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 TO PRIORITY BUENOS AIRES
 TELEGRAM NUMBER 180 OF 12 SEPTEMBER.

FALKLAND ISLANDS

1. TALKS WITH CAVANDOLI WENT WELL (SUMMARY RECORD BY BAG OF 18 SEPTEMBER). CAVANDOLI THOUGHT LEASEBACK OF 99 YEARS COULD BE ACCEPTABLE TO HIS GOVERNMENT. IT WAS AGREED EXCHANGES WERE SECRET AND AD REFERENDUM AND THAT ISLANDERS ACQUIESCENCE IN PROPOSALS AS BASIS FOR NEGOTIATION WOULD BE REQUIRED BEFORE FORMAL NEGOTIATIONS COULD BE UNDERTAKEN. ARGENTINE HOPE IS FOR SUBSTANTIVE AND PUBLIC PROGRESS BEFORE NEW PRESIDENT TAKES OFFICE IN MARCH 1981.
2. BOTH SIDES WILL NOW REPORT BACK. ARGENTINES HOPE TO GIVE INDICATION OF THEIR POSITION BEFORE OR AT FOREIGN MINISTERS' MEETING IN NEW YORK ON 23 SEPTEMBER.

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