

SECRET

FALKLAND ISLANDS

SECRETARIAT

305/1/16**CASTROL LTD**

File Opened _____

Closed _____



To fawcett

Castrol Limited



Burmah House
Pipers Way, Swindon
Wiltshire SN3 1RE, England
Telephone Swindon (0793) 30151
Telex 449225
Telegrams Castrol Swindon Telex

Our reference

your reference

date

FLS/LR

15th May, 1975.

Mr. E. W. H. Christie,
13 Old Square,
Lincoln's Inn,
LONDON, W.C.2.

Dear Mr. Christie,

It was very interesting to have the conversation with you concerning the Falkland Islands and as discussed, I enclose copies of all the relevant correspondence exchanged with the Foreign and Commonwealth Office and prior to that, the Department of Trade, Commercial Relations and Exports. I am enclosing a copy of my letter to Mr. Edmonds and hopefully some activity will arise from this.

I hope we may keep in touch on this matter and I will certainly advise you on Mr. Edmonds' reply.

With kind regards,

Yours sincerely,

F. L. Smith,
Commercial Manager,
Burmah-Castrol Agencies Division.

P.S. Since writing the above I have received a further letter from Mr. Stanley Relton, a copy of which is also attached. From this you will see that although the position has been yielded somewhat, it is stated that it will not be possible to modify the Y. P. F. agreement. The figures quoted by Mr. Relton are not accurate and I have written to him as per the attached giving the true figures. I have also spoken to Mr. Relton on the telephone and advised him as a matter of courtesy that I do not intend to let the position rest and will be taking it further.

FLS/LR

16th May, 1975.

For the personal attention of:
Mr. R. H. G. Edmonds, C.M.G., M.B.E.,
Permanent Under Secretary,
American Department,
Foreign & Commonwealth Office,
LONDON, SW1A 2AH.

Dear Mr. Edmonds,

Falkland Islands

For more than six months I have been in correspondence with the Foreign and Commonwealth Office in regard to the agreement which was reached between H. M. Government and the Argentine Government under which the Y. P. F. (Argentine State Oil Fields) is to have exclusive supply and marketing of all petroleum products sold in the Falkland Islands.

The effect of this agreement is to exclude my Company, who have hitherto had a virtual monopoly of supplies of lubricants to the Falkland Islands, from exporting to that area when the agreement becomes effective. Since Castrol Limited were at no time consulted by the Foreign and Commonwealth Office, it came as a complete surprise to us when we read the announcement in the "Financial Times" on the 18th September 1974. To be perfectly fair on the matter, we had understood from our agents - the Falkland Islands Company - that certain negotiations were taking place between the H. M. Government and the Argentine Government, but the possibility of our being completely excluded from the market seemed inconceivable.

Since we are only concerned with lubricants supplies and the agreement reached with the Argentine Government covers all petroleum products, we asked that the lubricants aspect of the agreement should be waived so that Castrol Limited could retain its previous position.

I have been in contact with Mr. Stanley Relton of the Latin America Department of the Foreign and Commonwealth Office and although he agreed that the matter could be investigated to see whether it might be possible to modify the agreement, it appears from the latest letter from Mr. Relton, dated 13th May, that nothing can be done to amend the agreement.

Cont'd.....

To be perfectly frank with you, I regard this overall situation as totally unsatisfactory. Although we were originally informed that the agreement between Y. P. F. and H. M. Government was at the request of the Falkland Islands Government, it now transpires that the only area open to us is the business with the Falkland Islands Government!!

It has now been suggested to us that I communicate with you with the objective of seeing whether our interests are being fully represented. From the latest letter I have received from - Mr. Stanley Relton it would appear that we have little hope - although I very much hope he is wrong on this particular point! May I please ask for your personal investigation and intervention in this matter, which I personally regard as a complete disregard of British interests in favour of Argentinian interests - the importance of which completely eludes me!

Yours sincerely,

F. L. Smith,
Commercial Manager,
Burmah-Castrol Agencies Division.



Foreign and Commonwealth Office
London SW1A 2AH

Telephone 01- 930 8440 ext 15

Your reference FLS/LR

Mr F L Smith
Commercial Manager
Burmah-Castrol Agencies
Division
Burmah House
Pipers Way Swindon

Our reference ALW 12/2

Date 13 May 1975

Dear Mr Smith,

I wrote to you on 14 April explaining that I had had difficulty in establishing facts about the purchase of Castrol products by the Falkland Islands.

