

CONFIDENTIAL



Treasury Chambers, Parliament Street. SW1P 3AG

01-233 3000

25 June 1982

The Rt Hon Francis Pym MC, MP
Foreign & Commonwealth Secretary

Prime Minister

I believe that the Foreign Secretary
will want to comment further. He
felt that the Chancellor has missed the
point. Money is being spent now in
the Falklands (the MOD will reclaim
expenditure on rehabilitation)
so a decision on new
money is needed now.

Amil letter minute from
Mr. Pym?
A.S.C. 25/6

New Secretary of State,

REHABILITATION OF THE FALKLAND ISLANDS

I have seen a copy of your minute today to the Prime Minister.

As you say, initial rehabilitation work by the Armed Forces is already in hand. It may well be that further expenditure on rehabilitation of basic services in the Falkland Islands will impose too heavy a burden to be shouldered by the Aid Programme, without the provision of new money. But we can only make a judgement on that when we have a reliable assessment of what needs to be done.

As to expenditure on "urgently needed projects", if by this you mean investment in kelp, mutton, inshore fisheries, krill, etc, I really don't think we are yet in a position to take decisions on the economic and political merits of such major schemes. We must surely await the Shackleton Report, and appraise it carefully, if we are to avoid waste of resources, and consequent criticism.

In short, I think it would be premature to attempt to reach conclusions on these important issues just yet.

I am copying this letter to the Prime Minister and other colleagues on OD(FAF), and to Sir Robert Armstrong.

Yours sincerely,
J. H. Howe

pp.
GEOFFREY HOWE

(approved by the Chancellor
act signed in his absence.)