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Foreign and Commonwealth Office

London SW1A 2AH

19 December 1986

Prime Minister

CDP  
19/xii

Dear Charles

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Progress Report on the FICZ

Political

The Argentines have not taken steps, other than diplomatic, to counter the FICZ. Our action is seen in Buenos Aires as a reverse for Argentine policy. Caputo's conduct of the Falklands issue has been criticised both in the press and within the Government. His influence may have been weakened. But it is too soon to say whether this will lead to any change in the Argentine approach.

Argentina received a lot of vocal support from her neighbours, at the OAS, and did well in the UNGA debate: but no country apart from Argentina has contested our right to act.

FICZ Licences

Around 500 applications have been received from Japan, South Korea, Taiwan, Poland, Greece, Italy, Spain, Portugal, France, FRG and Netherlands, as well as the UK. About 250 licences will be issued for the first half of 1987 (cf over 600 vessels fishing in the first half of 1986). All applicant nations will be represented in the fishery. The Russians, Bulgarians and East Germans have not applied. The increased participation from the Community could (if we handle the Spaniards right) lead to a proposal for a fisheries agreement between the Community and the UK in respect of the Falklands. There is interest in the Commission, which we are discreetly encouraging. Further details on licences are at Annex A.

/British Interests

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### British Interests

Only two genuinely British-registered boats applied for licences. Messrs Marr of Hull are trying to arrange for three Taiwanese boats to be transferred to the British Register. To enable British firms, few of which seem to have appropriate fishing vessels available, to participate in the fishery, we and the FIG agreed that applications from foreign fleets associated with British or Falklands firms would get preference. The two British firms most active in exploiting this assistance are Messrs Marr and Messrs Boyd, who will have an interest in over 70 Japanese and Taiwanese boats in the fishery (their original bid was 132).

### Order

Nearly 200 applications from Far Eastern vessels failed. Some may be tempted to fish illegally. To guard against this we are proposing to the Far Eastern fleets a limited degree of rotation, whereby some licences would be shared between two vessels in exchange for undertaking to exercise restraint on conservation grounds in the "doughnut", the area of water lying between the FICZ and the Falklands 200-mile limit.

### Revenue

In the last few months, the price of squid illex has increased substantially: as a result revenue may be higher than estimated.

### Conclusions

Unless the Argentines try to disrupt fishing or deliberately provoke incidents on the periphery of the FICZ, or unless there is widespread illegal fishing, the prospects for the FICZ look moderately promising. Until the squid season is over in July we shall not be in a position to determine whether the FICZ is a success or to make precise calculations of revenue/costs.

The more the FICZ is perceived as a success for Britain, the more pressure there will be on the Argentines (and indirectly on the Spaniards) to react. The Spaniards or others could try to block any attempt to achieve a fisheries agreement between the Community and the UK on behalf of the Falklands.



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Presentation

Successful applicants for licences and their Governments are now being informed of their allocations. The Island Councillors will also be informed (and about the revenue implications). So the news will soon start to appear. Sir Geoffrey Howe and the Governor believe however that we should avoid going into detail now about allocations of licences and in particular the prospects for revenue, so as not to prejudice the chances for the ultimate success of the FICZ.

I am sending a copy of this letter to Martin Dinham.

*Yours ever*

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FICZ Licences

1. For licensing purposes, the year is divided into two seasons - February to June, July to December. Within each season the fishery is divided into two areas. Thus there are four areas overall (A, B, C and D). Greatest interest focusses on area A where the high value illex squid is found.
2. About 500 applications for areas A and B were received. Most were for area A : in accordance with conservation needs, a quota of 150 vessels was set for it. Most applications came from the Far Eastern fleets but, in addition to Spain, there was an unexpectedly strong show of interest from other Community fleets. In most cases the initial applications have had to be drastically scaled back, which was inevitable given the great excess demand. The applications came in all cases from fishing industries. No government has indicated willingness to negotiate a fisheries agreement with us in respect of the Falklands.
3. As far as area B is concerned, neither the demand nor the conservation risk compares with area A. About 110 vessels will be licensed to fish there, mostly from Community countries and Poland but there will be some Japanese. In areas C and D, covering the second part of the year, demand is likely to be limited in the main to Spain and Poland: applications have not yet been called for. In total, between 200 and 300 vessels may be licensed in 1987 (cf nearly 700 fishing in the area in 1986).



