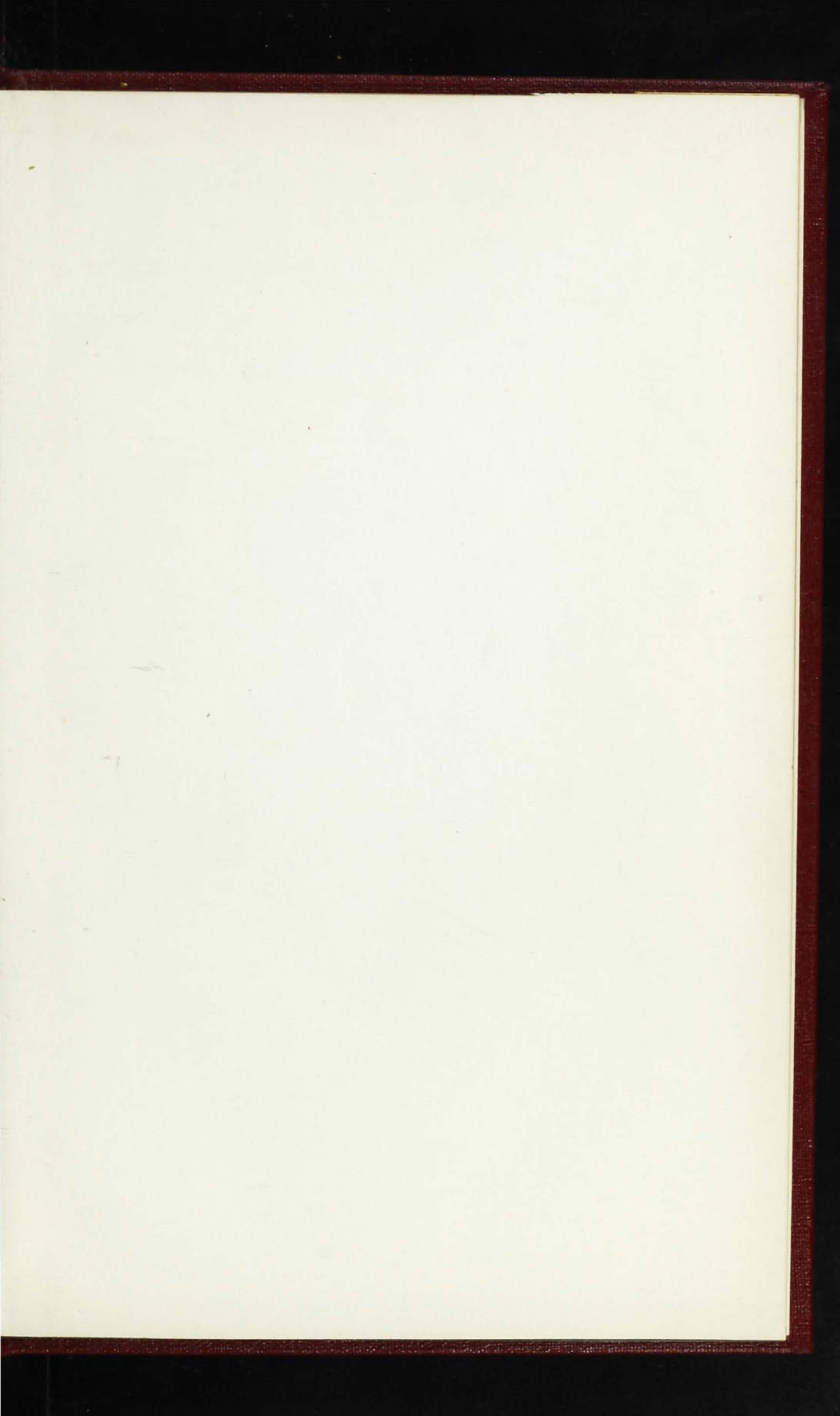
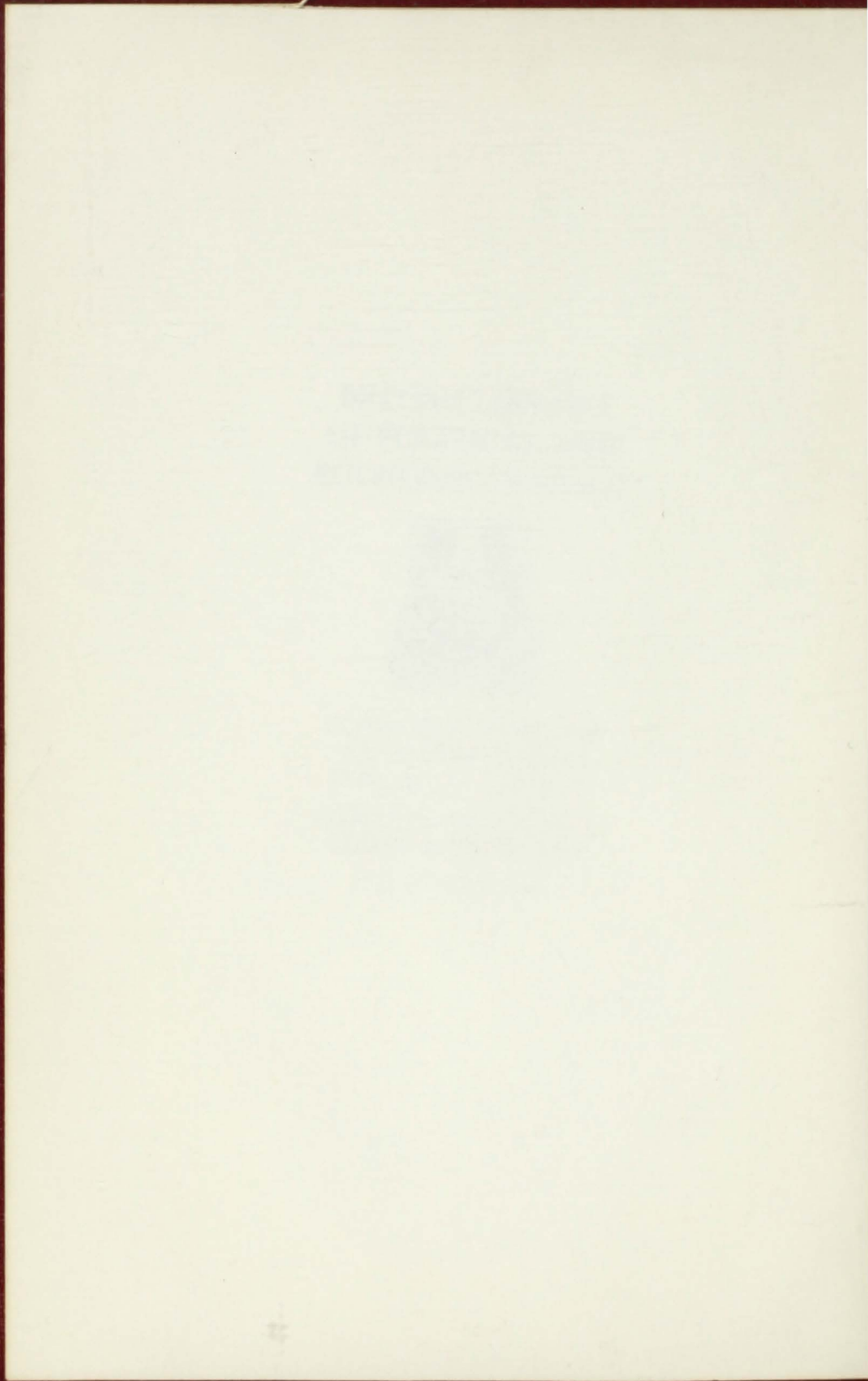


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# THE FALKLANDS?

