement would be without prejudice to subsequent arrangements which might be made as part of a definitive settlement of the Falklands dispute;
- (b) Defining the geographical areas of the agreement both as regards jurisdiction over marine living resources and the continental shelf.

2. Section II: Fishing

There could be a separate protocol on fishing arrangements covering the following:

(a) Area covered by agreement

We would need to define the waters falling within the area of co-operation. For that part of the area covering the waters which fall within the 200-mile zone around the Dependencies, the British Government would need to declare a 200-mile fishing limit since we should need a juridical basis on which to administer the area. The British Government would be interested to know which maritime area falling under Argentine jurisdiction the Argentine Government would wish to see included in the area covered by the fishing agreement.

(b) Joint Commission

What should be its function - scientific, supervisory or with executive powers delegated to it by the two Governments? What should be its composition? How would it function? Where and how often should it meet?

(c) System of Licensing

What would the system be? How would vessels from third countries and ships carrying the flags of the two Governments be licensed? How would income from licensing be apportioned (a concern of the British Government would be to see that an appropriate share should go the Falkland Islands)?

(d) Total allowable catch

How would this be assessed? On what basis would quotas subsequently be allotted?

(e) Enforcement of fishery regulations

How would enforcement of quotas and observance of regulations be ensured? What contribution to patrolling would the co-administrators make and under what arrangements? Should each of the parties abstain from enforcing fishery regulations regarding ships carrying the other country's flag?

3. Section III: Other Economic Activity

The British Government envisage a further protocol providing for the extension of co-operation in other, non-fishing, activities - notably relating to the continental shelf area.

4. Section IV: General

The British Government envisage there should be provision for formal mechanisms to deal with any disputes that may arise between the two Governments over the interpretation of the agreement.

(December 1978)



ARGENTINE PAPER RELATING TO AN ARRANGEMENT FOR ECONOMIC COOPERATION  
IN THE FALKLAND ISLANDS DEPENDENCIES MARITIME ZONE

The Argentine government has examined in detail the ideas contained in the working papers presented by the British side in New York in December 1977, in particular that relating to "the Dependencies and their maritime areas". As a result, the Argentine government believes it possible to begin discussing an agreement relating to the islands of South Georgia, the South Sandwich Islands and their maritime areas on the following basis:

- (a) The islands and islets which constitute the archipelago of the Georgias and South Sandwich shall be subject to Argentine sovereignty;
- (b) In the islands and islets referred to in the above paragraph the United Kingdom shall have available those port facilities which she may require in accordance with agreements which the two sides may make at the appropriate time. Similarly, both sides shall agree on special arrangements relating to the headquarters and activities of the British Antarctic survey;
- (c) The administration of the fishing zone situated between 12 miles, measured from the base lines from which the territorial sea is measured, and up to 200 miles shall be conducted by a bi-national organisation called "South Atlantic". The sea-bed and subsoil lying under the fishing zone are excluded from this agreement.

The organisation, OBAS, might have the following characteristics:-

- (1) A legal personality both under the internal law of both parties and internationally.
- (2) Its organs should be composed of an equal number of delegates from each Party.
- (3) Each Party should have one vote in the organisation or in the organs which may be established. Decisions should be taken unanimously.

(4) Through OBAS the parties should undertake and control activities relating to conservation, exploration, and exploitation and to the control of the living resources in the fishing zone. Such activities may be achieved through the means of a special company made up of Argentine and British capital or through contracts with third parties.

(5) OBAS shall be for a period of ... years. The Parties may extend this period by mutual agreement.

#### Essential facts

(December 1978)

1. The relationship of the Falkland Islands and their Dependencies to the European Community is established by Articles 117 to 119 of the Act of Accession and, except to the extent that the Act of Accession provides otherwise, by Articles 131 to 136 of the Treaty of Rome. These Articles do not mention fisheries. Thus, rules of the Common Fisheries Policy would not apply to any fisheries regime established in respect of the Falkland Islands or their Dependencies, or to any jointly administered co-administration scheme which the British and Argentine Governments might establish covering these maritime areas.

#### Community Rules on Discrimination

2. There is a distinction between the Common Fisheries Policy, as it applies to Community waters, and requirements deriving from Part Four of the EC Treaty which govern relations with Overseas Countries and Territories (OCTs). The Council of Ministers of the European Community decided in 1976 that bilateral agreements may be negotiated between any Member State and the competent authorities of the relevant OCT in order to guarantee satisfactory conditions in sea-fishing activities. In the conclusion of such agreements there shall be no discrimination between or against Member States of the Community. This means in practice that in any joint administration with the Argentine Government the UK could not be sole to grant more preferential access to the waters off the Falkland Islands for British vessels than we could allow for vessels from other Community countries, and we could not discriminate against Community vessels in favour

101 other



IMPLICATIONS OF A JOINT ANGLO-ARGENTINE FISHERIES REGIME AROUND  
THE FALKLAND ISLANDS AND DEPENDENCIES

Essential Facts

Attached  
Attached

1. The relationship of the Falkland Islands and their Dependencies to the European Community is established by Articles 117 to 119 of the Act of Accession and, except to the extent that the Act of Accession provides otherwise, by Articles 131 to 136 of the Treaty of Rome. These Articles do not mention fisheries. Thus, rules of the Common Fisheries Policy would not apply to any fisheries regime established in respect of the Falkland Islands or their Dependencies, or to any jointly administered co-administration scheme which the British and Argentine Governments might establish covering these maritime areas.

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/of other

of other third countries. Both these points relate to the management of the maritime resources in the area covered by any eventual agreement on administration, rather than to the establishment of that area in international law as a fishery zone. The latter question is entirely for the UK to decide; this is not a question where there is any Community competence or involvement.

The provisions of the third part of Protocol No 22 on relations between the European Economic Community and the Associated African and Malagasy States and the Independent developing Commonwealth countries situated in Africa, the Indian Ocean, the Pacific Ocean and the Caribbean shall apply both to the territories and harbours referred to in Article 112 and to the non-European countries and territories maintaining special relations with the original Member States.

Article 119

1. The arrangements resulting from the Council Decision of 23 September 1970 on the accession of the overseas countries and territories with the European Economic Community shall not apply in relation between those countries and territories and the new Member States.

2. Products originating in the countries and territories associated with the Community shall, on importation into the new Member States, be subject to the arrangements applied to those products before accession.

Products originating in the non-European territories maintaining special relations with the United Kingdom and in the Anglo-French Condominium of the New Hebrides, listed in Article 24 (2), shall, on importation into the Community, be subject to the arrangements applied to those products before accession.

Articles 110 to 114 shall apply.

3. This Article shall apply until 31 January 1973. If Article 113 (1) is applied, this date may be deferred in accordance with the procedure and under the conditions laid down in that Article.



Article 117

1. The association of the non-European territories maintaining special relations with the United Kingdom and of the Anglo-French Condominium of the New Hebrides, listed in Article 24 (2), shall take effect on 1 February 1975 at the earliest upon a decision of the Council taken under Article 136 of the EEC Treaty.\*

2. The new Member States need not accede to the Agreement on trade with overseas countries and territories in products within the province of the European Coal and Steel Community, signed on 14 December 1970.

Article 118

The provisions of the third part of Protocol No 22 on relations between the European Economic Community and the Associated African and Malagasy States and the independent developing Commonwealth countries situated in Africa, the Indian Ocean, the Pacific Ocean and the Caribbean shall apply both to the overseas countries and territories referred to in Article 117 and to the non-European countries and territories maintaining special relations with the original Member States.

Article 119

1. The arrangements resulting from the Council Decision of 29 September 1970 on the association of the overseas countries and territories with the European Economic Community shall not apply in relations between those countries and territories and the new Member States.

2. Products originating in the countries and territories associated with the Community shall, on importation into the new Member States, be subject to the arrangements applied to those products before accession.

Products originating in the non-European territories maintaining special relations with the United Kingdom and in the Anglo-French Condominium of the New Hebrides, listed in Article 24 (2), shall, on importation into the Community, be subject to the arrangements applied to those products before accession.\*

Articles 110 to 114 shall apply.

3. This Article shall apply until 31 January 1975. If Article 115 (3) is applied, this date may be deferred in accordance with the procedure and under the conditions laid down in that Article.

3. The Member States shall contribute to the investments required for the progressive development of these countries and territories.

4. For investments financed by the Community, participation in tenders and supplies shall be open on equal terms to all natural and legal persons who are nationals of a Member State or of one of the countries and territories.

5. In relations between Member States and the countries and territories the right of establishment of nationals and companies or firms shall be regulated in accordance with the provisions and procedures laid down in the Chapter relating to the right of establishment and on a non-discriminatory basis, subject to any special provisions laid down pursuant to Article 136.

#### PART FOUR

### ASSOCIATION OF THE OVERSEAS COUNTRIES AND TERRITORIES

#### Article 133

1. Customs duties on imports into the Member States of goods originating in the countries and territories shall be completely abolished in conformity with the progressive abolition of customs duties between Member States in accordance with the provisions of this Treaty.

2. Customs duties on imports into each country or territory from Member States or from the other countries or territories shall be progressively abolished in accordance with the provisions of Articles 12, 13, 14, 15 and 17.

3. The countries and territories may, however, levy customs duties which meet the needs of their development and industrialisation or produce revenue for their budgets.

The duties referred to in the preceding subparagraph shall nevertheless be progressively reduced to the level of those imposed on imports of products from the Member State with which each country or territory has special relations. The percentages and the timetable of the reductions provided for under this Treaty shall apply to the difference between the duty imposed on a product coming from the Member State which has special relations with the country

or territory concerned and the duty imposed on the same product coming from within the Community on entry into the importing country or territory.

4. Paragraph 2 shall not apply to countries and territories which, by reason of the particular international obligations by which they are bound, already apply a non-discriminatory customs tariff when this Treaty enters into force.

5. The introduction of or any change in customs duties imposed on goods imported into the countries and territories shall not, either in law or in fact, give rise to any direct or indirect discrimination between imports from the various Member States.

#### Article 134

If the level of the duties applicable to goods from a third country on entry into a country or territory is liable, when the provisions of article 133 (1) have been applied, to cause deflections of trade to the detriment of any Member State, the latter may request the Commission to propose to the other Member States the measures needed to remedy the situation.

#### Article 135

Subject to the provisions relating to public health, public security or public policy, freedom of movement within Member States for workers from the countries and territories, and within the countries and territories for workers from Member States, shall be governed by agreements to be concluded subsequently with the unanimous approval of Member States.

#### Article 131

The Member States agree to associate with the Community the non-European countries and territories which have special relations with Belgium, France, Italy, the Netherlands and the United Kingdom. These countries and territories (hereinafter called the "countries and territories") are listed in Annex IV to this Treaty.

The purpose of association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.

In accordance with the principles set out in the Preamble to this Treaty, association shall serve primarily to further the interests and prosperity of the inhabitants of these countries and territories in order to lead them to the economic, social and cultural development to which they aspire.

#### Article 132

Association shall have the following objectives:

1. Member States shall apply to their trade with the countries and territories the same treatment as they accord each other pursuant to this Treaty.
2. Each country or territory shall apply to its trade with Member States and with the other countries and territories the same treatment as that which it applies to the European State with which it has special relations.

\* First sentence as amended by Article 24 (1) of the Act of Accession, modified by Article 13 of the Adaptation Decision.



*Article 136*

For an initial period of five years after the entry into force of this Treaty, the details of and procedure for the association of the countries and territories with the Community shall be determined by an Implementing Convention annexed to this Treaty.

Before the Convention referred to in the preceding paragraph expires, the Council shall, acting unanimously, lay down provisions for a further period, on the basis of the experience acquired and of the principles set out in this Treaty.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

BRITISH ANTARCTIC SURVEY (BAS) ACTIVITIES IN THE SOUTH ATLANTIC

Points to Make

1. The British Antarctic Survey is carrying out a substantial scientific programme, both on shore and offshore in the Falkland Islands Dependencies. So is Argentina. We believe that our scientists would benefit from collaborating with each other.
2. We both recognise the need for co-operation in context of the Convention for the Conservation of Antarctic Marine Living Resources (Brief no 11).
3. When the Convention enters into force and its Commission starts work, we will both be seeking conservation measures for the waters round the Dependencies. To be effective such measures will need greater knowledge of these waters. We should speak with one voice in the Commission.
4. Urgent need for us to start thinking about how we could best collaborate to ensure that, together, we possess the scientific basis on which effectively to argue the conservation case for these waters which, we believe, have already been over-fished.
5. [Copy of BAS Reports on South Sandwich Islands attached for handing over, if felt appropriate].



Essential Facts

1. British administration of South Georgia began with the whaling industry in 1906 and has since been continuous. Shore-based whaling from South Georgia ended in 1965 but the civil administration continued until 1969, when, for lack of any industry to administer, it was withdrawn and the BAS took over the task of supplying the British presence and carrying out what administration was necessary. This has increased with the steady increase of fishing activity in South Georgia waters.
2. BAS undertakes a full scientific programme of biological, glaciological, meteorological and upper atmosphere research from their station at Grytviken (the port of entry for the Dependencies). It also occupies during each summer season a field station for biological research on Bird Island at the N.W. end of South Georgia. BAS has also undertaken considerable scientific investigations in the South Sandwich Islands, although BAS has maintained no station in these small and inhospitable islands. (A copy of the main BAS scientific report is attached: if felt appropriate it might be given to the Argentines).
3. At the Eighth Antarctic Treaty Consultative Meeting in 1975, governments encouraged the Scientific Committee on Antarctic Research (SCAR) to report on programmes for the study and conservation of Antarctic marine living resources. Out of this grew a broadly spaced international scientific programme called the BIOMASS programme (Biological Investigations of Marine Antarctic Systems and Stocks) to which a growing number of Antarctic expeditions are contributing. BAS were the first to develop an Off-shore Biological Programme (OBP) designed specifically to contribute to BIOMASS. Their second supply ship, the RRS John Biscoe has been extensively remodelled to equip her as an oceanographical research vessel. The OBP is concentrated on waters close to South Georgia and its broad purpose is to study the predator-prey relationships in the Antarctic marine ecosystem. Any proper conservation measures depend on knowing how much each species

-2-

eats of other species, where and when. This is fundamental work and it would be more than twice as valuable if there were two ships involved.

4. During the next Antarctic season (1980-81), the Natural Environment Research Council (NERC) plans that RRS Shackleton should engage in a geophysical survey in the waters round the Dependencies and in the Antarctic. Aboard will be a Birmingham University team (led by Professor Griffiths) seeking to carry out a programme similar in character to that on which they were engaged when an Argentine destroyer attempted illegally to arrest Shackleton in February 1976 when she was 87 miles south of Stanley. The Birmingham work is fundamental to an understanding of one of the outstanding queries in the study of continental drift - how does Antarctica fit in? The results will inevitably be of some significance in considering continental shelf oil prospects.

5. The Shackleton has every right in international law to carry out the proposed work. Nevertheless the re-appearance of the Shackleton in these waters might well be looked upon by the Argentines as provocative. We have warned NERC of this. We shall also need to consider, if the voyage is to go ahead, how we might let the Argentines informally and in advance know if it: the New York discussions may give us some pointers. Professor Griffiths is ready to have an Argentine scientist aboard.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

ANTARCTIC FISHERIES CONSERVATION CONVENTION (CANBERRA MEETING)

Points to Make

1. We regard the conclusion of the Antarctic living resources conservation convention at the Canberra conference as an important objective.
2. We look forward to continuing at Canberra the collaboration between our two delegations which has marked the earlier stages of the negotiation.
3. Our delegation is to be led by Sir Donald Logan: Ambassador Oliveri will remember him from the meetings in Buenos Aires and Washington in 1978.

Essential Facts

1. The seventh round of negotiations of this Convention (at Canberra, 5 - 20 May) aims to conclude it.
2. The relevance of the Convention to the Falkland Islands talks is that the waters within 200 miles of the Falkland Islands Dependencies (but not the Falkland Islands themselves) are included within the scope of the Convention because they form part of the Antarctic marine ecosystem which it is the aim of the Convention to conserve.
3. Nothing in the Convention would prevent the UK from proclaiming a 200 mile fishing zone round South Georgia and the South Sandwich Islands. If we were to do so before the Convention entered into force (not likely for at least two years) we would be able to exercise all the appropriate coastal state rights available to us under international law without regard to the Convention. If we were to do so after the Convention entered into force we should have to observe, as a minimum, the conservation measures relevant to our waters which had been negotiated in the Convention Commission where we would have had a veto. Thus there is no reason for the Falkland Islanders to view the Convention as prejudicing their interests in a future 200 mile fishing zone in the Dependencies. Indeed, until such a zone is established the Convention offers the only available means of conserving the abundant resources of these waters.
4. The same logic which effectively prevents us proclaiming a 200 mile fishery zone round the Dependencies (because it would be virtually inoperable without Argentine acquiescence) has required that the Argentines and the UK should cooperate in the negotiation of this Convention. If either the UK or Argentina had sought an advantage in these negotiations at the expense of the other the negotiations would have aborted. Both sides have seen their interest as lying in concluding this Convention and the delegations have worked together smoothly towards this end.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

## ANTARCTIC MINERALS

### Points to Make

1. Our respective delegations worked well and closely together during the discussion of this important issue at the Tenth Antarctic Treaty Consultative Meeting.
2. It is an issue which raises problems of sovereignty in their most acute form. It could be expected to raise divisions between all three of us (i.e. Chile also), given our overlapping territorial claims in the Antarctic.
3. But we all recognise that it has been in our joint interests to work together, not least because there are others (i.e. non-claimants) who believe they have rights as good as those we claim in whatever minerals there may be. It is important that we continue to collaborate.

