

FROM THE CHAIRMAN

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Coalite Group PLC

PERSONAL

30th March, 1984

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
London S.W.1.

R2/4

Dear Prime Minister

SOUTH ATLANTIC FISHING RESOURCES

I am pleased to take up the opportunity offered in your Private Secretary's reply of 15th March to give an account of my experiences in matters such as immigration to the Falklands and fishing surveys around the Islands and South Georgia, regarding which I expressed some exasperation in my letter of 9th March. If I may, I will confine this letter to fishing and write later on immigration.

In order to keep my comments reasonably brief, I am attaching copies of some of the relevant correspondence to support what I say and provide detail and flavour. It is extracted from two very thick files which have accumulated on the subject over only one and a half years.

Since we had no fishing experience at all, I had regarded any such developments around the Islands as an involvement more suited to the British fishing industry and had steered clear. In mid-October 1982, however, I was informed by the F.C.O. that a Japanese fishing Company (Taiyo) had been trying unsuccessfully with others to get something moving on exploration of fishing resources along the lines suggested in the Shackleton Report and that they would be approaching me, which they did (see letter from Taiyo Chief Exec. 1.12.82, which sets out what they had in mind).

Their enthusiasm was clear from the fact that Messrs. Amatatsu and Yamashita came from Tokyo one week later for a meeting in Chesterfield. They also visited the F.C.O. the following day. (Amatatsu letters 25.12.82).

As the only pro-Western Country with the required vessel capability to have shown any real interest in deep-sea fishing development around the Islands and since they were offering to carry out the exploratory fishing proposed by Shackleton (estimated cost £20M) without any direct payment and without any prior condition of declaration of fishing limits, the F.C.O. and O.D.A. showed some enthusiasm and it appeared that our support would be

/vital.

vital. Taiyo are apparently the biggest fishing concern in Japan, selling £1M worth of fish per day in Tokyo alone. I was greatly impressed by their candour and capabilities at this first meeting and agreed principles on which we would go along with a joint venture. They proposed 50/50 Taiyo/Coalite, which I was prepared to accept but suggested that we should involve also the participation of the F.I. Government and a British fishing Company. Taiyo had no objections but, not surprisingly, wished to retain 50%. I therefore indicated that half of our stake could be available for other British interests.

My views and the position of Coalite at this stage are well set out in a letter to the F.C.O. dated 7th January, 1983, in which I would draw particular attention to the final paragraph. (See also F.C.O. reply, 18.1.83).

January 10th - 12th, 1983, Messrs. Amatatsu and Yamashita came to London again from Tokyo. Joint Proposal finalised and submitted to F.C.O. and Civil Commissioner on 14th January, 1983. (See copy of Proposal and two covering letters, all dated 14th January, 1983). All this had been done within six weeks, with the aim of reaching agreement with F.I.G. in February so as to have the two Taiyo vessels operating with British observers on board by May/June 1983.

In February 1983, I visited the Falklands (Tim Raison also there) and discussed the fishing proposals at length with Sir Rex Hunt. He said that he and Development Officer would be recommending acceptance to a meeting of EXCO on February 28th, 1983. On that date, EXCO "agreed in principle to the fishing proposal", the only reservation expressed being that "details of F.I.G. participation will have to await the establishment of a Falkland Islands Development Corporation". (Sir Rex Hunt telex 4.3.83. and letter of 14.3.83.).

This was encouraging, appearing to clear the way for exploratory fishing with British observers on Board by May/June 1983. Nearly one year later, however, whilst the two Taiyo vessels have been operating since August 1st, 1983 we still have no British observers on board.

