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Vanuatu

SUBJECT.



cc. Master set.

10 DOWNING STREET

From the Private Secretary

23 November, 1981.

Kear Rudnic,

Father Walter Lini

I have already briefed you on the telephone about the main issue raised by Father Lini when he called on the Prime Minister earlier this afternoon. However, you may like to have a slightly fuller account of the conversation.

Father Lini said that the security situation in Vanuatu was good. The country was calm, and the people had accepted the rule of law. The main problem he anticipated was with the members of the public service who were demanding increased pay and the institution of a system of social security. This would cause problems with the Budget. It would be difficult for the Government to cope if HMG were to offer less than the Government of Vanuatu needed.

In reply to a question from the Prime Minister, Father Lini said that his Government had expected to receive budgetary aid amounting to £2.9 m in 1981 (sic) - presumably Father Lini may have meant 1982. HMG were now offering £1.9 m, a cut of 34%. All other factors apart, it was difficult to reconcile this cut with HMG's earlier agreement to cut budgetary aid by no more than 15% each year. The Government of Vanuatu would not be able to raise any additional money themselves. Such money as they had available had had to be spent on unavoidable items such as the establishment of a mobile force. If HMG were to insist on the figure of £1.9 m, the effects might include a major reduction in the number of technical personnel working in Vanuatu (Father Lini indicated a cut from 160 to 110) and discontent in the public service. Unfavourable comparisons would inevitably be drawn between HMG's performance and that of the French who were going to make a "special effort" in Vanuatu with the aim of regaining the position they had lost last year.

Against this background, Father Lini asked whether it would be possible for the offer of £1.9 m to be increased to £2.4 m. The Prime Minister asked what programmes or projects would have to be postponed if no increase was forthcoming. Father Lini was unable to give any very clear answer, though he suggested that the inability of his Government to initiate any development projects would mean a

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reduction of their earning power in future. He also said that it would be easier to accept the cut to £1.9 m if there were a clear statement by Britain and France that compensation for the damage caused in Santo would be paid quickly. He said that too much time was being wasted in asking detailed questions. The Prime Minister took note of what Father Lini said on aid in general and on compensation in Santo, but gave no commitments of any kind.

There was a brief exchange on the question of the Vanuatu Government's intention to convert freehold tenures to leasehold. Father Lini seemed rather unclear about the details. However, he said that he had brought his Attorney General with him who would be happy to have talks with our legal experts. The Prime Minister suggested that a Foreign and Commonwealth Office legal adviser might be a suitable person for him to see.

Yours ever

Richard Alexander

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