Essential Facts

1. Ministers have yet to decide British policy towards potential minerals in the British Antarctic Territory. None has yet been discovered. The possibility of removing minerals from under a thick glacial ice sheet on land are remote; but the possibilities of continental shelf oil look more promising.
2. The costs of exploration and extraction in such a tough environment would be enormous. Such large scale investments would need to be assured of long term security. Given that much of the British Antarctic Territory is also claimed by Argentina and Chile and that the US and USSR, together with most of the rest of the world, do not recognise any Antarctic territorial claims in Antarctica, there is insufficient security to warrant even seriously exploring the potential. The problem is to resolve these differing perceptions of national rights in Antarctica without recourse to the use of force and yet get the best deal we can for Britain.
3. To Australia, New Zealand, France and Norway (who also claim territory in Antarctica) the problem is one of finding a settlement with the non-claimants. They would wish to reach this settlement with as few non-claimants as possible and see a settlement within the Antarctic Treaty System as being the preferable option.
4. Argentina and Chile also favour the Treaty forum for a settlement and it may well be that we shall join them. But such a settlement, assuming that it gave some advantage to the claimants, would not of itself solve the problem of how that advantage would be shared between Argentina, Chile and ourselves within the area of our overlapping claims.
5. Mr George Hall, in a meeting immediately before the Tenth Antarctic Treaty Consultative Meeting last year, suggested to the Argentines and Chileans that this incipient problem between us should be recognised, that we should work closely together in the

/Consultative



Consultative Meeting and that we should attempt to solve it by creating what he termed an 'economic community'. The Argentines and Chileans welcomed Mr Hall's initiative, particularly his suggestion that we should work together in the Consultative Meeting - which we did. They were more guarded about any more substantive arrangement between the three of us. We have the impression that each of them might well be ready to co-operate substantively with us bilaterally on this issue. But the unsettled Beagle Channel dispute makes them cautious about initiatives for Argentine/Chilean co-operation of the kind put to them by Mr Hall.

6. For the present we should encourage them to believe that we have much to gain from working closely together in the Antarctic Treaty forum and much to lose if we allow the Antarctic dispute between us to get out of hand.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

SOUTHERN THULE (SCIENTIFIC CO-OPERATION AGREEMENT)

Points to Make

1. Continuation of Argentine illegal presence on Southern Thule is serious obstacle to climate for our discussions. What are Argentine intentions?
2. We would wish to conclude a Scientific Co-operation Agreement. But cannot override Islander objections.
3. We would like to continue to operate in spirit of draft Agreement.
4. Ham radio station a serious point of friction. Cannot Argentine Government take effective action consistent with their repeated assurances?



Essential Facts

1. At the end of 1976, we discovered an Argentine scientific station on Southern Thule (in the South Sandwich Islands). Our protest left the Argentine Government in no doubt that we consider Southern Thule to be British territory. Our legal position over sovereignty is fully protected. We have left the Argentines in no doubt that their presence on Thule constitutes an obstacle to our discussions.
2. But we were (and are) unable in practical terms to do anything to remove the Argentines physically. We attempted to set aside any sovereignty implications by proposing a draft Scientific Co-operation Agreement, similar to the one operating in Antarctica. British and Argentine scientific activities would be carried out in the Dependencies without prejudice to either side's position on sovereignty. In the December 1978 negotiations at Geneva, an agreement was reached with the Argentines on a draft.
3. However, Island Councillors subsequently objected. In particular, they could not agree to the inclusion of South Georgia (our view was that any of the Dependencies left outside the Agreement could have been the target of another unauthorised takeover by the Argentines). Councillors saw in the agreement a gradual erosion of British sovereignty and perhaps the eventual relinquishment of Dependencies to Argentina.
4. We told the Argentines at the New York talks in March 1979 that we were unable to sign the Agreement. They were concerned that the Falkland Islanders had blocked an agreement which did not directly affect the Falklands and which was under the sovereignty umbrella, but noted that any future agreement would have to be cleared first with the Councillors. Both sides agreed to leave the draft agreement "on the table" and the Argentines agreed to operate the station "within the spirit of the Agreement". As far as we know, there have been no further incursions into British territory.

Mr Ridley discussed the Agreement with Island Councillors during his visit to the Islands in July 1979. Councillors were not disposed to budge from their opposition.

6. There is some Parliamentary interest in this subject and intermittent questions are asked. It would be helpful to be able to say that we had raised this issue with the Argentines (and it would be difficult to explain if we had not). But the Argentines can toss the issue back to us without difficulty by referring to their willingness to conclude a Scientific Co-operation Agreement.

#### Radio Hams

7. In December 1978 we learned that navigation beacons had been erected near the Argentine station on Southern Thule and a ham radio station had been licensed using an Argentine call-sign. We protested formally. We also raised the subject at the Geneva negotiations in December 1978. Ambassador Oliveri Lopez told Mr Hall that the Argentines had silenced the station for the moment until they had completed their enquiries.

8. Broadcasting was resumed in February 1979 but ceased after our Embassy spoke informally to the Malvinas Department. In November 1979 Port Stanley reported that the station had again resumed broadcasting. The Embassy raised the matter informally with the Argentines. They did not comment beyond claiming that they were unaware that the broadcasts had resumed. As far as we know, the broadcasts have not ceased.



DRAFT AGREEMENT GOVERNING SCIENTIFIC CO-OPERATION BETWEEN  
THE BRITISH AND ARGENTINE GOVERNMENTS IN THE FALKLAND ISLANDS  
DEPENDENCIES

HM CHARGÉ D'AFFAIRES AI TO THE ARGENTINE FOREIGN MINISTER

Your Excellency,

1. With reference to recent discussions between our Governments concerning the Falkland Islands' Dependencies, I have the honour to propose an Agreement covering scientific research activities, carried out by the two Governments in the Dependencies of the Falkland Islands.

I

The provisions of the present Agreement shall apply to South Georgia, the Clerke Rocks\*, Shag Rocks\* and the South Sandwich Islands and to surrounding maritime areas.

II

For the scientific research activities covered by this agreement the use of military personnel or equipment shall not be excluded.

III

1. In order to promote scientific research activities in the

Area to which this Agreement applies, each Party shall, upon its entry into effect, inform the other of the scientific research activities being carried out within the area on the part of its ships or nationals in accordance with the schedule attached to this Agreement. Thereafter, this information shall be exchanged annually by 30 November each year.

2. To the greatest extent that is feasible:
  - a) scientific personnel may be exchanged between expeditions and stations of the parties in the Area:
  - b) scientific observations and results from the Area shall be exchanged and made freely available between the Parties.

3. Scientific research activity by a Party which is likely to have a lasting or harmful effect on the environment within the Area to which this Agreement applies or which, if undertaken within the territory of either Party would, on environmental grounds, require permission shall be undertaken only with the consent of both Parties.

#### IV

1. In order to promote the objectives and ensure the observance of the provisions of the present Agreement, each Party shall have the right to designate observers to carry out any inspection provided for by the present Article.

/Observers



CONFIDENTIAL

Observers shall be nationals of the Party which designates them. The names of observers shall be communicated to the other Party, and like notice shall be given of the termination of their appointment.

2. Each observer designated in accordance with the provisions of paragraph 1 of this Article shall have complete freedom of access at any time to any or all parts of the Area to which this Agreement applies.

3. All stations, installations and equipment, and all scientific research vessels and aircraft in the Area, whose activities are the subject of this Agreement, shall be open at all times to inspection by any observers designated in accordance with paragraph 1 of this Article.

V

1. Nothing contained in the present Agreement shall be interpreted as:

a) a renunciation by either Party of any right of territorial sovereignty over the Area to which this Agreement applies;

or

b) a recognition or support for the other Government's position with regard to territorial sovereignty in the Area.

2. No scientific research activities taking place while the

/present

present Agreement is in force shall constitute a basis for asserting, supporting or denying the position of either Party with regard to territorial sovereignty in the Area.

3. Nothing in this Agreement shall prejudice any subsequent arrangements which might be made as part of a definitive settlement of the dispute between the Parties concerning the Falkland Islands, South Georgia and the South Sandwich Islands.

IV

Any dispute arising between the Parties concerning the interpretations or applications of the present Agreement shall be the subject of consultation between them through diplomatic channels.

---

If the foregoing proposals are acceptable to the Government of Argentina, I have the honour to propose that this Note and Your Excellency's reply to that effect shall constitute an Agreement between our two Governments which shall enter into force immediately and shall remain in force unless denounced by either Party giving nine months' notice of its intention to the other.

/The



CONFIDENTIAL  
CONFIDENTIAL

The Argentine Foreign Minister to HM Chargé d'Affaires

ai

Your Excellency,

I have the honour to acknowledge receipt of Your  
Excellency's Note of which reads in  
translation into the Spanish language as follows:

(Here follows translated text of I-VI )

In reply, I confirm that the contents of Your  
Excellency's Note are acceptable to the Government  
of Argentina who therefore agree that your Note  
and this reply constitute an Agreement between  
our two Governments.

I avail etc.

CONFIDENTIAL

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

1971 COMMUNICATIONS AGREEMENT

Points to Make

1. All seems to be working well.
2. Grateful for your efforts to ensure Islanders can book seats on their chosen flight.
3. Regret delay on house for LADE representative. Hope all will be worked out satisfactorily soon.



Essential Facts

## 1. Under the Agreement Argentina provides:

- a) the twice weekly air service, run by the Argentine Air Force's commercial air-line LADE, between Argentina and the Islands carrying cargo, passengers and mail. (This service is subsidised by the Argentine authorities);
- b) links from Island services into the Argentine telephone and telegraphic services (the Islands' Cable and Wireless link with the UK is direct and independent of the mainland);
- c) education, including an unlimited number of scholarships for Falkland Islands' children in Argentine schools. (Full secondary education is only available outside the Islands. In 1977 14 children from the Islands were educated in Argentina, but the number is now expected to drop off sharply, following the introduction of an arrangement with a British boarding school to take Island school-children who have the ability and want to continue their education after the age of 15);
- d) medical facilities. (The Islands have a good medical service, but there are naturally facilities a small hospital is unable to provide).

2. In general the Agreement works well. Problems are resolved in the joint Anglo-Argentine Consultative Committee in Buenos Aires set up under the Agreement. There are two current problems:

- i) Islanders have been reluctant to allow LADE to build a house for their representative on the Islands;
- ii) Islanders have sometimes found it difficult to get seats on the air-service.

LADE House

3. Islanders' suspicion of links with Argentina have resulted in a reluctance to provide a house in the Islands for the LADE Manager.

The Islands branch of the Falkland Islands Committee has consistently made trouble. The Argentines see the house as a test case of the Islanders' willingness to co-operate.

4. Captain Allara (then Argentine Deputy Foreign Minister) raised the matter in the New York 1977 negotiations. The Falkland Islands Executive Council (ExCo) approved in June 1978 the conditions for lease of a site for LADE to construct their own house. Certain Councillors subsequently opposed the proposal but ExCo reaffirmed its decision.

Annex A 5. In November 1979 the Argentines handed a Note to our Embassy  
Annex B in Buenos Aires pressing for a decision. FIG replied that the LADE representative in the Islands (then Vice-Comodoro Canosa, now Vice-Comodoro Gilobert) had been given a copy of the draft lease. The Argentines have now commented on the draft, but have proposed a clause unacceptable to us. FIG now have to go back to the Argentines. Visit of an Argentine surveyor to the site in January prompted the Falkland Islands Committee to organise a petition, despite the Executive Council's decision. Another body of opinion in the Islands feels that there is no harm in allowing LADE to build a house provided that the land is not owned by the Argentines.

#### Air Services

Annex C 6. Falkland Islanders have increasingly expressed concern over the last year about the difficulty in obtaining seats on LADE aircraft. Our Embassy in Buenos Aires has submitted a Note through the Consultative Committee. We understand that the Argentines are sympathetic, as the subsidised service is run for the Islanders, not for tourists from the mainland, and have offered to reserve a number of seats up to a fixed period before each flight for Islanders.

#### Travel Cards ("White Cards")

7. These have caused ill-feeling in the Islands in the past and although the system should now be working properly, there is occasional resurgence of resentment.



The 1971 Agreement dealt (amongst other things) with travel by residents of the Falkland Islands and Argentina but not with the problems of travel to the Islands by non-residents of either. Realising this, the Argentines unilaterally extended the provision in the Agreement for the issue of a travel card for residents to non-residents. We protested. The Argentines agreed in 1978 to drop the idea.

9. A Presidential decree of October 1978 introduced a special landing card for non-residents. While not a "white card", it was clearly designed as a special requirement for all travel to and from the Falkland Islands only. It was aimed at satisfying the assertion in the decree that "the power of the police of Argentina includes maintaining control over all persons travelling to and from the Falkland Islands". We protested strongly and the special features of the landing card were dropped.

10. Since 1 January 1979, all non-residents travelling to and from the Falkland Islands have been required to fill out a simple landing/embarkation card. This requirement is the same for passengers transitting Argentina on their way to other countries. It is in line with accepted international practice. Only Falkland Islanders and Argentines now have to produce "white cards".

ANNEX A

BRITISH EMBASSY

BUENOS AIRES

BY AIR MAIL

184/492/2

30 November 1979

J R Cowling Esq  
 SAMD  
 FCO

Dear Roy 3<sup>1/2</sup>

AZW 184/1	
13 DEC 1979	
INDEX	

LADE HOUSE PORT STANLEY

1. Colonel Balcarce handed me yesterday evening an Aide Memoire which he said would be self-explanatory.
2. I attach a copy of the translation of the Aide Memoire. In brief, it narrates the recent history of exchanges on the question of a LADE house, expresses puzzlement at their "incoherence", and requests clarification as to where matters stand. The implication is that the Argentines are losing patience.
3. I shall be sending a copy of the translation to Port Stanley in the bag arriving there on Wednesday 5 December. There is a reference in the Aide Memoire to remarks allegedly made by Mr Ridley during his visit to the Falklands. You may wish to consider this and telegraph appropriate guidance to Stanley.

Yours ever,

Andrew

A R Murray  
 (Head of Chancery)



AIDE MEMOIRE

The Argentine Representative on the Special Consultative Committee created by the Joint Statement of 1 July 1971 has the honour to refer to the present state of progress in the provision of a plot in Port Stanley for the construction of a house for the Argentine Representative of the Special Consultative Committee member, who is also the Representative of LADE, YPF and Gas del Estado.

In this respect, the following is the sequence of events, both written and oral, on this subject:-

10 February 1978

Chief Secretary Massingham informs the Argentine Representative on the Special Consultative Committee, Vice-Comodoro Canosa, that the best way of making progress on the problem is the construction of a house, to be made possible by the provision of a plot of land.

At the same time, several ideas and suggestions were put forward, along the lines that at least two houses might be constructed.

23 February 1978

The British Representative on the Special Consultative Committee (Buenos Aires) delivers an Aide Memoire to the Argentine Representative proposing the provision of plots of land in Port Stanley and the construction of houses to meet the requirements of LADE and YPF staff working in Port Stanley.

10, 14 and 22 March 1978

On these dates, meetings were held in Port Stanley attended by the Argentine Representative on the Special Consultative Committee and the British Representatives on the Committee in Port Stanley, and the Director of Public Works (Messrs J R W Parker, J D Massingham, and E G Pike).

In these meetings, detailed consideration was given to the question of the provision of a plot for the construction of a house for the above named Argentine Representative.

19 April 1978

Mr Massingham informs Vice-Comodoro Canosa about certain delays over the provision of land because of the absence from Port Stanley of the person responsible for carrying the matter forward.

15 May 1978

On the above date Vice-Comodoro Canosa sent a Note to Mr Massingham whose text is at Annex I.





10 - 20 June 1978

Mr Massingham and Vice-Comodoro Canosa visit numerous sites in Port Stanley in order to choose one suitable for the construction of a house.

15 August 1978

On the above date Mr Massingham sends a Note to Vice-Comodoro Canosa advising him that the Legislative Council has agreed the provision of a plot of a quarter of an acre. A photo-copy of this Note is attached at Annex II.

September 1978 to February 1979

The Argentine Representative in Port Stanley of the Special Consultative Committee requests on numerous occasions from Mr Parker and Mr Massingham the document relating to the provision of the land in question.

26 February 1979

Mr Massingham advises Vice-Comodoro Canosa informally that some members of the Legislative Council in Port Stanley are firmly opposed to the provision of land.

7 April 1979

Vice-Comodoro Canosa tells Mr Baker that he expects an early reply about the delivery of the document, and moreover, that he has expressed on many occasions to Mr Parker his astonishment at the incoherence of the whole affair.

20 June 1979

On the occasion of the visit of Minister of State Mr Ridley, the latter said to Vice-Comodoro Canosa that there would be no problem over the matter of the provision of land in Port Stanley for the construction of a house.

In the light of the above developments, whose contradictions the above text makes clear, the Argentine Representative would be grateful for a clarification and a solution of the matter from the British Representative. This will mean the removal of an obstacle to the normal and harmonious development of the process in which both parties are involved.

Representación argentina en la misma, para proponer la cesión de terreno en Puerto Stanley y la construcción de viviendas que satisfagan necesidades del personal de Líneas Aéreas del Estado y de F.P.F. que prestan servicios en la localidad mencionada.



(13)

FOFI 002/17

ANNEX B

OO BUENOS AIRES

GRS 340

CONFIDENTIAL

FM PCRT STANLEY 141810Z DEC 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 221 OF 14 DECEMBER

AND TO IMMEDIATE BUENOS AIRES.

TOP COPY

ALW 184 (1)	
RECORDED	13
27 DEC 1979	
DESK	...
INDEX	...

