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Prime Minister

To be aware by Cabinet.

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MR 5/4

Ref. A08043

PRIME MINISTER

Implications for Civil Departments of the Situation in the South Atlantic

I held a meeting of Permanent Secretaries this morning to review the action which civil Departments are taking or need to take following the invasion of the Falkland Islands, and to consider what Whitehall machinery is needed to ensure that it is properly carried out.

2. Our principal aim was to ensure that all Departments in Whitehall were filling in the picture over the diplomatic, economic and military measures in hand, and that all the possibilities for, and implications of, further action were being actively pursued. Much of this ground had been covered by officials on Friday 2nd April, but we were able to build on that work and in particular to consider what further action might be needed if the situation were to deteriorate further. It was agreed that a permanent Committee of officials, chaired by Mr. Wade-Gery, should be set up immediately to co-ordinate all further work in this area.

3. Mr. Wade-Gery's group met this afternoon to look at the proposals for economic and financial measures against Argentina contained in Lord Carrington's minute to you of 5th April.

4. It was agreed that the United Kingdom Representative at tomorrow's meeting of COREPER in Brussels should be instructed to inform our partners that, in addition to the measures we have already taken to ban arms exports, freeze all Argentine assets and suspend guaranteed export credit cover, we should shortly be announcing a total ban on all Argentine exports to Britain not already shipped when the invasion took place. He should invite our partners to follow our example in banning arms exports to Argentina and all imports from Argentina and should seek a further meeting of COREPER before Easter, to argue through our proposals. Officials agreed that our partners were unlikely in practice to agree to ban all imports from Argentina; as a fall-back, therefore, we should aim to persuade them at least to take selective measures against

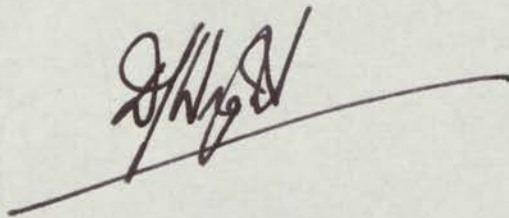
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certain Argentine exports, viz. meat and meat preparations, cereals and vegetable oil, textiles, footwear, clothing and steel. The objective should be to produce decisions by the Community this week.

5. On financial measures, it was agreed to seek to persuade our partners:
  - (a) To withhold guaranteed exports credit to Argentina.
  - (b) To exclude Argentina from the benefits of the Community's generalised preference scheme.
  - (c) Not to encourage their banks to lend further to Argentina.
6. Instructions in this sense are being despatched to UKREP Brussels. As far as the timing of our own total ban on imports is concerned, Mr. Biffen (as the Secretary of State for Trade) agreed that he should make an early announcement after tomorrow's Cabinet.
7. It was also agreed that following tomorrow's COREPER meeting, the Foreign and Commonwealth Office will provide draft messages, covering the substance of our trade and financial proposals, for you to send to Community Heads of Government urging their support: these would indicate some willingness to move towards our fall-back position. At the same time messages urging parallel action would be prepared for you to send to the Heads of Government of the United States, Japan, Australia, Canada and New Zealand.
8. I am copying this minute to all members of the Cabinet and to the Governor of the Bank of England.



ROBERT ARMSTRONG

*(approved by Sir R. Armstrong  
& signed on his behalf)*

5th April, 1982

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