The following is a precis of events from mid-March 1983, with references to the attached correspondence:

- 15.3.83: Taiyo telex welcomes EXCO decision, says preparing trawlers and raises questions regarding fishing areas and median line with Argentina.
- 18.3.83: F.C.O. reply on fishing limits, median line and F.I.G. intention of participation in the Joint Venture Company.
- 24.3.83: Taiyo reply regarding formalisation of J.V.C. and fishing schedules.
- 23.3.83: My reply to Sir Rex Hunt, welcoming EXCO "agreement in principle" and asking whether that implies any reservations, when a decision on F.I.G. participation might be expected and whether proposals accepted firmly enough to enable a practical start to be made.

- 23.3.83: My letter to F.C.O., trying to ascertain firmness of commitment of F.I.G.
- 29.3.83: F.C.O. reply, agreeing "some confusion" and promising clarification.
- 29.3.83: Letter to Taiyo regarding discussions to involve a Hull fishing Company.
- 6.4.83: Letter to F.C.O., seeking information on progress. Taiyo appear to be a little discouraged.
- 13.4.83: Taiyo telex proposes meeting London May 2nd and 3rd, with a view to exploratory fishing commencement in August.
- 18.4.83: My reply to Taiyo, expressing anxieties whether sufficient progress will have been made for meeting early May.
- 19.4.83: Taiyo reply agrees to defer leaving Tokyo pending clear commitment of F.I.G. Agree proposed partner in Hull. Progressing clearance with Japanese Government.
- 18.4.83: F.C.O. confirms F.I.G. participation in J.V.C. and approval for investment of £7,500 initial share capital. Meantime "Memorandum of Understanding" from F.I.G., (which never materialised). Also refers to potential partner in Hull.
- 22.4.83: Telex to Taiyo, notifying F.I.G. agreement to 15% participation. Still awaiting firm indication of licence concessions to be granted in return for exploratory fishing, if and when fishing limits declared. Not surprisingly, since that is the only 'quid pro quo' for exploration and taking observers on board, a concession on eventual licence fees is a pre-condition for Taiyo. Specific reference to that subject has been avoided in all replies from F.I.G. so far - although "agreement in principle" might (or might not) be taken as their agreement to the requested concessions.
- 22.4.83: Letter to F.C.O., setting out agreed J.V.C. participants and percentages, begging for a firm letter of intent for assurance of Taiyo, warning of their possible loss of enthusiasm and consequent loss of a unique opportunity to collect the information on fishing required by O.D.A. for licencing considerations.
- 28.4.83: Reply from Sir Rex Hunt, agreeing it would be a pity to lose excellent opportunity but disclaiming responsibility for any delays. Refers to "certain amendments communicated to you via F.C.O." (Not received but came later in letter from F.C.O. dated May 6th, 83). These were relatively minor points, easily met. The important question left unanswered was whether the reference to "broad agreement with the proposals set out in the enclosure to your letter of January 14th" did or did not mean acceptance of the licencing concessions requested in return for exploration and observers. Later in the

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28.4.83: (Cont'd).

letter, the comment that "F.I.G. agrees to give the company preferential consideration in any future 200 mile economic zone" appeared deliberately unspecific and raised very real doubts of intentions. Nevertheless, this was taken as sufficient assurance to persuade Taiyo to come to London again May 11th-13th for meetings with F.C.O., O.D.A., fishery experts, lawyers, Sir Rex Hunt, Marr Fisheries of Hull and ourselves. Draft agreements, numbers of observers and their recruitment, licence concessions, fishing schedules, all discussed at length and good progress thought to have been made. Agreed aim to sign agreement in June and start exploratory fishing in August.

17.5.83: Taiyo telex regarding London meetings and questions from Japanese Government.

18.5.83: Letter to F.C.O. agreeing suggested numbers of observers and their appointment.

15.6.83: Letter to F.C.O. notifying delivery of copies of draft Agreement, Memorandum and Articles for J.V.C., prepared following meetings held in May.

12.7.83: Telex to Taiyo regarding F.I.G. delays due to legal and political considerations.

21/22.7.83: Telex from Taiyo. Two trawlers fully prepared and coming to Islands end July to start exploratory fishing, hoping agreement can be signed soon and observers picked up in Port Stanley. Collected information on fishing will be made available when Agreement signed.