YOURTEL 157 LADE HOUSE PLOT

1. WE WERE DECIDEDLY SURPRISED TO LEARN THAT THE ARGENTINES HAD SUBMITTED THEIR AIDE-MEMOIR AT THIS STAGE AS CANOSA HAD BEEN TOLD IN AUGUST THAT, FOLLOWING EXCO'S RE-AFFIRMATION OF THEIR EARLIER DECISION TO AGREE THE LEASE OF THE PLOT, FINALISATION OF THE DETAILS OF THE LEASE DOCUMENTS WAS IN HAND.
2. COUNCILLORS WERE NOT REPEAT NOT IN THE MAIN OPPOSED TO THE LEASE. SUCH RESERVATIONS AS HAVE BEEN EXPRESSED REFLECTED INDIVIDUAL COUNCILLORS WORRIES ABOUT POSSIBLE REACTION OF SOME ELEMENTS IN THE COMMUNITY, PARTICULARLY AMONG THE LOCAL COMMITTEE AND, IT WAS SUGGESTED, THE FICO JETTY GANG AND THE UNION, TO WHAT MIGHT, HOWEVER UNREASONABLY BE TAKEN AS A FURTHER ARGENTINE INTRUSION. THE PROPOSAL HAS BEEN FULLY EXPLAINED TO THE UNION AND THEY NOW SEEM PREPARED TO ACCEPT IT. THERE COULD STILL BE A BIT OF A PUBLIC FUSS BUT THE GENERAL VIEW OF COUNCILLORS IS THAT IT WILL HAVE TO BE FACED UP TO. WE BELIEVE CANOSA HIMSELF WAS AWARE OF THE NEED FOR CAREFUL PRESENTATION AND TIMING TO COOL DOWN FEELINGS FOLLOWING SOME INJUDICIOUS PUBLIC REMARKS ABOUT THE PURPOSE OF THE HOUSE BY ARGENTINE PERSONNEL HERE, WHICH WITH TIME AND PATIENCE WE THINK WE MAY HAVE ACHIEVED.
3. CANOSA HAS NOW HAD A COPY OF THE FINAL DRAFT LEASE WHICH

BEEN DRAWN UP IN THE SAME STANDARD LOCAL TERMS AND FORM AS WAS THE LEASE ON THE PLOT FOR CANOSA'S PRESENT HOUSE WHICH WAS TREATED SIMPLY AS A MATTER BETWEEN THIS GOVERNMENT AND THE ARGENTINE AIR FORCE AS TENENT: IT INCLUDES THE USUAL REF-ERENCES TO THE QUEEN, THE GOVERNOR, ETC. CANOSA HAS ASYED US TO REFER IT TO BUENOS AIRES FOR TRANSLATION AND CONSIDERTION. WE WOULD PREFER HE SHOULD DEAL WITH THIS HIMSELF: HE HAS TAKEN HIS COPY WITH HIM ON HIS PRESENT VISIT TO BUENOS AIRES MAINLY TO SORT OUT THE MANAGEMENT PROBLEMS CAUSING THE APPALLING DIFFICULTIES TRAVELLERS ARE HAVING IN GETTING SEATS ON OVER-BOOKED LADE FLIGHTS, A MATTER WHICH IS PRESENTLY GIVING RISE TO A GREAT DEAL MORE CONCERN.

PARKER

FILES

S AM D

Although it is usually possible to ensure that urgent journeys - such as those of medical cases or of official visitors - can be accommodated on the regular flights, it is not possible to ensure that normal island traffic is not disrupted. Commercial considerations appear to be making increasing demands for which the flights were originally instituted. It would seem advisable to discuss the matter with the Argentine representatives in obtaining seats on the regular flights. This might involve the limitation of the number of seats on each flight available to package tour companies, or perhaps the re-arrangement of time companies to charter separate flights rather than make use of the scheduled LADE services.

The British representatives would be glad to discuss the matter further with the Argentine representatives, perhaps in company with representatives from LADE.

BRITISH CONSUL  
BUENOS AIRES

cc (Info) Port Stanley  
SMB  
JOD

11 February 1980



ALW 184/1		
NO. 13		
25 FEB 1980		
DESK OFFICE		REGISTRY
INDEX	PA	Action Taken

## AIDE MEMOIRE

The British Representatives on the Special Consultative Committee created by the Anglo-Argentine Joint Statement of 1 July 1971 have the honour to draw to the attention of the Argentine Representatives the difficulties now arising over reservations on the twice-weekly LADE flights to and from Port Stanley. Pressure of demand for seats on these flights has much increased in recent months, due mainly to the numbers of tourists visiting the Islands. As a result, travel to and from Stanley by Islanders or by officials is now becoming uncertain; flights are often booked up for weeks or months ahead. Although it is usually possible to ensure that urgent journeys - such as those of medical cases or of official visitors - can be made, by means of the 4 seats reserved on each flight for Embassy/Falkland Islands Government use, it appears to be the case that normal Island traffic has been made more difficult. Commercial considerations appear to be taking priority over the purposes for which the flights were originally instituted.

The commercial advantages to the Stanley business community of the increased tourist flow are not in dispute. However, it would seem advisable that steps be taken to resolve the current difficulties in obtaining seats on the regular flights. Possible action might involve the limitation of the number of seats on each flight available to package tour companies, or perhaps the encouragement of these companies to charter separate flights rather than make use of the scheduled LADE services.

The British Representatives would be glad to discuss the matter further with the Argentine Representatives, perhaps in company with representatives from LADE.

BRITISH EMBASSY  
BUENOS AIRES

cc (blind) Port Stanley  
SAMd  
FCO ✓

11 February 1980

BRIEF NO A15

FAIKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

## 1974 YPF AGREEMENT

Points to Make

1. Service seems to operate well. I understand the difficulties imposed on YPF by increased demand for oil products in the Islands, but you seem to be coping.
2. Hope you will be able to submit new tender for oil jetty soon.
3. Hope you will be able to respond positively to the Embassy's draft note on courtesy flags.



Essential Facts

NEX A

1. Under the 1974 YPF Agreement, the Argentines exclusively provide gasoline, avgas and kerosene to the Islands. (Diesel is still obtained from the Admiralty bunker tanks, which are topped up every 18 months by a Royal Navy Fleet Auxiliary ship). If for any reason YPF cannot meet the Islands' needs, supplies may be obtained elsewhere. This has not yet been necessary.

2. The Agreement is yet to be implemented in full because of lack of suitable off-loading facilities (jetty). Although resented by the Islanders as making them dependent on Argentina, we are satisfied with the operation of the Agreement: it provides the Islands with comparatively cheap fuel (Islanders pay less for a gallon of petrol than we do); and it guarantees supply (supply has at times been erratic and reserves sometimes get low but this is more likely to be caused by Argentine inefficiency than wilful obstruction).

Oil Jetty

3. Under para 8 of the 1974 YPF Agreement, the UK Government has a legal obligation to provide jetty facilities for YPF ships delivering fuel to the Falkland Islands. Since 1976, the FICo jetty has been used. But this is cumbersome and dangerous; it is also expensive because fuel has to be delivered in drums instead of by pipeline (as planned) to the completed but unused tank farm. According to YPF, the present arrangements make it impossible to maintain the minimum stocks provided for in the Agreement.

4. The Argentine Air Force won the tender to build the jetty. ODA considered the price much less than they might have been obliged to pay. But the Argentines have run into difficulty. Their offer was withdrawn and we now await a further Argentine proposal with revised estimates of cost.

5. Although Councillors have agreed that the Air Force should construct the jetty, we have been told by the Chief Secretary

/that

that Islander opinion is "total indifference bordering on hostility". ODA have warned that the jetty project could be affected by aid cut-backs. The former Governor had doubts about jetty design. A reappraisal of the project will probably be necessary when the Argentine estimate is produced.

### Courtesy Flags

6. When a new oil jetty has been completed, the present arrangement whereby Argentine Navy (STN) vessels deliver fuel to Port Stanley, will cease and YPF will take over. The Islanders accept that STN vessels are not required to fly a courtesy flag but are unwilling to accept that YPF vessels should also be exempt from this, unless there is some formal agreement protecting our sovereignty position.

7. We have been seeking to negotiate one with the Argentines. The most recent draft note, handed over on 8 October 1979, is attached. Mr Parker expected difficulties in getting Councillors to agree to this procedure. However he believed they may grudgingly accept a fait accompli along the lines of the present formula.

ANNEX B



**EXCHANGE OF NOTES  
BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF  
GREAT BRITAIN AND NORTHERN IRELAND AND THE  
GOVERNMENT OF THE ARGENTINE REPUBLIC ON THE SUPPLY  
AND MARKETING IN THE FALKLAND ISLANDS OF ARGENTINE  
PETROLEUM-BASED PRODUCTS**

No. 1 190678

*The British Chargé d'Affaires ad interim at Buenos Aires to the Argentine  
Minister for Foreign Affairs and Worship*

*British Embassy,  
Buenos Aires.*

Your Excellency

13 September 1974.

I have the honour to refer to the recent discussions in the Special Consultative Committee referred to in paragraph (1) of the Joint Statement which was initialled by the representatives of our two Governments on 1 July 1971 and approved by them on 5 August 1971<sup>(1)</sup> (hereinafter referred to respectively as "the Special Consultative Committee" and "the Joint Statement"), about the supply and marketing of products of Yacimientos Petroliferos Fiscales (hereinafter referred to as "YPF") in the Falkland Islands. Accordingly, I have the honour to inform you that the Government of the United Kingdom of Great Britain and Northern Ireland are prepared to conclude an agreement in the following terms:

- (1) (a) With effect from the date of completion of the construction of the storage plant referred to in paragraph (3) of this agreement, or such earlier date as may be agreed in the Special Consultative Committee, YPF shall, subject to the provisions of sub-paragraph (b) of this paragraph, be responsible for the supply and marketing of the products referred to in paragraph (11) of this agreement which are consumed in the Falkland Islands.
- (b) (i) The provisions of sub-paragraph (a) of this paragraph shall not apply in respect of products used by the armed forces of the United Kingdom.
- (ii) Such associations, corporations and other bodies as may from time to time be agreed in the Special Consultative Committee may obtain gas-oil either from YPF or from any other source.
- (iii) If and for so long as YPF are unable to supply the Islands' needs in respect of any of the products referred to in paragraph (11) of this agreement YPF shall not have any obligation to do so and these products may be obtained from any other source.
- (2) YPF may market these products themselves or through any agent designated by them.

(1) Treaty Series No. 64 (1972), Cmnd. 5000

- (3) YPF shall make the necessary arrangements for the construction of a storage plant for fuels and lubricants, including tanks, pumping equipment, pipelines and buildings, hereinafter referred to as "the storage plant", and shall supply the materials and equipment required for its construction, operation and maintenance. They may also modify the two overhead electric power lines which at present cross the site and bury them underground. They shall employ mainly personnel from the Argentine mainland, but with the participation of local personnel.
- (4) The United Kingdom Government shall provide the land required for the storage plant and the building as living quarters for the personnel from the Argentine mainland who construct the storage plant. For that building and for the construction, operation and maintenance of the storage plant, the United Kingdom Government shall provide electricity and telephone lines. The United Kingdom Government shall also provide space at a quayside in Port Stanley for the unloading of materials needed for the construction of the storage plant.
- (5) For the construction, equipment, operation and maintenance of the storage plant—
- (a) the United Kingdom Government shall bear the costs of providing
    - (i) the necessary land for the storage plant;
    - (ii) the installation of the electricity and telephone lines, and the quayside space, referred to in paragraph (4) of this agreement;
    - (iii) the electricity consumed, and local telephone calls made, during the construction of the storage plant; and
  - (b) YPF shall bear all other costs, including the costs of modifying and burying the overhead electric power lines referred to in paragraph (3) of this agreement.
- (6) YPF or their representative shall station in the Falkland Islands the personnel necessary to look after the storage plant and the other installations. The composition of the operation and maintenance team shall be as agreed in the Special Consultative Committee.
- (7) YPF shall be exempted from payment of docking charges in carrying out the operations referred to in paragraph (8) of this agreement. YPF shall also be exempt from payment of rates, taxes or any other charge in respect of the installations referred to in paragraph (3) of this agreement. Except where a pipeline is constructed on land which is subject to an existing right of way, the United Kingdom Government shall make the necessary arrangements so that the land on which the storage plant referred to in paragraph (3) stands is not encumbered by any rights of way.
- (8) The United Kingdom Government shall take the necessary measures so that the YPF tankers may use the private East jetty without the payment of any fee or tariff, and take on drinking water at the same jetty also without any charge.



- (9) It is understood that the use of the private jetty described in the previous paragraph refers to the off-loading of goods both in bulk and in drums or containers. It shall be the responsibility of YPF to maintain the necessary vigilance while the tanker unloads goods in bulk and in drums or containers, and to avoid any spillage or contamination of the waters. The United Kingdom Government shall take adequate measures to secure the suspension of all other activities on the jetty in question during the operation of unloading the goods referred to in this paragraph.
- (10) The frequency with which YPF shall supply the storage plant shall be approximately every four months.
- (11) The products to be supplied by YPF shall be the following:
- Super petrol
  - Kerosene
  - Gas-oil
  - Aero-fuels
  - Lubricants
  - Asphalts
- (12) The prices of these products in Port Stanley shall be those in force on the Argentine mainland.
- Payment may be made in Argentine or British currency. If payment is made in local currency the United Kingdom Government shall exchange it for convertible pounds sterling and pay any bank charges thereby incurred.
- (13) No duties or taxes shall be applied in the Falkland Islands on:
- (a) the materials and equipment taken into the Falkland Islands by the Argentine Government or YPF for the purpose of this agreement;
  - (b) the personal effects taken into the Islands by the personnel from the Argentine mainland by virtue of the arrangements stipulated in paragraphs (3) and (6) of this agreement; or
  - (c) the salaries or other emoluments paid by their Argentine employers to the personnel from the Argentine mainland.
- (14) The expression "personnel from the Argentine mainland" means personnel occupied in the construction, maintenance or operation of the storage plant who come from the Argentine mainland and are in the Falkland Islands for the purposes of this agreement.
- (15) No duties or taxes shall be applied in the Falkland Islands on the introduction, distribution or sale of YPF products.
- (16) The Argentine Government may construct and maintain a jetty, should it deem it appropriate, for the docking of vessels supplying the storage plant.
- (17) The storage plant shall cease to be operational when any of the notices referred to in paragraph (20) of this agreement has been given. In this event YPF shall remove any materials and equipment

which they have provided under paragraph (3) of this agreement. Such materials and equipment shall at all times remain the property of YPF.

- (18) The Special Consultative Committee shall deal with questions which might arise over the interpretation or application of this agreement.
- (19) This agreement is concluded in accordance with the Joint Statement, and references to the Joint Statement in the Exchange of Notes between the two Governments dated 5 August 1971 (hereinafter referred to as "the Exchange of Notes") shall be deemed to include references to this agreement.
- (20) This agreement shall remain in force until 31 December 1976 or until the expiry of notice given in accordance with paragraph (18) of the Joint Statement and with paragraph (2) of the Exchange of Notes. After 31 December 1976 either of the two Governments may denounce this agreement subject to six months' prior notice in writing.

If the foregoing is acceptable to the Government of the Argentine Republic I have the honour to propose that this Note, together with Your Excellency's reply in that sense shall constitute an agreement between the two Governments which shall enter into force on the date of your reply.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

FRANK MAYNARD



DRAFT NOTE FROM HM CHARGE D'AFFAIRES IN BUENOS AIRES TO HE THE  
MINISTER OF FOREIGN AFFAIRS AND WORSHIP

Your Excellency

I have the honour to refer to recent talks held by the Special Consultative Committee mentioned in paragraph 1 of the Joint Statement signed by the Representatives of both Governments on 1 July 1971, (hereinafter referred to as the "Joint Statement"), on the facilitation of marine transport to promote and speed up communications between the Argentine mainland and the Falkland Islands, and to inform Your Excellency that the Government of the United Kingdom of Great Britain and Northern Ireland is ready to sign an agreement in the following terms:

1. YPF vessels, or other vessels used by YPF exclusively for the transport of their products, visiting the Falkland Islands under the terms of the 1974 Exchange of Notes on the Supply and Marketing in the Falkland Islands of Argentine Petroleum-based Products shall, when in port, be exempt from observing the customary maritime practice with regard to the flying of courtesy flags.
2. This agreement shall form part of the Joint Statement. The provisions of paragraph 1 of the Notes exchanged on 5 August 1971 referring to the question of sovereignty over the Falkland Islands, (hereinafter referred to as the Exchange of Notes), shall therefore apply to this agreement.

3. This present agreement shall remain in force until the date when the notifications made pursuant to paragraph 18 of the Joint Statement and paragraph 2 of the Exchange of Notes, take effect.

If the foregoing is acceptable to the Government of the Argentine Republic, I have the honour to propose that this Note, together with Your Excellency's reply in that sense shall constitute an agreement between the two Governments which shall enter into force on the date of your reply.

(Delivered on 8 October 1979)



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

SHIPPING PILOTS

Points to Make (if raised)

1. We do not accept that ships should have Argentine pilots to enter Falklands waters.

2. Early in the 1970s British vessels were stopped that had been ordered to leave the area. The British government was told that the Argentine pilots were to be taken to the Falkland Islands from an Argentine port. But prior to a similar incident when a British ship was ordered to leave to pick up an Argentine pilot from one of the Argentine bases in the Antarctic there were no pilots.