By the Hon. Sir James Spence

Author of 'The Falkland Islands' and 'The Falkland Islands and the South Atlantic'

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# what future for the Falklands ?

Colin Phipps  
fabian tract 450

50p



# fabian tract 450

## what future for the Falklands?

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The author would like to thank Roderick MacFarquhar and Bruce Grocott for critical reading of his manuscript, and also Neville French (who was Governor of the Falkland Islands at the time of his visit there) and his wife for their kindness. He would also like to express his thanks to the multitude of splendid Falklanders who answered his various questions, and Sir John Gilmour who accompanied him there.

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# 1. introduction

It is now over a quarter of a century since the Atlee Government began the great programme of decolonisation which followed the second world war. Today only a few scattered colonies remain. They are normally characterised by one of two features: (a) the lack of a self-sufficient economy; and (b) the threat of annexation by a more powerful neighbour. The Falkland Islands are characterised by both. Of the two, however, the Argentinian claim to sovereignty over the islands—known in Argentina as “Las Malvinas”—is much the most important.

The Argentinians have never actually occupied the islands. Discovery is usually attributed to the Elizabethan navigator, John Davis, whose ship, the “Desire,” sighted them in 1592, at which time they were totally uninhabited. Various other sightings are recorded but the first definitely documented landing was made in 1690 from the English ship “Welfare” commanded by John Strong, who first used the name Falkland after the then First Lord of the Admiralty. The first settlement was French, led by Antoine Louis de Bougainville in 1764, and many French names are still current. However, in 1767, the French settlement was formally transferred to Spain. While this was going on, Captain Byron claimed all the islands for Britain in 1765, and the first British base was established the following year. In 1770 this settlement was cleared out by a Spanish fleet and, as Britain and Spain were at peace, much diplomatic squabbling ensued. Superior British strength caused the Spaniards to return the settlement, although they would not renounce their claim to the islands. It is from this claim that the current Argentinian claim arises, because the Argentinians regard themselves as Spain’s inheritors in the South Atlantic. Sporadic English and Spanish settlements coexisted in the Falklands for many years thereafter. The Spanish settlement was eventually held in the name of the United Provinces of the Rio de la Plata, which came into being in 1816 after their secession from Spain, and of which present day Argentina comprised part. Considerable problems were experienced by the local governments in the Islands

with the international sealing fleets which used the islands as a base. This led, in 1831, to the sacking of the United Provinces settlement by an American corvette in retaliation for the seizure of an American sealer. Eventually Britain annexed the islands in 1833, and they have remained a British colony since.

The foregoing is a brief summary of a complicated, and often poorly documented, series of events. They have been variously interpreted in favour of Britain or Argentina, depending upon the viewpoint of the interpreter. I do not intend to consider whether either claim is justified as nothing I will say would in any way change the attitude of the protagonists. The vital factor is that, in the nearly 150 years which have elapsed, a community has been established, and it is the rights of that community which concern me in this pamphlet. No argument about sovereignty can be allowed to override those rights.

In November 1975 Sir John Gilmour MP and myself comprised a Commonwealth Parliament Association delegation which made a three week visit to the Falkland Islands and Argentina. We visited the greater part of the Islands and met the majority of the population. We also had wide ranging discussions with senior Argentinian officials and our Ambassador in Buenos Aires and covered almost every aspect of life in the Islands—political, social and economic. Since our visit, Lord Shackleton’s mission has reported on the Islands’ social and economic conditions. The present pamphlet deals with the political situation and, it is hoped, together with the Shackleton Report (*Economic Survey of the Falkland Islands*, HMSO, July 1976), will provide a useful and up-to-date picture of the current difficulties facing the Islanders.

## the Falkland Islands

The Falkland Islands lie deep in the South Atlantic, about 7,500 miles from Britain and just over 300 miles east of the southern tip of South America. They

comprise two large islands and over 200 smaller ones, covering an area about the size of Wales, but with only just over half of the land area of the Principality. The climate is temperate, the winds strong and persistent. Rainfall and temperature are both moderate. It is a healthy place to live.

The highest point on the islands is just less than 3,000 feet and the most obvious feature of their landscape is the complete absence of trees. The uplands tend to be bare and rocky, and much of the lowlands are covered with thick peat. The soil is very acid because of the lack of any limestone and only certain kinds of grasses grow at all readily. The lack of trees and shrubs makes the fascinating wild life—mainly geese, penguins, birds and various kinds of seals—easily visible and accessible. Anybody who has visited some of the Scottish islands in Spring will have a fair idea of the general climate, landscape and “feel” of the Falklands. It is a paradise for those who enjoy horse riding, boating, climbing, fishing, walking, bird watching and solitude. It is no place for the gourmet.

The Islands' economy is based almost entirely on the export of wool from the sheep which roam over all the islands. It supports a tiny population, given the land area, of just over 1,900 most of whom were born there. Except in years when the wool price is high, the economy is not self-supporting. The principal commercial concern is The Falkland Islands Company—now a subsidiary of Charrington Industrial Holdings Ltd—incorporated by Royal Charter in 1851. The company owns 46 per cent of the land area and is responsible for all wool marketing and imports. In total, it controls about 75 to 80 per cent of the total economic activity. The Shackleton Report deals at length with the Islands' economic problems and prospects.

Communications are a considerable problem. The only roads are in Stanley, the capital, and the thick peat cover reduces Land Rover speeds to an average of 5 mph. For a people surrounded by water, the Falklanders are remarkably averse to

marine activities. They do not swim, fish or boat to any extent, and marine communications are negligible apart from the boat which collects the wool crop. In recent years two Beaver seaplanes have improved contacts enormously, but there are still many people in the remote settlements who virtually never visit Stanley.

