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The Director of Central Intelligence

Washington, D. C. 20505

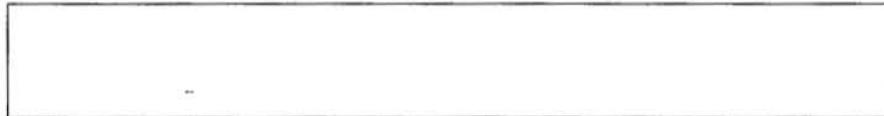


2 April 1982

The Honorable Alexander M. Haig, Jr.
Secretary of State
Washington, D. C. 20520

Dear Al,

Here is a quick assessment on possible military aspects of the Falkland affair, the forces in or available in the area, and possible British, Soviet and Cuban reactions.



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Yours,

WJ Casey
William J. Casey

Attachments

cc: Clark ; Bush.



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Quick Intelligence Assessment on Falkland Affairs (April 2, 1982)**I. Brief History of the Dispute**

The controversy dates to 1833 when the British occupied the island claimed by the Argentines as part of their colonial heritage. The dispute was only a minor irritant in otherwise good bilateral relations until Buenos Aires, anxious to recover the islands, took the dispute to the UN in 1965. The General Assembly declared sovereignty in dispute and established what turned out to be an ineffective mechanism for negotiations. Growing economic potential in Falkland territorial waters heightened tensions during the mid and late 1970s. The latest round of talks, which began in February, failed in mid-March when the British refused to bow to Argentine public demands that negotiations be speeded up. The South Georgia incident began on March 19, escalating into confrontation and the Argentine invasion Friday.

Did Argentina plan the Escalation?

Although there is no direct evidence that the Argentines manufactured the original incident at South Georgia on 19 March, they were looking for a chance to put pressure on

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the British and, at the least, quickly seized upon a tactical opportunity to confront the British militarily. The civilian group that went to South Georgia had complied with all immigration procedures known to Argentine and British authorities in Buenos Aires and whether Argentine officials encouraged the flag raising itself is unknown. Nonetheless, President Galtieri has pursued a generally aggressive foreign policy,

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The Argentines relatively quickly came to see the issue as a military rather than diplomatic problem and the decision to implement long held contingency plans for the invasion was probably made last weekend.

II. Events to Date

The Argentines successfully invaded the Falkland Islands this morning; some 200-350 Argentine Marines with armored vehicles evidently went ashore near Port Stanley and airborne units reportedly secured the local airfield. There is also information that three Argentine ships are in the harbor at nearby Port Williams. The Argentines may be debarking as many as 500-1000 well-armed troops from the task force,

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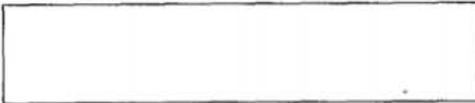
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There evidently was sporadic resistance

by the small force of Royal Marines and irregulars on the main Falkland Islands, and the ice patrol ship Endurance was able to depart South Georgia Island and is now somewhere between South Georgia and the main islands.

The Argentines appear to be securing the islands and plan to name the general officer in charge of Army operations as military governor.

III. UK Options

A. Diplomatic

The British have broken diplomatic relations with Argentina, but they could continue to make use of the UN Security Council as a means of keeping open a channel of communications and as a forum to put Argentina in the dock as an "aggressor." They probably do not expect the UN debate to resolve the crisis, but they hope it will at least show that Britain had attempted to find a diplomatic solution before resorting to military countermeasures. The British could also ask their

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European partners to join in a demarche to the Argentines demanding they withdraw their troops and seek a peaceful settlement or even to condemn Argentina openly. London is likely to ask the US to continue to exert pressure on Argentina to "see reason," and to mobilize other Latin American states to intervene with the Argentines. While the British hope that the US will maintain contact with Buenos Aires and perhaps continue to serve as a conduit, they probably prefer public US support for the British position to jolt the Argentines and convince them that the US will not push London to accept a fait accompli. London undoubtedly expects US support at the UN as well. London could in principle offer at the UN or in another forum to discuss the ultimate sovereignty of the Falklands, but only after a cooling off period, and only after Argentine withdrawal from the islands.

B. Economic

British economic options are limited. Trade between Argentina and the UK is not significant for either country. In 1980, the UK exported goods totaling \$402 million to Argentina while imports reached \$265 million--representing 0.4 percent and 0.2 percent of total UK exports and imports, respectively. Manufactured goods of