3. There have been no similar incidents in the current cruise season.

Essential Facts

1. In 1978 an Argentine Presidential Decree provided that all ships arriving in the Falkland Islands should carry an Argentine pilot to carry out entry and departure operations. We protested. We made it clear that we could not recognise Argentine pilots operating within the territorial waters of the Falkland Islands.
  
2. Early in the 1979 cruise season it seemed that the Argentines would maintain the pressure on cruise captains to take on Argentine pilots when sailing for the Falkland Islands from an Argentine port. But after one isolated incident when a cruise ship was ordered by radio to pick up an Argentine pilot from one of the Argentine bases in the Antarctic there were no others.
  
3. There have been no similar incidents in the current cruise season.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

COMMERCIAL PAYMENTS

Points to Make (if raised)

1. We regret the delay: the matter is under consideration in the Islands.

Essential Facts

1. Falkland Islanders wishing to purchase goods from Argentina have in the past frequently done so through the LADE representative in the Islands. He is given the sterling in Port Stanley and personally takes it to Buenos Aires to pay off suppliers. According to the Argentines, the volume of these transactions is increasing.

2. In August 1979 the Argentines suggested in an aide-memoire that there should be an agency link-up in the Islands with the National Bank of Argentina. A LADE officer or specially appointed Islander would run the agency.

3. Islanders' reactions were luke-warm. They were reluctant to see an increased Argentine presence on the Islands and an Islander appointment holds no attraction.

4. The Embassy have still to provide an answer to this proposal into which the Embassy tells us considerable Argentine thought and effort has been put.

5. The FCO have not been directly involved in this proposal. The subject is one for discussion in the special Consultative Committee set up under the 1971 Agreement. The Embassy in Buenos Aires have been in touch with Port Stanley but have not received a substantive reply. Buenos Aires have warned us that the Argentines may raise the subject.

without performing the functions of a banking agency (such as the acceptance of deposits, cash, securities, etc) could cover the minimum requirements for the remittance of funds for the payment of the purchases involved. One way of doing this would be through an agency office, as used by the National Bank of Argentina in similar situations, where the Bank is represented by well-known local companies or co-operatives. In this case, the functions could be performed by a LADE officer or by an Islander specially appointed for the purpose.



EMBASSY TRANSLATIONAIDE MEMOIRE

The Argentine Representatives on the Special Consultative Committee created by the Joint Statement of 1 July 1971, have the honour to refer to the need to make easier commercial transactions between the Argentine continental mainland and the Malvinas Islands, a wish that was made informally to Minister Nicholas Ridley on the occasion of his recent visit to Buenos Aires.

It needs to be recognised that difficulties, delays and additional expenses still exist for residents of the Islands who, with a view to meeting their needs or improving their well-being, wish to purchase products or other goods originating in the Argentine continental mainland.

This situation is reflected in the numerous requests made to people who are in some way connected with the Island community, particularly to the Argentine representative of the Special Consultative Committee in Port Stanley, who has neither the time nor the means to channel the numerous requests that are made to him.

By virtue of the above, the Argentine representatives believe that a simple and efficient way which would to a large extent avoid these inconveniences, would be to establish a service which, without performing the functions of a banking agency (such as the acceptance of deposits, cash, securities, etc) could cover the minimum requirements for the remittance of funds for the payment of the purchases involved. One way of doing this would be through an agency office, as used by the National Bank of Argentina in similar situations, where the Bank is represented by well-known local companies or co-operatives. In this case, the functions could be performed by a LADE officer or by an Islander specially appointed for the purpose.

The Argentine Representatives on the Special Consultative Committee trust that the British Representatives will wish to give a favourable consideration to this proposal, which is based on paragraph 12 of the Joint Statement, and inspired by a sincere desire to take any steps that may contribute to the Islanders' increased welfare.

Buenos Aires, 2 August 1979



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

THE FALKLAND ISLANDS COMPANY (FICO)

Points to Make (If raised)

1. Company plays vital role in Islands' economy.
2. Glad to hear Argentine views on FICO, its role and future.

Essential Facts

1. A major land-owner and by far the largest of the overseas companies with commercial interests in the Islands. A subsidiary of Coalite Ltd, whose Managing Director, Mr C E (Ted) Needham, is the Chairman of FICo. FICo's Managing Director, Mr Frank Mitchell, is a prominent member of the Falkland Islands Committee and critical of HMG's policies.
2. FICo has virtual monopoly control in many areas of commercial life, e.g.:
  - a) ownership of 46% of farmland and 50% of the wool producing capacity;
  - b) through ties with other externally-owned farming companies, a strong influence on at least half of the remaining farmland;
  - c) effective control of internal and external shipping;
  - d) ownership of the sole commercial jetty and direct employer of the only dock labour force, giving it control over the loading and unloading of all produce and supplies;
  - e) a dominant role in the marketing of the Islands' wool through its conduct of auctions between the two (or occasionally three) UK brokers involved, in one of which it has a 50% interest;
  - f) most of the insurance, finance and other commercial services for its own and other enterprises;
  - g) the largest buying agent and importer of equipment and supplies for its own and other farms and for retail in its own stores and the settlement shops.



3. The Company's investment record in the Islands is poor. Its policy seems to be maximum exploitation of barely improved resources and maximum expatriation of profits. Operations are strictly controlled from the London Head Office and the local managers (mostly expatriate) are allowed little devolved authority. Lack of investment was one of the major criticisms in the Shackleton report.

4. The Argentines regard the Company as a major obstacle to their ambitions. In 1978 Argentine interests made a fairly overt bid for ownership of the Company, although the Argentine Government at the time maintained that they had played no direct part. The Argentine Government suggested to the previous Government on several occasions that the Company be taken over by a joint holding company representing UK, Argentina and Islander interests.

#### Takeover

5. Cost of a possible takeover is estimated to be in the region of £5m - £10m. Funds would be difficult to find. ODA could not help. Private enterprise is unlikely to be interested. There is no clear case for a takeover on economic/development grounds alone. Our view is that this could only be considered as part of a negotiated settlement of the dispute as a whole.

3. The Falkland Islands Research and Development Association (FIRADA) is an off-shoot organization of the Committee. It aims to attract investment to the Falkland Islands and to protect the economic interests of the Islanders. Its director is Air Commodore Frow.

4. The South Atlantic Fisheries Committee (SAFC) whose Chairman is James Johnston MP, also has strong links with the Committee and FIRADA. It claims to represent not only Islander interests but those of the British Fishing Industry.

Relations

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

THE FALKLAND ISLANDS COMMITTEE (FIC) AND ASSOCIATED BODIES

Essential Facts

1. FIC is a well-organised and influential lobby group, with offices in the Islands and in the UK. Its UK members include MPs, ex-Governors and others with commercial interest in the Falkland Islands. It has no official standing but seeks to present itself as such; and as representing Islander opinion. It is financially supported by public subscription and by donations from commercial interests, mainly the Falkland Islands Company.
2. FIC employs a Public Relations firm, Sallingbury Limited, who produce a quarterly news-letter for the Committee. (In November 1979 Mr Needham, Chairman of FICo, disassociated the Company from comments made by the Committee on the Shackleton Report recommendations). The Committee's Chairman is Sir John Barlow and their Vice-Chairman is Sir Miles Clifford, a former Governor of the Falklands. Our contact is usually with Air Commodore B G Frow, the Director-General of the Committee. The Islands branch is active and well-supported and a constant nuisance to the Governor and the administration.
3. The Falkland Islands Research and Development Association (FIRADA) is an off-shoot organisation of the Committee. It aims to attract investment to the Falkland Islands and to protect the economic interests of the Islanders. Its director is Air Commodore Frow.
4. The South Atlantic Fisheries Committee (SAFC) whose Chairman is James Johnston MP, also has strong links with the Committee and FIRADA. It claims to represent not only Islander interests but those of the British Fishing Industry.

/Relations



Relations with FCO

5. The relationship between the Committee and the FCO has not always been good. The Committee have, on occasion, in the past, indulged in some unwelcome pressure group tactics. They have been often highly critical of Government policy and actions. They have attacked Falkland Islands Councillors who have felt it necessary to point out that they, and not the Committee, are the representatives of the Falkland Islands people. (The local branch of FIC have also recently attempted to undermine Islander confidence in the FCO). We have sought to maintain contact with the Committee to keep abreast of its doings and to meet the Committee's criticism with factual accounts of what we are doing. (Although we are careful not to tell the Committee anything we have not told Councillors). Mr Ridley met members of the Committee at their request in July 1979. The Committee have been generally less troublesome of late (though they did cause a stir in Parliament about the Shackleton Report's recommendations in mid-1979); but the renewal of talks with the Argentines may prompt them to become more active again.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

CHILEAN COMMERCIAL PROPOSALS

Points to Make (if raised)

1. Chilean business interests have been negotiating the purchase of sheep in the Falkland Islands. Some have been sold.
2. The Islanders would have been willing but have not been able to sell sheep to Argentina. Are Argentine interests willing to buy?
3. Chilean interests have also made some general enquiries about further economic co-operation. The Islanders naturally do not want to turn away good business, if such proves to be in prospect. But they are well aware of the benefits of existing links with Argentina.
4. [Only if pressed]. If the Chilean Group makes formal proposals to provide services in competition to Argentina, we shall look at them very critically. But if there is no conflict of interests, we want to do what we can to develop the Islands' economy.



Essential Facts

1. A group of Chilean businessmen, led by a Mr Maslov, visited the Falkland Islands early this year to discuss commercial co-operation i.e.
  - i) a possible air link between Chile and the Islands (using the Chilean airline TAMA);
  - ii) the establishment of some sort of commercial agency to represent the Falkland Islands in Chile;
  - iii) the sale and shipment of sheep to Chile;
  - iv) provision of timber, fertilizers, cement, livestock, gas and fuel;
  - v) a marine resources survey.
2. The first shipload of sheep has been sent to Chile. Other proposals seem to be gathering momentum. Islanders find them attractive. They see in many of them a possible means of loosening ties with and reducing dependence on Argentina.
3. Argentine reaction to most of the proposals, if they come to hear of them, is likely to be adverse. They know about (iii): but cannot be too critical because of the lack of progress over a similar deal between the Falkland Islands and Argentina. We cannot say how much they know of the rest. Our Embassy in Buenos Aires consider the Argentines would dislike (i): any Port Stanley-Chile air link (although not legally entitled to a monopoly on the air service, the Argentines believe they have one); (ii): a Chilean commercial office (in rivalry to LADE); (iv): any supply of gas cylinders (which would be in competition with Argentine state supplier); (v): a marine resources survey (a possible sphere for Anglo-Argentine co-operation).

4. The Chilean proposals do not represent any real alternative to the services provided by the Argentines (see Briefs Nos 14 and 15). But there is no need for us to turn them down precipitously. There could be tactical advantage in keeping them in play, not least if, as the Embassy in Buenos Aires suggested, the Argentines begin to doubt the usefulness to them of the services they provide. But we would need to move cautiously. The advantage could quickly disappear if Islanders and Chilean expectations were allowed to run too far ahead, and we would not want to give the Argentines an excuse to prejudice the atmosphere of the talks by misinterpreting the position.

5. We need more information about Maslov and his friends which we are seeking from Santiago and Port Stanley. The proposals for an air service and for a marine resources service, in particular, are ambitious and expensive. At first sight, they seem to make little commercial sense: there is at least a suggestion that Maslov's motives may be political and that he may have the blessing, if not the active support, of the Chilean authorities, who may see some benefit in the Beagle context of making mischief between the Islands and Argentina.

6. We have alerted the Governor to Argentine sensitivities. We have asked FIG not to enter into any commitments and to let us know about any further Chilean moves.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

HUMAN RIGHTS

Points to Make

1. Concern for human rights is an important element of British foreign policy. There is continuing public, press and Parliamentary interest in Britain in the human rights situation in Argentina.
2. However, it is Government policy to try to be positive and constructive, not negatively critical.
3. We have noted recent improvements in the situation and welcomed them as we do the Argentine Government's pledge for further improvements.
4. We welcomed in particular the Argentine Government's decision to accept a visit from the Inter-American Commission on Human Rights, (whose report is expected to be published shortly), and to co-operate with the Working Group to be set up following the recent UN Human Rights Commission meeting at Geneva.

Essential FactsHistorical

1. The 1976 military coup in Argentina was bloodless, but was followed by a vigorous pursuit of opposition and terrorist groups, during which there were extensive violations of human rights.
2. The Junta admit to eliminating some 8,000 guerrillas "in combat". In the worst period (1974-76), conditions in Argentina were close to civil war with several thousand guerrillas taking on the security forces. Universities and government were infiltrated. Armed attacks on Army camps were commonplace. Individual members of the Armed Forces were singled out for assassination. More than 600 members of the security forces were killed. Once the government had overcome the guerrilla threat they threw the net wider and detained without trial many people suspected of terrorist associations. Anything up to 15,000 "disappeared" people still remain unaccounted for; and some 500,000 Argentines are estimated to live in exile.

Improvements

3. In response to international criticism, the Argentines have introduced some improvements. A number of political prisoners have been released; the estimated number of detainees currently being held without trial under PEN (National Executive Power) is approximately 1,300, less than half the figure of a year ago. The courts have been more active making it increasingly difficult for the authorities to continue to ignore the requests for investigation into habeas corpus cases. There is now greater internal press coverage of human rights issues; and the number of "disappearances" has declined.
4. A law on the presumed death of missing persons was promulgated on 12 September 1979, enabling a person to be presumed dead whose disappearance from his residence was reported between 6 November 1974 (the day State of Siege regulations were imposed) and the date of the

/promulgation



promulgation. Action may be started by a relative or by the State through the office of the Government Attorney. A parallel law allows relatives of disappeared persons to claim social welfare benefits. The new law is the first sign of official willingness to recognise the practical difficulties posed for relatives by the disappearances, and in this respect it might be called a humane development. However, some see it as an admission of the regime's inability to explain properly why so many people have disappeared and fear that it may prove to be, in effect, a death sentence on anyone still held incommunicado in undisclosed detention centres.

#### Present position

5. The overall situation still causes concern. Political parties are in suspension, there is self-imposed press censorship; and trade union rights are still in abeyance. Disappearances continued in 1979, although on a much reduced scale (an estimated 44); so far this year none has been reported.

#### International concern

6. Argentina has received less attention internationally than e.g. Chile, though its record is regarded by most countries as the worst in South America.

7. The human rights situation in Argentina was discussed at the recent meeting of the UN Commission on Human Rights at Geneva. This item was raised under the "1503 procedure" - the procedure by which the Commission considers communications which appear to reveal a consistent pattern of violations of human rights in any country. The resolution, adopted by consensus, recommended that the situation in Argentina be kept under review and invited Argentina to co-operate further with the Commission by furnishing "additional clarifications and observations".

8. A separate Resolution on missing and disappeared persons adopted at the meeting recommended that a Working Group be set up to examine the question of disappearance. The leader of the British delegation, Lord Colville, has been asked by the Western Group at the Human Rights Commission to serve on the Working Group: he

/would

would do so in an individual capacity and not as a representative of HMG. The Argentines have said that they will co-operate with the Working Group.

9. Representatives of the Inter-American Commission on Human Rights (a body of the Organisation of American States) visited Argentina in September 1979. Their report was given to the Argentine Government in January who recently submitted their comments to the Commission. The report is expected to be published soon: leaks suggest it is highly critical.

10. Amnesty International published in February a report containing the testimony of two former Argentine detainees about the existence of secret detention camps in Argentina. The report, which makes disturbing reading, has led to some Parliamentary interest and has prompted a number of letters from MPs and human rights groups. Our Embassy's assessment is that it is highly likely that detention camps did exist in the early years following the military coup and it is possible that some may still exist. However, they have not been able to obtain any real evidence. We have hitherto taken the position that any substantive comment on this report or any action would be premature until we have been able to study the OAS report. This still seems right.

#### UK Interest

11. There has been considerable and sustained interest in the UK in Argentina, led by Amnesty International and the churches. This has decreased somewhat as Argentina has responded to international pressures. HMG have on several occasions made our views on human rights very plain to the Argentine Government. HMG have also on a number of occasions discussed the position with partners in the Nine, (who agreed on a formal demarche to the Argentines in 1978).



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

CONSULAR CASES

Points to Make

1. Glad to learn that Minister of Interior is looking into case of Miss Daisy Hobson. If released she would be accepted into the United Kingdom.
  
2. Our Ambassador recently discussed the cases of Mr Walter Fleury and Dr Douglas Gillie, two British Nationals who disappeared in Buenos Aires, with the Minister of the Interior. We remain concerned over their disappearance and hope the Argentine Government will persist in their efforts to trace them.

Essential Facts

1. Miss Margarita Juana (Daisy Jane) Hobson: arrested 20 May 1976. Sentenced June 1977 by Military Court to 22 years penal detention for subversive activities. Faces further charges in Criminal Court on a number of other counts. In December 1979 her lawyers were appealing to the Supreme Court but Embassy has suggested this road closed. Parents have appealed to President for clemency. Executive power could not consider before all criminal charges have been judged.
2. Mr Ridley raised case with Comodoro Cavandoli in Buenos Aires in July 1979.
3. Mr Williams also raised case during his first call on Minister of the Interior in March. Minister agreed sentence was very heavy because of trial by military tribunal. He undertook to come back to the Ambassador later.
4. Because Miss Hobson also has Argentine nationality, we have no standing to make formal representations on her behalf. At one stage Argentines indicated it might be helpful, in their consideration of whether to release and expel her, if we were to indicate whether we would accept her into this country: we have told them we would.
5. Dr Douglas Gillie: Dr Gillie, a UK national born in Berwickshire, has lived in Argentina since childhood. He is a psychoanalyst. He disappeared from his home in Buenos Aires on 30 September 1977. His brother (a dual national) was abducted on the same day by persons in plain clothes claiming to be police. Nothing has since been heard of either.
6. Mr Walter Fleury: Mr Fleury, a resident of Argentina (but a UK national, born in Nottinghamshire), was abducted on 9 August 1976 with his Argentine fiancée from the boarding house where he lived in

/Buenos



Buenos Aires, by persons claiming to be police. Neither has been heard of since.

