



Foreign and Commonwealth Office

London SW1A 2AH

30 March 1982

Prime MinisterA.J.C.  $\frac{20}{8}$ 

Dear Sir,

South Georgia

I enclosed with my letter of 25 March a note on Mr Davidoff's contract with Christian Salvesen Ltd. I understand that the Prime Minister has asked for further information, in particular on the extent to which HMG had a role to play at the time of the contract's signature. I enclose a further note, which complements the earlier one.

Yours ever,

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street



## SOUTH GEORGIA: MR DAVIDOFF'S CONTRACT

1. Christian Salvesen Ltd own outright the equipment on a number of whaling stations on South Georgia. In 1978, Mr Davidoff asked them to allow him to remove equipment from three of them - Leith Harbour, Stromness and Husvik - for his own purposes.
2. On receipt of this request, Christian Salvesen asked the then Governor of the Falkland Islands for his views. Mr Parker thought that, in view of Islander sensitivities about Argentine activities in the area, it would be best not to allow an Argentine to become involved in this way. However, Salvesens were determined to pursue the proposal and sought FCO support for their case.
3. The FCO recognised the risks of Argentine involvement and sought legal advice on whether we could prevent a contract being signed between Salvesens and Davidoff. But our Legal Advisers were clear that neither we nor the Governor had any standing to interfere with the conclusion of the contract. Mr Davidoff was therefore given an option in September 1979 to buy the equipment and dispose of it. The then Governor made it clear to Salvesens that Mr Davidoff would be required to observe the laws of the Falkland Islands Dependencies. The option was exercised in 1980 and Salvesens received £105,000. Any equipment not removed by March 1983 reverts to Salvesen.
4. We have again sought legal advice on the contract. The Legal Advisers have confirmed that there is no action which HMG or the Falkland Islands Government could take which would have the effect of making the contract void or otherwise cancelling its provisions. On the other hand, there is nothing in the contract which would exempt either party or their agents from complying with the relevant requirements of Falkland Islands law.



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