

FALKLAND ISLANDS

19 January 1982

THE FALKLAND ISLANDS: ANNUAL REVIEW FOR 1981

The Governor of the Falkland Islands to the
Secretary of State for Foreign and Commonwealth Affairs

SUMMARY

The Islanders' relations with Britain and Argentina deteriorated during the year. The community was split on the sovereignty issue. Attitudes hardened after the Argentines rejected the freeze proposal in February. Lease-back an insult to Islanders' loyalty, integrity and intelligence (paragraphs 1-3).

2. Islanders suspected that Her Majesty's Government were making life difficult for them because they had rejected the lease-back option: several decisions taken during the year were interpreted as signs of a diminution in Britain's commitment to the Falkland Islands. Their suspicions were compounded by an inept aid programme; but, although they doubted Her Majesty's Government's good faith, their faith in Parliament and the British public increased as a result of favourable coverage in the news media and a visit by two sympathetic Members of Parliament (paragraphs 4 and 5).

3. The Argentines antagonised Islanders by a combination of insensitivity, arrogance and inefficiency. On top of various irritants in their bilateral relations, the Argentine government's poor performance in running its own affairs convinced Islanders that they were better off outside Argentina (paragraph 6).

4. The economy was badly hit by poor wool prices, imported inflation and rising production costs and wages. A deficit was forecast for this financial year, with reserves down to £½ million, which would however have been worse without the bonus of the Royal Wedding (paragraphs 7 and 8).

5. General elections to the Legislative Council were held in September/October. The sole issue was the sovereignty dispute. They were conducted without incident (paragraph 9).

6. The new Council is less conciliatory than the old. A poor outlook for future talks. But the Islands' economy need not continue to decline. Contingency planning is needed now. An alternative to the Argentine air service (paragraphs 10 and 11).

7. The Falkland Islands are important to our stake in the Antarctic (paragraph 12).

8. They are a very small community, only 1800 people - at shearing time. But they have a strong national pride and will never willingly become part of Argentina (paragraph 13).

Stanley

19 January 1982

The Rt. Hon. The Lord Carrington KCMG, MC
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
London SW1A 2AH

My Lord,

The last day of 1981, although the middle of our austral summer, was overcast with strong chill winds, violent hail squalls and the menace of worse to come. It reflected accurately the political and economic tenor at the end of the year.

The Sovereignty Issue

2. The Islanders' relations with Britain and Argentina deteriorated during the year. The start saw a lively debate on the three sovereignty options left behind by Mr Ridley: a freeze, a condominium or the transfer of titular sovereignty to Argentina with a simultaneous long lease-back to Britain (the so-called "Hong Kong solution"). There was a split in the community between those who were willing to talk to the Argentines about these options and those who wished to restrict talks to anything but sovereignty. There were a few who wanted no more talks with the Argentines and a few who saw independence as the only solution. In the circumstances, it was something that there was only one dissenting vote to a Legislative Council motion agreeing to further talks on the basis of a sovereignty freeze.

3. Following the Argentines' flat rejection of this at ministerial talks in New York in February, Islander attitudes hardened against the one remaining proposal: lease-back (the condominium idea had never been a starter). To the emotive appeal of slogans like "Sovereignty is not for sale" and "We are not living in a rented house, we are not working Argie land" was added the feeling that the British had tried hard enough to find

a solution: now it was the Argentines' turn. As the months passed in the run-up to the general elections, more of the moderates pronounced that they would rather leave the Islands than have them owned by Argentina, no matter how titular that ownership might be. Although some of the younger generation were prepared to consider a complete sell-out if the price was right, the feelings of the majority were probably summed up by a young farmer who, when interviewed for a British television programme, said, "Lease-back is an insult to our loyalty, to our integrity and intelligence."

UK/Islander Relations

4. Other "insults" followed: the refusal to grant British citizenship to Falkland Islanders under the new British Nationality Act; the announcement of the withdrawal of HMS Endurance; financial cuts in the British Antarctic Survey and, in particular, the threatened closure of their base in Grytviken, South Georgia; cuts and prohibitive price increases in the BBC transcription services and the postponement of the building of the new barracks for the Royal Marines. Despite all the assurances given by Ministers that these decisions, taken singly or collectively, implied no diminution of Britain's commitment to the Falkland Islands, the Islanders suspected by the end of the year that they were now paying the penalty for having incurred the displeasure of Her Majesty's Government by refusing to accept the favoured lease-back solution: life was deliberately being made difficult in an attempt to bring them to heel. Their suspicions were compounded by the continuing ineptitude of our capital aid programme. They could not believe that the inadequacy of the airport, the snail-like pace of the Darwin road and the dismal failure of the school hostel project were all attributable to incompetence and inefficiency; there must be another, more sinister, motive and in their suspicious minds this was the deliberate misuse of aid funds so that, while deluding friends of Islanders in Parliament and the United Kingdom that they were giving generously to the Falklands (more aid per capita than

anyone else and similarly beguiling phrases), Her Majesty's Government were cynically allowing the Islands' economy to go downhill in order to force Islanders into the hands of the Argentines. Even the delays and difficulties in recruiting key personnel from the United Kingdom, such as doctors, pilots, teachers, engineers and nursing sisters and the absence of a Falkland Islander from the New Year's Honours List were seen as part of the general plot. This is admittedly the more extreme view; but by the end of the year even our most loyal friends were beginning to doubt the good faith of Her Majesty's Government.

