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 GOVERNMENT HOUSE,  
 FALKLAND ISLANDS.

9 January 1980

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 South America Dept  
 FCO

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Dear Gordon.

## FALKLAND ISLANDS: SOVEREIGNTY

1. In your teleletter, ALW/040/325/1 of 27 December to Hugh Carless, you asked for my comments on the Department's tentative thoughts about how the lease-back option might be worked out. Perhaps I could start with a thought of my own about the whole idea: maybe I have been here too long, but after even only three years among the Islanders I would instinctively find it as difficult to accept as they would. As I think I have said before, when discussing it in the Office, the danger of bringing it into negotiation is that as soon as one has done so, one has effectively relinquished sovereignty. All that is then left to negotiate is the length of the lease, where one would promptly be at a disadvantage if the other side decides to be obdurate in scenting the chance of almost total victory.
2. However, trying to be as objective as possible in assessing Islander reactions to the points you mention, the following are the best guesses I can make in what may turn out to be an academic exercise. They may seem uncompromising, but that is more than likely to be the Islander mood, for very good reasons of their own.
3. The concession most often put forward by the Islanders - and this in itself has brought them a long way along the line - is that there should be a moratorium of, say, 25 years in discussions on the sovereignty question, while measures of economic co-operation are explored, in the hope that at the end of that time there would have been a change of heart in Argentina through a realisation that sovereignty over the Falklands would bring with it nothing of any further benefit. An unrealistic hope that may be, given the Argentine mentality, but the Islanders wistfully feel it should be given the chance.
4. To some, lease-back has not been a new idea; it was tentatively put to Councillors, at least, a while back, and met with a negative response. More recently, the idea came into more general discussion when the Financial Times ran a speculative piece about it at the time of Mr Ridley's visit; Mr Ridley himself broached it with Councillors as one of maybe several

/hypothetical



hypothetical solutions, and in discussions with members of the public questioned what they had in mind when they referred to "sovereignty" as a portmanteau concept.

5. Curiously, following the FT article, the general reaction was remarkably muted. Not everyone may have hoisted on board what lease-back might really mean. But to those who did, the sugar on the pill was the reassuring term of 99 years, which has now generally had another digit added to it, cheerfully making it seem a most distant prospect. Therefore anything getting within a mile of the 30 years minimum you mention (A) will bring on the horrors. One has only to think of what it might mean to an ordinary young man contemplating marriage in a few years and raising a family. To ensure his children's long term future he will get out now. To the middle aged, the bleak prospect of a lonely old age will drive them away too, if they can manage it.

6. I have no comment on (B). On (C), you can be sure that a guaranteed right of abode in the UK will be demanded; the offer of dual British/Argentine nationality will cut no ice.

7. In general, the Islanders would expect that during the lease-back period (if they can be brought to accept it) everything will go on exactly as before. The Territory will remain a more or less self-governing British Crown Colony, like Hong Kong, making its own laws, running its own administration, and retaining all the independent rights which the protection of the Crown affords it. In the main your (D), (E), and (F) would tie in with this, but I cannot see how existing or new legislation could be brought into line with that in Argentina. In many respects the two concepts of law and civil liberty are totally different. Furthermore much of our legislation is an extension of UK legislation which it would be a major exercise to change, involving the UK Parliament. In the important areas of marriage, divorce, religious freedom etc, there could be no compatibility (remember Northern Ireland!)

8. The land question (G) would be crucial. It is a highly emotive issue here. Our restrictive land law as regards alien possession follows British colonial practice elsewhere (West Africa, Fiji etc) in protecting the indigenous people from having their birthright sold from under them. Here, with most of the land being held in a few huge lumps, any relaxation of the law could allow the whole place to pass effectively into alien and particularly Argentine hands (cf the Capozzolo bids at political prices for the Falkland Islands Company and for Douglas Station).

/The law



The law does allow for alien land holding on licence or small annual tenancy but, as things are, the discretion has to be exercised sparingly and in particularly limited circumstances. Apart from those inspired to make political gestures, I cannot think that many Argentines would want to come and live here as settlers.

9. Joint working languages (H) would merely make for an unnecessary and expensive encumbrance, as would the joint circulation of both currencies at different rates of inflation (I). The Islanders might be willing to accept the joint development of off-shore resources, but would be wary about anything on-shore, even if there were much scope for it. Such banking problems as there are would easily be solved if the Argentines would accept "Falkland Islands" payable instruments.

10. The only Argentine flag (J) I can see flying freely here would be one on the house of Canosa or his successor as the diplomatic representative of a foreign power. The flying on Argentine ships of both flags might, by the way, solve the courtesy flag problem.

11. I have no comment on (K) and (L) except, of course, to agree the Islands must have a recognised EEZ and Continental Shelf. The sooner agreement can be reached on this the better.

12. The above may not be exactly helpful to your exercise, but I think it is anyway more than likely to founder on (a) the length of the lease; and (b) the Islanders reluctance to allow any further Argentine intrusion during the term of it.

13. One thing we have not yet touched on in this debate is the question of finance for development and investment which might make the Islanders richer. It is possible that if they could look forward to an increase in their earnings and savings so as to support a move elsewhere, if it had to come to that, they might be more willing to take a chance on the lease-back idea in the shorter rather than the longer term. It might cost a good deal - the acquisition of some control over the Falkland Islands Company might be a start; money for more Green Patch schemes and extensive re-seeding projects could follow, with fisheries and tourism development etc. People who are well off are much more relaxed about their future than those who have little to fall back on. As things are, the Islands are heading for a difficult economic time of it, when money may be getting a lot shorter than it is now. Unless hope can be held out that

/this will



this will be averted, one whiff of the smell from what is being cooked up in the lease-back kitchen will promptly drive the young and able-bodied away, leaving the social problem of the not-so-young and the elderly. If Britain really wants to get out of this situation, then a goodly price will have to be paid for it, one way or another.

*James was*  
*Jim Parker.*

J R W Parker

cc: H Carless  
Buenos Aires