7. We have made repeated representations to the Argentine authorities about these two 'disappearances'. When HM Ambassador made his first call on the Argentine Minister of the Interior the latter confirmed that it was unlikely that we should ever hear of either of them again. He could not confirm that Fleury and Gillie were dead but claimed that neither was in prison.

8. These three cases have been given no publicity in the country in accordance with the wishes of their friends and relatives who have always believed that publicity might be harmful.

FAKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

TRADE AND ECONOMIC CO-OPERATION

Points to Make

1. The UK looks to continued expansion of trade with Argentina. The Ministerial visits and the increased number of trade missions planned for this year evidence of this.
2. We hope UK will play an increasing part in contributing to Argentina's development plans.
3. (If raised). A double taxation agreement is about to be discussed between our experts. We hope that mutually acceptable terms will be worked out.



Essential FactsVisible Trade

1. In recent years, Anglo-Argentine trade has been growing; Argentina is our second largest trading partner in Latin America after Brazil, (UK exports in 1979 of £128 million and imports of £145 million).

	<u>£ million</u>						
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Jan-Feb 1979</u>	<u>Jan-Feb 1980</u>
UK Exports	68	64	130	114	128	16	27
UK Imports	53	91	120	153	145	18	23
Balance to the UK	15	-27	10	-39	-17	-2	4

2. Our share of the import market at 4.3% (1978 figures) - we hold 7th place - is far behind those of the USA (19%), West Germany (11%), Japan (8%), Brazil (8%) and Italy (5%). Our exports are mainly sophisticated machinery and plant, transport equipment, chemicals, electrical apparatus, iron and steel and beverages. In recent years UK imports from Argentina have consisted mainly of agricultural products such as meat products, cereals, textile fibres, oil seeds, leather and leather manufactures, and amount to less than 0.5% of total UK imports.

Projects

3. British companies have pursued a number of major contracts in Argentina but without success in recent years. Major projects currently of interest to UK firms include; the supply of equipment for frigates (£70 million) by Rolls Royce, David Brown, Westlands, etc; the supply of equipment for a national air traffic control system (£300 million) by Marconi Radar and Plessey; the development of mineral deposits in La Rioja (£300 million) by Hill Samuel Developments and others; and the construction and operation of a system of aqueducts (£500 million) by McAlpines, Wimpey, Mather Platt etc.

Invisible Trade

4. The UK has lost much of its pre-War prominence as a foreign investor in Argentina. Nevertheless in 1976 our investment

was valued at US \$437 million - 9.5% of total foreign investment registered in Argentina. This was far behind the USA who lead with 39% but slightly ahead of our main European rivals. However, since the level of new UK investment has not kept pace with that of our rivals, our position has now slipped. There are reports that a few UK companies are currently considering further investment in Argentina. In addition to our investment in Argentine industry, the UK has significant interests in the fields of banking and insurance as well as that of consultancy and project management. Principal British investors in Argentina include ICI, British Steel, GEC, Unilever, Dunlop, Babcock & Wilcox, J & P Coates, Shell, Brookbond Leibig and Lloyd's Bank International.

#### Trade Promotion

5. Events planned for 1980 include a power conference in Buenos Aires by the British Electrical and Allied Manufacturers Association (BEAMA) to be led by Lord Limerick (as Chairman of BOTB), the visit by Cecil Parkinson, Minister for Trade; the visit by Peter Walker Secretary of State for Agriculture, Food & Fisheries; and the visit of several BOTB sponsored trade missions.

#### Double Taxation Agreement

6. Attempts in the past to negotiate a double taxation agreement with Argentina have not been pursued to a conclusion by the Inland Revenue because of doubts over the terms the Argentines would insist upon and the lack of a positive response from British business. However, following a more positive indication of interest from both the Argentines and British business, the Inland Revenue recently proposed to the Argentines that it might now be appropriate for formal negotiations to take place. The Argentines agreed and a team from the Inland Revenue will visit Argentina in early May for preliminary talks.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

DEFENCE COOPERATION

Points to Make

Arms Sales

1. Wide and competitive range of British equipment. British companies are actively seeking business with Argentina. Regret that you did not chose Stingray for your frigates.
2. (Only if raised). We give careful consideration to all requests from British firms to export defence equipment. We rarely interfere. But we have to protect our interests as well. (If pressed). That is why we cannot supply certain items of equipment to Argentina.

Training and Visits

3. We are pleased to help if we can. But financial restrictions limit what we can do.

Essential FactsArms Sales

1. Argentina is an important market for arms sales. Ministry of Defence (Defence Sales) estimate that British companies are currently in the running to supply up to £500 million worth of equipment. Details of recent sales and prospects are attached.

2. (Not for use). The Falklands dispute has a direct effect on our ability to expand arms sales. It may have played a role in our failure in recent years to secure contracts from the Argentine Armed Forces for eg, frigates, Sea Harriers and Stingray torpedoes.

3. For our own part, while we do not operate an arms embargo on Argentina, arms sales are controversial and concern is expressed both by Human Rights and Falkland Islands lobbies. Present policy is that we should not supply equipment:

(a) which could be directly used for internal repression; or

(b) which could threaten the Falkland Islands.

Possible sales recently prevented by HMG applying these above criteria include:

	(£m)
Sterling Submachine Guns	.05
Dock Landing Ship	60.
Assault Ship	60.
81 mm Mortars and Mortar Bombs	1.25
20 mm Aircraft Cannon	2.00

Training

4. Training demands from the Argentine Armed Forces are not heavy but we receive a number of visitors to MOD establishments and firms, especially from CITEFA (the Argentine Armed Forces tri-service Research and Development organisation) who are seeking to obtain technical information for the setting up or improvement of their own service facilities.



Visits

5. In order to support our arms sales effort we do not object to Argentine representation at our major Defence Equipment Exhibition (BAEE), Royal Navy Equipment Exhibition (RNEE) and the Farnborough Air Show. However, care is taken to ensure that invitations are not extended to service personnel whose presence in the UK could prove embarrassing to HMG in either human rights or Falkland Islands contexts.

6. There have been no high ranking service visits to Argentina recently nor are any planned.

Secondary equipment for frigates (gunboxes, propellers etc)	35.00
Flowpipe Missiles	5.00
Early Warning equipment for Corvettes	3.00
Early Warning equipment for Lynx	2.50
Communication equipment	25.00
<u>Projects</u>	
Bank Trainer Aircraft	100.00
Miss Counter-Measure Vessels (CMVs)	150.00
Air Traffic Control and Air Defence System	150.00
Coastal Communications System	25.00
Sea Skua - helicopter-borne air to surface missile	20.00
laser rangefinders for tanks	20.00
Radio Communications and equipment for Argentine constructed Tank (TAM)	10.00
Mobile Radar System	10.00
Explet/Whingfire Anti-Tank Missiles	10.00
Other miscellaneous equipment	19.75

	<u>£M</u>
a. <u>Contracts Signed</u>	
Blowpipe Anti-Aircraft Missile System	1.50
Sea Dart Anti-Aircraft Missile System	15.00
Lynx Helicopters	34.00
Head Up Displays (HUDs) for aircraft	10.00
Ejector Seats	2.00
b. <u>Under Negotiation</u>	
Ancillary equipment for Frigates (gearboxes, propellers etc)	35.00
Blowpipe Missiles	5.00
Early Warning equipment for Corvettes	3.00
Early Warning equipment for Lynx	2.50
Communication equipment	25.00
c. <u>Prospects</u>	
Hawk Trainer Aircraft	100.00
Mine Counter-Measure Vessels (MCMVs)	150.00
Air Traffic Control and Air Defence System	150.00
Coastal Communications System	25.00
Sea Skua - helicopter-borne air to surface missile	20.00
Laser Rangefinders for tanks	20.00
Radio Communications and equipment for Argentine constructed Tank (TAM)	10.00
Mobile Radar System	10.00
Rapier/Swingfire Anti-Tank Missiles	10.00
Other miscellaneous equipment	19.75



FAULKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

ARGENTINE RELATIONS WITH SOVIET UNION AND CUBA

Points to Make

Afghanistan

1. Soviet invasion of Afghanistan was unprincipled use of force against sovereign non-aligned country. Glad you condemned it from the start.
2. Need to maintain pressure on USSR to withdraw and deter them from further aggression. Hope that wide support will be given to the idea of a Neutral and Non-Aligned Afghanistan, eg, EC/Asean declaration of 7 March. Welcome your interest.
3. Neutrality is wholly compatible with non-alignment. It is not 'neutralisation' imposed from outside. It accords with traditional policy of Afghanistan.
4. Reactions to the proposal received to date have been generally favourable. The Soviet Union has neither rejected, nor accepted it.
5. Proposal not a substitute for measures against the Soviet Union. These should continue until all Soviet troops withdraw.

Relations with Soviet Union (if felt appropriate)

6. European Community members have agreed not to replace exports of agricultural produce to the Soviet Union withheld by the United States. Soviet Union vulnerable to pressure of this kind, but only if there is wide solidarity and co-ordination of measures. Note that you are increasing sales of meat and grain to the Soviet Union. Is this compatible with your condemnation of the invasion of Afghanistan?
7. Hope we agree that we should not want to see an increased Soviet presence in the South Atlantic.

Cuba

8. A Soviet stalking horse, especially in the areas where Soviet presence would be more conspicuous (eg, Africa, Caribbean).

9. A Soviet satellite: supported Soviet invasion of Afghanistan in UN. Economic dependence on Soviet Union requires total endorsement of Soviet action. Your views?

10. Seeking to profit from instability in Caribbean and Central America: destabilising effect. Less attention now to other areas of South America than in the 1960s. How does Argentina view Cuban influence in the area?

11. Cuba will again be seeking election to Security Council this year: not in Western interests. Assume Argentina will support alternative candidate (whoever that is).



Essential Facts

1. Ideologically, the Argentine Government is firmly anti-Communist. They are highly suspicious of Cuban intentions in Central America, resentful of Communist support in the past for Argentine guerrillas and critical of the methods adopted by Cuba since Castro became Chairman of the Non-Aligned Movement. The Argentine Government was among the first to condemn the Soviet invasion of Afghanistan.

2. But the Argentines historically adopt something of an isolationist stance. They are members of the Non-Aligned Movement; and they have kept open contacts with the communist world, for political as well as economic reasons. Politically Argentina's links with the USSR appear to have enabled her to avoid the sort of international communist vilification which Chile has suffered, although Argentina's abuses of human rights have been comparatively far worse. The military Government have allowed the Communist party to continue to operate freely.

3. The Argentines do not allow ideological differences to interfere with their trade with Communist countries. Cuba is a good market for manufactured goods and the Soviet Union will take all the Argentine meat and grain she can. The Soviet Union is helping develop the Argentine economy and industrial base eg, Soviet technicians are helping to build the large Yacyreta hydro-electric project and the two Governments have held talks about developing Argentina's nuclear power generating capacity. These contacts are not just valuable in themselves, they also provide the Argentines with the means to tweak the nose of the USA, with whom relations have been bad since the 1976 coup. The badly-handled appeal from the Americans to join in their grain embargo on the Soviet Union was turned down by the Argentines, who are now making substantial profits making up some of the shortfall. It appears now that both Argentina and the USA would like their relations to improve, but the price asked by the Argentines - silence on human rights - is too high for the Carter Administration.

4. At present, Soviet involvement in Argentine affairs is not substantial and it has not extended, apart from the occasional

-2-

high-level visit, to the military field. But there must be a danger that the Soviet Union will eventually try to obtain Argentine agreement eg, to provide facilities for Soviet warships in the South Atlantic area: that would not be in the West's interests.

#### Afghan Neutrality

5. Russians not totally discouraging on neutrality idea. Breznev's speech of 22 February said USSR would commence withdrawal as soon as all forms of outside intervention were fully terminated and called on US and neighbours of Afghanistan to guarantee this. Soviet comment has subsequently followed this general line. We are considering whether a neutrality arrangement could include undertakings by the other parties to respect Afghanistan's neutrality and abstain from all intervention. The neutrality package would remain much more comprehensive from what Breznev seems to be offering but inclusion of such undertakings would make it even harder for the Russians to refuse to negotiate.

6. After French blocked attempts to launch Presidency démarche in Moscow, neutrality proposal put to Lunkov by PUS on 28 February with follow-up action by Ambassador in Moscow on 3 March. Russians replied 6 March: while they repeated standard line that all outside interference must stop, no objection was raised to a political solution in principle. Sir Curtis Keeble made a further démarche on 11 April, but the Soviet reply was couched in similar terms.

7. The proposal has received wide support but the approval of Non-Aligned countries is particularly important.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

THE BEAGLE DISPUTE

Points to Make

1. We are no longer involved. Our role as arbitrator ended in 1977.
2. We hope that the Vatican's mediation will produce a peaceful solution acceptable to both sides.

Essential Facts

1. Argentina and Chile have long been at odds over the application of their nineteenth century boundary treaties to the geographically complex area of small islands and narrow straits off the mainland at the southern tip of South America.
2. In 1971 both parties to the dispute asked the British Government, as the arbiter agreed under a General Treaty of Arbitration signed by both Argentina and Chile in 1902, to act in that capacity. (This 1902 Agreement superseded an earlier treaty of 1896 which had conferred a similar function on the Government of Queen Victoria). The British Government accepted and, in agreement with the two parties, appointed an independent International Court of Arbitration, consisting of five Judges of the International Court of Justice, to decide on the dispute.
3. In 1977, the International Court of Arbitration awarded to Chile the three islands claimed by both sides at the north-eastern end of the Beagle Channel, south of Tierra del Fuego. The Award was denounced by Argentina as null and void. A series of bilateral talks in 1978 failed to establish a basis for agreement. Argentina came close to military action to assert her sovereignty in the disputed area. The danger of hostilities was averted by an initiative by the Vatican, just before Christmas 1978, in sending an envoy, Cardinal Samore, to Chile and Argentina. His mission led to a détente and a formal request from both countries to the Holy See to mediate and help them to find a peaceful solution.
4. No solution is, however, in sight: the two countries remain in deadlock. Chile has been prepared to negotiate over maritime limits and zones, but not over territory, over which she has an established legal right; Argentina has been insisting on some territorial concession.
5. The Vatican are aware that their task is difficult and delicate. The mediation process is proceeding slowly (the impression is that the Vatican are determined to play this long) with both sides producing evidence. The Argentines hope this mediation will produce a political solution rather than one based on legal arguments.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

PRELIMINARY MEETING WITH MR MONK

Points to Make

1. Pleased that you have been able to accept my invitation to join my delegation.
2. Considerable help to me to have Islander advice on which I can draw in these first general exploratory exchanges with my Argentine opposite number.
3. Wanted a preliminary meeting with you to ensure I fully understood any points which Councillors wish to put to me before I meet the Argentines and to explain for my part the way in which I hope my exchanges with Comodoro Cavandoli will go.
4. These talks are the first to be held with the Argentines by the Conservative Government. My aim is to explore the Argentine position, without commitment and reaching no decisions. I wish to report back to my Ministerial colleagues with as full an account as possible of Argentine views on all matters of mutual interest (including bilateral issues of no direct concern to the Falkland Islands).
5. Inter-governmental exchanges are confidential. Sure you will recognise this. Realise you will need to give account to fellow Councillors: best kept general. I may want to send them a message also.
6. Discussions with Argentines may be tricky at times. Would you object if I were to invite you to speak on particular issues? Would hope this would be on few occasions only.
7. HMG's interest in and concern for the future and welfare of the Islanders is undiminished. We recognise and accept your wish to remain British. Reiterate undertaking that nothing will be agreed

/with

- with the Argentines without first consulting Islanders and ensuring it has their concurrence.
8. Islands can only have a viable political and economic future by developing co-operation with the Argentines: it is right therefore to talk to them to see what scope there is for co-operation which will benefit us all.
9. I shall leave the Argentines in no doubt about our views on sovereignty. But this is an issue of fundamental concern to them and we can expect them to pursue it. I intend listening carefully to what they say so that there is a reasonable basis on which to conduct future exchanges. But I want also to discuss fully possibilities for economic co-operation, for joint development of resources and to stress the benefits currently being denied us all because of the dispute.
10. Oil: intend to press for co-operation. Time it was established whether hydrocarbon deposits exist in Falklands waters. We shall be suggesting working towards setting up a regime whereby exploration could be licensed jointly.
11. Fish: know that Islanders are unhappy about extent of third country fishing in Falklands waters. To license trawlers we need to declare 200 mile fishing zone; but if it is to work, Argentines have to agree.
12. 1971 and 1974 Agreements: understand Islander distrust of the services (including air services and oil supplies) provided under these agreements. But Islanders derive much benefit. Practical alternatives would be difficult to find and would certainly be more expensive for the Islands. Regard the Agreements as excellent examples of co-operation to the Islanders' advantage.
13. Chilean Commercial Proposals (if raised: see also Brief No 20). We understand the Islanders' desire to diversify the market for their sheep and to lessen the dependence on Argentina for essential

/services



services. But Islanders would be advised to examine the implications of Mr Maslov's proposals very carefully: do they really want to run the risk of antagonising the Argentines to the extent where they curtail communications and fuel supplies?

