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PRIME MINISTER

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Prime Minister

A very important point, of which I think you are already very conscious.

And

FALKLAND ISLANDS

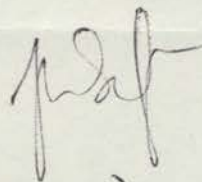
In his minute to you of 14 September the Foreign Secretary drew attention to the obdurate attitude of the Islanders, and the great difficulty of bringing them to acceptance of some compromise arrangement for the future with Argentina. This issue has considerable financial implications for the UK and I am minuting you in Geoffrey Howe's absence abroad to register the Treasury's interest and concern.

2. I realise the strength of backbench emotion on this issue, and that any suspicion that we were trying to coerce the Islanders could precipitate the sort of controversy which might well make the Government's problems worse. At the same time, as Peter Carrington says, if the Argentines should act against the interest of the Islanders because of this stalemate - for example, by denying them air services or fuel supplies - it would be very expensive indeed for HMG to attempt to make up the deficiency.


3. We need, I suggest, to take precautions against stumbling into accepting new financial commitments inadvertently. I therefore suggest that it should be made quite clear, at least to the most influential and responsible of the Islanders, that HMG does not have the resources to protect the Islands from the economic consequences of a confrontation with Argentina and that the Island authorities will need to bear this consideration in mind when taking their decisions about the future handling of the constitutional problem. Unless we convey such a warning, there is a risk that the Islanders will assume that HMG will bail them out.

SECRET

4. I am copying this minute to other members of OD, to the Secretary of State for Energy, to the Attorney General and to Sir Robert Armstrong.



(24-9-81)

 LEON BRITTAN

[Approved by the Chief Secretary
and signed in his absence]



SEP 24 1981