I have been informed by the Secretariat in Port Stanley that in 762 gallons of Castrol products were imported for farm use in 1972, 2314 in 1973 and 2620 gallons in 1974. In addition the Falkland Island Government used about 3500 gallons a year.

The Falkland Island Government is exempt from the YPF partial monopoly and will be able to continue to import your products. The monopoly will apply to retail sales and sales for farm use.

I am afraid it will not be possible to modify the YPF Agreement so as to accommodate retail sales and sales to the farms but as the greater part of your business seems to have been with the Falkland Island Government it will not be affected by the monopoly. It would seem that your business will not suffer as seriously as you feared.

I appreciate that this will not be entirely satisfactory to you but I hope that in the circumstances you will be able to accept the situation.

Yours sincerely

Stanley Relton

Stanley Relton
Latin America Department

SALES TO FALKLAND ISLANDS

1972	7451	GALLONS
1973	10303	GALLONS
1974	4481	GALLONS
1975	3485	GALLONS (3 MONTHS)



Foreign and Commonwealth Office
London SW1

Telephone 01-930 8440 Ext 15

Mr F L Smith
Commercial Manager
Burmah-Castrol Agencies
Division
Burmah House
Pipers Way Swindon

Your reference FLS/LR

Our reference

Date 14 April 1975

Dear Mr Smith,

FALKLAND ISLANDS

Thank you for your letter of 9 April. I am sorry not to have been able to give you any news about the possibility of modifying the YPF agreement. I have had some difficulty in establishing the facts. The question is still under consideration and I will write again as soon as I have some news.

Yours sincerely
Stanley Belton

Stanley Belton
Latin America Department

FLS/LR

9th April, 1975.

Mr. S. Relton,
Latin America Department,
The Foreign and Commonwealth
Office,
LONDON, SW1A 2AL.

Dear Mr. Relton,

Falkland Islands

May I refer to your letter of the 5th March under the above heading and enquire whether you have yet received any news as to the possibility of modifying the agreement concluded with the Argentine Government in regard to the monopoly situation established in favour of the Y. P. F.

You will doubtless recall that this matter was originally raised by us on the 28th October 1974 and in your letter of the 11th November, you advised that you would investigate the possibility of modifying the agreement. It can therefore be seen that some five months have elapsed since it was originally agreed that you would raise this matter and I am hoping that by now you will have some positive information to give us.

May I look forward to receiving your early news on this matter?

Yours sincerely,


F. L. Smith,
Commercial Manager,
Burmah-Castrol Agencies Division

Latin America Department
Stanley Rollon

1/2/75

From: [Signature]

I am still looking into the possibility of modifying the Agreement to mitigate its effects on your trade with the islands and will write again as soon as I have some news for you.

Agreement of circumstances has not occurred in any other British colony and it seems unlikely to do so in the future. This combination of circumstances to refuse and its acceptance entailed the Agreement of which you have complained. This attitude for the islands to refuse and its acceptance given a partial monopoly of supply. This offer was too in bulk, at prices ruling on the mainland, provided they were Argentine State Petroleum Company (YPF) were willing to supply small quantities the price of petrol has been very high. The bulk supplies uneconomical. Because of the cost of handling two thousand and their consumption of petroleum products makes from the nearest Argentine port. The population is less than away from the United Kingdom and only four hundred or so away islands are quite unique. They are over six thousand miles. The reason for this is that the circumstances of the Falkland

negotiating an agreement of the kind which was made with example of the Foreign and Commonwealth Office concluding or endurers about this and have been unable to find any other negotiation concerning supplies of oil. I have made full which the Foreign and Commonwealth Office may have under In your letter of 12 February you asked for news about agreements Argentine.

FLAKLAND ISLANDS

1/2/75

Mr F L Smith
Castrol Ltd
Burmah House
Our reference ALW 12/2
Your reference
Date 5 March 1975
Pipers Way
Swindon
Wiltshire

Telephone 01-

Foreign and Commonwealth Office
London SW1A 2AL





Foreign and Commonwealth Office
London SW1

Telephone 01- 930 8440 ex 15

Mr F L Smith
Castrol Ltd
Burmah House
Pipers Way
Swindon
Wilts

Your reference

Our reference

Date

21 February 1975

Dear Mr Smith,

Thank you for your letter of 12 February. I regret that I am not yet able to give you any further news about the agreement concluded with the Argentine Government on oil supplies to the Falkland Islands, nor about other agreements which the Foreign and Commonwealth Office may have negotiated with other countries.