There have been attempts to produce a newspaper for the Islands, but these have foundered because of the poor economics of a society with no real advertising needs. Verbal communications, however, are very well developed. The local radio reports everything of any moment, and there is a widespread radio telephone network into which everybody may tune. Land line telephones are all on a single party line in the settlements, and numbers are called using a kind of Morse code of long and short, hand turned rings. To ring one phone is to ring all phones and, no matter whose house they are in, Islanders pick up the phone when they hear their code. There are few secrets in the Falklands.

Overriding all other factors, however, is the tiny population, over half of whom live in Stanley. The rest is dispersed among 33 widely separated settlements known collectively as “The Camp.” There are two characteristics of the population which immediately strike the visitor: (a) the almost feudal nature of the social structure—especially in the settlements; and (b) the remarkable way in which such a tiny population manages to sustain the infrastructure of a modern society, running everything from schools, hospitals and a publicly employed civil service of more than 150 people, to an airport, radio telephone system and a power station. All of the principal social problems, especially drink and divorce, arise from the isolation of a small, tightly integrated community. It is the increasing impact of the outside world upon this community which is now breeding the most urgent social problem—emigration, mostly to the UK. It was the set intention of more than 60 per cent of the young people I met to emigrate at the first opportunity, and one of the local headmasters—an expatriate from the UK

—has said he now regarded it as part of his duties to encourage this. Not for the first time in the Islands, it seems, that what had appeared a vision of romantic solitude from the UK soon shattered on the realities of an unending diet of mutton, beer and rum, with entertainment largely restricted to drunkenness and adultery, spiced with occasional incest. Men outnumber women three to one in the settlements.

Politically the Falklands have a typical colonial administration. The Falklands Islands Government (FIG) comprises a Governor (who drives around Stanley in a London taxi—the only vehicle in which he can wear his cocked hat) and a Chief Secretary, both appointed by the British Government, in conjunction with a small executive council (EXCO) and a small legislative council (LEGCO). The two councils include both appointed and elected members. In practice, however, the Governor has supreme authority which, in turn, is directed from the Foreign Office in London. Discussions concerning a more democratic government have been proceeding for some time, but there seems little evidence that this would make any essential change to the economic and social structures.

Because the principal political problems of the Falklands are external ones, the functions of EXCO and LEGCO are mainly advisory and are likely to remain so while the Argentinian problem is unsolved. The main political pressures on FIG arise from the very active local branch of the Falkland Islands' Committee, strongly backed by the UK branch which puts pressure on HMG (Her Majesty's Government). The Committee has a widespread membership throughout the Islands, all the Islanders being kept closely informed of its activities via the radio telephone network. Formerly, the Falkland Islands Company carried considerable political weight, but this has reduced somewhat in recent years. Its role in future economic and political developments is not likely to be great, although it remains an essential base for the present infrastructure.

## 2. the political problem

I do not feel competent to judge the validity of the Argentinian claim to the Falklands, nor to comment upon its legal implications. In practice, however, it is very unlikely that legal considerations will have any influence upon the situation. The only considerations of real importance are: the attitudes of the Argentinians and the Falklanders, the steps which the Argentinian government are prepared to take and the degree to which HMG is prepared to resist them, and the extent to which international opinion and pressure can be mobilised on either side. Each of these shall be considered in the light of my own exposure to them.

### the Argentinian position

Until my visit to Argentina I had not properly understood the nature, and motivating force, of Peronism. Argentina is the most "European" of South American countries. The population is almost entirely of European descent with very little admixture of Indian or Negro blood. The indigenous Indians were largely exterminated, or driven into neighbouring countries, during the last century, and the only inhabitants today of Indian and mixed Indian origin are the immigrant Chileans who live in Patagonia and Tierra del Fuego. Most Argentinians find the southern areas of their vast country unpleasant to inhabit, and the great bulk of the population live in the rich agricultural lands bordering the River Plate, the pampas, and the Andean foothills and slopes.

The Argentinian population lives very much in European style. Buenos Aires looks much more like Madrid or Paris than it does any other South American capital. Its planning, architecture and ambience are essentially European. European commercial enterprises, including many British companies, have played—and continue to play—an important part in the country's development. Perhaps the most remarkable aspect of this European heritage is the degree to which individual Argentinians cling to their European origins. The great bulk of Argentinians

are descendants of Spanish and Italian immigrants but there are also substantial English, German, Welsh and other communities represented. Each of these national groups is concerned to retain its identity, and members regard themselves as German-Argentinians, Anglo-Argentinians and so on.

During my visit I had the opportunity of meeting members of the Anglo-Argentinian community, and was able to judge the strength of national feeling in at least this one group. I am assured that they are in no way unique and that they do not display characteristics different from those displayed by other groups of similar distinctive national origin. According to the British Embassy, there are about 170,000 people in Buenos Aires alone who regard themselves as Anglo-Argentinians. Most have English names, both christian and surnames, and the great majority speak English. They dress in a distinctly English fashion and speak English with accents identical to those in southern England. This is true of third and fourth generation Anglo-Argentinians who have never been to Britain. Even more surprisingly, many of them speak Spanish with a distinctly English accent. English is clearly their first language, and in one family I met the grandmother spoke no Spanish, despite having lived all her life in Argentina. They speak English amongst themselves. The preservation of this strong national identity is helped by the existence of numerous schools which are, to all intents and purposes, English. It is to these schools that many of the Falkland Islands children, given scholarships by the Argentinian government, are sent. The most obvious illustration of the retention of an original nationality, and close identification with it, was provided during the war, when large numbers of Anglo-Argentinians joined the British forces. A senior police official was extremely proud of his service with the RAF, and there is a very active RAF Association in Buenos Aires. In similar fashion, there are German, Czech, Italian and other associations. It is in this context that Peronism must be viewed. It is essentially a movement for national

identity rather than a conventional political party as understood in Britain. It lacks the usual political structures and embraces all shades of political opinion in much the same way as other populist political movements. It is equally possible to be a fascist or a marxist Peronist. The urban guerilla groups which comprise the Montoneros regard themselves as Peronist and, in the current internal struggles, are now calling themselves "The Authentic Peronists." The mantle of Peron is one of national identity and, as such, is an essential ingredient of any Argentinian political party. Peronism itself has no recognisable philosophical or political content outside of its appointed task of producing an Argentinian nation. To some extent this is related to its past as a British neo-colony. Its closest British equivalent would be Scottish Nationalism, except that Peronism has genuine social accomplishments to its record.