14. Nationality: if raised, see Brief No 32.

15. Briefs: (if raised) Confidential UK documents.

Summary

Mr Wood will be present as an invited Island representative, representing Islander interests. The decision to take up the Minister's invitation to attend was only narrowly passed in Council (by five votes to four). Mr Wood probably leans in favour, though we do not know for sure. Mr Wood will certainly have to take his brief carefully: he will probably be reluctant to commit himself to anything which goes beyond the limits set by Government. He will be expected to provide his colleagues with a full report of the discussions on his return.

Mr Wood will have no separate dealings in the talks with the Argentines and will have to rely on the support of the Minister's delegation. It is likely that Mr Wood will have to work very closely with the Minister's delegation, and will be expected to provide him with a full report of the discussions on his return. He will have full opportunities, as is usual, for a detailed exchange of views with the Minister on his arrival before the talks begin.

Conclusions

Against this background, the following conclusions are drawn:

Essential Facts

1. This will be the first Ministerial meeting with the Argentines attended by an Island Councillor. His presence will cause us some problems which will require some delicate handling: we shall want to ensure that he does not take umbrage at anything that is said or done; we will not wish to make things more difficult for ourselves with the Argentines in what is already a tricky negotiating situation.

Standing

2. Mr Monk will be present as an elected Island Councillor, representing Islander interests. The decision to take up the Minister's invitation to attend was only narrowly passed in Council (by five votes to four), Mr Monk presumably being in favour, though we do not know for sure. Mr Monk will therefore have to watch his back carefully: he will probably be reluctant to commit himself to anything which goes beyond the remit given him by Councillors. He can be expected to provide his colleagues with a full report of the discussions on his return.

3. But Mr Monk will have no separate standing in the talks with the Argentines and will attend simply as a member of the Minister's delegation. If there are any points which Mr Monk wants to have made, whether on instructions from his fellow Councillors or arising from the talks as they progress, he should be asked to make them first of all to the Minister, preferably before and certainly outside meetings with the Argentines. He will have full opportunity, as is proper, for a detailed exchange of views with the Minister on his arrival before the talks open.

Handling

4. Against this background, the following practical problems arise:

/(a) ...



- (a) Briefs: We cannot give Mr Monk a copy of the briefs. Much of the material (e.g. on sovereignty options) would alarm him and some of it contains references to Islanders' views which he would resent. He will not relish being odd man out in this respect on our delegation. Perhaps the best solution would be to tell him, if he asks to see the briefs, that the Official Secrets Act prevents us from allowing him to see Confidential material. This is a bit thin, as we have shown Councillors such material in the past, but there is no other very convincing reason for keeping the briefs from him.
- (b) Confidentiality: We should remind Mr Monk that inter-governmental and Ministerial exchanges are Confidential. We can accept that he will wish to give Island Councillors in confidence some account on his return of what took place in New York. But he should keep this as general as possible, refrain from quoting the Ministers' actual words and he should accept that matters will be raised and views expressed during the course of the exchanges which might be misunderstood if taken out of context. Such information could be particularly harmful and only lead to embarrassment if it were eventually to fall into the hands of the Falkland Islands Committee (Brief no. 19).
- (c) Role of Delegation Members: It would be improper for Mr Monk to act during the actual talks as if he were some independent entity. He should only contribute to the discussions at the invitation of the Minister, as will be the position with other members of the Minister's delegation. This will need to be made clear to him before the meetings start.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

NATIONALITY/IMMIGRATION PROBLEMS

Points to Make (if raised)

1. Know Islanders' concern from visit last year. Message last December (see Annex) explained that HMG's revised immigration rules did not affect Islanders' existing rights. Those with father or grandfather born in UK continue to be free to come to Britain and settle whenever they wish.
2. Understand difficulties faced by non-patrial Islanders. But not possible to make Islanders special case, because of problems it would cause with other British overseas communities.
3. Reaffirm HMG's pledge to do everything possible to assist in the event of an emergency; Home Secretary will consider most carefully and sympathetically problems of any Islander at such a time.



Essential Facts

1. All native Falkland Islanders are at present citizens of the United Kingdom and Colonies (CUKC's). Under the proposed new nationality rules those who are patrial or who have a grandparent born in the UK, and therefore have the right of abode here, will be denoted as British citizens. The rest will become British Dependent Territory Citizens (or a similar title) and will not have automatic right of abode in the UK.
2. Island Councillors consider this divisive and argue that the new Nationality Act should make special provision for them, because of the dispute with Argentina. But the Falkland Islands are not alone in claiming to be a special case. We could not make an exception even for the small number of Islanders involved without prejudicing our relations with the other Dependent Territories. (There are no firm figures on how many Islanders do not have the right of abode. FIG estimate that the number may be less than 700 and possibly under 600).
3. Mr Ridley reassured Councillors when he met them in July 1977 that the new nationality rules would not affect the immigration status of those Islanders who already had the right of abode in the UK. He could not give any advance undertaking in respect of the minority of Islanders not so covered and who in the event of conflict with Argentina would not have the right of entry and abode in the UK. But he reminded them that the Home Secretary would still have discretion to allow the right of entry into the UK in appropriate individual cases. He reinforced this by sending a message to Councillors following the publication of the White Paper on immigration last November.

PORT STANLEY

CIS 113

RESTRICTED

FI. FCC 201900Z DECEMBER 79

TO IMMEDIATE PORT STANLEY

TELEGRAM NUMBER 166 OF 20 DECEMBER

AW 348/2		
RECEIVED IN REGISTRY NO. 13		
27 DEC 1979		
DESK OFFICER		REGISTER
INDEX	PA	Action Taken

GOVERNOR'S LETTER 341/10F 26 OCTOBER REFERS:  
IMMIGRATION

PLEASE DELIVER THE FOLLOWING MESSAGE FROM THE MINISTER OF STATE  
TO COUNCILLORS. BEGINS.

1. YOU WILL HAVE HEARD THAT THE GOVERNMENT RECENTLY PUBLISHED  
A WHITE PAPER CONTAINING PROPOSALS FOR REVISED IMMIGRATION RULES.  
I KNOW FROM MY VISIT THAT THE QUESTION OF RIGHT OF ENTRY AND  
ABODE IN THE UK IS A MATTER WHICH CLOSELY CONCERNS ALL FALKLAND  
ISLANDERS. I HAVE THEREFORE DECIDED TO SEND YOU THIS MESSAGE  
SINCE I SHOULD NOT WANT REPORTS ON THE NEW RULES TO LEAD TO ANY  
MISUNDERSTANDING ON SUCH AN IMPORTANT ISSUE.

2. IT IS TRUE THAT THE GOVERNMENT HAS DECIDED TO INTRODUCE  
TIGHTER IMMIGRATION CONTROL IN CERTAIN AREAS. BUT I WISH TO  
EXPRESS MOST STRONGLY THAT THE PROPOSED NEW RULES DO NOT  
AFFECT THE EXISTING RIGHTS OF ISLANDERS WITH PATRIALITY OR WHO  
HAVE A GRANDPARENT BORN IN THE UK, WHO CONTINUE TO BE FREE TO  
COME TO THIS COUNTRY AND SETTLE WHENEVER THEY WISH TO DO SO.  
MOST ISLANDERS FALL INTO THIS CATEGORY.

3. I KNOW THAT YOU FEEL THAT EVERY FALKLAND ISLANDER SHOULD ENJOY  
SIMILAR RIGHTS. BUT THE IMMIGRATION RULES OR CONTROL OF ENTRY  
TO THE UNITED KINGDOM APPLY EQUALLY THROUGHOUT THE BRITISH  
COMMONWEALTH. AS I EXPLAINED TO YOU DURING MY <sup>VISIT</sup> ~~TRIP~~, TO INTRODUCE  
LEGISLATION SO AS TO ALLOW SPECIAL TREATMENT FOR THE FALKLANDS  
OR FOR ANY OTHER PARTICULAR TERRITORY WOULD POSE SERIOUS PROBLEMS  
FOR US WITH OTHER BRITISH COMMUNITIES OVERSEAS.



4. I REALISE THAT THOSE ISLANDERS WITHOUT PATRIALITY OR A UK-BORN GRANDPARENT MAY FEAR THE PROSPECT OF FINDING THEMSELVES FACED WITH GENUINE DIFFICULTY. YOU WILL APPRECIATE THAT I COULD NOT GIVE YOU A FIRM UNDERTAKING IN RESPECT OF SUCH ISLANDERS, AND MUCH WOULD DEPEND ON THE CIRCUMSTANCES. BUT I CAN REAFFIRM THE PLEDGE OF HER MAJESTY'S GOVERNMENT TO DO EVERYTHING POSSIBLE TO ASSIST IN THE EVENT OF AN EMERGENCY, AND TO CONSIDER MOST CAREFULLY AND SYMPATHETICALLY THE PROBLEMS OF ANY ISLANDER IN TROUBLE AT SUCH A TIME.

5. MAY I TAKE THIS OPPORTUNITY TO WISH YOU AND YOUR FAMILIES A MERRY CHRISTMAS AND A HAPPY NEW YEAR. ENDS.

CARRINGTON

NNNN

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HKGD

BRIEF NO C33

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

MR A B (ADRIAN) MONK JP: CURRICULUM VITAE

Aged 60. Married (wife Nora), two children. Born and educated UK, mother's family Falkland Islanders. First went to Colony 1947; served as First Officer on Falkland Islands Company's vessels. Manager Pebble Island 1959-68 and manager San Carlos farm 1968 to date. Elected to the Legislative Council in 1971, in 1976 and again in 1977. A member of the Island Delegation who met Mr Rowlands in Rio in 1977. Represented Falklands at Commonwealth Parliamentary Association's 1977 annual meeting, Ottawa.

The previous Governor thought him one of the shrewdest and most responsible of the Island Councillors. But he is known to take a tough line on the question of sovereignty and has earlier expressed the view that a Councillor should walk out of the talks if he did not like the line the British delegation were taking.



FAIKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

ARGENTINA COUNTRY BRIEF

Essential Facts

Geography and population

1. Argentina is the second largest country in South America by area (eighth largest in the world). It has a population of 26 million, of which some 9 million live in the Metropolitan area of the capital, Buenos Aires. Its population growth rate of 1.4 per cent per annum is one of the lowest on the continent.

Economy

2. The economy has traditionally been based on agriculture and over 70% of total exports are of agricultural origin. The main products are cereals (principally wheat), oil seeds and beef. However, manufacturing capability, which includes some heavy industry, is growing and industry accounts for almost 35% of GDP. Argentina has diverse energy resources including oil, gas, coal, hydroelectricity and nuclear power, and considerable mineral reserves including uranium and copper. GNP per capita is over US\$1,700: the third highest in South America. (See also Brief no B23).

3. The overseas account remains healthy; there is full employment. But inflation, although much reduced from earlier chronic levels, was still 140% in 1979 and forecasts for 1980 do not expect it to fall much below 100%. Inflation and tight control over wages have led to some industrial unrest. Stoppages have been numerous but none has constituted a threat to Government. Tensions continue between the military Junta and the trade unions - traditionally the power base of Peronism - who are themselves divided and disorganised. A law in November 1979 prohibited all political activity by trade unions and removed trade union control of their social welfare fund. The unions strongly oppose the law which they claim is an attack upon their basic rights, but they are not in a position to change it.

/Political

Political

4. The military Junta which came to power in March 1976 remains firmly in control. There is no immediate prospect of a return to civilian rule. The recently published (and long-awaited) "Political Plan", the blueprint for the military-designed Argentina of the future, contains no mention of elections, nor any deadline for the completion of the "process of national reorganisation". One of the most criticised proposals is that to have the military presence in Government institutionalised. However, a new stage in the 'process' has begun with the opening of a political dialogue with some political groups. This dialogue is expected to continue for some months.

5. The strongest political party remains the Peronists, whose leader, Sra (Isabelita) Peron is still held under house arrest in Buenos Aires. If elections were to be held, few doubt that the Peronists would win outright. The Peronists have refused to take part in the "dialogue" with the military; and the military in turn have made it clear that they will not return power to the Peronists while they still have the same leaders that did so badly before.

Junta

6. General Galtieri, as expected, succeeded General Viola as Commander-in-Chief (Army), at the beginning of the year. Galtieri was Viola's choice; they are both seen as moderates. Galtieri is believed to support Viola's ambitions to succeed Videla as President in March 1981. The Army hard-liners received set-backs in 1979 when one of their number, General Menendez failed to pull off a revolt he had planned and another, General Suarez Mason, was passed over for promotion and obliged to retire. But they are still in the majority and retain much influence, particularly in the human rights field. The Interior Minister, General Harguindeguy, is an outspoken hard-liner.

Foreign Policy

7. Argentina purports to pursue a generally moderate, pro-Western foreign policy. She is a member of the Non-Aligned



Movement and claims that she is a force for moderation within it. But she has a tradition, of which she is proud, of taking an independent and isolationist stance. Argentina has traditionally resisted US influence and the military Government have kept open links with Cuba and USSR (see Brief no 25). Her current main preoccupation, apart from the Falklands, is the Beagle dispute with Chile (see Brief no 26). Relations with Brazil and Paraguay have improved of late with agreement on the hydro-electric development of the Parana River. Argentina is seeking to keep in touch with the Andean Pact both for economic and political reasons.

## ARGENTINA'S ATTITUDE TO THE FALKLAND ISLANDS

Essential Facts

1. All Argentine regimes, whether civilian or military, subscribe to the sovereignty claim over the Falkland Islands and Dependencies. The claim is based on alleged inheritance of title from Spain and Argentine occupation of the Islands between 1820 and 1832. But it is not just a matter of law, but one of national honour and machismo. It fits in with military and nationalist pre-occupation with "sovereignty", inspired partly by fear (about national security) and partly by ambition (the historical rivalry with Brazil). Every child learns at school that the Islands are Argentine and illegally occupied by Britain. If the Islands ever became Argentine, it is unlikely that many Argentines would wish to settle there; the main significance of the Islands would be their strategic position in the South Atlantic and the resources in and under the sea.
2. The Argentines' ability to focus on the Falkland Islands issue is conditioned by internal and external factors. There are few current distractions. Internal subversion, the military's first target after the March 1976 coup, has been largely contained. The Government's economic policies have steadily reduced inflation and increased the country's wealth. Other foreign policy issues are less pressing. Two years ago, Argentine attention was focused primarily on the dispute with Chile over the Beagle Channel. This came close to open war, prevented at the last minute only by the intervention of the Vatican with its offer of mediation (see Brief no. 26). Differences with Paraguay over the exploitation of the hydro-electric potential of the Parana river, whose waters they share, have been overcome. There are signs of a growing cordiality between Argentina and Brazil, the area's traditional rivals.
3. The present Argentine Junta is relatively moderate, but it has constantly to defend its position against hard-liners in the Armed Forces. If some major internal quarrel arose (on foreign

/or domestic



or domestic e.g. economic policy) the possibility remains of the Junta turning to the Falklands issue to provide a suitable distraction. The closest Argentina has yet come to military action against the Falklands was in the months before the 1976 coup, i.e. at a time when the Government of the day were anxious to divert attention from internal problems.

4. The heat was only taken out of the Falklands dispute in 1976 when HMG showed a willingness to negotiate. The talks which followed between 1977 and 1979 were based on the prospect of some deal on sovereignty being possible. We kept the Argentines in play only with difficulty and there was continuing suspicion among the Argentine officials about the genuineness of our intentions. The Argentines became increasingly impatient about British delaying tactics.

5. The Argentines have been relatively patient since the last round of talks in March 1979. They accepted that the Government needed time to formulate policy and have limited themselves to occasional reminders of their wish to hold talks. In New York, they are likely to insist again on an agreement to transfer sovereignty as a prerequisite for any economic cooperation or joint development of the area's resources. But it is probably true that (despite the effects of inter-Service rivalries) the present military Government in Argentina will wish to avoid raising the temperature on the Falklands dispute. In this respect (and if we decide actively to pursue a political solution), they are likely to be easier to deal with than any civilian Government, more open to domestic pressures.

FAKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

FAKLAND ISLANDS AND DEPENDENCIES: (COUNTRY BRIEF)

### Essential Facts

Governor: Mr R M Hunt CMG (since February 1980).

Population: 1979 (estimated) 1,800 - has declined steadily over the last 30 years, probably nearer 1,400 plus about 200 expatriates.

Geography: Total area about 4,700 square miles. Under 400 miles from Argentine mainland; 7,000 miles from UK. Dependencies are South Georgia, South Sandwich Islands, 800 miles S.E. of Falklands and 470 miles S.E. of South Georgia respectively. Falklands continuously settled by UK since 1833. Dependencies uninhabited except for British Antarctic Survey HQ on South Georgia.

### Communications:

External: twice weekly air service to and from Argentina provided by Argentine Air Force under the 1971 Communications Agreement (see Brief no 14). Falkland Islands Company charter ship (transporting Islands' wool and hide exports) calls four or five times a year.

Internal: SS Monsunen (carries freight and sea mail and collects wool from outlying farms), 2 Beaver float planes and one Islander aircraft.

Telecommunications: Telex links (independent of Argentine mainland) with UK. Radio telephone links with outlying farms. Telephone and telegraphic services to Argentina (under the 1971 Communications Agreement).

Roads: 8½ miles in and around Port Stanley, the main town. Road under construction between Stanley and Darwin; only 5 miles completed so far.

Political: Government administered by Governor aided by a six-man Executive Council and an 8 man Legislative Council. Last elections: November 1977, next in 1981. The Falkland Islands Government is empowered to legislate for the Dependencies as well.



Economic/Trade: Economic prospects limited. Economy based almost entirely on sheep farming. Wool is the only significant export. (83% exported to UK). The Falkland Islands Company dominates the economy, owns 46% of the land. Development of offshore resources (fishing and oil, if proven) only possible with Argentine agreement.

