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CABINET

DEFENCE AND OVERSEA POLICY (OFFICIAL) COMMITTEE

SUB-COMMITTEE ON THE SOUTH ATLANTIC AND  
FALKLAND ISLANDS

EFFECT OF TRADE SANCTIONS AGAINST ARGENTINA

Note by the Secretaries

A Note by the Department of Trade, commissioned at ODO(SA)(82) 2nd Meeting, is attached in the form in which it was submitted to the Defence and Oversea Policy Committee. The Sub-Committee will wish to consider the issues raised at a future meeting.

Signed C H O'D ALEXANDER  
G R G MIDDLETON  
S D SPIVEY

Cabinet Office

8 April 1982

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## EFFECT OF TRADE SANCTIONS AGAINST ARGENTINA

Note by the Department of Trade

In addition to freezing Argentine financial assets in this country, the following economic measures against Argentina are already in position:

- a) Exports of arms and military equipment to Argentina have been banned
- b) No new ECGD cover is being provided for Argentina
- c) A ban on Argentine imports is now effective, except for those already in transit when the ban was imposed
- d) British ships have been advised to keep away from Argentine ports and the Falkland Islands
- e) British Caledonian, the only UK airline operational to Argentina, have suspended their service (as has Aerolineas Argentinas the only Argentine airline on the route).

2 This note reviews the initial effect of these measures and examines what other powers may be needed.

### Arms embargo

3 All exports of aircraft, arms and related materiel, ammunition etc (including spares) to Argentina and the Falkland Islands have been stopped and existing licences revoked. Licences for the export of other strategic goods are also being checked and the licences

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revoked where the goods appear to be intended for a military application or could be used for military purposes, (eg radar or radio equipment). No further licences for such goods will be granted.

4 Goods licensed for export to a third country could subsequently be re-exported to Argentina. In cases where it is known that this is intended, action can be taken to revoke the licence. This has been done in two cases of the supply of components for warships being built in West Germany for the Argentine Navy - one involves Rolls Royce gas turbine engines (some of which had already been exported prior to the control being introduced) and one the supply of steering gear. The UK cannot prevent the re-exportation to Argentina of arms which have been legitimately exported to a third country but our partners and allies are themselves being asked to impose an arms embargo on Argentina. The German Government have undertaken to prevent the export of the warships mentioned. A decision will be needed shortly whether to allow Rolls Royce engines to go to Germany to enable their ship construction programme to continue.

5 A practical difficulty has come to light concerning a contract for the supply by Westland of helicopter spares to the Argentine armed forces. Since the contract was for delivery in this country the export control order would not prevent the equipment coming into Argentine hands with a risk that they might attempt to export the goods illegally. In this case the risk has been eliminated by Customs & Excise who have taken control of the goods which are in the possession of a transport company in Southampton. It may however be desirable to take powers to require companies to take any actions deemed expedient in relation to contracts with Argentine entities. Similar powers were taken against Iran though on that occasion they did not apply to pre-existing contracts.

6 Another potential loophole lies in the possibility that UK

subsidaries abroad might supply vital spares to the Argentines. While we could take powers to require overseas branches of UK companies not to supply banned goods, we could not for extra territorial reasons make the same requirement of subsidiaries. One such case is Rolls Royce's Brazilian subsidiary, who are the main store holding company for all Rolls Royce's interests in Latin America. While we can stop the shipment from Britain of new supplies to the Brazilian store, so far as stocks already in Brazil are concerned, we shall have to rely on the company's goodwill.

7 Finally there may be cases where we do not know the ultimate destination of goods. For example British firms could supply components to firms in other countries from which the finished products will be exported to a variety of destinations which may include Argentina. Here action with our allies seems the best way of seeking to close this gap.

#### Withdrawal of ECGD cover

8 No difficulties have been reported since cover was withdrawn but it is probable that most exporters have not yet fully taken on board the action that has been taken.

#### Ban on Argentine imports

9 As our imports from Argentina constitute only 3% of their world wide exports we cannot expect this measure in isolation to have much effect on the Argentine economy. Its significance will lie in the extent to which our EC partners and other allies are prepared to take parallel action. In the first 12 hours importers submitted 800 applications for licences for goods in transit. No applications will be considered after 7 May nor imports accepted after 28 May. No problems have been encountered so far in applying the measure. Enquirers have been told that no compensation will be payable for

any loss incurred as a result of the import ban.

#### Ships and aircraft

10 Home Office officials are discussing with Parliamentary Counsel proposals for new primary enabling legislation to permit requisition of property and other action necessary as occasioned by the invasion of the Falklands. This will include power to take possession of ships and aircraft and detain them in the UK. We do not have formal powers at present permitting seizure of Argentine ships and aircraft though we could possibly prohibit them leaving UK ports. Air services between the UK and Argentina have been suspended by the companies concerned. It is for consideration whether the largely presentational step of formally suspending the Operating Permit of the Argentine airline should be taken. There is no difficulty for the Department of Trade in taking this step which would be consistent with other measures.

#### Services

11 In the case of the Iran sanctions we obtained powers to prohibit the provision of services by United Kingdom individuals, companies or official bodies. Such services might include consultancy, certification of ships, insurance etc. There is no suggestion that we should ever wish or need to use such powers widely, but we believe we should have the ability to act selectively where it is deemed appropriate to do so.

#### Issues for consideration

12 It is for consideration whether in the draft Emergency Bill being prepared by the Home Office provision should be made for enabling powers to:

- i) Require companies to take any action deemed expedient in relation to contracts with Argentine entities (para 5)

- ii) Seize aircraft and ships (para 10)
- iii) Prohibit the provision of services (para 11).

Department of Trade  
8 April 1982