It is important to understand the nature of Peronism, the dominant political force in Argentina, if the nature of the Argentinian commitment to the Falkland claim is to be understood. The claim presents a ready made and easily identifiable issue around which all Argentinians can combine. Although it may be a slightly embarrassing issue for the Anglo-Argentinians, it is a classical external objective uniting all internally competing factions. It has become a touchstone for a politician's sense of national identity which none can afford to ignore. Quint-essentially, it is the cornerstone of an electorally respectable jingoism. It follows that the more troubled the political scene within Argentina, as at present, the more likely it is that the Falkland Islands will be raised as a diversion. Although the Argentinian claim is of long standing, it is notable that it is always pressed most strongly when there is political instability. The Falklands have become one of the integral factors of Argentinian politics and no actual or putative government can afford to ignore them, or appear to be modifying or ameliorating the strength of the sovereignty claim.

The significance of the issue in Argentinian politics is not widely appreciated in

Britain, and has led successive British governments to believe that the Argentinians are capable of a rational, Foreign Office type approach to the problem involving that great British virtue: compromise. They are not. I had a very specific and disturbing illustration of this in Buenos Aires, over a long private dinner with a senior member of the Argentinian Ministry of Foreign Affairs. A highly educated, intellectual, cosmopolitan man, who had spent many years in Argentinian embassies abroad, he remained adamant that no solution could be contemplated which did not involve the recognition by the British Government of Argentinian sovereignty. When it was pointed out to him that the Islands could only be an economic burden to Argentina, that they would create great political difficulties because of the feelings of the population, and that there was absolutely no economic, political or social benefit of any kind that could accrue to Argentina from sovereignty over them and that the most sensible thing to do would be for the two governments to work out a mutually acceptable solution guaranteeing the Islanders self-determination under some international body, he accepted the burden of the case. When asked why such a course could not be followed and the Falkland Islands preserved for the Falklanders, his reply was simply: "Because they are ours." Pressed on the issue of self-determination for the Islanders, his reply was equally depressing: "Britain did not ask the permission of the Islanders in 1833." This helps provide a much clearer understanding of the difficulties facing an agreed settlement.

### the Falklanders' position

Although contacts between the Falklands and Argentina have not, until recently, been very common, the Falklanders instinctively appreciate the Argentinian position. It is not surprising, therefore, that their own reaction should be couched in similarly intransigent terms. Although native Falklanders are not all of British origin, the great majority are, and they all have a very strong sense of identity with Britain. Because the community is small, and

there has never been an indigenous native population, there is no feeling that they are colonials. Indeed they consider themselves British in the same way as does anyone born and bred in Britain. Geographical remoteness in no way diminishes this sense of identity, and they quite genuinely see themselves as being just south of the Isle of Wight, and a good deal north of the Channel Islands. It follows that they find any suggestion on the part of Britain that they may have more in common with Argentinians as incomprehensible. They firmly believe they are as much part of Britain as Kent, and should be so treated by the British Government. The Falkland Islands' Committee, both in the Islands and the UK, is the principal political expression of this view.

### the British position

Faced with such a total impasse, what can Britain (or any other sympathetically minded country) do to break or resolve it? Clearly a change of attitude on the part of one of both of the protagonists is an absolute requirement for any peaceful solution. The British Government is in a particularly difficult position, but one which it cannot abdicate. One thing is definite: the Falklands and its people are a British responsibility. In the normal course of post-war events, the Islanders would long since have been given the opportunity for self-government. Even given their precarious economic situation, this could have been managed if some kind of economic arrangements with Britain had been agreed. It has been the certain knowledge that Argentina would immediately annex the Islands which has prevented that from happening. In resisting this, Britain's responsibility does not just recognise the legitimate wishes of the Falklanders, but the inescapable fact that successive Argentinian regimes have been of a nature utterly incompatible with any social or political system acceptable to British opinion. No Falklander, however objective about the *realpolitik* of his position, can be blamed for not wishing to become an integral part of Argentina's bloody and unstable career. No British

Government would be forgiven for allowing it. The emergence of genuine democratic, stable government in Argentina is probably the best long term hope of a settlement, but it would be foolish to pretend that this is on the horizon. Britain must be prepared to act with a succession of arbitrary and idiosyncratic regimes for many years to come.

Fortunately, the Argentinians never seem to have seriously contemplated a military takeover. Given the emotional instability of some recent Argentinian governments this may appear surprising, but it almost certainly reflects the distaste of the armed forces for such an adventure. In particular, the essentially pro-British navy (modelled on Royal Navy lines and staffed by many Anglo-Argentinians) on which any invasion would depend, would almost certainly have resisted any such action. In general, the rationality and common sense of the military officers is impressive as is the considerable objectivity that they evinced concerning the whole problem. Although Britain is, in theory, responsible for the defence of the Falklands, only a token force of 40 marines is stationed there. However, in the event of an Argentinian invasion, the Falklanders, who are organised into a local defence force, would almost certainly resist, and Britain would be under pressure to intervene, despite the logistical difficulties. It is very hard to see how such a confrontation could have a positive result, and all three participants would be bound to suffer. This appears to be fully appreciated by the Argentinian military at least, and is not an eventuality that seems at all likely unless a totally crackpot regime (even by Argentinian standards) takes over in Buenos Aires.

Argentina anyway has no need of military measures to bring pressure to bear on the Islands. Air communications can be cut off, for example, because the current air strip can only take short range aircraft, although the new airfield outside Stanley makes this a hollow threat. Of a much more serious nature is the possibility of unilateral action by Argentina in the sea around the Falklands. If Argentina began drilling for oil on the Falkland

side of the median line between the Islands and the mainland, this would raise the most difficult problems for the British Government, and it is thus imperative that any such action is pre-empted as soon as possible. It is in these and similar ways that the Argentinians can demonstrate the realities of geography most strikingly. In practice, despite the public sabre rattling, they have to date chosen the soft sell approach to the Islanders themselves. They have provided much needed air communications, hospital, schooling, oil supplies and other facilities, and have felt hurt and rebuffed by the extreme suspicion with which these gifts have been received by the Islanders who, quite correctly, see behind them the wolf come to gobble them up. Nevertheless, the Argentinians deserve credit for their attempts at wooing and, if friendship rather than ownership was their aim, they might already have had fair success. As it is, at a football match in Stanley the Islanders cheered for the Argentinian team, drawn from men working on the oil supply terminal, against the Marines; but then the Argentinians do not marry the local girls.