GEOGRAPHICAL

1. The Falkland Islands are small and remote; they lie in the South Atlantic approximately 400 miles north-east of Cape Horn and 7,000 miles from the UK. They comprise 2 large islands, East Falkland and West Falkland, and some 200 smaller islands. The total land area is 4,700 square miles (about half the size of Wales). There are few trees. The uplands are bare and the natural vegetation is grassland. Birds (penguins, gulls, seabirds) and seals abound. The climate is characterized by a narrow temperature range, strong winds, a fairly low rainfall evenly distributed throughout the year and frequent cloud cover.

More details are provided in attached Annex.

POPULATION

2. The population is dwindling and numbers no more than 1800 all told, nearly all of British descent with about 20% born in the Falkland Islands. The peak was 2,500 in 1951. Stanley, the capital, (population 1,050) is the only town and in the Camp (i.e. the countryside outside Stanley) the largest settlement is Goose Green (140).

HISTORICAL

3. The first known landing was in 1690 by an English Naval Captain John Strong. In 1764 a small French colony was established in East Falkland but 3 years later the settlement was handed over to Spain. Britain established settlements in West Falkland between 1766-1770 and 1771-1774 but could not sustain them. The Spanish crew in 1811 leaving the

## BACKGROUND BRIEF: FALKLAND ISLANDS AND DEPENDENCIES

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## POPULATION

2. The population is dwindling and numbers no more than 1800 all told, nearly all of British descent with about 80% born in the Falkland Islands. The peak was 2,390 in 1931. Stanley, the capital, (population 1,050) is the only town and in the Camp (i.e. the countryside outside Stanley) the largest settlement is Goose Green (140).

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## HISTORICAL

3. The first known landing was in 1690 by an English Naval Captain John Strong. In 1764 a small French colony was established in East Falkland but 3 years later the settlement was handed over to Spain. Britain established settlements in West Falkland between 1766-1770 and 1771-1774 but could not sustain them. The Spanish also withdrew in 1811 leaving the

Islands empty. In 1820 the Buenos Aires Government, by then independent of Spain, sent a ship to the Falkland Islands to proclaim its sovereignty and, despite British protests, established a settlement 1826-1831 (until destroyed by an American warship) and maintained a garrison eventually evicted by a British warship in 1832. Continuous British occupation dates from then. By Act of Parliament in 1843, a Governor and permanent administration were established.

#### POLITICAL

4. The Falkland Islands are a British Crown Colony. The present constitution dates from 21 November 1977. The Government is administered by a Governor (Mr R M Hunt CMG) aided by an Executive Council (of 6, comprising 2 ex-officio members; 2 unofficial members appointed by the Governor; and 2 members of the Legislative Council) and a Legislative Council (of 8, comprising 2 ex-officio members and 6 elected members). Elections are by universal adult (over 18) suffrage, Stanley electing 3 members, East and West Falkland one each and the Camp one. The next general election is scheduled for 1982. There is a Supreme Court, a Magistrates Court and a Court of Summary Jurisdiction and a Court of Appeal which sits in London.

#### DEFENCE

5. The Royal Marine garrison comprises 2 officers and 41 marines who do a tour of 12 months. There is also a local voluntary and part-time force of 40, the Falkland Islands Defence Force. The Royal Navy, ice patrol vessel, HMS Endurance is deployed to the South West Atlantic from December to April each year. One of her tasks is to effect the change round of the garrison through Montevideo.



## THE ECONOMY

6. The Colony's economic prospects are limited. The economy is based almost entirely upon sheep farming (638,000 sheep in 1976/7) which employs half the work force. The Falkland Islands Company dominates the economy, especially the wool trade and owns nearly half the land area.

7. Lord Shackleton's Economic Survey of the Falkland Islands (1976) made wide ranging recommendations many of which have been implemented. An extension to the new airport was not agreed and development of offshore resources i.e. fish and oil would be difficult without Argentine co-operation.

8. The opportunities open to the Falkland Islands Government to diversify the economy are narrow; studies have been made to improve pastures and sheep farming. The extensive beds of seaweed (kelp) around the Colony's coastlines offer prospects of establishing a calcium algenates industry in the Islands, though the withdrawal of Algenate Industries (a UK company) from their commitment to develop these resources, was a major setback. Inshore fishing is a possibility, but there is no money available for a pilot scheme. Lord Shackleton underlined the need to diversify the economy and attract investment to the Islands. The remoteness of the Islands, their declining population and the continuing sovereignty dispute with Argentina have so far proved a barrier to investment.

9. Exports from the Islands consist almost entirely of wool. The Colony's largest imports are foodstuffs, manufactured goods, timber and machinery. There is a small annual trade surplus.

### Taxation

10. The budget hitherto has balanced. The main sources of Government revenue are income tax and company tax. Both are broadly in line with UK levels.

### Currency and Banking

11. The currency is local coinage (introduced in May 1975) and is interchangeable with sterling at par. There are no commercial banks but funds can be remitted through the Falkland Islands Treasury. There is a Government Savings Bank.

### SOCIAL

#### Way of Life

12. Life in the Falkland Islands is rugged, unsophisticated, isolated and parochial. The people are honest and hardy and economically fairly comfortably off. (Estimated per capita income for 1977 was £1,700). There is no unemployment. But, with dwindling numbers and an uncertain future, morale is low. There is a drinking problem and a lack of females of marriageable age. (The marines have married many young Island girls). Society is somewhat paternalistic if not feudal, with absentee landlords and what Lord Shackleton described as "a pattern of dependence" whether on the Government, the Falkland Islands Company or expatriates generally and "a degree of acceptance of the status quo which verges on apathy". The people are united however, in their deep seated emotional belief that they are British and wish to remain so.



### Living Conditions

13. The Islanders are relatively well served in social facilities. Children aged 5-15 attend school locally in Stanley. In the Camp, education is carried on either in settlement schools or by itinerant teachers. When completed, the new school hostel in Stanley will centralise secondary education. After 15, promising pupils go to Britain, Argentina or Uruguay through a scholarship scheme operated by the Falkland Islands Government. (The Argentine Government also offers scholarships).

### Health

14. Standards of health are quite high. The staff of the Government Medical Department includes a senior medical officer, assisted by 2 other doctors, a dental officer and 10 nursing staff. There is a modern and well-equipped 27-bed Government hospital in Stanley.

### Communications

15. There is a twice-weekly air service between the Argentine mainland and Port Stanley operated by LADE (the civilian wing of the Argentine airforce). The Falkland Islands Company charter a vessel which makes a round trip to the United Kingdom 4 or 5 times a year taking in general cargo and bringing out mainly the wool clip. It carries no passengers. Internal communications are maintained by the Falkland Islands' Government Air Service (FIGAS). Local sea communications are maintained by the MV Monsunen. External telecommunications are the responsibility of Cable and Wireless. There is a limited telephone system in Port Stanley and communications in the Camp are by radio telephone

FALKLAND ISLANDS: BRITISH-ARGENTINE TALKS - NEW YORK, 29-30 APRIL 1982

FALKLAND ISLANDS: ECONOMIC DEVELOPMENT

THE FALKLAND ISLANDS' DEPENDENCIES

16. The Falkland Islands have, as Dependencies, South Georgia, which lies some 800 miles south-east of the Falklands and the South Sandwich Islands, which lie some 470 miles south-east of South Georgia. The Falkland Islands Government is empowered to legislate for the Dependencies. There is no indigenous population on any of these islands. But the British Antarctic Survey maintain a base at King Edward Point in South Georgia.

2. Lord Shackleton's Economic Survey of the Falkland Islands completed in 1976, made wide-ranging recommendations, the majority of which have been implemented, although some of the most expensive (e.g. airport extension) are not considered justified. Development of offshore resources - oil and fish (British nos. 3 and 9) - remains dependent on cooperation with Argentina in an uneasy political climate.

Future Opportunities

3. Opportunities open to the Falkland Islands Government to diversify the economy are few. Fuller details are attached.

Annex B

(a) The Grasslands Trusts Unit (GTD) is to be set up by OSA to study methods of improving pastures and sheep farming. No firm results expected before 1983 at the earliest.

(b) Inshore Fisheries: OSA have completed a report on inshore fisheries. It recommends a trial survey (estimated cost £510,000) of the waters off the area and a catchment/processing plant which would cost £732,000 over ten years. Funds will be a problem. OSA cannot take on new commitments, but have insufficient funds nor can they raise a commercial loan.



FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

FALKLAND ISLANDS: INTERNAL ECONOMIC DEVELOPMENT

### Essential Facts

#### General

1. Prospects are limited. Economy is based on sheep-farming which employs half the work force. The only export is wool. FICO (see Brief no. 18) dominates the economy, especially the wool trade and owns nearly half of the land area. The remoteness of the Island, the declining population and the dispute with Argentina have deterred investment.

2. Lord Shackleton's Economic Survey of the Falkland Islands completed in 1976, made wide-ranging recommendations, the majority of which have been implemented, although some of the most expensive (e.g. airport extension) are not considered worthwhile. Development of offshore resources - oil and fish (Briefs nos. 8 and 9) - remains dependent on cooperation with Argentina in an improved political climate.

#### Future Opportunities

3. Opportunities open to the Falkland Islands Government to diversify the economy are few. Fuller details are attached.

Annex A

Annex B

(a) The Grasslands Trials Unit (GTU) (funded by ODA) is studying methods of improving pastures and sheep-farming. No firm results expected before 1982 at the earliest.

(b) Inshore Fisheries. ODA have completed a report on inshore fisheries. It recommends a trial survey (estimated cost £510,000) of the resources in the area and a salmon-ranching pilot scheme costing £932,000 over ten years. Funds will be a problem. ODA cannot take on new commitments; FIG have insufficient funds nor can they raise a commercial loan.

Annex D

- (c) Green Patch. FIG have purchased from FICO a farm at Green Patch for sub-division into smaller units. If it is successful it would demonstrate that a not very profitable large farm can be converted into profitable manageable units with scope for diversified farming.
- (d) Currency. FI currency is tied to sterling. FIG are free to make a break if they wish to do so. There seems little need for a change. 85% of the Islands' imports originate in the UK: we take all their exports. New institutions and sophisticated local financial advice would be required and there would be possible political difficulties with the Argentines if a break occurred. The Financial Secretary, Mr Rowlands, discussed with the Bank of England during his September 1979 visit. He is taking further soundings.
- (e) Banking. The Islands' tiny population makes a commercial banking operation unattractive. The Bank of England have suggested that the role of the Savings Bank (the only bank in the Islands) could be expanded and this proposal has been endorsed by an expert who visited the Islands recently. If there are no legal objections to the Government owning a bank offering commercial services, the new system is likely to be introduced soon.
- (f) Offshore banking. Non-starter, not least because of the Islands' geographical position. A solution to the dispute with Argentina, and improved air service and telephone/telex links would be pre-conditions.
- (g) Taxation. Personal: recently brought into line with UK rates. ODA and FCO economists have doubts about advisability of this. A declining population would reduce Government revenue from taxation. Company: proposals are in hand to reduce company taxation to bring it into line with UK rates. A new comprehensive double taxation agreement between the UK and Falkland Islands will probably be ready next year.



FC/Mr Ridley

FALKLAND ISLANDS:

(h) Government infrastructure. The Shackleton report recommended that there should be a Development Office for the Islands. The former Governor, Mr Parker, has suggested to FICo that they might provide such a ma

Aid

Annex E

4. Provides the only new money going into the Islands. The 1979/80 programme includes £92,000 for topping up salaries, £220,000 for technical cooperation and £690,000 earmarked for a new school hostel and the Stanley/Darwin road.

2. In some fields, there has been progress, notably on taxation, which has been brought into line with the UK model, and on the Green Patch scheme where an agreement has finally been signed with the Falkland Islands Company to split one large ranch into 8 small farms and to sell them at very favourable rates to Islanders.

3. Mr Rowlands, the Islands' Financial Secretary, has visited London (where he called on Mr Ridley and the Bank of England) and Mr Ritchie, their UK-based Fiscal Adviser, has visited the Islands and the Caymans to investigate the possibilities for a more adventurous banking regime. However, both visits revealed how little room for manoeuvre there is and, particularly, how difficult it would be to attract commercial banking interest even if there were a settlement of the dispute.

4. We have heard no more about the possible takeover of the Falkland Islands Company (FICo) since we sent Mr Parker details of the Foreign and Colonial Investment Trust, who Mr Hill suggested might be interested in financing a takeover. It is clear that Mr Hardham, who took over as Chairman of FICo last year, is taking a much closer interest in the Company's workings than his predecessors; this should benefit the Islands. We shall be asking the new Governor, Mr Hunt, for an assessment of FICo's relations with the Islands and a view on what we might do, if necessary, to improve them.

PS/Mr Ridley

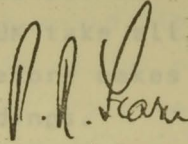
FALKLAND ISLANDS: ECONOMIC DEVELOPMENT

1. Mr Ridley may wish to know what developments there have been since his office meeting of 30 August 1979 to discuss how best to develop the economic potential of the Islands. I attach a background note which summarises the state of play on the various issues raised there.
2. In some fields, there has been progress, notably on taxation, which has been brought into line with the UK model, and on the Green Patch scheme where an agreement has finally been signed with the Falkland Islands Company to split one large ranch into 6 small farms and to sell them at very favourable rates to Islanders.
3. Mr Rowlands, the Islands' Financial Secretary, has visited London (where he called on Mr Ridley and the Bank of England) and Mr Ritchie, their UK-based Fiscal Adviser, has visited the Islands and the Caymans to investigate the possibilities for a more adventurous banking regime. However, both visits revealed how little room for manoeuvre there is and, particularly, how difficult it would be to attract commercial banking interest even if there were a settlement of the dispute.
4. We have heard no more about the possible takeover of the Falkland Islands Company (FICO) since we sent Mr Parker details of the Foreign and Colonial Investment Trust, who Mr Hall suggested might be interested in financing a takeover. It is clear that Mr Needham, who took over as Chairman of FICO last year, is taking a much closer interest in the Company's workings than his predecessors; this should benefit the Islands. We shall be asking the new Governor, Mr Hunt, for an assessment of FICO's relations with the Islands and a view on what we might do, if necessary, to improve them.



- 2 -

5. The Financial Secretary has so far managed to balance his budget, but he has told ODA that it is becoming increasingly difficult to do so and that, without outside aid, the Island economy may go into the red in the not too distant future.



P R Fearn  
South America Department

8 April 1980

cc: Mr Harding o.r.  
Mr R L Baxter, ODA  
Mr S Uhlig, ODA  
Mr Bailey, Economists Dept

FALKLAND ISLANDS ECONOMY: DEVELOPMENTS SINCE MR RIDLEY'S  
OFFICE MEETING OF 30 AUGUST 1979

Currency (link with Sterling)

1. The Bank of England's dependent territories specialist, Mr Mayes, told Mr Rowlands that FIG were free to break the tie with sterling if they wished to do so. But 85% of Island imports originate in the UK and the UK take all the Islands' exports. The link with sterling therefore makes sense. Mr Rowlands agreed to take further soundings.

Commercial Banking Facilities

2. The Bank of England advised Mr Rowlands against approaching minor banks: things have gone badly wrong in other dependent territories. They recommended that the role of the Savings Bank might be expanded, perhaps by grafting on a commercial operation. Given the Islands' tiny population commercial banking operations would probably not be attracted. Our Embassy in Buenos Aires have stressed that any commercial bank established in the Islands would need to be either British- or Argentine-owned if it were not to meet with opposition from the Argentines. FIG, with the Bank of England's blessing, arranged for the retiring Inspector of Banks in the Caymans, Mr Robin Benbow, to visit the Islands in February to advise on banking matters. His report (not yet received) recommends turning the Savings Bank into a FIG-owned limited commercial bank.

Access to Credit

3. The Financial Secretary's opinion is that the Islands require access to perhaps £100,000 annually. Mr Rowlands' calls brought home the difficulty FIG had in attracting capital without British Government guarantees. The Islands' small population and isolation are major stumbling blocks. FIG could only expect to attract capital for commercially attractive schemes. The Bank of England advised that the problem would not simply be solved by having a commercial banking presence; but a local bank could mobilise local funds more efficiently.



Offshore Banking

4. The FIG Fiscal Adviser, Mr Ritchie, visited the Caymans at the end of 1979 to investigate the possibilities of off-shore banking for the Islands. He concluded that a pre-condition would be a political solution with Argentina. Much improved air-service and telex links would also be necessary. Mr Benbow (2 above) also covered this aspect of banking and rejected it. ODA have commented that any proposal to develop the Falklands as a tax haven for offshore banking is unlikely to work in view of their remoteness.

Taxation

5. FIG have drawn up legislation to be introduced shortly to bring income tax into line with the UK (Islanders do not want to pay higher rates than we do). The Financial Secretary's opinion is that

- i) tax on the high amounts of overtime being earned by those constructing the Stanley-Darwin road;
- ii) the introduction of separate assessments for husband and wife; and
- iii) tax from recently arrived Chilean labour

will compensate for the reduction in tax rates. The tendency to keep Island tax rates in line with UK rates will need watching. The Islands have no VAT or indirect taxation to raise to compensate for cuts in income tax.

Company Taxation

6. FIG legislation is in the pipeline to reduce company taxation to bring it into line with UK levels. A new comprehensive double taxation agreement is under discussion between the FIG and the Inland Revenue.