I am pursuing my enquiries and will write again as soon as I have information for you.

Yours sincerely

Relton

Stanley Relton
Latin America Dept

FLS/LR

12th February, 1975.

Mr. S. Relton,
Latin America Department,
Foreign and Commonwealth Office,
LONDON, SW1A 2AL.

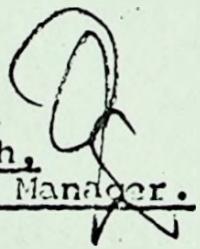
Dear Mr. Relton,

Falkland Islands

May I refer to your letter of the 11th December 1974, which concerned a possible amendment to the agreement completed with the Argentine Government over oil supplies to the Falkland Islands.

Could you please advise us whether there have been any developments which will lead to our continuing to supply our agents in these islands. We should also welcome any news there may be concerning other agreements which the Foreign and Commonwealth Office may have under negotiation concerning supplies of oil.

Yours sincerely,



F. L. Smith,
Commercial Manager.



Foreign and Commonwealth Office
London SW1A 2AL

Telephone 01- 930 8440 ext 15

F L Smith Esq
Commercial Manager
Burmah-Castrol Agencies Division
Burmah House
Pipers Way,
SWINDON, Wilts SN3 1RE

Your reference

Our reference

Date 11 December 1974

Dear Mr Smith,

Thank you for your letter, reference FLS/LR, of 18 November, concerning your interests in the Falkland Islands.

I note that your agents did inform you that there were negotiations with the Argentine government over oil supplies which were taking place. Had they advised us of your interest we would, of course, have asked the Government of the Falkland Islands to take it into account. We are assessing the agreement in the light of the views you have expressed, and I will write to you about this shortly.

I note your concern that the Foreign and Commonwealth Office may have other agreements which might adversely affect your interests. I know of none, but I will investigate further and write to you again about this also.

Yours sincerely,
Christopher Relton

J.P. Stanley Relton
Latin America Department

Copy to: Mr. H. A. P. Fisher,
Department of Trade,
Commercial Relations and Exports,
1 Victoria Street,
LONDON, SW1H OET.

FLS/LR

18th November, 1974.

Mr. S. Relton,
Latin America Department,
The Foreign & Commonwealth
Office,
LONDON, SW1A 2AL.

Dear Mr. Relton,

Falkland Islands

Thank you for your letter of the 11th November, 1974. Referring in particular to the points made in the fourth paragraph of your letter, I would advise you that our agents did inform us that some negotiations were in hand with the Argentine Government, but the possibility of our being completely excluded from the market was considered inconceivable. The disturbing aspect of this agreement is that a monopoly situation should be created by the Foreign Office with a foreign government and the probability of this arising simply did not seem within the realms of possibility. I am afraid I cannot share your view that the Foreign Office could not advise all British Companies who might have an interest in a specific agreement. If the action of the Foreign Office leads to a situation where British Companies are excluded from the market there is a clear responsibility on the Foreign Office to advise those companies accordingly. This is why we are apprehensive that the Foreign Office may have other agreements in hand which could adversely affect our interest, of which we have no knowledge and of which we have not been advised. Do you know of any other agreements which may be in the course of negotiation that might bring about a similar situation to the present one in the Falkland Islands?

Turning to the points raised in the last paragraph of your letter, the details are as follows:

- (a) Our agents are the Falkland Islands Company, Port Stanley.
- (b) The volume of Castrol products supplied to this market averages 8-10,000 gallons per year.
- (c) Shipment has been arranged by the London office of the Falkland Islands Company.

Cont'd.....

I very much hope it will be possible for you to renegotiate this aspect of the agreement and I look forward to receiving your views on this point as soon as convenient.

I should also very much appreciate your views as to any other possible agreements in the course of negotiation which have a particular reference to the petroleum industry.

Yours sincerely,

F. L. Smith,
Commercial Manager
Burmah-Castrol Agencies Division.



Foreign and Commonwealth Office
London SW1A 2AL

Telephone 01-

Mr F L Smith
Burmah House
Pipers Way
Swindon
Wilts.

Your reference

Our reference

Date 11 November 1974

Dear Mr Smith,

The Department of Trade have passed to us your letter of 28 October concerning the agreement with Argentina to allow Yacimientos Petroliferas Argentinas (YPF) to supply fuel and fuel derivatives to the Falkland Islands.