### **world opinion and the approach to a solution**

Too much can be made of the pressures of international opinion on Britain (or Argentina) in what is essentially a remote colonial problem. Outside of South and Central America there is almost no understanding of, or interest in, the conflict. Even those third world countries which might normally be expected to take a virulent anti-colonialist stance are muted by their distaste for the Argentinian regime. Experience of other Latin American countries suggests that most of them would be perfectly happy to see the whole matter disappear without their being obliged to take sides. South America is far from being a monolithic block and each separate country has its own concerns; most are anxious for increased trade with Britain and Europe, which they would certainly be unwilling to put at risk over the Falklands. In addition, the kinds of *quid pro quo* that they

would demand in the way of support from Argentina are very hard for that country to give, as they invariably involve disputes between neighbouring countries. Most South American countries have, at one time or another, been at war with their neighbours over boundary disputes, and these disputes remain the running sores of much of their foreign policies. Support for the Argentinian claim often requires reciprocal support from Argentina for a like claim involving two potential allies. Because of this, apart from a general genuflection in the direction of Argentina by other South and Central American countries, little or no positive support is forthcoming. There is little real international pressure, therefore, for Britain to come to a decision favourable to Argentina.

In practice, this means that Britain has a free hand in devising a solution because (apart from a small, but vociferous, lobby in Britain) the Falklanders are also without real friends internationally. The blunt truth is that no country is going to raise any objection if Britain were to abandon the Islands to Argentina. This places a great temptation in the way of the British Government. There is little doubt that, left to themselves with no economic help from Britain, the Islands would die within a relatively short period. My own observations suggest that a fall in the population of 400 to 500, unaccompanied by British subsidies, would effectively cause the economic and social structure to collapse. None of the essential services, so tenuously maintained at present, could continue to function. Once this happened, the end would be very rapid. All that HMG would then need to do would be to step in with generous repatriation terms to the UK (complicated by the recent patrial legislation which would have to be waived if all the Islanders were offered British citizenship), and do a deal with Argentina concerning compensation. Both governments must be aware of this possibility.

To be fair to the British Government, they have not so far implemented such a policy, and the Argentinians regard the sending of the Shackleton mission last

year as a firm indication that HMG do not intend to implement such a policy. Hence the breaking off of diplomatic relations and the harassment of the mission. Despite these factors, the government could probably do with having its resolve strengthened. My own view, after considerable exposure to the views of the Falklanders, is that an accommodation with the Argentinians is in their best, long term, self interest, but that nobody has the right to impose any solution upon them. They and their ancestors have occupied the Islands for nearly 150 years; everything there has been created by them and they have an absolute right to self-determination. The realities of the Argentinian presence will undoubtedly influence their decisions, but it cannot be accepted that any British government should abdicate the responsibility of ensuring that those decisions are not made under duress.

How then can the deadlock be broken? Clearly some kind of catalyst is needed which will bring all three sides—the Falklanders, HMG and the Argentinians—together in mutual self-interest. In searching for such a catalyst the most obvious approach is to seek an external economic objective. Careful consideration of the position would suggest that the prospect of off-shore oil presents the best catalyst available. The rest of this pamphlet attempts to illustrate why this is so and how it might be used. There are other economic possibilities which could also be canvassed, but none have the unique qualities of mutual advantage offered by off-shore oil. This is clear from the report of the Shackleton mission. Even should no hydrocarbons be found, an unsuccessful search would last for up to ten years and the habits of useful co-operation engendered would be of inestimable value in leading to a long term solution. The elimination of mutual fears and antagonisms must, in the end, be the only route to such a solution. Because the future of the Falklands must, whatever the political situation, inevitably become bound up with the mainland, the sooner such fears and antagonisms are replaced by mutual understanding and co-operation the better for all concerned.



### 3. the prospects for hydrocarbon development

There is a deeply entrenched and persistent folklore in the Falklands that the islands are underlain and surrounded by vast accumulations of oil. The lack of effort in exploiting the accumulations is interpreted as evidence of a deep laid plot on the part of the British Government to prevent an economic bonanza in the interests of the Argentinian claim. The truth is more prosaic: very little is known about the oil prospects, and next to no work has been done. In the absence of any detailed knowledge or expertise at its command, the FIG is naturally reticent; this reticence fuels the suspicions of the Falklanders. These suspicions are now so deeply embedded that any public or private statements which tend to downgrade the oil prospects are regarded as a smokescreen behind which the Falklanders will be "sold down the river."

From an examination of all the geological work completed to date it is immediately obvious that there has been remarkably little geological work of any kind carried out on the Falklands. The only survey of the Islands as a whole was carried out by H. A. Baker, who published his results in 1924. Writing in a lucid, restrained and deliciously ironic style, he recounts the extreme difficulties and hardships he had to overcome to produce what is no more than a general reconnaissance. Since that time no overall survey has been made, with the exception of Mary Greenway's photogeological study—which draws heavily on Baker's work—published in 1972. The only other publications deal with very specialised aspects of the geology of no economic significance.

Compared with the millions of words (and the millions of man hours of field work on which they are based) which have been written on the geology of Wales, those written on the Falkland Islands indicate that our knowledge of them is at a very primitive stage. Not only is the work rudimentary, but very out dated. Some detailed modern mapping, of small areas near Stanley, has been done by research students and professors from the USA. This work, dating

from 1967, has demonstrated that the geology is extremely diverse, and that an enormous amount of work needs to be done before it is fully understood.

Because of this extreme paucity of data, it is impossible to be categorical about the hydrocarbon prospects of the Falkland Islands either on-shore or off. There has been a tendency, on the basis of Baker's report, to dismiss any on-shore prospects, but the data are insufficient to make any sensible assessment of them. During my own visit I was shown rock samples, nowhere mentioned in the literature, which may contain some hydrocarbon material. Whether or not these are of any significance it is impossible to say without much additional work, but the presence of such unrecorded rock types does indicate that any statements about the hydrocarbon prospects on-shore are essentially meaningless in our present state of knowledge. All that can be said is that the available information is largely negative.

Our knowledge of the off-shore is equally sketchy. Important reconnaissance surveys, including some seismic surveys, have been carried out during the last decade by Professor Griffiths and his team of researchers from Birmingham University. In addition, the *Glomar Challenger* drilled three shallow holes, as part of the Deep Sea Drilling Project, on the eastern part of the Falkland Plateau; a submarine feature several hundred miles east of the Falkland Islands. The results of this, and other work, have established the presence of a number of off-shore sedimentary basins around the islands: to the west the Malvinas Basin; to the north what may be a seaward extension of the San Jorge Basin of Patagonia; and to the east two ill defined basins associated with the Falkland Plateau. The Burdwood Bank, a shallow submarine plateau to the south of the islands, appears to be an eastward extension of the South American Cordillera extending from Tierra del Fuego to South Georgia. Little is known about its geology but, by analogy with its landward extension, it is unlikely to be prospective. Ignoring for the moment any complica-

tions imposed by the Argentinian claim to sovereignty, there is still no clearly defined law of the sea and its floor which would allow a satisfactory decision to be made as to what parts of the basin described above should belong to the Falklands. Certainly those areas lying between the islands and Argentina would have to be partitioned, in much the same way as has already happened in the North Sea, but the areas to the north and east would be much more difficult to define. A line drawn due east of the Falklands meets no land mass until it circles the globe and hits the Chilean coast. There would be no little resistance to drawing a median line dividing the whole vast area up equally between Chile and the Falkland Islands! Even given the presence of South Georgia immediately south of the line, it would be difficult for HMG, acting as the colonial power, to claim sovereignty over an extensive area of the South Atlantic. Pending a satisfactory law of the sea, it would be unrealistic to consider any area outside of a 200 mile radius from the Falklands as being within our jurisdiction as regards the issuing of oil licences. In practice, this would not be of immediate importance, as the main area affected, the Falkland Plateau, is at water depths below those currently considered economically exploitable.

