



## 10 DOWNING STREET

*cc MASTER*  
*SUBJECT*

From the Private Secretary

3 May 1984

*See below*

Falkland Islands Company

Mr. Jack Hayward called on the Prime Minister this afternoon (your letter of 2 May refers).

The Prime Minister warmly thanked him for his generous contribution to the South Atlantic Fund and his donation towards the cost of a new hospital in Port Stanley.

Mr. Hayward said that he had been in touch with Mr. Ted Needham, the Chairman of Coalite, about his offer to purchase the Falkland Islands Company. Mr. Hayward's own advisers had told him that £3-4 million would be a generous offer. Needham rejected this and, after suggesting a price of £12 million lowered this to £10 million. Mr. Hayward implied to the Prime Minister, though a little vaguely, that he might be willing to go as high as £7 million.

He then said that if either the present employees of the company or a large number of Falkland islanders became partners in the new company - and he would seek the advice of the Civil Commissioner on this - he believed that a start could be made on solving the problem of the Falkland Islands. He envisaged that the islanders would petition The Queen for independence. But independence would be subject to a joint British/Argentine guarantee of sovereignty and a similar joint guarantee of sponsorship of UN membership for the Islands. If the Prime Minister was interested in this proposition, he would complete his negotiations with Coalite, discreetly check the views of the islanders and then make an approach to Argentina.

The Prime Minister said that while she appreciated the thought that Mr. Hayward had given to this some of his ideas seemed impracticable. The population of the Falkland Islands was hardly big enough for an independent state. Nothing would induce Argentina to abandon its claim to sovereignty. No Argentine guarantee could be depended on since the behaviour of future Argentine governments was unpredictable. The Falkland Islands were British territory. The main problem there at the moment was a lack of leadership. If Mr. Hayward could produce any ideas for injecting leadership into the Islands she would be grateful to receive these.

/ Mr. Hayward

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Mr. Hayward sought to argue in favour of the proposition he had put forward. The Prime Minister then said that she would send him a letter explaining our attitude, describing some of the ideas which we had worked on in the past for moving the Islands further towards an independent status and illustrating the difficulties involved in Mr. Hayward's proposition, for example the unlikelihood of the United Nations admitting an independent Falkland Islands to membership or of providing any effective protection for that state once it was independent. I should be grateful if you could let me have a draft letter covering these points.

*John*

*John*

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office.

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