The Foreign and Commonwealth Office was involved in the negotiations with Argentina because the United Kingdom is responsible for the Falkland Islands' external relations. The terms of the Agreement were most carefully considered by the Government of the Falkland Islands, who indicated their wish that the Agreement should be concluded.

It has been the practice of HM Government for many years to accept the advice of the Governments of colonial territories in matters affecting their local economy, and it would have been improper not to have followed the same practice in this case.

The Foreign and Commonwealth Office does indeed accept that it has the duty to look after the interests of British companies, but for the Foreign and Commonwealth Office to advise all British companies who might have an interest in a specific agreement would be quite impracticable, since the numbers involved would run into several thousands on each occasion. It seemed a reasonable assumption that any British company trading with the Falkland Islands would know through their agents or representatives that an agreement with YPF was under discussion, and that the Government of the Falkland Islands (or the Foreign and Commonwealth Office) would have been asked to take the Company's interest into consideration. The interests of those companies known to be trading with the Falkland Islands were taken into account, and the terms of the Agreement were modified accordingly.

/I am



-2-

I am sorry that your Company's interest was not considered. If you will let me know what kind of trade you have had with the Falklands, how you have been handling it, and the name of your agent there, we shall be able to consider whether it might be possible to modify the Agreement in the way in which you suggest.

Yours sincerely

Relton

Stanley Relton
Latin America Department

FLS/LR/B-CAD

CRE 41828

28th October, 1974.

H. A. P. Fisher, Esq.,
The Department of Trade,
Commercial Relations & Exports,
1 Victoria Street,
LONDON, SW1H 0ET.

Dear Mr. Fisher,

Falkland Islands - Castrol Limited

Thank you for your letter of the 23rd October, in which you presented the views of the Foreign and Commonwealth Office on the problem raised.

Frankly, we are astonished that the Government should negotiate radical changes in supply situations, without apparently considering how these changes will affect those British companies who have hitherto been involved. It may be that the Foreign Office ".....were not aware that Castrol had commercial interests in the Falkland Islands.....", but surely it was their job to find out; obviously they did not bother. The fact that an agreement may have been two years in gestation is totally irrelevant. It is surely a tacit understanding by all U. K. Commercial Houses that the Foreign and Commonwealth Office has a prime function to look after the interests of British companies, otherwise how can British companies defend their interests - especially when the Foreign Office is one of the participants in the agreement?

We should also point out that Castrol Limited has interests in more than 140 countries in the world, either through branches, associate companies or agents and we could not possibly be expected to contemplate the inferences of all possible agreements in negotiation, some of which may never mature. We could, however, reasonably expect to be advised if agreements or other measures negotiated by the Foreign Office will adversely affect our income.

In view of the inferences in your letter, it would perhaps be opportune to enquire at this stage whether the Foreign and Commonwealth Office have other agreements in gestation which could touch upon our interests, or indeed, the interest of other members of our Group. You will appreciate that we do not wish, in the future, to be accused by the Foreign Office of indicating opposition to an agreement after it has been signed.

Cont'd. overleaf.....

Our interests in the Falkland Islands do not relate to fuel, but merely to lubricating oils and allied products, which amount to a very small part of the YPF deal. The Foreign Office could very well negotiate a waiver from the YPF/Argentinian Government in regard to that part of the agreement which relates to lubricants and we suggest that they do just that.

Whatever the background of the agreement with the YPF, the fact is that Castrol Limited has always been able to supply the Falkland Islands with lubricants since time immemorial (including the war years) and neither the Foreign Office, nor the Governor of the Falkland Islands can support the belief that we could not continue to do so (and this need not necessarily be from the U. K.).

The present situation does not appear to have a parallel in our experience and we do not propose to accept what appears to be a precedent, without knowing exactly what limitations there are on the activities of the Foreign Office in negotiating agreements which benefit Foreign Governments to the detriment of British companies.

We should appreciate a comprehensive reply to this letter.