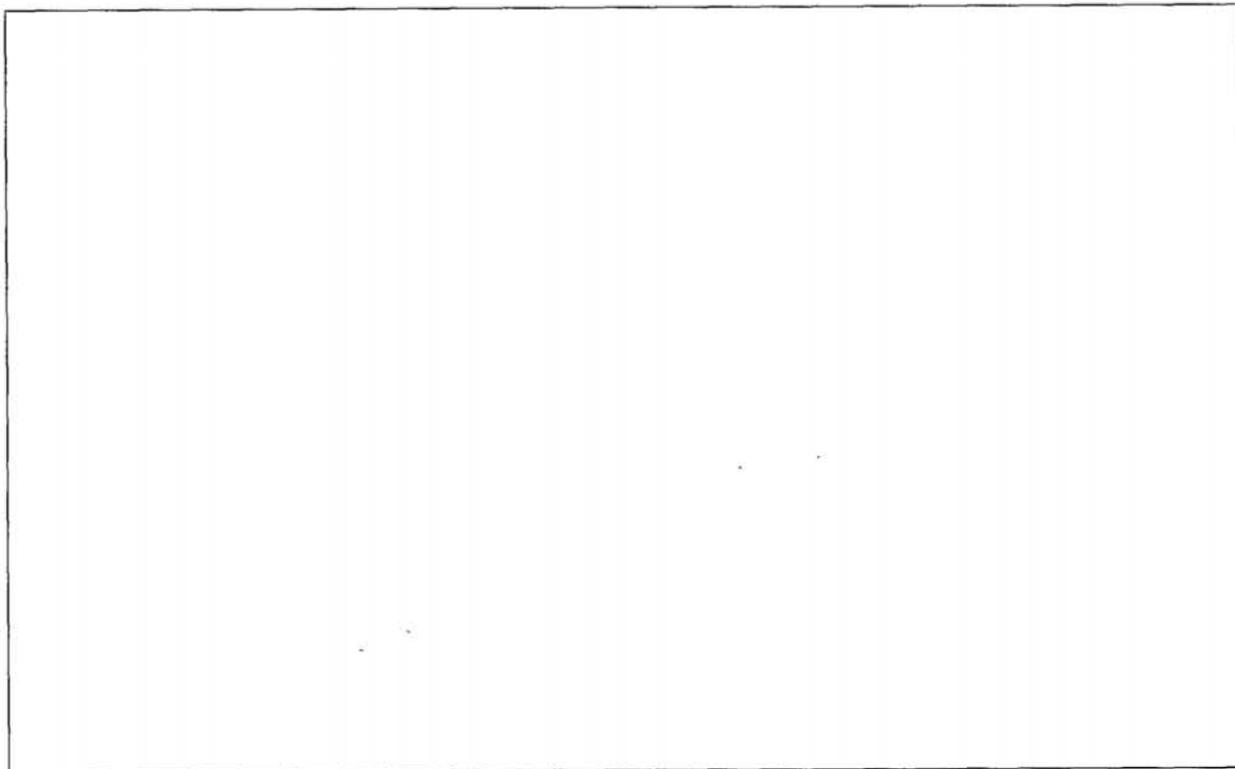
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all kinds accounted for nearly 90 percent of British sales; purchases from Argentina consist mainly of meat and other foodstuffs. UK banks hold about 10 percent of Argentina's total commercial bank debt of \$23 billion, but this provides no practical leverage. London's best hope would be for general US and EC economic restrictions on Argentina--something that would be hard to enforce. The British have never shown much faith in economic sanctions, however, and in any case, the length of time it would take to have any effect would make them politically unacceptable.

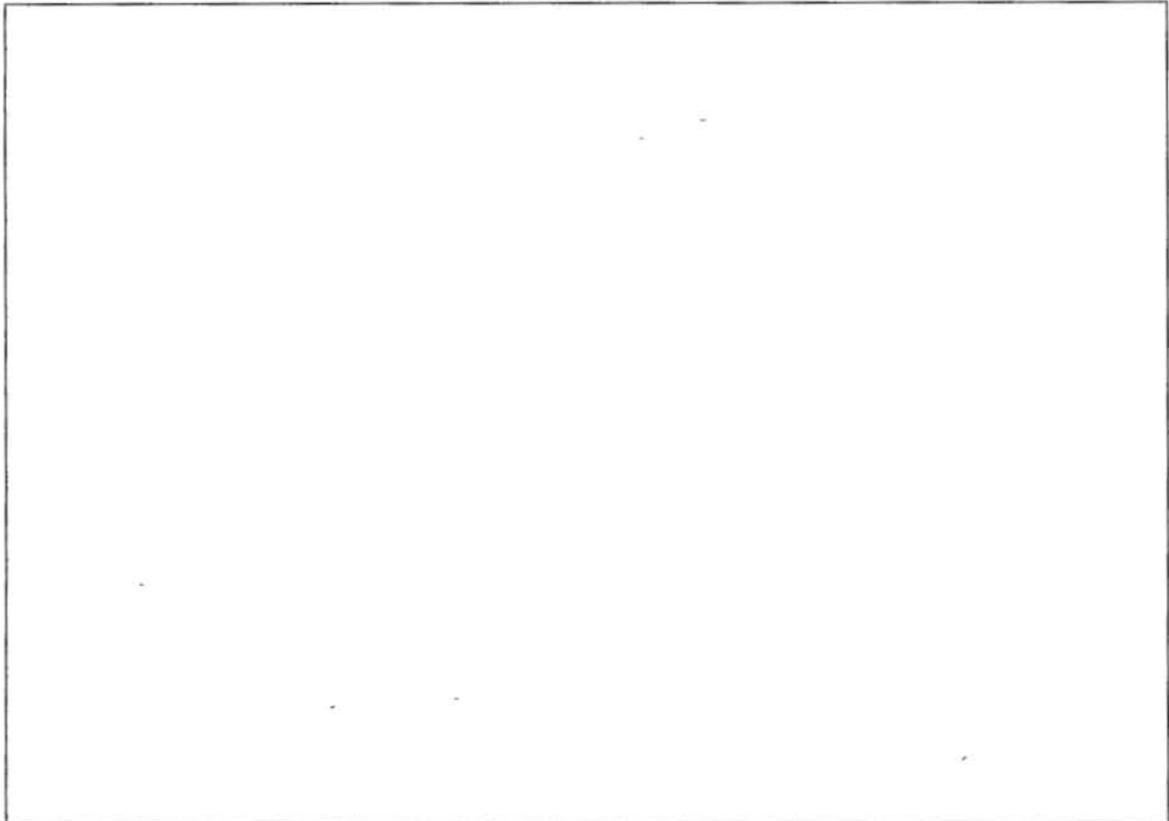
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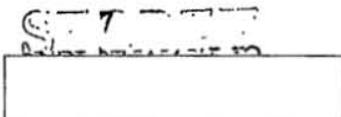
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IV. Argentine Responses - Military, Diplomatic, Implications for Beagle Dispute

