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RECEIVED IN REGISTRY NO. 18		
20 MAR 1981		
DESK OFFICER	REGISTRY	
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1) Mr. [unclear] /  
Mr. [unclear] (21)  
Pe. [unclear]

2) copy to Mr. [unclear]

18th March 1981

F. R. Fearn Esq.,  
South America Department  
Foreign and Commonwealth Office  
King Charles Street  
LONDON SW1

Req x b. u.  
19/3 CCB

Dear Fearn,

FALKLAND ISLANDS

I have seen a copy of Lord Carrington's minute to the Prime Minister of 13th March, which reports the results of the latest talks with the Argentines in New York. He states at the end of his fifth paragraph that, if the Islanders decide they would prefer the continuation of the status quo to any deal involving cession of sovereignty to Argentina, we might have to support them in the event of an Argentine decision to cut off essential supplies to the Island or even to defend them against physical threats. As Lord Carrington points out, the cost of all this could be considerable.

2. If the Islanders are to be left to decide for themselves, as Lord Carrington says they must, in view, inter alia, of the support for their position both in Parliament and outside, this result must be considered a serious possibility; and we are concerned that the cost in terms of public expenditure should be estimated now as accurately as possible. This would help to emphasise the importance of trying to reach agreement on some alternative solution to the problem.

3. We should be grateful, therefore, if you could let us have your best assessment of the costs that would be involved in maintaining the status quo in the face of Argentine non-co-operation, and possible hostility.

Yours sincerely,

J. F. SLATER.

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