29.7.83: Letter from F.C.O., from which it appears we are right back at the beginning as far as F.I.G. are concerned. Requesting Taiyo to make a presentation on proposals in Port Stanley.

29.7.83: Taiyo express hopes on progress.

1.8.83: Letter to F.C.O. regarding proposed presentation by Taiyo.

1.8.83: Two Taiyo vessels started fishing off the Falklands, awaiting agreement.

2.8.83: Taiyo suggest presentation in London, not Port Stanley.

10.8.83: Mr. Yamashita in London from Tokyo to discuss proposed presentation and progress if any towards Agreements. Also met F.C.O.. During these discussions it was concluded that the well-intended offer of participation of other parties had served only to prevent progress. Whilst the door for such participation would be kept open, I would travel to Tokyo in October to finalise and sign an agreement with Taiyo, whether or not other parties decided to join. This reassured Taiyo and retained their enthusiasm.

- 17.8.83: Taiyo telex confirms their agreement to that course and agrees to make presentation in London when three F.I. Councillors here, provided F.C.O. and we assist.
- 25.8.83: My telex to Taiyo confirming presentation arrangement with F.C.O. for September 2nd, to be attended by 3 or 4 Councillors, F.C.O., O.D.A., Adrian Monk, Taiyo and Coalite.
- 26.8.83: Taiyo telex their schedule for presentation.
- 26.8.83: My further reply on presentation arrangements.
- 26.8.83: My letter to F.C.O. expressing despair at lack of response to draft agreements submitted in June, reiterating importance of having British observers on the exploration vessels to avoid losing invaluable information, need to agree licence concessions available if and when fishing limits declared, and urging progress.
- 2.9.83: Taiyo here for presentation in London. Copy enclosed of brief but concise speech made by Mr. Yamashita on exploratory fishing proposals. (Little could be added to what had already been proposed in writing). Followed by constructive discussion with Councillors and O.D.A. fishing experts. Councillors promised to urge progress on their return to Stanley.
- 29.9.83: Signs of exasperation from Taiyo, suggesting consultancy in place of J.V.C.
- 29.9.83: My reply to Taiyo, expressing dismay at their proposed change of course.
- 5/12.10.83: I went to Japan for final negotiations on 50/50 J.V.C. with Taiyo, leaving door open for F.I.G. equity participation if and when they so decide. Details agreed and Agreement signed fifteen minutes after I was due to depart for Tokyo airport.
- 31.10.83: My telex to Civil Commissioner deals with several items of interest and Item 3 specifically with exploratory fishing, urging comment on our proposals or their counter proposals in order to get British observers on the Taiyo vessels (which have already been operating for three months).
- 1.11.83: Sir Rex Hunt telex reply, which stopped short half-way through. Says Councillors regard paying costs of observers before declaration of 200 miles limits is "putting the cart before the horse". This view had never been raised before and is completely opposite to O.D.A. fishery experts views expressed on what is desirable and what has happened elsewhere. Seems rather odd to be raising this point eight months after F.I.G. had "agreed in principle to the fishing proposals" and in view of all that has been said and done meantime.
- 10.11.83: My telex reply to Sir Rex Hunt, asking for rest of message, but commenting as above on that part of message so far received.

16.11.83: Received remainder of telex started on 1.11.83 from Sir Rex Hunt, saying Councillors now agree that observers should be put on board.

16.11.83: Telex from Sir Rex Hunt, saying that Councillors' reservation on fishing licence concessions (which we proposed in January 1983) and their counter-proposals had been passed to F.C.O. 28.9.83.). We enquired of F.C.O. and received them 28.11.83. First indication of any counter proposals to our proposals submitted in January 1983. Council "prepared to agree to concessionary licences for 12 trawlers at the rate of 25% (licence fees) for the first two years, 50% for the next two, 75% for the next two and 100% for subsequent years". (January proposal was for 5 years free of licence fees and 5 years at 50%).

