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ODO(SA)(82) 2nd Meeting

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CABINET

DEFENCE AND OVERSEA POLICY (OFFICIAL) COMMITTEE

SUB-COMMITTEE ON THE SOUTH ATLANTIC AND THE FALKLAND ISLANDS

MINUTES of a Meeting held in
Conference Room B, Cabinet Office on
WEDNESDAY 7 APRIL 1982 at 11.30 am

PRESENT

Mr R L Wade-Gery
Cabinet Office
(In the Chair)

Mr C J Carey
Treasury

Mr D Heaton
Home Office

Mr N Bayne
Foreign and Commonwealth Office

Lord Bridges
Foreign and Commonwealth Office

Mr B L Crowe
Foreign and Commonwealth Office

Colonel A G H Harley
Ministry of Defence

Mr R M Hastie-Smith
Ministry of Defence

Mr P Parkhouse
Ministry of Agriculture,
Fisheries and Food

Mr F H Elders
Departments of the
Environment and Transport

Mr C J Farrow
Department of Industry

Mr R J Ayling
Department of Trade

Mr H R Owen
Department of Trade

Mr P C Sanders
Department of Trade

Mr R Williams
Department of Trade

Mr R J Priddle
Department of Energy

Mr G Breach
Exports Credits Guarantee
Department

Mr M J Balfour
Bank of England

Mr M B Crawford
Bank of England

Mr P Abbott
Central Office of Information

Mr D H Colvin
Cabinet Office

Mr D J S Hancock
Cabinet Office

Mr J Groves
Central Office of Information

Mr A M Goodenough
Cabinet Office

Commander A H R York
Cabinet Office

SECRETARIAT

Mr C H O'D Alexander
Commander G R G Middleton
Mr S D Spivey

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1. FUTURE CO-ORDINATING MACHINERY

THE CHAIRMAN said that day-to-day control of the United Kingdom's response to the Argentinian invasion of the Falkland Islands would be exercised by a small group of Ministers, the Defence and Oversea Policy Committee on the South Atlantic and Falkland Islands (OD(SA)). Meetings of the Defence and Oversea Policy Committee itself and of the Cabinet would be convened as necessary. OD(SA) would be concerned with all aspects of the crisis. The Sub-Committee would provide co-ordinated official advice to OD and OD(SA) on the matters of policy involving the responsibilities of civil Departments. There were separate arrangements for providing high level official advice to Ministers on the politico - military aspects of the crisis. It had also been decided to establish a Presentation Unit reporting to the Paymaster General, comprising one official at First Secretary/Principal level from each of the Foreign and Commonwealth Office and the Ministry of Defence, located in the Cabinet Office. This decision had been taken because potentially damaging rumours had been circulating in Parliament and in the Press and media, mainly in regard to the respective military capabilities of British and Argentinian forces but also in the political and economic fields. The purpose of the unit would be to establish what rumours were circulating and as far as possible to counter them.

In discussion the point was made that further thought would need to be given to the arrangements for handling the Press and media, and in particular to the relationship between the Presentation Unit and the Meeting of Chief Information Offices (MIO). The right answer might be to draw on the plans in the Government War Book, measure 7.1, and establish machinery for the central control of public information, perhaps in the form of a Sub-Committee of MIO. This point and the relationship of any machinery established to the Presentation Unit would need to be taken up with the Chief Press Secretary to the Prime Minister. On the substance of the problem of handling the Press and media, there was no provision in peacetime for censorship and Ministers had agreed that, unfortunate though some speculation in the media had been, it would be pointless leaning on the broadcasting authorities who would complain that they were being put at a disadvantage compared to the Press. Ministers had therefore concluded that it would

be preferable to act using the D Notice system. D Notices did not apply to foreign editors. Although D Notices were in effect standing instructions to editors, there was likely to be a need for guidance in their detailed interpretation, and this could be provided by the machinery envisaged. There was also the problem of correspondents at sea with the British task force, but this would be difficult to deal with.

The Sub-Committee -

Invited the Director General of the Central Office of Information to pursue with the Chief Press Secretary to the Prime Minister -

i. The question of the establishment of machinery for the central control of public information as envisaged in Government War Book measure 7.1, perhaps in the form of a Sub-Committee of the Meeting of Chief Information Officers;

ii. The relationship between machinery established under i. and the Presentation Unit being established under the Paymaster General.

2. IMPLICATIONS OF FINANCIAL AND ECONOMIC MEASURES TAKEN AGAINST ARGENTINA
In accordance with the Cabinet's instructions, the Sub-Committee considered what action was required to appraise the issues likely to arise as a result of the financial and economic action taken against Argentina in the context of the invasion of the Falkland Islands.

