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Mr Harding *minute.*
 PS/Mr Ridley *Sept min.*

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FALKLAND ISLANDS: RELATIONS WITH ARGENTINA

1. The agreement at the New York talks to improve direct contacts between Islanders and Argentines in order to be able to solve practical problems more effectively seemed a welcome development. It has, however, run into difficulties from entrenched Islander suspicion about all contacts with Argentina. The Minister may wish to know where matters stand.

Flag A

2. The Embassy in Buenos Aires discussed the proposal with the MFA and set out their thoughts in a letter to us. Basically, they proposed that they should act as the agency to put Islanders in contact with the relevant Argentines and vice versa, as the need arose. The Embassy would continue to be involved in such contacts in order to ensure their smooth running and that matters were not discussed which were more properly HMG's concern.

Flag B

3. Mr Gozney outlined these proposals to Councillors when he visited the Islands in June. The record of his visit showed that, while there was no lessening of the resentment felt towards the Argentines, there might be scope (paragraph 7) for expanding contacts on the line proposed.

Flags C, D

4. However, Councillors have since discussed the matter among themselves and have clearly concluded that this is dangerous ground. The Governor has reported their deep-rooted suspicion of increased contacts and their reluctance to expose themselves to their constituents as supporters of such proposals. Councillor Monk, who originally suggested the idea in New York, has failed to advance it with his colleagues; and is now saying that the Embassy's proposals, restricted though they are, go too far. Councillors are predictably wary of any suggestion of institutionalising the contacts (though this has not in fact been proposed). While they do not in principle dissent from the usefulness of ad hoc contacts on day-to-day problems, it is improbable that they will take any initiative to develop this. Any contacts would also have to be on their own terms, i.e. they are against more Argentine visits to the Islands.

5. There is thus little to show for the attempts to breathe new life into the New York decision. We cannot force Islanders to take a more positive attitude. We can do no more than ask the Governor and the Embassy in Buenos Aires to continue to prompt the Islanders to take advantage of this opening whenever issues arise on which direct contacts would appear helpful. As a general moral,

/the apparent

the apparent failure of this minor initiative illustrates the difficulty of leading Islanders towards a wider political solution without the exertion on them of strong, determined and consistent pressure.

Tourism

6. In the context of relations between the Islands and Argentina, the Minister may also wish to know how the proposal to increase tourism is faring. Mr Julian Fitter, who has already been paid £25,000 by FIG, has submitted a variety of proposals which have been deemed unsuitable. He is now working on a proposal to have a vessel ferrying tourists round the Islands during their summer months. But the proposal is dependent on a guarantee of seats on the LADE flights. Mr Fitter has raised with Colonel Balcarce of the MFA the possibility of a third weekly LADE flight to cater for increased tourism. Colonel Balcarce has made it fairly plain that this would only be possible if Argentines were allowed to own part of the company operating the scheme. This the Islanders have rejected. It remains to be seen whether the project can be operated using only the existing flights. The Islanders have demonstrated again that they prefer stagnation to Argentine involvement in their affairs.

Flag E

P. R. Fearn

P R Fearn
South America Dept.

7 July 1980

Very interesting but hardly surprising.
The Minister of State's personal relationship of confidence with the Islanders is 'going' to be of crucial importance in shifting 'them' from their position of primitive ambivalence to the Argentines and chronic suspicion of FIG to which they collectively (but not necessarily individually) adhere.

Standing 7 July

C. C. Bright Esq
South America Department
F C O



With the compliments of

CHANCERY

R H T Gozney

A few personal impressions

Mr Davies ^{SD} / x
Mr Duggan / x
Mr Fearon / x

BRITISH EMBASSY

BUENOS AIRES

24 June, 1980

*A useful reminder
of the problems we
face if we are
given permission
to "negotiate"
if Central*

Mr Heathcote

Mr Chick

H M A

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JUNE VISIT TO THE FALKLAND ISLANDS

Although I returned from the Falkland Islands ten days ago it is still worth putting on paper one or two impressions.

2. In the Island I saw a wide range of people including the Councillors, members of the government, Falkland Islands Company, the local Falkland Islands Committee, the Sheep Owners' Association, all the people living on two of the farms (San Carlos and Port San Carlos) and a range of individuals.

3. The Islanders' attitude to things Argentine cannot be divorced from their current concerns within the Falklands. These local issues colour morale to a great extent which in turn colours what they have to say about Argentina. The colony as a whole is concerned at present with difficulties suffered by the local air service (troubles that is with machines and men) and by the UK inflation which is imported. In addition the stable wool price is having the effect of cutting farms' margins, and tax revenue as a result. On the other hand prices for YPF fuels are stable and much lower than the UK prices and the Polish fishermen sitting off-shore are generating an extra income of some £80,000 per annum for the Treasury and £30,000 for the Falkland Island Company for harbour use, service charges and medical fees. Out on the farms the stable wool price is the main concern but a recent fire at the country boarding school in Darwin, which has meant sending home all the children to their respective farms, and heavy rain producing a sodden camp are also having a depressing effect. The one bright spot in the camp is the prospect of selling sheep to the Chilean business man Sr Maslov although as his sailing dates slip further and further back some farmers are wondering if they would not get the same revenue by holding on to the sheep for another few months to take another fleece off them. In Stanley the advent of so many tourists is having a substantial effect. The Argentine tourists tend to spend some US \$500 per head, the Upland Goose Hotel is being extended and a new hotel set up.