The Argentines probably soon will begin reprovisioning and reinforcing their forces on the islands before any British units arrive. Air Force units in southern Argentina reportedly were being strengthened yesterday; the airbase at Rio Gallegos in the far south would be a particularly good candidate for receiving fighters and has had Mirage aircraft there in the past. It is also possible that combat aircraft could be sent to the



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airfield at Port Stanley. The field is capable of handling jets and has a fuel storage capacity of 50,000 liters. The Argentines, however, probably will try to increase the fuel storage capacity at the field, to establish command and control communications, and to provide maintenance and logistic support, as well as protection, for aircraft and crews.

While we have no evidence, we believe that Argentine ground force units, particularly those in the south, probably are on a heightened alert status.

Reinforcements for the islands likely will come at first from the 9th Infantry Brigade which, with a strength of about 4500, is the largest ground unit in the south. Other units could be alerted and readied for transport to the south, but this probably would take several days to accomplish. Transports and other naval craft could be sent to ports along the South Atlantic to ferry troops and equipment to the islands.

Virtually the entire Argentine fleet is involved in the Falkland operations. Given the age of many of the units --some are almost 40 years old--and their sustained operations at sea, it appears sensible for the Argentines to begin withdrawing some of their more vulnerable naval

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craft once the reinforcement and reprovisioning of the islands has been accomplished. We also do not believe that the Argentines would fare well in a full-scale naval engagement with the British, particularly in view of the nature of the forces the British are preparing to send to the Falklands. If Argentine ships are attacked, however, they will respond in kind.

The invasion has probably strengthened Galtieri's standing within the military, especially the Navy and among predominantly nationalist political opponents who have long advocated invading the Falklands. We expect this support to continue, even among hardline Peronist labor union leaders who, despite repression of their recent demonstration, will have little choice but to back Galtieri. Like Thatcher, Galtieri probably calculates that he will have to avoid appearing to waver or risk serious domestic and international political costs. The Argentines see a direct correlation between a tough--and successful--effort on the Falklands and success in their Beagle dispute with Chile. Similarly, they believe a defeat on the Falklands would be an enormous setback in the Chile dispute, thus doubling their stake in the current confrontation.

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Diplomatically, Argentina will probably utilize its ties to the the Non-Aligned Movement and to developing nations in the United Nations to try to block British efforts in international fora to condemn the invasion. Buenos Aires may anticipate US opposition in the OAS but had calculated earlier that they could defeat the British in a showdown in the UN over the issue.

V. Potential for Soviet and/or Cuban exploitation

Cuba, which traditionally has supported Argentina's claim to the Falkland Islands, will probably be initially cautious in providing political backing for the Argentine move--Havana will want to be sure to avoid embarrassment in the event Buenos Aires' military adventure fails. Nevertheless, the incident gives Havana the opportunity to renew its criticism of the Thatcher government, which it views with obvious distaste.

The Soviets will seek to exploit the crisis by giving political support to Argentina; but will not become directly involved militarily. The Soviets have been trying to establish close relations with Argentina, in large part because it provides more than 10 percent of Soviet grain imports and helped offset the US grain

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embargo in 1980-81. In contrast, relations with the UK are already poor. Now that Argentina has already occupied the islands, Moscow could call for a ceasefire and subsequent talks, Moscow will work to avoid UN Security Council condemnation of Argentina, threatening to veto it. It is likely to use the situation to intensify longstanding, but so far unproductive efforts to sell Argentina military equipment. To ingratiate themselves with the Argentines, the Soviets may provide Buenos Aires with surveillance information of British military moves.

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