/Government

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Government Infrastructure

7. Mr Parker urged the need for a development officer as recommended in the Shackleton report and has floated the idea with Mr Needham, Managing Director of Coalite, and Chairman of FICO, that FICO might provide such a man. Mr Ritchie intended to raise the idea with Warburgs and the Economist Intelligence Unit while he was here but we have heard no more.

Takeover of Falkland Islands Company (FICO)

8. The background is in Mr Ure's submission of 22 August 1979. Mr Parker felt that the Company management lacked direction and purpose in its policy towards the Islands. It could and should be borrowing against its assets and investing in the Islands. Mr Hall said at Mr Ridley's meeting that the Foreign and Colonial Investment Trust might be interested in financing a takeover. We have sent details of the Trust to the Governor and shall be asking Mr Hunt for his views on how best to proceed.

White Fish Authority Study

9. The report has been finalised. It is not optimistic that a viable commercial operation could be established even if there were a settlement of the dispute. Councillors have expressed disappointment but no surprise. FCO/MAFF Ministers met the South Atlantic Fisheries Committee (SAFC) on 1 April to discuss the report and rejected the idea of Government support for an exploratory voyage.

ODA Report on Inshore Fisheries/Salmon Ranching

10. A background note is attached. The former Governor reported that the prospect of raising the funds needed is bleak, (£510,000 over 3 years for fishing, £932,000 over 10 years for salmon ranching). ODA are unlikely to be able to help. They have suggested that farm-owners might undertake pilot-schemes with their own savings.

/Green Patch



Green Patch

11. An agreement has now been reached between FICo and FIG for the purchase of Green Patch Farm (see background note). Further action will be for FIG. The former Governor laid down a marker with FICo that more schemes on similar lines would be welcomed. Other farming companies will be watching the scheme and, if it is a success, may be encouraged to embark on their own ventures.

Agricultural Potential

12. Mr Ridley held a meeting to discuss this on 20 February. It was generally agreed that there was scope for improving the wool-yield and for small-scale diversification into other forms of agriculture. But the potential is limited.

Mr Parker's views

13. We wrote to the then Governor after Mr Ridley's meeting last year. A copy of his reply is attached. It covers several of the issues above.

## GRASSLANDS TRIALS UNIT (GTU)

Background Note

1. The Grasslands Trials Unit (GTU), set up mainly with ODA Technical Co-operation (TC) funds, was formed in 1975 as an experimental unit to carry out investigative work on vegetation and livestock production in the Falkland Islands as a basis for the development of more efficient farming systems. At present, there is only 1 sheep to every 4 acres of land in the Falklands (over 600,000 sheep). The GTU hopes to improve that to perhaps 1 sheep per acre. The GTU has no land of its own but carries out its work in co-operation with the local farmers.
2. Traditionally, investment in the land has been minimal, inhibited partly by the landowners' lack of knowledge about possible alternative grasses for seeding open pasture. The carrying capacity of the land is limited by a nutritional gap in September to November when none of the local grasses grow. It is one of the purposes of the GTU to assess the technical and economic viability of re-investment of farm profits in the land to revitalise the sheep industry and also to demonstrate that pastures can be improved on an economic basis. The experimental schemes currently in hand are fairly successful, but only a small area of land has been reseeded and the cost is high (up to £50 an acre). No firm results are expected before 1982 at the earliest.
3. A goose study, which is trying to ascertain the extent to which the large numbers of Upland geese (over half a million) compete with sheep for pasture, forms part of the GTU's work. Preliminary investigation suggests the goose may not necessarily be the pest the Islanders believe, but rather a valuable part of the pasture's ecological cycle. A report should be available later in the year.

Other Assistance in Agricultural matters

4. (i) In October 1977 Dr J R Barlow of the Tropical Products Institute visited the Falklands under TC arrangements



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## ODA REPORT ON FALKLANDS FISHERIES

to advise on the treatment of hides and skins.

Background Note

(ii) In July 1979 Mr H L M Peirse of the New Zealand Wool Board visited the Falklands to advise on wool marketing. He was sponsored by the Commonwealth Fund for Technical Co-operation.

(iii) In December 1979 Miss J H Galloway of the West of Scotland Agricultural College visited the Falklands under TC arrangements to advise on cheese making.

South America Department  
Foreign and Commonwealth Office  
March 1980

(b) Salmon Exporting: A pilot scheme should be set up (para 161) in three phases, costing £532,000 over 10 years (Table 2).

ODA Attitude

2. The ODA sent the Governor the report on 10 August 1979 saying that as there is no money for new commitments there is no prospect of ODA action on the report for the next year or so. The Governor has commented that without ODA assistance, there is no prospect of implementing the Report's recommendations. FIC do not have sufficient funds; nor can they raise a commercial loan for this purpose. FIC is unlikely to want to do it as ODA has shown no interest.

RESTRICTED

## ODA REPORT ON FALKLANDS INSHORE FISHERIES

Background Note

1. The Report was written by Dr Hall, ODA Fisheries Adviser, who visited the Islands in November 1978. His purpose was to examine the prospects for a nearshore fishery; and to make recommendations on salmon ranching. His conclusions are summarised at the beginning of the Report, the main ones being
- (a) Commercial Fishing: Falklands fish are still unexploited (rare today). A number of factors inhibit the establishment of a commercial fishing industry:
- (i) a lack of relevant commercial information;
  - (ii) the small and dispersed population: would not provide a large enough local market to support an industry;
  - (iii) the distance from overseas markets;
  - (iv) the need to attract immigrants as the work force available could not cope.

To meet the need for more information a trial survey of the resources in the area should be made (para 13) using a stern trawler (estimated cost £510,000 over 3 years vide Table 2).

- (b) Salmon Ranching: A pilot scheme should be set up (para 161) in three phases, costing £932,000 over 10 years (Table 7).

ODA Attitude

2. The ODA sent the Governor the report on 10 August 1979 saying that as there is no money for new commitments there is no prospect of ODA action on the report for the next year or so. The Governor has commented that without ODA assistance, there is no prospect of implementing the Report's recommendations. FIG do not have sufficient funds; nor can they raise a commercial loan for this purpose. FICO is unlikely to want to take it on. CDC has shown no interest.



## GREEN PATCH FARM PROJECT

1. In October 1977 the Falkland Islands Company (FICo) announced a scheme to sell to the Falkland Islands Government its farm at Green Patch, (25 miles from Port Stanley), for sub-division into smaller units. The announcement followed comment in the Shackleton Report that FICo was a monopolistic concern.
2. The Governor (Mr Parker) was fairly certain that the Managing Director of FICo, Mr Mitchell, only offered to sell the farm under pressure and to some extent in the expectation that the Falkland Islands Government (FIG) would be frightened off and turn the scheme down. The Company probably saw the scheme as a pilot which would highlight the problems of small scale farming in the Falklands. FICo believe large-scale ranching to be the best way of farming in the Islands.
3. The scheme is now well on course and competition for the 6 farms was keen (22 applicants) and all plots have been allocated.
4. FIG paid FICo £170,000 for the farm to be funded from a loan from the Government Savings Bank at an interest rate of 9%. The farm was sub-divided into 6 viable units, each capable of being run by a man and his family. Farms range in size from 10,650 acres, 2,800 sheep (cost £14,630) to 13,360 acres, 3,230 sheep (cost £32,080). Purchasers were offered a 25 year mortgage at a fixed interest rate of 7%. The leases are for 99 years but may be converted to freehold within 25 years. Each farm should make enough profit to cover the mortgage and leave enough to plough back.
5. The total of all selling prices is £120,000. The difference (£50,000) between this figure and the price FIG pay FICo represents the value of central plant buildings and equipment which farmers will be able to use at cost on a hire basis until they acquire their own facilities. On the assumption that by that time individual farmers will have acquired their own plant and equipment, the Government intend to sell off the central plant within 5 years.

6. Other farming companies will be watching the scheme carefully before introducing any similar ventures. If the scheme is successful, as seems likely, it should demonstrate that a not very profitable large farm can be converted successfully into manageable units which offer scope for good profits and diversified farming.

SOUTH AMERICA DEPARTMENT

18 February 1980

Stanley/Darwin Road

2. An all-weather road is under construction across East Falkland to link Stanley with Darwin/Goose Green. Total cost is £1.2 million. IIG will contribute £380,000. It will take five to seven years to complete. Five miles completed so far (of sixty).

Re-equipment of PVU

3. Equipment left from the airport construction has been purchased and re-evaluated and provision made for a store. The cost may amount to over £100,000.

Technical Cooperation

4. About forty expatriate staffing the Islands' vital services have their salaries "topped up" from old funds. There are also six long-term TOCs. Six of them are in the 6-Islands Trials Unit.

Air Services

5. Stanley Airport was constructed with ODA funds (about £6 million). ODA also supplied the Islander aircraft and paid half the cost of the two Beaver float-planes.



AID TO THE FALKLAND ISLANDSBackground NoteSchool Hostel

1. A hostel costing £550,000 is under construction for Stanley Secondary School: it will enable the boarding school at Darwin to close, thus concentrating educational resources at Stanley. Completion was originally scheduled for April 1979, but project timing has slipped considerably. As yet no reliable date for completion.

Stanley/Darwin Road

2. An all-weather road is under construction across East Falkland to link Stanley with Darwin/Goose Green. Total cost is £1.2 million. FIG will contribute £180,000. It will take five to seven years to complete. Five miles completed so far (of sixty).

Re-equipment of PWD

3. Equipment left from the airport construction has been purchased and rehabilitated and provision made for a store. The cost may amount to over £100,000.

Technical Cooperation

4. About forty expatriates staffing the Islands' vital services have their salaries "topped up" from aid funds. There are also eight long-term TCOs. Six of them are in the Grasslands Trials Unit.

Air Services

5. Stanley Airport was constructed with ODA funds (about £6 million). ODA also supplied the Islander aircraft and paid half the cost of the two Beaver float-planes.

FALKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)  
SUMMARY OF POINTS COVERED AND POSITION REACHED IN PREVIOUS ROUNDS OF TALKS

Essential Facts

1. Rome, July 1977 (Officials)

- Argentina: insists on full transfer of sovereignty but accepts need for transitional period. Offers safeguards for Islanders, but insists on gradual integration with Argentina
- UK: suggests "mixed approach", i.e. different solutions for the Islands, the Dependencies and the maritime zones. Makes clear that problem is self-determination, not de-colonisation.
- Comment: no conclusions. Both sides testing the water.

2. New York, December 1977 (Ministerial)

- Argentina: presses 8 year joint administration plan, submitted in September, together with a list of safeguards for Islanders and a request for authorisation for Argentine interests to take over the Falkland Islands Company. Economic co-operation could be started provided the sovereignty question was resolved.
- UK: rejects joint administration scheme and again puts forward "mixed approach" in a sovereignty working paper. Emphasises that distinction is between inhabited and uninhabited territory not between territory and people. Submits papers on oil, fish and krill.
- Comment: most positive of the rounds, chiefly because Argentines understood our "mixed approach" proposals to mean that we were prepared to cede sovereignty quickly in the Dependencies and their maritime zones without any corresponding agreement on continued British sovereignty over the Islands themselves. They were later disillusioned.



3. Lima, February 1978 (working groups)

(i) Political

Argentina: claims Islands do not generate continental shelves and these are therefore outside scope of negotiations.

UK: rejects this. Puts forward plan to remove sovereignty implications from Argentine occupation of Thule.

Comment: stalemate on continental shelf and sovereignty. Basis for advance on Southern Thule (see Brief No 13).

(ii) Economic Co-operation

Argentina: proposes the establishment of a tripartite (Argentina, UK, Islander) organisation to develop resources in parallel to solution to sovereignty problem.

UK: unenthusiastic. Revives paper put forward at New York.

Comment: no progress on either sovereignty or economic co-operation. Argentines stressed that they were only prepared to discuss economic co-operation as a package involving sovereignty concessions.

4. Geneva, December 1978 (Ministerial)

Argentina: agrees proposals on Southern Thule and accepts some maritime co-administration proposals (similar to their own) in principle but rejects their being discussed under the sovereignty umbrella. Insists on transfer of sovereignty over Dependencies as price for co-administration.

UK: tables Southern Thule solution and paper on co-administration of maritime zones.

Comment: progress on Southern Thule (subsequently dashed by Islanders) but none elsewhere. No movement on sovereignty.

5. New York, March 1979 (Officials)

Argentina: agrees to operate in spirit of Southern Thule agreement but refuses to discuss maritime zones in isolation from territory.

/UK:

UK: insists on sovereignty umbrella over all discussions.

Comment: unproductive, even a step backward because of Argentine disappointment on lack of Southern Thule agreement.

6. General

Argentine position throughout has been that the aim of negotiations is to transfer sovereignty to Argentina. If they are assured of full sovereignty, they are prepared to consider transitional arrangements and forms of economic co-operation.

UK position throughout has been that no solution is possible if it does not meet with Islander agreement and that the UK must retain sovereign rights over the Islanders. Any solution must be a package covering all the various elements. Meanwhile, economic co-operation in the Dependencies' maritime zones could be effected to our mutual advantage without compromising the sovereignty position.



CONFIDENTIAL

ADRIAN BERTRAND MONK

Although born in the UK, Monk is descended from a pioneer Falklands land-owning family, the Bertrands, whose estate is held in trust for Monk, and two or three cousins in the Falklands and their few children. It now principally consists of the Roy Cove Sheep Farming Company in West Falklands, of which Monk is the Chairman. He derives little immediate benefit from it, although the farm would fetch a reasonable price on an open market, and has substantial cash reserves, tied up in low-interest securities, and which are held against a dramatic fall in the world wool price.

Following a tradition in his father's family, Monk entered the Royal Navy as a midshipman but disliked it and eventually qualified as an officer in the Merchant Navy, in which he served throughout the last war. After the war he gave up the sea for farming, first as a cadet (trainee manager) in the Falklands and then on his own account as a hill farmer in Scotland and Wales.

This not succeeding too well, he returned to the Falklands around the late 50s, with his English wife, Nora, to take up the post of Manager of Pebble Island, later moving to San Carlos where he is now employed. He will retire, with a modest annuity, in 1981 and intends setting up a small-holding in Stanley where he has bought a house.

He has two children: a son, Peter, a Cambridge mathematics graduate now at Rutgers in the USA and a daughter, Sally, who is working for an agricultural diploma at Reading.

As a Councillor he sees it as his prime duty to represent his and other constituents' interests on any matters which may concern them, and in Council expresses himself trenchantly but with an underlying good humour and courtesy. He has been an outspoken critic of the tactics of the Falkland Islands Committee and their commercial backers which has often aroused their wrath. Nevertheless, while accepting that co-operation with the Argentines is now inevitable and essential, he has strongly held to the popular view on sovereignty. He has consistently advocated, as a duty and not just a right,

CONFIDENTIAL

/Councillor

Councillor participation in the negotiations about the Islands' future.

Essential Facts

1. The sale of land to aliens and immigration into the islands are matters for the Falkland Islands Government alone. Both are the subjects of local legislation in the Islands.

Purchase of Property

2. The Aliens Ordinance covers the sale of land to aliens in the Falkland Islands. The Governor in Council has to approve any application from an alien to hold land. In practice this provision means a veto on any Argentine application to hold land in the Islands. There is strong opposition in the Islands to the sale of any land to Argentine interests.

Right to Work

3. Immigration into the Falkland Islands is covered by the Immigration Ordinance. The Governor in Council has the power to prohibit unwanted immigrants. Islanders are reluctant to see an increased Argentine presence in the Islands. While non-Argentine immigrants are welcome, applications for employment by Argentinians are scrutinized closely and partly granted. There are a number of Argentinians employed on the farms and the road-gang.



FAKLAND ISLANDS: ANGLO-ARGENTINE TALKS (NEW YORK, 28-30 APRIL 1980)

ARGENTINE PURCHASE OF  
PROPERTY AND RIGHT TO WORK

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## FALKLAND ISLANDS: ANGLO-ARGENTINE DISCUSSIONS

## A. ARGENTINE INTERESTS IN BANKING

1. There are no banks in the Falkland Islands with the exception of the Government Savings Bank.
2. At present an ad hoc banking service exists through the goodwill of the LADE representative in the Falkland Islands. He accepts sterling for goods to be purchased from Argentina and pays off the suppliers when he visits Buenos Aires. Increasingly large sums of cash are involved and the volatile exchange rate does not make for good business practice. As a result, in August 1979, the Argentines proposed setting up an agency office of the National Bank of Argentina in the Islands.
3. FIG are considering the proposal but so far have not replied. Islander opinion has in the past been against formal banking links with Argentina.
4. See also Briefs No A17 and D44.

## B. FALKLAND ISLANDS COMPANY: ARGENTINE INTEREST

5. The Argentines regard FICo as a major obstacle to their ambitions. In September 1977, they put forward a request that the British Government should authorise the acquisition by Argentine business interests of a majority shareholding in FICo.
6. At the Working Group meeting on economic co-operation in Lima in February 1978, the Argentines proposed a Private Sector Development Organisation for the Falkland Islands. This would be a limited company and its capital stock would be divided between Argentina, the UK and the Falkland Islands. The Argentines suggested that there should be 51% Argentine private participation and the remainder of the shares should be divided between private or governmental elements in the UK and the Falkland Islands. They

/specifically



specifically proposed that one of the objectives of this new group would be to acquire at least part of the stock of FICO. They would thus be represented on the Board of the Company.

7. We have looked at the question of a takeover of FICO and decided that it would not be justified on economic or developmental grounds. We could only contemplate it as part of an overall solution. The question of Argentine purchase of FICO shares is not in the first instance one for HMG; it is a commercial problem for FICO and the Argentine Government to sort out.

8. See also Briefs No A18 and D44.