Yet they are prepared to let YPF deliveries end!

4. Feelings about Argentina are as strong if not stronger than ever. The main resentment is of the Argentine presence in Port Stanley, small though it is, and any suggestion that it will grow. It is as if the Islanders (grudgingly) accept the need for

/contact

contact with Argentina but do not like to be reminded of it by seeing Argentine houses, offices or personnel on the ground. I noted even more than on my two previous visits a frustration at being able to move neither forwards nor backwards in the dispute and it is this frustration I think that breeds the resentment of the local Argentine presence. If asked about the Argentine services in front of their friends many people in Port Stanley would claim that they would be happy to see the back of YPF, the STN ships and even the LADE service. Only one or two Islanders have been to adult classes given by the Argentine Spanish teachers. Views expressed privately are sometimes markedly different but in public the only "safe" view is to be against any Argentine activities in the Falklands.

5. Islanders are not yet blaming the Argentines for the likely failure of Julian Fitter's scheme which would bring two boats to the Falklands for summer cruises but since LADE are unable to offer Fitter a block booking on their flights for his tourists, and the Argentines have suggested that the situation would be very different if Argentine capital were involved in any scheme, accusations of blackmail are likely soon.

6. All this leads to the conclusion that any suggestion of cooperation over fisheries will fail instantly if it means on-shore facilities in the Falklands which would be used by, or worked by, Argentines. Although they are not paying licence fees the Poles who fish in the Falklands waters at present and who always have three or four ships in the outer harbour are popular and they would, I think, need to be worked in to any Anglo/Argentine fisheries cooperation scheme.

7. Councillors, the Sheep Owners' Association and even the Falkland Islands Committee seem quite happy and to some extent pleased at the prospect of greater direct contacts between themselves and the Argentines over existing links. They tended to see such contacts as a way of getting their complaints directly through to the right quarters. However we now have a letter in from the Governor indicating that the Councillors are back-tracking a little.

8. Enthusiasm for Sr Maslov's approaches is considerable but all concerned claim to be well aware of the need to deal with him on a purely commercial basis and provide him with the same reception as would be afforded an Argentine businessman who would convince them of his commercial credibility. Unfortunately in the past Argentine approaches over the purchase of sheep have either not been followed up by the Argentine businessmen or have failed after the first attempt at shipping the animals.

R H T Gozney
24 June 1980

✓ cc:
C C Bright Esq, SAmD, FCO



Yes. let us pull this together in a submission. I further need the Board played down the question of expanded contacts in his report to Higgs, an interesting insight into the psychology of the Islanders. face

10 JUN 1980
GOVERNMENT HOUSE,
FALKLAND ISLANDS.
19 June 1980

R H T Gozney Esq
British Embassy
BUENOS AIRES

Mr Davies
Mr Duggan
Mr Beam

I think we should let
Mr Harding & Mr
Ridley know of this
& Islanders cartoon
generally

Dear Richard,

Councillors backtracking as usual. If they maintain this attitude, the proposal for increased contacts will be virtually worthless.

ISLANDER/ARGENTINE CONTACTS

(2) Mr Bright to submit.

1. Now that Councillors have met again, following your meeting with them, I forward their considered views on the question of improving Islanders' contacts with the Argentines and on the proposals which you outlined in your letter of 29 May to Colin Bright.

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2. I am afraid that they do not see the improved contacts amounting to much. They are unwilling to put themselves in any position which might be misconstrued by others as expanding their contacts with the Argentines. They reacted strongly against the idea of a 'visible occasion' on which to launch the contacts (Buenos Aires telno 153 to FCO). Councillor Monk himself seems to have changed his views and has said that the sort of contacts that you spoke about to him were too formal and cumbersome. I am left in doubt as to what form he thinks these contacts should take. His idea of the Embassy pointing Islanders in the direction of Argentines who may be able to help them in ironing out their day-to-day difficulties sounds much the same as your own proposals.

He suggested the expansion originally!

3. While most Councillors are opposed to increased contacts, they do seem to see value in being able to meet Argentines face-to-face to sort out any problems they may have on an ad hoc basis as and when travelling through Buenos Aires, and they are grateful

/to you



to you for your offer to help in making arrangements, opening the right doors and pointing them in the direction of potential suppliers or customers. As you saw, they are against regular meetings between Councillors and Argentines and indeed are opposed to any institutionalised links. They would not like Argentine officials to come over here to address Council meetings, though they would be quite happy to receive them informally and individually. I think they are frightened of being dragged further into what they regard as a trap to enmesh them even more closely with Argentina.

4. This amounts to very little and it looks as though, in view of their latent suspicion of everything Argentine, any increase in contacts will take time, patience and perseverance.

Yours etc.

Reps.

cc: C C Bright Esq
SAmD FCO

R M Hunt