Of those areas within a 200 mile radius, the most prospective areas appear to be the Malvinas Basin and the seaward extension of the San Jorge Basin. The major portion of both these basins would lie within Falkland Islands' waters, if these waters were to be apportioned between Argentina and the Falklands according to the formulae adopted for the North Sea. Given the relative sizes of the two land masses concerned, it does not follow that a North Sea method would be acceptable to Argentina even if there were no sovereignty dispute. Nevertheless, under some such system, a fair proportion of the two basins would belong to the Falklands.

Water depths covering the two basins are well within those currently being drilled by modern semi-submersible

barges and drillships, and weather conditions are less severe than in the northern North Sea, such that there are no known technical difficulties in exploring for and, if discovered, exploiting hydrocarbons. However, examination of the few available data, together with an extrapolation of continental South American conditions, does not place a very high rating on the prospects for either basin. The on-shore fields in the San Jorge and Magellan Basins are small, and none of them would be commercial under the off-shore conditions pertaining around the Falkland Islands. It is possible that larger accumulations exist off-shore, but the available seismic evidence suggests that the basins may be too shallow, in terms of sediment thickness, for the development of significant hydrocarbon reserves. It should be stressed that the calculated thicknesses are based on assumptions about the velocity of sound in the sediments, and this is not accurately known. Despite this, it is unlikely that the calculations are very far out. In addition, the basins are small, and may be lacking in sufficient rock volume for the generation of really significant quantities of hydrocarbons. On the plus side, the Glomar Challenger holes did demonstrate the presence of hydrocarbon-rich sediments younger than those outcropping on the Falkland Islands, and the off-shore prospects appear more propitious accordingly.

In summary, all that we can really be confident of is that there are sedimentary basins around the Falklands, and that these basins probably contain suitable sediments for the development of hydrocarbons. They are related to on-shore basins with known oil fields, and are within the scope of modern technology to explore and exploit. There are important doubts about the thicknesses of suitable sedimentary rocks, and about the size and economic viability of any hydrocarbon accumulations which may be present. The balance of all these factors is sufficient for the basins to be regarded as genuine prospects, but not of the first magnitude. They are the sort of prospects which, political difficulties apart, the oil industry will be looking to explore in the

next decade, and a degree of interest in the Falkland Islands has already been exhibited by some oil companies. Much more work will be required before any drilling could take place, additional work would be unlikely to downgrade the prospects to such an extent that no exploration wells would be considered worth drilling. The exploration success ratio in virgin basins of this size and type world wide is in the order of one in ten—that is to say, there is a one in ten chance of finding commercially exploitable accumulations of hydrocarbons.

### **time scale for hydrocarbon development**

Given the existence of oil and gas prospects, and again ignoring the Argentinian claim, it is possible to examine the steps to be taken before exploration licences can be issued. There already exists an early law covering mineral rights on-shore, and most of the land area is subject to mineral rights, of some kind or another, which are in private hands. If on-shore exploration for hydrocarbons is contemplated, this law must be modernised, and the hydrocarbon rights be secured by the FIG. Work on this law revision is already in progress. When the ownership of all hydrocarbon rights have been vested in the FIG, it will be possible for exploration licences or concessions to be awarded, although there is still considerable work to be done on the necessary fiscal legislation, and it is unlikely that the on-shore areas would attract any applications. It is, therefore, essential that the off-shore legislation should be completed at the same time.

Under current international agreements, a country is entitled to consider the area within a 200 mile limit of its coastline as its "Economic Interest Area." Where the coastline of another country lies within the 200 mile limit, it is necessary for the two countries concerned to come to a mutual agreement with regard to a "median line." This is familiar to most people in the UK as a result of the partitioning of the North Sea along median lines as a preliminary for oil and gas exploration. Difficulties may arise over

off-shore islands, just as the UK and France have yet to agree on a median line in the English Channel because of the effect of the Channel Islands. Where such difficulties exist, or when no agreement on a median line has been reached, countries do give exploration licences within areas unlikely to lead to dispute, such as in the Celtic Sea between the UK and the Irish Republic. As both the Malvinas Basin and the seaward extension of the San Jorge Basin lie within a median line area between Argentina and the Falkland Islands, agreement between the two countries on a median line is needed for exploration licences to be given out for the whole off-shore area.

Failing agreement, the Falkland Islands could give licences within areas beyond dispute but, as the two basins are intersected by the median line, and neither are very large, this would mean that only a small part of either of them would be available. As these parts would also be at the edges of the basins, where the sedimentary column is thinnest, they would be less attractive for exploration initially than the central, deeper parts in the region of the median line. It follows that any award of licences should be preceded by agreement on a median line with the Argentinians.

There is now considerable international experience on the definition of median lines, and a number of methods and formulae are available, such as those used in the North Sea. However, it is rare that no extraneous considerations are involved and final median lines, although principally based upon accepted formulae, are normally the result of negotiation between the parties concerned.

Under normal circumstances, such negotiations starting from scratch would be expected to take upwards of two years, such that, beginning now, it would be likely that a median line could be agreed in 1979. This would give ample time for the FIG to develop a proper hydrocarbon law and to produce suitable fiscal legislation, and for suitable areas for licensing to be identified ready for

application, providing work on each of these aspects also started now.

If all the necessary work had been completed by early 1979, the FIG would be in a position to invite applications for the areas designated for exploration licences. It would be normal to allow interested companies at least 6 months in which to examine the areas offered and make their applications. The FIG would then need a further 6 months to examine competing applications, and have discussions with the applicants, prior to making any licence awards. The earliest likely date, therefore, on which exploration could begin would be January 1980.

The initial exploration effort would be by seismic surveys. The organisation, implementation and analysis of these surveys would take at least two years, and the earliest probable date for the drilling of the first exploration well would be 1982. If this well were to discover a commercial accumulation of hydrocarbons, at least two more appraisal wells would be required before any development plans could be drawn up in, say, 1983. Unless more sophisticated sub-sea completion equipment is available by that time, installation of production facilities will require at least three, probably four, years and the first oil or gas production could be expected in 1986-7. This ten year time scale assumes a trouble free progression and immediate exploration success. In practice it could be much longer, especially as there are absolutely no facilities of any kind existing in the Falkland Islands at present.