5. At the same time, Islanders' faith in Parliament and the British public as champions of their cause was strengthened through the impact made by two television programmes and several newspaper articles about the Falkland Islands which were published during the year. These resulted in a substantial mailbag from supporters in all walks of life in the United Kingdom and did much to boost Islanders' sagging morale. The visit under the auspices of the Commonwealth Parliamentary Association of two Members of Parliament in September gave them further encouragement: Messrs Shersby and Ogden underlined your statement made earlier that month to the Argentine Foreign Minister in New York that the wishes of the Islanders would be paramount on the sovereignty issue and they pledged their support for the Islanders over other issues, including the Nationality Bill and HMS Endurance. The subsequent failure to secure an amendment to the Nationality Bill in the House of Lords and their inability to raise it again in the Commons came in consequence as an even bigger disappointment.

Argentine/Islander Relations

6. The Argentines for their part did not help their own cause. By an unfortunate combination of insensitivity, arrogance and inefficiency they managed to antagonise Islanders on innumerable occasions during the year. A major irritant was the withdrawal of their second weekly flight at ridiculously short notice and without

consultation through the established machinery. The sham of reintroducing this flight at the beginning of summer on a trial basis for one month, again without proper notice, served merely to add insult to injury. Other irritants included six overflights by Argentine Air Force aircraft without prior clearance; the boarding by the Argentine Navy of two Polish fishing trawlers on the high seas east and south-east of the Falklands; the advertising of oil concessions across the putative median line; the continuance of radio transmissions and reports of stamp issues from Southern Thule; the building in Stanley of an ostentatious house (by Falklands standards) for the resident senior Argentine Air Force officer and the tactless attempt to publicise it by planning a high-powered housewarming party; the misleading publicity given to two supply flights (which, without the accompanying propaganda, would have won them much goodwill); the refusal to confirm flight bookings to the mainland unless onward flights were by Aerolineas Argentinas; the frequent non-arrival of passengers, mail, fruit and freight, despite half-empty aircraft; the uncompromising nature of the Argentine rejection of the "freeze" proposal and their subsequent Note urging us to speed up negotiations; the unfortunate remarks in a TV interview by the Argentine Ambassador in London about "conquering" the Islanders' hearts and minds and making them "the most pampered people" in South America and Ambassador Blanco's interview on the Falkland Islands Broadcasting Service in which he ruled out any possibility of the Islanders' right to self-determination. On top of all this, the poor performance of the Argentine military government in running its own affairs, with an 80 per cent devaluation, over 100 per cent inflation, falling reserves and rising unemployment, helped to convince Islanders that, whatever their own economic problems, they were better off outside Argentina than in.

The Economy

7. The Colony is still largely dependent upon one crop, wool, which has been badly hit by the world recession. Government

revenue from wool derives from a tax levied on company profits which, because of low wool prices and rising production costs, was only a quarter of the amount collected in 1980. Inflation, largely imported, was 12 per cent above the 1980 figure and, as hourly paid workers receive an automatic quarterly cost-of-living bonus, which is consolidated into their basic wage every year, the increasing wage bill was becoming more than the Colony and the wool industry could afford. There was a partial recognition of this by the General Employees' Union, who agreed in June to a 50 per cent cut in the cost-of-living bonus for farm workers; but at the end of the year Stanley employees were demanding their full bonus and threatening strike action.

8. Government expenditure for 1981/82 is estimated at almost £2½ million, with an anticipated deficit of about £200,000. The Colony's development funds are likely to be exhausted and no new capital aid projects are expected from the British Government. Reserves at the end of the financial year (June, 1982) are expected to be £½ million compared with £700,000 in June last year. The one bright spot was the revenue from stamp sales. Thanks to the Royal Wedding, estimated revenue for the year was approaching £½ million, more than double the figure for 1980.

The Elections

9. In a normal post, the heading for this section would be "Internal Politics"; but there are none here: the sole issue is the sovereignty dispute, which dominated the debate leading up to election in September/October of six members of Legislative Council to represent the people for the next four years. With one exception, those leaders of the community who would have been prepared to discuss a possible lease-back solution with the Argentines declined to stand: they made various excuses but the blunt fact was that they knew they would lose (as the one exception did). I have reservations about the calibre of some of the newly-elected members but I have no doubts about their

integrity or that they truly reflect the wishes of the majority. In a world of political violence and rigged elections, it is worth recording that the Falkland Islands conducted their elections in a fair and orderly fashion, with only four policemen and without incident, protest or petition.

