

Ref: B06583

PRIME MINISTER

c Sir Robert Armstrong

Falkland Islands Economic Study 1982
OD(FAF)(82) 17, 18 and 19

BACKGROUND

1. At the last meeting of the Sub-Committee on 28th July officials were instructed to prepare an analysis and commentary on Lord Shackleton's report. This is now before the Sub-Committee as OD(FAF)(82) 18 and refers to the unclassified version of the report circulated to Ministers at the end of August (OD(FAF)(82) 17). The third paper (OD(FAF)(82) 19), prepared by the Foreign and Commonwealth Office, examines the proposal in Lord Shackleton's letter to you of 26th July that a Falkland Islands Government Office should be set up in London. As there is a direct link with the proposal in the report for a Falkland Islands Development Agency, with London representation, it has been thought best to take these papers under one agenda item.

2. The report itself will be ready for publication as a Command Paper on 7th September but, to allow copies to be sent to Port Stanley (where sales will be subsidised), it would seem sensible to opt for a publication date of 13th September. No 10 Press Office already have arrangements in hand for Lord Shackleton to hold a press conference very shortly after they have issued the proposed Government statement (Annex J to OD(FAF)(82) 18) and the report has been formally laid before Parliament. They will announce these arrangements once Ministers have agreed the date for publication. Following precedent for the 1976 report you may wish advance copies to go to the Opposition and to be available to Her Majesty's representatives in the countries most immediately concerned (Chile, Brazil, Uruguay and Argentina). Should an early parliamentary debate be required, it is likely that time could be found for it at the end of the week beginning 25th October, provided the House were to sit a full week before being Prorogued. But before the report is debated in Parliament, it would clearly be desirable for the Government to have some indication of the

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Islanders' reactions. This would suggest waiting until the new Session before having a debate. It is relevant that Mr Cranley Onslow plans to visit the Islands in October and that the Civil Commissioner will be returning to London for consultations at the end of September. His initial comments on Lord Shackleton's report (which he has agreed with the Military Commissioner) are welcoming and generally consistent with the views expressed in the officials' commentary.

3. With your agreement, the Minister of Agriculture, Fisheries and Food, the Secretary of State for Scotland and the Secretary of State for Energy have been invited to attend: to their regret they are all unable to be present. But the Secretary of State for Scotland may be represented. Mr Cranley Onslow and the Chief of the Defence Staff have also been invited. The Chancellor of the Exchequer is in Toronto and will be represented by the Chief Secretary.

HANDLING

4. There is no need at this stage for detailed discussion of individual proposals in the report and no major decisions on expenditure are needed. The objectives of the discussion are

- a. to determine how the report should be presented (at home, in the Falkland Islands and abroad) so as to set the tone for a constructive public debate on its recommendations, in the light of which decisions on implementation can be taken; and
- b. to establish what further work needs to be commissioned.

5. You may wish to open the discussion of the report yourself drawing on the above paragraphs. You could then lead the Sub-Committee through the official commentary (OD(FAF)(82) 18) concentrating discussion under the following headings.

- a. Development Objectives. It is clear from the report that normal economic criteria cannot be strictly applied. Given that the Government are committed to supporting the Islanders for the foreseeable future the objectives at paragraph 11 appear sensible.



Is the Sub-Committee content? If so, is it agreed that the projects selected for development, and the pace at which this is done, should be broadly as officials suggest? The report does not address itself to the security of the Islands, but proceeds on the assumption that this will be guaranteed. Without this assumption, longer term projects involving more than immediate rehabilitation work would be difficult.

Security . ||

b. Expenditure Paragraph 5 brings out the further costs which will be involved in development as well as those which are already in train. To these can be added the considerably more substantial costs of security (discussion of this can fall to the next item on the agenda) and of providing external communications if, as seems likely, regular services to the South American mainland do not prove possible in the near term. Nor have the costs of a South Georgia airstrip yet been identified. There would be advantage in officials in due course bringing together into one report all identified future expenditure associated with the Islands, actual and potential. They might also be asked to make recommendations on funding. On rehabilitation costs you might ask the Foreign and Commonwealth Secretary if he is content with the current allocation and to invite him to continue to keep members of the Sub-Committee informed of progress.

c. The Garrison You may wish merely to note paragraph 14 of the paper and to leave discussion of this aspect to the next agenda item. It is not proposed that the Government statement welcoming publication of the report should deal with garrison force levels.

d. External Communications. These are the key to development and will have a significant impact on the quality of life on the Islands. Paragraph 21 sets out what is likely to be an unsatisfactory state of affairs in the short and medium term. Can the Defence Secretary offer a guaranteed quota of space on services to and from the Islands? If not (as is probable in view of the heavy demands on military resources), can the Foreign and Commonwealth Secretary offer any prospect of being able to negotiate



services to the mainland? You may consider that an urgent and comprehensive study of all the possibilities is required, and that the estimated levels of Government subsidy should be identified.

e. Falkland Islands Government Office (FIGO) and Development Agency (FIDA). You might invite the Foreign and Commonwealth Secretary to introduce OD(FAF)(82) 19. The Civil Commissioner favours the establishment of a FIDA, with its representation in London being part of a FIGO. The report by Foreign and Commonwealth Office officials points in the direction of the early establishment of a FIGO in London, with provision for it to assume the additional functions of a FIDA in due course. If Ministers can agree on this now, an appropriate reference to this decision might be included in the proposed Government statement welcoming the report.

f. Proposed Statement (Annex J) Is the Sub-Committee content with the tone and content of the draft?

CONCLUSION

6. Subject to the points made in discussion, you might guide the Sub-Committee to the following conclusions.

i. To agree that the report should be published on 13th September in London and Port Stanley, being laid before Parliament on that day, with advance copies being sent to the Leaders of the Labour, Liberal and Social Democratic Parties and to Her Majesty's representatives in Chile, Brazil, Uruguay and Argentina.

ii. To invite the Foreign and Commonwealth Secretary to arrange, in consultation with the Civil Commissioner, for the early establishment of a FIGO in London and to formulate detailed proposals for the setting up of a FIDA.

iii. To agree that the statement at Annex J, as amended in discussion (and, in particular, to take account of a decision on the establishment of a FIGO), should be released by 10 Downing Street at the same time as the report is published, and in advance of Lord Shackleton's press conference.



iv. To invite the Foreign and Commonwealth Secretary to arrange for the Civil Commissioner to consult the Falkland Islanders about the proposals in the Shackleton Report and to make an interim report on their reactions by the end of October.

v. To instruct officials

a. to examine in greater detail ways in which regular and reliable external communications to the Islands can be established, with an assessment of the likely costs, and to make recommendations;

b. to make more detailed recommendations in due course about the implementation of the proposals in the Shackleton Report.

3rd September 1982

A D S Goodall

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