In discussion the following main points were made -

a. While the arms embargo already introduced would effectively prevent the export of military equipment and spares from the United Kingdom to Argentina, it did not apply to the overseas subsidiaries of British firms or in cases where there were sub-contracts with British firms for orders placed in third countries. Rolls Royce had given an assurance that their subsidiary company in Brazil would not provide aircraft spares to Argentina. This assurance would be extremely difficult to fulfil since the firm's subsidiary supplied aircraft spares to the whole South American market, and there could be no guarantee that spares would not find their way to Argentina by roundabout means. Rolls Royce also had a contract for the supply of marine gas turbine engines to a German firm who were building ships for the Argentinian navy; the bulk of this order had already been delivered, but 8 gas generators were due to be delivered in the period May-July 1982. Fortunately, the Federal Republic of Germany had decided to introduce its own embargo on arms exports to Argentina. This would mean that the question of whether Rolls-Royce should deliver the balance of the equipment as planned would become an industrial one.

b. Westlands Helicopters Ltd, who had a contract to supply helicopter spares which were now being packed, did not intend to fulfil their contractual obligations, but might be required to hand over the goods in the United Kingdom. There were no powers to prevent this happening and, while Westlands could not receive payment from the Argentinians in this country, payment could be made anywhere else. More generally, firms' ability to co-operate with the arms embargo might weaken unless a government directive was issued or legislation was introduced.

c. The Home Office were making contingent arrangements to introduce temporary powers in certain areas. Given that powers might be required in several areas, it would be sensible to co-ordinate bids for possible legislation.

d. It was not yet clear what difficulties might have been caused for British firms by the Government's decision to ban imports from Argentina.

e. A separate meeting, under Treasury chairmanship, was taking place to identify any problems, in addition to those noted at the Sub-Committee's previous meeting, that had arisen as a result of the freezing of Argentinian financial assets in the United Kingdom.

f. The Central Electricity Generating Board were near to the point of signing a contract for the supply of heavy water to Argentina for their civil nuclear power programme. It would be important to ensure that this contract was not signed, and to use an assurance to this effect to try to persuade the Germans and Canadians to suspend their involvement in Argentina's nuclear power programme.

g. There was a need to identify what orders there were for exports to Argentina which, though not strictly military in character and as such caught by the arms embargo, nevertheless had to be regarded as of strategic significance. Although powers existed to prevent such exports, there were no powers to prevent the provision of important technical services.

h. Little was known about the assets of British firms in Argentina which might become the subject of Argentinian retaliation. Some detailed work would need to be undertaken to establish the facts, and meanwhile a very broadly worded note on the matter should be produced. Departments need not be inhibited from approaching firms to obtain information by the thought that this might lead to subsequent claims against the Government.

i. Some thought would shortly need to be given to the question of how far financial sanctions against Argentina should be pushed. Leaving aside doubts about the efficacy of such measures, there was the important point that further financial pressure might force Argentina to default on her debt obligations. To move down this path would raise wider questions of major significance.

In further discussion it was noted that Ministers were closely interested in the possibility that the United States could bring pressure to bear on Argentina: the suggestion had been made that the Americans could cripple the Argentinian economy if they so chose. While there appeared to be real possibilities for American action in the financial sector, action on trade would take more time to have an effect. An assessment was required of what the United States could do and of its effectiveness. A preliminary report to Ministers would be required the following day, before the arrival of the United States Secretary of State. In view of the mediating role in the crisis adopted by the United States, it was not to be expected that they would agree readily to exerting economic pressure on Argentina.

THE CHAIRMAN, summing up the discussion, said that several issues were beginning to emerge as a result of the imposition of the financial and economic measures against Argentina. Departments should now urgently prepare reports as indicated in the conclusions below, consulting other Departments as necessary, for circulation to the Defence and Oversea Policy Committee in 24 hours time. The preliminary report of the vulnerability of the Argentinian economy to pressure from the United States should be made available before a meeting of Ministers on the following morning.

The Sub-Committee -

1. Invited the Home Office, in consultation with the Scottish Office, to prepare by 1.00 pm on Thursday, 8 April 1982 a co-ordinated paper for Ministers on the possible need for legislation to support the United Kingdom's response to the Falkland Islands crisis, drawing on inputs from any Department able to identify such possible needs; to identify any decisions required; and to indicate whether Parliament might need to be recalled during the Easter recess.

2. Invited the Department of Trade, in consultation with the Ministry of Defence and the Department of Industry, to prepare in the same timescale a report to Ministers on -

- i. the issues arising from the embargo on arms exports from the United Kingdom to Argentina;
- ii. the trade issues arising from the suspension of the provision of new credit for exports to Argentina;
- iii. any problems for British firms which had come to light as a result of the ban on imports from Argentina.