The Outlook

10. The new Legislative Councillors have already shown themselves to be less conciliatory towards Argentina than the old. They have made clear their opposition to any increase in the Argentine presence here and I anticipate greater difficulties over the interpretation and implementation of our existing agreements. As for a settlement of the main issue, as long as the Argentines continue to insist upon sovereignty first and we continue to maintain that Islander wishes are paramount, I see no way ahead in future talks. Where, then, do we go from here? If the talks break down, much will depend upon Argentine reactions and the British Government's response to those reactions; but I do not subscribe to the view that the economy of the Islands will necessarily continue to decline. If the present uncertainty were removed and the rest of the world convinced that Britain was determined to keep the Falkland Islands British, there could well be an injection of capital and people into the Islands. I have no doubt that the potential for development exists: over the past year I have had enquiries from private enterprise in the fishing, kelp and tourist industries; salmon ranching; krill harvesting, the export of beef and mutton, both on the hoof and frozen; the salting and drying of fish and various schemes for adding value to the wool. Some of these (tourism in particular) would be badly hit if the Argentines removed their air service; but in those circumstances the Islanders would look to the British Government to subsidise an alternative air service for as long as practicable and a passenger/freight shipping service thereafter. If the Argentines terminated the fuel agreement, alternative sources of supply would undoubtedly be more expensive but present indications

are that they would not be prohibitively so. Short of a military invasion, then, the Islands could survive: with financial help from Britain, they might actually prosper. But I suggest that we should be making practical contingency plans now.

11. I presume that the first step the Argentines would be likely to take if the talks broke down would be to stop their subsidised air service. The Falkland Islands Government Air Service (FIGAS) could fill the gap provided that the British Government would agree to supply a suitable aircraft, such as a Twin Otter, Bandirante or Avro 748, and subsidise its operation. If they closed their skies to FIGAS, we could operate to and from Punta Arenas, in Chile. If they brought pressure to bear on Chile to close her skies also, we should require a longer range aircraft to get to Uruguay. If they then put pressure on Uruguay, we would be reduced to sea communications and in that event we should require a subsidy from the British Government to replace the present charter vessel, which carries freight only, with a passenger/freight vessel such as the "St Helena".

British Antarctic Territory

12. I am unable to calculate the cost of these possibilities but I hope that your planners when doing so will not forget the importance of the Falkland Islands to our stake in the Antarctic. If we wish to maintain a presence there - and this is not the place to argue whether we do or not - I consider that we have an additional interest in keeping the Falkland Islands. The Chileans and Argentines currently supply their bases in the Antarctic from airfields in South America using Lockheed C130s and Chinook helicopters. The Royal Air Force could do the same from Stanley, using Hercules and flying Montevideo-Stanley-Rothera. Stanley is a little over 1000 miles from Montevideo, a little less from Rothera. The Hercules could fly from Montevideo to Stanley without traversing Argentine airspace and without needing a diversionary airfield in Argentina as it has the range, I

understand, to return to Montevideo if necessary. I venture to suggest that, if France (or Germany or the USA or the USSR) owned the Falkland Islands, they would be using Stanley now as their main supply base for Antarctica. Even more important in the future could be the ice-free deep-water harbours of South Georgia.

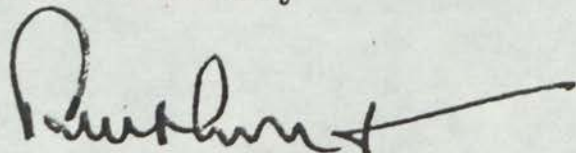
Conclusion

13. Falkland Islanders are like islanders the world over: their insularity makes them suspicious and narrow-minded and they feel vulnerable and insecure. I recall Mr Lee Kuan Yew urging his Singaporeans to greater efforts after the Tunku had kicked him out of Malaysia: "You must remember," he said, "That we are a very small country, only 224 square miles - at low tide." Well, they have not done badly. We must remember that the Falkland Islands are a very small community, only 1800 people - at shearing time. They may not have the entrepreneurial skills of the Chinese, but they have the same sense of national pride and are equally self-reliant and hard-working. They are also intelligent and well-informed about world affairs. Brought up on BBC Overseas and without daily newspapers, they have a well-balanced and objective view on most things not Argentine. But Argentina spells danger and emotion takes over from reason: the shutters come down and one can make no headway. I must conclude by stating that I cannot see Falkland Islanders ever willingly expressing a wish to become part of Argentina. And I do not blame them.

14. I am sending copies of this despatch to Her Majesty's Ambassadors at Buenos Aires and Santiago.

I am Sir,

Yours faithfully



R M HUNT

CONFIDENTIAL

FOREIGN AND COMMONWEALTH OFFICE

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CONFIDENTIAL

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