### **facilities required for hydrocarbon development**

The lack of any kind of industrial and engineering facilities on the islands is an important factor in the cost and ease of implementation of any exploration programme. The initial seismic and other surveys will be carried out by specialist vessels. These could certainly be serviced from the Falkland Islands, that is from Stanley, although a number of back-up services would have to be established. The principal drawback would be the

irregularity of transport to and from Stanley. It is very doubtful that the existing shipping link would be of any use, so special vessels would have to be chartered. Equally, a great deal of material, especially urgent consignments, would have to come in by air via Argentina. The facilities available in Argentina would, in practice, be vital to the rapid and efficient development of any exploration programme carried out from a base in the islands. However, southern Argentina is already an area of oil and gas development, and has good oil and gas facilities and transport links by sea and air. Indeed, the only well developed industry in Southern Argentina is the oil industry, and all of the infra-structure necessary for oil and gas exploration exists there. In particular, YPF (the Argentinian national oil company) has a long established and major facility at Comodoro Rivadavia, including workshops and stores. In practical terms, the obvious place from which to conduct exploration of the basins between Argentina and the Falkland Islands would be Comodoro Rivadavia or Rio Gallegos, and it is certain that all data processing would have to be done in Argentina. The existence of good transport links, an experienced labour pool and long established exploration facilities would greatly cheapen and speed the exploration phase. None of these advantages exist in the Falkland Islands, and all labour would have to be imported except for work requiring no previous oil experience. Under normal circumstances there would be little object in establishing exploration bases in the islands, especially prior to any discoveries being made. The Argentinian facilities could be used and would still continue to function if the exploration proved abortive, whereas they would be abandoned if set up in the islands.

What is true of the seismic phase of exploration is equally true for the drilling phase. Exploration drilling requires a costly support operation and, although this can be set up in the Falkland Islands, it would be much quicker and cheaper to operate from Argentina. In the initial drilling phase it is doubtful if any major facilities could be justified on the Islands

even supposing they did not already exist in Argentina. The industry is used to operating at long distance, and the expense for a new basin of setting up local facilities is never justified unless a discovery is made, despite the great expense that can be involved in major repair work to rigs and rig equipment. When facilities for carrying out this work are nearby, the industry will always prefer to use them.

It is only during the production phase, after discoveries have been made, that there would be a case for establishing the industry in the Falkland Islands, and certain installations and facilities would be essential. The size of these will depend, however, upon the market for the oil and gas. Unless it is decided to develop a refining and petrochemical industry on the islands—an unlikely prospect for a variety of reasons—the natural market for crude oil or natural gas will be South America, and, in particular, Argentina which is not self-sufficient in either. There would be little point in transporting the oil and/or gas to the Islands for re-export to Argentina, and the most logical development would be for direct transport, via tanker or pipeline, to the Argentinian mainland. If there were no Argentinian claim to sovereignty clouding the situation, the closest co-operation with Argentina would be both natural and essential, not only from an economic point of view, but also from an environmental one.

### **social and environmental effects**

The effect upon the environment, life style and future of the Falklanders themselves is an extremely important element in deciding what to do about oil and gas exploration. In the UK we have become familiar with the developing situation in the Shetlands and the social and environmental problems that have been revealed. The situation as far as the Falkland Islands is concerned is infinitely more complex. If none of the Argentinian facilities are used, everything will have to be established on the Islands; the Shetlands have had the advantage of

having the rest of Scotland and the UK to bear 90 per cent of the burden. There are only 1,900 Falklanders and they live in complete isolation. In contrast, there are over 18,000 Shetlanders living in close proximity to 55 million UK inhabitants. The effect upon the Falkland Islands will depend upon whether or not commercial hydrocarbons are discovered. If none are found, the effect will be transient and restricted to the exploration phase only. This would certainly involve a temporary increase in population, most probably in Stanley, for a period of up to six years, but the permanent effect would be minimal. During the most active phase of exploration, the increase in population would be a function of the number and area of the licences awarded. If several are given out, there could be several oil and oil-service companies involved, and the temporary population related to these could be as high as 150. This represents a substantial increase in the population of Stanley, and certain changes would arise from it, particularly in pressure on housing and prices. But these kinds of changes have already been experienced as a result of the temporary population increase resulting from the building of the permanent airfield and the YPF installations. Indeed, it is probable that oil personnel would do no more than replace those people with few material changes occurring.

The effect of the discovery of commercial hydrocarbons would be completely different, resulting in major changes. It is not possible to be precise about the numbers involved, but one commercial oil field would certainly require considerable permanent on-shore installations, and a permanent work force in the region of 400. With families this would represent about 1,000 additional people. In most areas dependent upon oil and gas production, it is possible to assume that work will be created for five to six people for every full time worker in the oil industry. These are the people who provide the various services required in any urban industrial development, and who really create the infrastructure associated with any industrial development. There are numerous

examples of this kind of single industry community and, in particular, many based upon oil, throughout the world. In a country so lacking even the most basic services (such as greengrocers, banks, shoe menders) as the Falkland Islands, it is probable that the related population increases could be greater than six per oil worker. However, even accepting the figure of five, this represents an additional 1,500 workers who, with their families, would comprise an addition to the population in the order of 3,500. Taken together, the likely population increase would be in the order of 4,500, all non-Falklanders, increasing the current population more than three fold within three years of a discovery.

In practice, the analysis of population increase given above will be conservative. This is because of the way in which new oil production areas attract people of all descriptions, from carpet-baggers to the merely hopeful, who form a fluid and floating population around the oil towns. In the case of the Falkland Islands, it is possible to identify where many of these people will come from, as Comodoro Rivadavia provides a nearby model of the processes described. Oil was discovered at Comodoro before the first world war in a totally uninhabited, semi-arid area. The local environment is extremely hostile and unattractive—hot, dry summers followed by cold, dry winters with a continual dust laden wind blowing at an average 45 knots throughout the year. Typical of the sort of place in which oil is found, and a good deal less attractive than the Falkland Islands. The oil industry had no option but to build its facilities, and an oil camp for its workers, on the spot. Around this camp, and parallel to it, developed the town of Comodoro Rivadavia which today has a population of 80,000. Oil is still the only basic industry upon which this large population is supported. Over half of the population now comprises poor Chilean immigrants, largely of mixed Indian stock, many of whom have no work and live in shanties around the town. These Chileans will unquestionably be attracted to the Falkland Islands should similar oil towns

develop there and, at the present time, there is no legislation which would keep them out. Even on a much reduced scale, the prospect of a new Comodoro Rivadavia developing in the Falkland Islands should be enough to strike a chill in the hearts of the Islanders.

