

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

ODO(SA)(82) 3rd Meeting

COPY NO 89

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
TUESDAY 13 APRIL 1982 at 2.30 pm

PRESENT

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

Mr C J Carey
Treasury

Mr D Heaton
Home Office

Miss S J Lambert
Foreign and Commonwealth Office

Mr N Bayne
Foreign and Commonwealth Office

Lord Bridges
Foreign and Commonwealth Office

Mr N Gordon Lennox
Foreign and Commonwealth Office

Mr J R Gibson
Ministry of Defence

Mr R M Hastie-Smith
Ministry of Defence

Mr P Parkhouse
Ministry of Agriculture,
Fisheries and Food

Mr J A Dole
Departments of the Environment
and Transport

Mr A C King
Scottish Office

Mr C J Farrow
Department of Industry

Mr R J Priddle
Department of Energy

Mr J E Coleman
Department of Trade

Mr R F Coleman
Department of Trade

Mr A Fortnam
Department of Trade

Mr R Williams
Department of Trade

Mr G Breach
Export Credits Guarantee Department

Mr M J Balfour
Bank of England

Mr A M Goodenough
Cabinet Office

Mr D H Colvin
Cabinet Office

Mr T W Savage
Cabinet Office

SECRETARIAT

Mr C H O'D Alexander
Mr S D Spivey

SUBJECT

SITUATION IN THE SOUTH ATLANTIC: REVIEW OF WORK IN HAND

SITUATION IN THE SOUTH ATLANTIC: REVIEW OF WORK IN HAND
Previous Reference: ODO(SA)(82) 2nd Meeting, Items 2 and 3

The Sub-Committee had before them a Note by the Secretaries (ODO(SA)(82) 8) covering a note by the Foreign and Commonwealth Office (FCO) on the vulnerability of Argentina to United States economic pressure; a Note by the Home Office ODO(SA)(82) 9 on Argentinians in the United Kingdom and other possible requirements for legislation; Notes by the Secretaries (ODO(SA)(82) 10 and 11) enclosing respectively a note by the Treasury on financial restrictions on Argentina, and a note by the Department of Trade (DOT) on trade sanctions against Argentina; Notes by the Secretaries (ODO(SA)(82) 12, 13 and 14) covering notes by the FCO on the international reaction to the invasion of the Falkland Islands, on the scope for action by Argentina against British economic interests and the British community there, and on hydrocarbon potential around the Falkland Islands; and Notes by the Secretaries (ODO(SA)(82) 15 and 16) covering a note by the FCO Legal Adviser on the formal consequences of a state of war between the United Kingdom and Argentina, and a Note by the DOT on the Trading with the Enemy Act 1939.

THE CHAIRMAN said that the Sub-Committee would wish to consider Departments' needs for guidance on the matters addressed in the papers before them, and to identify any issues which might need to be referred to Ministers for decision, bearing in mind that the crisis could develop in any one of several ways. There remained a possibility that mediation by the United States Secretary of State, Mr Haig, would result in an early settlement. If not, the economic measures already taken might have to remain in place for a considerable period. Efforts to resolve the crisis by diplomatic means might continue, or give way to military action. This in turn might or might not lead to a state of war between the United Kingdom and Argentina.

The Chairman also reported that the Presentation Unit (SAPU) established on the Cabinet's instructions would be under the control of the Secretary of the Cabinet. SAPU's function would be to provide guidance on the public perception of aspects of the crisis, working through departmental Press Offices rather than direct to the Press and seeking Ministers' views as necessary.

Vulnerability of Argentina to United States economic pressure
(ODO(SA)(82) 8)

In discussion it was noted that the United States Administration had had their attention drawn to the decision of our European Community partners to ban imports from Argentina; and had been asked about their plans. It had come as no surprise that the United States had not thought it appropriate, given their mediating role in the crisis, to take economic measures against Argentina, although American banks would be exercising normal commercial prudence over the provision of banking services. Ministers had not raised these matters with the United States Secretary of State.

THE CHAIRMAN, summing up this part of the discussion, said that Ministers might wish to revert to the question of urging the United States Government to exert economic pressure on Argentina, but that this should wait on the results of the mediation by the United States Secretary of State.

The Sub-Committee -

1. Invited the Foreign and Commonwealth Office at an appropriate moment to arrange for the question of American economic pressure on Argentina to be raised with Ministers.

Requirement for Legislation (ODO(SA)(82) 9, 15 and 16)

In discussion it was noted that Departments saw no immediate need for additional powers, and there were good grounds for refraining from legislative action in the current phase of diplomatic negotiations. A draft emergency powers Bill had nevertheless been prepared on a contingency basis covering the matters listed in ODO(SA)(82) 9. On the treatment of Argentinian nationals visiting the United Kingdom, a visa requirement had been introduced on Friday, 9 April. It would be possible to require Argentinian nationals to register with the police, by making an Order under the Immigration Act 1971; but this should be left for consideration at a later stage. There was as yet no case on security grounds for deporting Argentinian nationals; nor would this position necessarily change if a state of war came to exist. The introduction of internment would be outwith the Geneva Conventions in any situation short of war. The draft Bill provided both for internment and for a

strengthening of existing powers to deport. As regards further restrictions on trade, in addition to the points already covered in the draft Bill (ODO(SA)(82) 11, paragraph 12), there was the problem of the Trading with the Enemy Act 1939 (ODO(SA)(82) 16). This Act, which would come into operation automatically if Argentina declared war on the United Kingdom, would make unlawful all forms of economic intercourse with the Argentinians. The Act's provisions might well be too far reaching in the circumstances, and it was proposed to include a provision in the draft emergency powers Bill making the operation of the Act subject to an Order in Council. Further consideration of this proposal was required, and the Attorney General's views would need to be sought. But it highlighted a problem of timing over the introduction of any emergency powers Bill which would need to be drawn to Ministers' attention. If Argentina did declare war, the Trading with the Enemy Act 1939 would operate unless or until an emergency powers Bill had been enacted suspending its provisions. More generally, Departments saw advantage in proceeding promptly with the enactment of emergency legislation as soon as it became clear that this would not damage the prospects of achieving a negotiated settlement and hostilities appeared to be imminent, even though the powers would not necessarily need to be used at once.