Further discusses differences between O.D.A. and F.I.G. on appointment of observers/experts and consequent delays.

25.11.83: My reply to Sir Rex Hunt, advising no previous knowledge of counter-proposals and will now contact Taiyo. Also welcome Councillors' acceptance of exploratory fishing and observers as best avenue towards progress.

28.11.83: Letter from F.C.O. setting out counter-proposals and agreeing we deal direct with Sir Rex Hunt.

9.12.83: Telex from Taiyo, agreeing to agree a very substantial movement from their original stand on licence concessions towards F.I.G. counter proposals, i.e. 25% fees for three years, 50% for three years and 75% for three years, as opposed to original Nil% for five years and 50% for next five years.

I thought this was a great achievement, reflecting the confidence established with Taiyo and felt sure F.I.G. would be pleased. Not so.

9.12.83: Above transmitted same day to Sir Rex Hunt by telex.

13.1.84: A lengthy reply to Cranley Onslow, setting out the case for exploratory fishing and fishing limits as I see it, referring to the extent of fishing by Russians and Poles around the Islands, delays in making progress, etc.

16.1.84: Letter to O.D.A. replying to questions raised regarding facilities for observers on Taiyo vessels - and asking for confirmation of the preferential licencing terms to be granted to the J.V.C. No reply received.

20.1.84: Telex reply from Sir Rex Hunt, apologising for long delay and saying it was extremely unlikely EXCO would budge from the new negotiating position stated in November correspondence.

6.2.84: Telex reply to Sir Rex Hunt, re-iterating the factors involved, the dangers of trying to push Taiyo too far and the value of the fishing information to be set against the cost of obtaining it any other way. Urged re-consideration.

7.2.84: Telex reply from Sir Rex Hunt, standing fast and discounting any risks in going back to Taiyo again to ask for more.

In view of the suggestion in Sir Rex Hunt's telex of 8.2.84. of discussion with David Taylor (newly appointed Chief Executive of F.I.D.C.) when in U.K. from Stanley on 14th March, 1984, I decided to wait until then.

9.3.84: In spite of so much effort over fifteen months to try to help towards collecting the information required for the declaration of extended fishing limits and revenue from licencing, and encourage some pro-Western as opposed to Iron Curtain fishing activity, we seemed no nearer to recruiting British observers and appeared to be moving backwards rather than forwards. I therefore wrote to you personally, expressing exasperation on this and other potential developments on the Islands.

I appreciate the delicacy of this subject in the context of Anglo/Argentine discussions and that the declaration of extended fishing limits may well be more difficult now than it would have been a year ago. But whatever happens, the economy of the Islands really cries out for revenue from off-shore fishing and the thought is obviously prompted that it might at the appropriate stage be possible to substitute fishing limits for the Protection Zone.

What is needed is a firm decision on whether exploratory fishing is required along the lines proposed. If not, then I think we should so inform Taiyo, who must really be just as disconsolate as I am and losing some enthusiasm in view of the fact that their two vessels have been around the Falklands for eight months and the latest indication is that O.D.A. could not have observers on board before July, whereas the intention was to achieve that a year ago.

Since putting all the above information together, I did in fact meet David Taylor (F.I.D.C. Chief Executive), the F.I.G. Attorney General and the O.D.A. Fisheries Consultant in London on Tuesday of this week, March 27th.

Mr. Taylor gives a very good impression but is obviously in a very difficult position. As far as this fishing project is concerned, for example, he had not previously had sight of the proposals we submitted in January 1983 or a good deal of the subsequent paperwork. He apologised profusely on behalf of the F.I.G. and gave a sincere impression of wishing to make progress. We were back again, however, to talking about further discussions with Taiyo, in Tokyo if necessary, but I had to say that we were not prepared to go through all that again.