Clearly, the rapid increase in population, and the need for immigration controls, are not reasons for putting off the search for oil, but every Falklander should be aware of the effects upon the Islands of success. The environmental changes could be restricted to certain areas, and the Islands could possibly absorb the social changes, but the political effects need careful analysis. The current law, as regards the franchise, is that any resident of twelve months' standing can vote. This would effectively overwhelm the native Falklanders. If a law were introduced to restrict the franchise to existing residents, this would very rapidly create enormous internal tensions. The probable solution would be to extend the residence requirement, but this would still lead to the same outcome eventually. Without wishing to discuss the various measures that would be required to deal with such a situation, it is evident that the discovery of commercial oil could have a shattering effect upon the present environment and the social and political structure of a group of islands populated by less than 2,000 people. This effect must be considered before any steps are taken, and it may appear to be to everyone's advantage if the developments were directed at the Argentinian coast rather than the Falkland Islands.

### **economic effects of hydrocarbon development**

The economic effects could be even more dramatic. The size of economic accumulations of hydrocarbons which would be exploited off-shore from the Falkland Islands will be a function of its geology and geographical location. However, it is unlikely that an oil accumulation which could not provide at least an initial production of 50,000 barrels a day would be economic. If the fiscal and taxation legislation of the FIG parallels

that of the United Kingdom, and if the current level of oil prices is maintained (in real terms), the income flowing to the FIG would be in the order of \$4 to \$6 a barrel at current values. Assuming the lower figure, the annual income in the initial years of oil production would be in the order of £36 million. In addition, the taxable capacity of the new population and infrastructure will be considerable, such that an annual income of £45 million can be envisaged. The GNP reflected by the increased income to the FIG is likely to be twenty times the current level of less than £4 million. If larger accumulations were discovered, the economic effects would be proportionately greater. At this time it is very difficult to predict how these vast increases in the FIG's income and GNP would be utilised. The colonial nature of the Falkland Islands would clearly need to be reviewed. Without wishing to be too cynical, one may suspect that even those Falklanders who are currently most vociferous in their insistence upon remaining British, would begin to see the attractions of independence (consider the rise of Scottish nationalism since the development of North Sea oil). The question again arises, however, as to whose independence would be involved: that of the native Falklanders alone? or of the new population as a whole? A newly rich Falkland Islands would inevitably be "up for grabs", and very careful thought would need to be given to the continuing association with the United Kingdom, and to the nature and origin of the new population.

### **political implications of hydrocarbon development**

The foregoing discussion has assumed that the Argentinian claim was not a complicating factor. In practice it is the over-riding consideration. Without the cooperation of Argentina, the exploration for, and development of, any hydrocarbon accumulations around the Falkland Islands will be very difficult and much more expensive than otherwise. Quite apart from any military threat that might be presumed, the Argentinian Government very largely controls the

principal communication between the Islands and the rest of the world. My discussions in Argentina leave me in no doubt that the Argentinian Government would resist, by all suitable means open to them, any unilateral attempt by the FIG to exploit the off-shore areas. Although it would still be possible for the FIG to go ahead, this would not appear realistic. Even if the communications difficulties could be overcome, the threat of the Argentinian claim would inhibit any private exploration company unless there was a long term, irrevocable guarantee from the British Government to protect their investment. The cost of such a guarantee by HMG, in military, financial and diplomatic terms, would be such that it would be most unlikely to be given. It follows that an agreement with Argentina is an absolute first essential before any kind of off-shore exploitation can be contemplated.

In ordinary circumstances, if the Falkland Islands and the Argentinian mainland were part of the same country, apart from a few advanced exploration bases, practically all development of the area of sea between the two would take place from the mainland. The social, economic and logistical factors involved would make any other course untenable. If the two were of different nationalities, and no sovereignty claim existed, it is probable that certain facilities, where they could be justified in the national interest, would be developed in the Falkland Islands, but the overwhelming logic for development from the mainland would still prevail. It is therefore essential that no steps are taken to explore for oil until the Argentinian problem has been solved.

My own view is that this has to be done via direct negotiation between the UK and Argentinian governments, but with the UK government respecting the wishes of the Falklanders over sovereignty. This might, on the face of it, appear to be an impossible task but the possibility of finding oil might provide a suitable impetus and solution. The fact is that, as they currently exist, the Falkland Islands are an economic burden to both

the UK and Argentina, and are likely to become increasingly so in the near future. Apart from its emotional claim to sovereignty, the net benefit to Argentina of possessing the Islands would be negative. In ordinary circumstances the Argentinians would be most unlikely to want to interfere, and even less likely to invest, in the internal economy. However, it is probably the recently recognised possibilities of the off-shore areas which have so fuelled Argentinian enthusiasm. But Argentina is in no position to exploit these possibilities. The country has neither the finance nor the technology to undertake a major off-shore exploration programme and, indeed, they have not done so in those parts of the Malvinas and San Jorge basins which are indisputably theirs.

Finance and technology could be provided by the international oil companies, but Argentina has had difficult relations with the oil companies over many years and all exploration is now vested in Yacimientos Petroliferos Fiscales (YPF) the state oil company. In particular, the Comodoro Rivadavia fields are all owned and operated by YPF. The obvious vehicle for the British Government to propose under these circumstances is the British National Oil Company (BNOC). BNOC would have the necessary financial competence and access to the kind of technology, refined in the North Sea, required. A joint venture by YPF and BNOC would have the great attraction of being a direct government to government involvement, excluding third parties. It would be possible under such an arrangement to agree a joint exploration and exploitation of the whole of the off-shore area, without having to draw a median line or decide on sovereignty. This would ensure the Argentinians the full economic benefit from a venture in which they would anyway have to seek external finance and technology, and would take away what is one of their major pre-occupations over sovereignty: the loss of economic benefits which might derive from the marine areas. If such an agreement could be reached it might then be acceptable to Argentina for the Falklanders to retain their status as a British

colony, or become independent under a joint safeguard from Britain and Argentina.

In discussions with various interested officials in the UK, the Falklands and Argentina, it has been suggested that so simple a solution is too rational for such an irrational and emotional issue, given the strength of feeling on both sides. However, many people in the Falklands and Argentina are willing to consider it, and I believe that many on both sides would be greatly relieved and delighted if a positive dialogue could be started. The Argentinians have continuously pressed the importance of starting talks, and this might prove a suitable catalyst as far as the UK Government and the FIG is concerned. A solution along these lines would also solve the difficult social problems which the Falklanders themselves would face from oil development should exploration be successful. Above all, the rights of the Falklanders themselves must be consulted and protected. It would be an ultimate blemish on our otherwise decent colonial policy since the war if we were to abandon them.



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