The Report should identify any issues on which decisions were required.

3. Invited the Treasury to prepare, again in the same timescale, a report to Ministers on the issues arising from the freezing of Argentinian financial assets in the United Kingdom, including the possibility that financial pressure might lead Argentina into default; and on the financial issues arising from the suspension of the provision of new credit for exports to Argentina, identifying any on which decisions were required.

4. Invited the Foreign and Commonwealth Office to prepare, by the morning of Thursday, 8 April a preliminary paper for Ministers on the vulnerability of the Argentinian economy to financial and economic pressure by the United States.

5. Invited the Foreign and Commonwealth Office to prepare by 1.00 pm on Thursday, 8 April 1982 -

- i. a report to Ministers on the international response to the United Kingdom's call for action against Argentina;
- ii. an interim report to Ministers, to be finalised as soon as possible, on the British commercial assets in Argentina which might be subjected to Argentinian pressure, and on the position of British citizens in Argentina.

6. Instructed the Secretaries to arrange for the papers and reports at 2, 3, 4 and 5 to be circulated to the Defence and Oversea Policy Committee.

3. PROGRAMME OF WORK

The Sub-Committee -

1. Noted that the actions identified in Annex A to ODO(SA)(82) 6 at Serials 1, 3, and 10, and in Annex B, Serials 1 and 4, would be the subject of reports to Ministers in the papers commissioned under Item 2.

2. Invited the Foreign and Commonwealth Office to arrange for -

i. the Foreign and Commonwealth Secretary to keep his colleagues on the Defence and Oversea Policy Committee, Sub-Committee on the South Atlantic informed on the question of the recovery of the British Antarctic Survey party on South Georgia (ODO(SA)(82) 6, Annex A, Serial 4);

ii. the Foreign and Commonwealth Secretary to be briefed on the question of issuing guidance on cultural and other visits and exchanges involving contacts with Argentinians (ODO(SA)(82) 6, Annex A, Serial 5).

3. Noted that the Home Office would be circulating on the following day a paper on the action at Serial 9 of Annex A to ODO(SA)(82) 6.

4. Invited the Chairman of the Joint Intelligence Committee to arrange for that Committee's report on Argentina's vulnerability to economic pressure to be completed as soon as possible (ODO(SA)(82) 6, Annex B, Serial 2).

[Secretaries' note: A draft of this report will be available on the morning of Thursday, 8 April.]

5. Invited the Department of Trade to prepare a report for the Sub-Committee by the following week on the question of banning exports to Argentina of strategic goods other than arms. (ODO(SA)(82) 6, Annex B, Serial 3).

6. Invited the Foreign and Commonwealth Office to prepare a report for the Sub-Committee the following week on the question of retaliation against British interests by South American countries other than Argentina. (ODO(SA)(82) 6, Annex B, Serial 5).

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Mr R Williams
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Mr R J Priddle
Department of Energy

Mr G Breach
Export Credits Guarantee Department

Mr M J Balfour
Bank of England

Mr M B Crawford
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1. FUTURE CO-ORDINATING MACHINERY

The Sub-Committee -

Invited the Director-General of the Central Office of Information to pursue with the Chief Press Secretary to the Prime Minister -

- i. the question of the establishment of machinery for the central control of public information as envisaged in Government War Book measure 7.1, perhaps in the form of a Sub-Committee of the Meeting of Chief Information Officers;
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1. Invited the Home Office, in consultation with the Scottish Office, to prepare by 1.00 pm on Thursday, 8 April 1982 a co-ordinated paper for Ministers on the possible need for legislation to support the United Kingdom's response to the Falklands Islands crisis, drawing on inputs from any Department able to identify such possible needs; to identify any decisions required; and to indicate whether Parliament might need to be recalled during the Easter recess.

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The report should identify any issues on which decisions were required.

3. Invited the Treasury to prepare, again in the same timescale, a report to Ministers on the issues arising from the freezing of Argentinian financial assets in the United Kingdom, including the possibility that financial pressure might lead Argentina into default; and on the financial issues arising from the suspension of the provision of new credit for exports to Argentina, identifying any on which decisions were required.

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- ii. an interim report to Ministers, to be finalised as soon as possible, on the British commercial assets in Argentina which might be subjected to Argentinian pressure, and on the position of British citizens in Argentina.

6. Instructed the Secretaries to arrange for the papers and reports at 2, 3, and 5 to be circulated to the Defence and Overseas Policy Committee, and that at 4 to the Defence and Overseas Policy Committee, Sub-Committee on the South Atlantic and Falkland Islands.

3. PROGRAMME OF WORK

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Cabinet Office

7 April 1982