The most astonishing point coming out of this discussion was that, whereas the written Taiyo/Coalite proposals have always specifically referred to exploratory fishing and fishing limits around the Falkland Islands and South Georgia, we were told for

/the first time

the first time that South Georgia had not even figured in Government considerations on fishing and that there had been no question of fishing limits around South Georgia. I will make no point about that other than to say that, if it is so, we should have been told before now. In all the proposals, it was made perfectly clear that the fishing licence concessions requested in return for the two years exploratory fishing were based on the waters around South Georgia and the Falkland Islands. At this very late stage, it completely changes the picture and it could be, for example, that Taiyo might accept what F.I.G. has proposed as concessions if they relate to the Falkland Islands waters alone - as also the exploratory fishing. Quite amazing.

David Taylor has undertaken to make a rapid appraisal of the position in the U.K. and discuss it urgently on his return to Port Stanley. Meanwhile I can do nothing further.

I do apologise for the length of this but felt that I could not do the subject justice otherwise. If you can help in any way towards positive decision making on this project, which was considered to be such a major initiative at the time but has been floundering ever since, I shall be immensely grateful.

Yours Sincerely,
C. E. Needham

C. E. Needham

FROM THE CHAIRMAN



Coalite Group PLC

PERSONAL AND PRIVATE

30th March, 1984

Dear Prime Minister

FALKLAND ISLANDS

I thought that I should detach this separate note on a more personal basis from my lengthy letter about fishing.

It was good to see a man with business experience in a large organisation, Mr. David Taylor, appointed Chief Executive of the Falkland Islands Development Corporation. I have not seen much of him but he appears very sensible and committed and could represent the required turning point.

The purpose of this note is to express a personal opinion regarding the vital decision now to be made on the appointment of the Civil Commissioner to take over from July. As Mrs. Betty Miller of Port Stanley said in her recent letter to the Telegraph: "But we do need a leader, workers and people with energy, imagination and capital to invest here". Sir Rex Hunt is very personable but in no way a forceful and progressive leader. Courting local popularity is fine but it does not get anything moving, nor allow others to do so. What progress is to be made over the next few years will vitally influence the longer term future of the Islands and I sincerely hope

/that somebody

that somebody with progressive abilities and opinions will be appointed to start afresh and help the F.I.D.C. Chief Executive to make real progress.

For whatever it may be worth, the only man I can think of with a good knowledge of the Islands and background and the appropriate outlook is Roger Westbrook, who was until recently in the Falkland Islands Department at the F.C.O. That may be quite inappropriate for reasons of ranking or whatever but it could work.

Please forgive the direct style but the sole intention is to be helpful.

Best wishes
Yours sincerely
C. E. Needham

C. E. Needham

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London S.W.1.

D/TELEGRAPH

3/3/84

LETTERS TO

Troops are welcome in the Falklands

SIR—There has been so much non-sense talked about the attitude of the Falklands islanders towards the garrison here and about our future, that I feel it is time one of us spoke up.

We Kelpers do not resent the British servicemen among us, nor feel they infringe on our lives. On the contrary we welcome their presence. They have given us a security we have not felt since attempts were made to "sell us out" in 1968.

We all welcome and invite servicemen into our homes throughout the islands, and each regiment, aircrew, sailor or policeman leaves behind many new friends when his time here ends. If anything we resent the efforts being made to keep the two communities apart.

We can develop without any close association with Argentina once we have the new strategic airport a 200-mile fishing and exploratory zone around these islands and dependencies, a wool mill and soon.

But we do need a leader, workers and people with energy, imagination and capital to invest here.

British blood was shed in 1914 as well as in 1982 in order to retain possession of these strategically placed islands. I do not believe the British people as a whole and certainly not the relatives of those who fought and died here, would ever countenance any British government handing over British territory and British people to Argentina.

These islands are British and so are we all.

(Mrs) BETTY MILLER
4th generation Kelper
Stanley, Falklands Islands.