THE CHAIRMAN, summing up this part of the discussion, said that Ministers would probably wish to refrain from bringing forward emergency legislation while the current diplomatic efforts to resolve the crisis continued. But if negotiations broke down or ceased to constitute a restraint on legislation, and hostilities were imminent, it was the view of the Departments concerned that emergency legislation should be enacted as swiftly as possible. The Foreign and Commonwealth Secretary should be invited to bring these points to the Cabinet's attention at their meeting on the following morning. A draft Bill had been prepared and would be available to Ministers in printed form on Thursday, 15 April. The Attorney General should be consulted on the Bill's proposed provision making the operation of the Trading with the Enemy Act 1939 subject to an Order in Council. The Attorney General's views should be reported to the Sub-Committee and possibly also to the Defence and Overseas Policy Committee.

The Sub-Committee -

2. Invited the Foreign and Commonwealth Office to arrange for the Foreign and Commonwealth Secretary to draw the attention of his Cabinet colleagues at their meeting on the following morning to the factors affecting the timing of emergency legislation.
3. Noted that a draft emergency powers Bill had been prepared and would be available in printed form on Thursday, 15 April.
4. Invited the Department of Trade to consult the Foreign and Commonwealth Office and thereafter the Attorney General on the proposed provision in the draft emergency powers Bill relating to the Trading with the Enemy Act 1939, and to report to the Sub-Committee.

Financial Relations (ODO(SA)(82) 10)

THE TREASURY reported that the Bank of England had now issued written guidance on the operation of the controls on Argentinian financial assets in the United Kingdom, and that the Chancellor of the Exchequer was currently considering a number of further points including the question of releasing funds authorised from Argentinian sources for payment to United Kingdom exporters. The present proposal was that funds should be released for the settlement of contracts completed before 3 April. But the guidance did not exclude the possibility of settling contracts completed after that date.

In discussion it was noted that it could well be in the United Kingdom's interests to continue supplying certain exports to Argentinian customers providing payment could be obtained.

In further discussion, on the question of an Argentinian default on debt servicing, it was pointed out that the decision to declare Argentina in default lay in the hands of her creditors. No advantage was seen in precipitating a default which might hurt creditors more than the Argentinians and which would have harmful consequences throughout the international banking system. Banks should be discouraged from precipitating a default. But the risk of default coming about accidentally would remain.

The Sub-Committee

5. Invited the Treasury to arrange for the Chancellor of the Exchequer to circulate papers to the Defence and Overseas Policy Committee on -
 - i. the operation of the controls on Argentinian financial assets in the United Kingdom. (This paper should take into account the views of the Department of Trade and the Export Credits Guarantee Department);
 - ii. the risks and consequences of Argentina being declared in default on her debt servicing obligations.

Trade Restrictions (ODO(SA)(82) 11)

The Sub-Committee -

6. Noted that the Department of Trade would be circulating on 14 April a paper on the control of strategic exports other than arms.
7. Instructed the Secretaries to arrange for the paper at 6. to be circulated to the Defence and Overseas Policy Committee.

International Reaction to the Invasion (ODO(SA)(82) 12)

The Sub-Committee -

8. Invited the Foreign and Commonwealth Office to circulate updated versions of ODO(SA)(82) 12 at appropriate intervals. The next such report should include a reference to the attitude adopted by Spain.
9. Instructed the Secretaries to arrange for the further reports at 8. to be circulated to the Defence and Overseas Policy Committee.

Anti-British Retaliation (ODO(SA)(82) 13)

The Sub-Committee -

10. Invited the Foreign and Commonwealth Office, in consultation with other Departments as necessary, to circulate by 1.00 pm on Friday, 18 April, a further and more detailed paper on the scope for action against British economic interests in Argentina.

11. Invited the Foreign and Commonwealth Office, in consultation with the Ministry of Defence and the Department of Trade, to keep under continuing review the position of the British community in Argentina, and to report to Ministers as necessary.

12. Invited the Foreign and Commonwealth Office, in consultation with the Department of Trade, to circulate by 1.00 pm on Friday, 16 April, a preliminary note on British economic interests elsewhere in South America.

Hydrocarbon Potential around the Falkland Islands (ODO(SA)(82) 14)

In discussion it was agreed that before this paper was circulated to Ministers it should be expanded to take account of the economic significance of South Georgia and the South Sandwich Islands; of any link between British sovereignty over the Falkland Islands and Dependencies, and our rights to exploit mineral resources in the Antarctic; and of any potential British interest in developing fisheries in the South Atlantic area.

The Sub-Committee -

13. Invited the Foreign and Commonwealth Office, in consultation with the Departments of Industry and of Energy and the Ministry of Agriculture, Fisheries and Food, to circulate by 1.00 pm on Friday, 16 April, an expanded paper as indicated in the discussion.

14. Instructed the Secretaries to arrange for the paper at 13. to be circulated to the Defence and Oversea Policy Committee.

Cabinet Office

14 April 1982