

IMMEDIATE

F050 002/29

CONFIDENTIAL

INWARD TELEGRAM

OO BRUSSELS DESKBY 290630Z

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CONFIDENTIAL
DESKBY 290630Z
FM FCO 281902Z JUN 82
TO IMMEDIATE BRUSSELS
TELEGRAM NUMBER 171 OF 23 JUNE.

FOLLOWING FOR PRIVATE SECRETARY

FALKLAND ISLANDS REHABILITATION

1. THE CHANCELLOR OF THE EXCHEQUER WROTE TO THE SECRETARY OF STATE ON 25 JUNE COMMENTING ON THE SECRETARY OF STATE'S MINUTE OF THE SAME DATE TO THE PRIME MINISTER ON REHABILITATION OF THE FALKLAND ISLANDS. TEXT, WHICH THE SECRETARY OF STATE SAW OVER THE WEEKEND, WAS AS FOLLOWS:
BEGINS.

I HAVE SEEN A COPY OF YOUR MINUTE TODAY TO THE PRIME MINISTER. AS YOU SAY, INITIAL REHABILITATION WORK BY THE ARMED FORCES IS ALREADY IN HAND. IT MAY WELL BE THAT FURTHER EXPENDITURE ON REHABILITATION OF BASIC SERVICES IN THE FALKLAND ISLANDS WILL IMPOSE TOO HEAVY A BURDEN TO BE SHOULDERED BY THE AID PROGRAMME, WITHOUT THE PROVISION OF NEW MONEY. BUT WE CAN ONLY MAKE A JUDGEMENT ON THAT WHEN WE HAVE A RELIABLE ASSESSMENT OF WHAT NEEDS TO BE DONE.

AS TO EXPENDITURE ON 'URGENTLY NEEDED PROJECTS', IF BY THIS YOU MEAN INVESTMENT IN KELP, MUTTON, INSHORE FISHERIES, KRILL, ETC, I REALLY DON'T THINK WE ARE YET IN A POSITION TO TAKE DECISIONS ON THE ECONOMIC AND POLITICAL MERITS OF SUCH MAJOR SCHEMES. WE MUST SURELY AWAIT THE SHACKLETON REPORT, AND APPRAISE IT CAREFULLY, IF WE ARE TO AVOID WASTE OF RESOURCES, AND CONSEQUENT CRITICISM. IN SHORT, I THINK IT WOULD BE PREMATURE TO ATTEMPT TO REACH CONCLUSIONS ON THESE IMPORTANT ISSUES JUST YET.
ENDS.

2. THE SECRETARY OF STATE AGREED THAT HE SHOULD RESPOND TO THIS LETTER AS SOON AS POSSIBLE. THE CIVIL COMMISSIONER HAS ALREADY SENT HIS INITIAL PROPOSALS ON REHABILITATION, TO WHICH WE NEED TO RESPOND URGENTLY. A SUGGESTED DRAFT TO THE CHANCELLOR IS AS FOLLOWS:
BEGINS.

THANK YOU FOR YOUR LETTER OF 25 JUNE COMMENTING ON MY MINUTES OF THE SAME DATE ON THE EXPENDITURE THAT WILL BE NECESSARY FOR THE REHABILITATION OF THE FALKLAND ISLANDS.

YOU SAY THAT IT WOULD BE PREMATURE TO ATTEMPT TO ADJUDICATE AT THIS STAGE THE MERITS OF MAJOR DEVELOPMENT SCHEMES FOR THE FALKLANDS, WHICH WILL NEED TO AWAIT THE SUBMISSION OF LORD SHACKLETON'S REPORT. I AGREE WITH THIS VIEW, ALTHOUGH I HOPE THAT ONCE WE HAVE LORD SHACKLETON'S REPORT DECISIONS ON SUCH PROJECTS CAN BE TAKEN AS RAPIDLY AS POSSIBLE.

BUT THE POINT NOW AT ISSUE IS THE FINANCING OF URGENT REHABILITATION OF HOUSING, TRANSPORT AND OTHER ESSENTIAL SERVICES. SOME OF THIS EARLY REHABILITATION WORK IS ALREADY BEING UNDERTAKEN BY THE ARMED FORCES. THEY ARE LIKELY TO SEEK REPAYMENT OF SOME OF THE COSTS THAT THEY INCUR IN THIS WAY. INDEED, THEY HAVE ALREADY CLAIMED SAID THAT FCO/ODA SHOULD BE CHARGED FOR TRANSPORT. IN ANY EVENT, THE WORK THEY UNDERTAKE WILL GO ONLY SOME WAY TO MEETING THE IMMEDIATE NEED FOR CIVILIAN REHABILITATION. WE HAVE ALREADY RECEIVED THE CIVIL COMMISSIONER'S INITIAL RECOMMENDATIONS FOR URGENT FURTHER ACTION IN THESE FIELDS. HE GIVES HIGHEST PRIORITY TO THE PROVISION OF TEMPORARY ACCOMMODATION: RECRUITMENT OF FURTHER OFFICERS FOR THE FALKLAND ISLANDS GOVERNMENT: RESTORATION OF THE EDUCATION SYSTEM: ORDERING OF REPLACEMENT AIRCRAFT AND HANGARS FOR THE FALKLAND ISLANDS AIR SERVICE: AND BUILDING MATERIALS FOR CIVIL REPAIRS. THESE ARE ONLY HIS FIRST AND MOST URGENT RECOMMENDATIONS BUT ALREADY CLEARLY IMPLY SIGNIFICANT EXPENDITURE. WE NEED TO TAKE AN UNEQUIVOCAL DECISION TO PROVIDE THE FUNDS SO THAT INESCAPABLE TASKS CAN BE GOT UNDER WAY. I CONSIDER THAT IT WOULD BE UNACCEPTABLE TO DELAY ANY OF THEM BECAUSE OF DOUBTS ABOUT FINANCE. THE SUMS INVOLVED ARE NOT GREAT WHEN VIEWED IN THE CONTEXT OF THE WHOLE FALKLANDS EMERGENCY, OR AGAINST THE SUMS THE MINISTRY OF DEFENCE WILL BE - QUITE RIGHTLY - ALLOWED IN EXCESS OF THEIR NORMAL VOTES TO ENABLE THEM TO COPE WITH CAMPAIGN COSTS AND GARRISONING. BUT, AS I HAVE SAID, MY EXISTING EXPENDITURE PROGRAMMES SIMPLY CANNOT BEGIN TO COPE WITH THE ADDITIONAL EXPENDITURE THAT WILL BE NEEDED.

THE EXACT AMOUNTS REQUIRED FOR IMMEDIATE REHABILITATION NEEDS WILL OF COURSE HAVE TO BE ESTABLISHED ON THE BASIS OF THE CIVIL COMMISSIONER'S ASSESSMENTS AND RECOMMENDATIONS AND AGREED INTERDEPARTMENTALLY. BUT WHAT IS NEEDED URGENTLY IS A FIRM DECISION IN PRINCIPLE THAT NEW MONEY WILL BE ALLOCATED TO COVER THE COSTS. I AM COPYING THIS LETTER TO THE PRIME MINISTER AND OTHER COLLEAGUES OF OD(FAF) AND TO SIR ROBERT ARMSTRONG.

ENDS.

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