

CONFIDENTIAL

Argentina

SECRETARY OF STATE FOR ENERGY
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Rt Hon Lord Carrington KCMG MC
Secretary of State for
Foreign and Commonwealth Office
Foreign and Commonwealth Office
LONDON SW1

NBP

Phms

- 5/2

5 February 1980

Dear Peter

FALKLAND ISLANDS

Thank you for copying to me your minute of 24 January to the Prime Minister about the discussion which took place in OD on 29 January about policy towards Argentina in the dispute over the Falkland Islands. I have since seen the minutes of the meeting.

This is clearly a very difficult problem given the intransigence of the Argentines, but following what I said in my minute to the Prime Minister of 22 September, I hope that in framing new terms of reference for negotiations with them, you will not lose sight of retaining, if at all possible, access for the UK to any oil or gas which might be found in Falkland Islands waters if and when further exploration takes place. This is important not only for access to any resources, which could be very welcome in the years ahead, and the revenues which could flow from them, both to the benefit of the Islanders and our own exchequer, but also from the point of view of being in an advantageous position to secure for British oil companies and construction companies a lion's share of the vast amount of development work which will be necessary: work which with our North Sea experiences we are particularly well fitted to carry out.

I am copying this letter to the other members of OD, to the Attorney General and to the Secretary to the Cabinet.

has in

D A R HOWELL

Dend

5 FEB 1980



cc. PS/PUS
MR LUCAS
MR GREENWOOD
MR BIRCHALL

PRIME MINISTER

I have seen Peter Carrington's paper PM/79/81 to you on the subject of the Falkland Islands. This is a very useful summary of the options open to us, and I agree with his conclusion that there is little to be gained by continuing to try to spin out our talks with the Argentines. The sort of solution he envisages is probably the best we can expect to achieve, given all the circumstances.

I am, however, rather uneasy about the proposed arrangements for the maritime zones outside territorial waters. It is true that the presence of oil (or gas) has yet to be proven, but the continued interest of the oil companies and the results of recent geophysical surveys (which FCO have seen) lead us to think that there is at least a good chance that hydrocarbons are there. We ought to be very careful about adopting a course which could lead to British oil companies losing a favourable position they might otherwise have had, both as regards development and exploitation and the supply of offshore hardware, in which field the North Sea has given us a leading position. It could also involve a substantial loss to the British economy if oil were found. It is impossible to quantify, of course, but I should have thought the potential value to us (and to the Islanders) would bear comparison with - it could possibly exceed - the possible trade benefits mentioned in Peter's paper.

I do feel, therefore, that before we agree to the course he has proposed, we should have a full discussion on its implications and a better assessment of the gains and losses we stand to make. I do not think the paper as it stands has taken all the relevant economic factors of this sort into account. I would hope that, meanwhile, Peter Carrington will not say anything to the Argentines which could jeopardise the position.

I am copying to other members of OD(5) the Attorney General, Sir John Hunt and Sir Kenneth Berrill.

SECRETARY OF STATE FOR ENERGY

22 September 1979

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