Yours sincerely,

F. L. Smith,
Commercial Manager,
Burmah-Castrol Agencies Division.



Department of Trade and Industry

Commercial Relations and Exports

1 Victoria Street London SW1H 0ET

Telex 27366 Answer Back DTIHQ London

Telegrams Advantage London SW1

Telephone 01-2322877 ext 215-

F L Smith Esq
Commercial Manager
Castrol Limited
Burmah House
Pipens Way
Swindon,
Wiltshire SN3 1RE

Your reference FLS/HAK/BCAD

Our reference CRE 41828

Date 23 October 1974

Dear Mr. Smith

PALM ISLANDS - CASTROL LTD

1. Thank you for your letter of 25 September about the agreement under which the Argentine state oil concern YPF is to have exclusive rights to the supply and marketing of petroleum products sold in the Falkland Islands.
2. The Foreign and Commonwealth Office, who were party to the negotiations leading up to the agreement, were not aware that Castrol had commercial interests in the Falkland Islands, nor has the subject, to their knowledge, been raised. They say that the YPF agreement has been almost two years in gestation, and have made the points that it was no secret on the Islands that an agreement was being sought, that your agents presumably advised you that this was going on, and that it is surprising that only now after the agreement has been signed that you have indicated your opposition.
3. The Foreign and Commonwealth Office have further advised us that while the United Kingdom will itself derive no compensating advantage from the YPF agreement, there will be a considerable advantage to the Falkland Islanders themselves and this was, and must continue to be, HMG's prime concern. In a speech to the Legislative Council in Stanley on 4 January 1974, HM Governor said ".... This Government, quite frankly, does not like monopolies or economic dominance by any company, but we do have to face the facts of life. Shipping-wise we are at the end of the line as far as Europe is concerned, and we have seen from what has happened recently that a diversified source of supply for fuel does not necessarily mean that you cannot be placed under economic pressure by a country or group of countries. The current world fuel crisis may well affect the ability of the MOD to supply our needs, so that there may well be an additional advantage in having our supplies secured by a country which, after all, produces 80 per cent of its oil needs"
4. With reference to the recent nationalisation of petroleum retailing outlets in Argentina, we have asked the Foreign Office to ascertain to what extent Castrol's interests will be affected.

Yours faithfully

X A P Fisher

Yours sincerely, Howard P. Fisher

FLS/HAK/BCAD

25th September 1974

The British Overseas Trade Board,
1 Victoria Street,
London SW1H 0ET.

Dear Sirs,

FALKLAND ISLANDS

According to a report in the Financial Times of the 18th September, an agreement has been reached between the U.K. Government and the Argentine Government under which the YPF Argentine State Oilfields combine is to have exclusive supply and marketing of all petroleum products sold in the Falkland Islands. A photostat of the newspaper report is attached.

Since time immemorial Castrol Ltd., (known as C.C. Wakefield & Co., Ltd., in earlier days) has had a virtual monopoly of lubricant supplies to the Falkland Islands and we are surprised at this latest turn of events which has evidently been arranged without H.M. Government informing us. The logic of H.M. Government taking away business from a British Company and handing this to a foreign government without even consulting us seems most unorthodox. Consequently we should welcome an explanation on this position.

We might add that we have almost simultaneously received advice from other sources that the Argentine Government (through the YPF) are also to control all the petroleum industry production and marketing in the Argentine which probably means that we shall within the immediate future be forbidden to market our products (through our Agents in the Argentine).

The effect of these two situations is that Castrol Ltd., as a Company will lose revenue and the country will lose foreign exchange with, apparently, no compensating advantages.

We await your views.

Yours faithfully,


P. L. SMITH
COMMERCIAL MANAGER

Middle blind space of two days if they set their minds to it."

Argentine oil for Falklands

By Robert Lindley

BUENOS AIRES, Sept. 17. THE ARGENTINE state oilfields combine, YPF, is to have exclusivity on the supply and marketing of all petroleum products sold in the Falkland Islands.

According to the terms of the agreement signed in the foreign ministry here by the U.K. and the Argentine YPF will construct a storage plant at Port Stanley. The YPF products will be retailed in the Falklands at the same price as in Argentina.

The agreement, which complements another one signed at the same time, facilitates trade between Argentina and the Falklands, and provides that YPF may market the products directly or through any agent it names.

Both agreements complement the joint declaration of August 5, 1971, between the U.K. and Argentina, which claims the Falklands Crown Colony as the "Malvinas Islands." That declaration was aimed at increasing communication.

Chemical plant bids

The plant, to be constructed at Mr. Talka, will have a capacity of 1,200 tons a day of ammonia and 1,725 tons a day of urea, using natural gas as feedstock. The urea is to be used as fertiliser.

Cromer and Warner has also been appointed consultant by the