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10 DOWNING STREET

From the Private Secretary

6 April 1982

Dear John,

Falkland Islands

Thank you for your letter of 6 April proposing texts for the Prime Minister's messages to her colleagues in the Community countries and in the United States, Canada, Japan, Australia and New Zealand about economic measures.

As I told you on the telephone earlier, the Prime Minister considers it unrealistic and tactically unwise to ask our allies to place an embargo on all imports of goods from Argentina. Paragraph (b) on the penultimate page of the main message should therefore read:-

"An embargo on all or some imports of goods from Argentina. We are announcing a complete embargo with effect from midnight tonight, 6 April. I urge you to take supporting action and to be ready to announce it and introduce it as soon as possible."

I also conveyed to you two minor amendments on the telephone.

With these changes, the Prime Minister is content for the messages to be sent. Perhaps you could kindly arrange for this to be done.

I am copying this letter to John Rhodes (Department of Trade), John Kerr (HM Treasury), Jonathan Spencer (Department of Industry), David Omand (Ministry of Defence) and David Wright (Cabinet Office).

*John Kerr
John Kerr*

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

6 April 1982

Dear John,

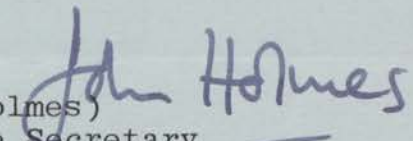
Falkland Islands

It was agreed this morning that the Prime Minister should send messages to her colleagues in Community countries and in the United States, Canada, Japan, Australia and New Zealand, informing them of the economic measures which we are taking against Argentina and urging them to take similar action in support.

I enclose a draft of such a message which has been approved by Mr Pym. We have already explained our intentions to our Community partners in Coreper this morning. The opening paragraphs of the message seek to differentiate between the different recipients, according to the help they have given us so far. A further short draft message is provided for the President of the Commission, covering a copy of the main message for his information.

I am copying this to John Rhodes (Trade), John Kerr (Treasury), Jonathan Spencer (Industry), David Omand (Defence) and David Wright (Cabinet Office).

Yours ever


(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT MESSAGE

FROM PRIME MINISTER

TO: HEADS OF STATE/GOVERNMENT IN COMMUNITY COUNTRIES,
 UNITED STATES, JAPAN, CANADA, AUSTRALIA, NEW ZEALAND
 FALKLAND ISLANDS

[To All]

I am seeking your urgent help in bringing pressure to bear on Argentina to withdraw from the Falkland Islands. Argentina has made clear that it will defy the Security Council Resolution adopted on 3 April. This is unacceptable; all our efforts must be devoted to bringing Argentina to respect the will of the Security Council and to act according to this Resolution. In this context we should use all available means of pressure on them. Economic and financial measures would have a particularly powerful impact.

[To President Mitterrand only]

I am deeply grateful for the strong support you have given me ⁱⁿ ^{in this} ~~over~~ this, and the encouragement you gave me when we spoke on the telephone. Your Government's intervention was decisive in achieving the Security Council Resolution.

[To President Reagan only]

I am deeply grateful for your own energetic intervention with the Argentine President and the help which you gave us in the Security Council. What you did was widely noted and applauded here. The United States is a substantial trading and financial partner with Argentina. If you can support us with economic measures, this will be vital to their success. We must not forget that we are dealing with an unprovoked aggression in flagrant breach of international law and of all the principles which your country and mine have done so much to defend.

/To Mr Fraser

calling for its
 immediate withdrawal

[To Mr Fraser only]

I am very grateful for your prompt and forthright condemnation of the Argentine invasion and for your rapid action in recalling your Ambassador.

[To Prime Minister Suzuki]

I much appreciate your Government's backing over this in the Security Council. Japan has substantial economic relations with Argentina. If you can join us and our other partners in taking the economic measures I propose, this will greatly increase their effect.

[To Mr Trudeau only]

I would thank you most warmly for your swift action in recalling your Ambassador from Argentina and banning all arms supplies. I know you have been in close contact with our High Commissioner.

[To Mr Muldoon only]

I was very moved by your wholehearted and vigorous response to the Argentine invasion of the Falkland Islands and I know that New Zealand shares our family ties with the people of the Islands. I ask for your support in the economic field too, though I know that here your links with Argentina are slight.

[To all Community Leaders]

You will know that we explained in Brussels earlier today, to all our Community partners, the economic and financial measures we are ourselves taking against Argentina. We asked our partners to take similar measures, to support us in seeking to reverse this blatant attack on the Falkland Islands, a territory associated with the Community under Part IV of the Treaty of Rome. In the trade field we are

/asking for

asking for all measures to be treated under Article 224 of the Treaty: and we are pressing for the earliest possible decisions, with further meetings in the Community before Easter and immediately thereafter. I now seek your personal help to bring about the urgent introduction of economic and financial measures against Argentina, by national action co-ordinated among us. I am making a similar approach to the leaders of the United States, Japan, Canada, Australia and New Zealand.

[To all Non-Community Recipients]

I seek your personal backing for the urgent introduction of economic and financial measures against Argentina. I am already approaching our Community partners on this, since we are bound to consult together on many economic matters. But I very much hope that you will join us too. Co-ordinated action by the Community, the United States, Japan, Canada, Australia and New Zealand would bring home to Argentina the consequences of their illegal actions.

[To All]

The Argentine economy has suffered serious difficulties over the years and is now in a fragile and vulnerable condition. The Argentines depend critically on maintaining their export earnings and in raising finance both to pay for their imports and to cover their external deficit. Measures to limit their access to markets and to credit will hit them hard. We in Britain are already taking action. But such action will be far more effective if our close friends and trading partners will support us as fully as possible. About 40% of Argentina's exports go to these countries, including the countries of the Community. Argentina seeks to raise funds at the leading world financial centres. They cannot afford to be cut off from trade and finance on this scale.

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Play*

A Security Council Resolution imposing sanctions on Argentina would bring universal economic action. But the experience over Iran in 1980 shows that the Soviet Union would be bound to veto this: and time is short. I must therefore turn to you, together with our other friends, to ask you to take national action in solidarity with us in introducing economic measures.

The measures I propose are these :-

- (a) A complete ban on the supply of arms and other military material to Argentina. We have already done this. I urge that you will also ban arms supplies, maintain this ban in force and encourage others to do likewise.
- (b) A embargo on all ^{or some} imports of goods from Argentina. We are announcing ^{h a complete embargo} ~~this measure~~ with effect from midnight tonight, 6 April. I urge you to ^{take supporting action} ~~do the same~~ and to be ready to announce it and introduce it as soon as possible.
- (c) The ending of export credit guarantees for new commitments to Argentina, and discouragement of further international lending to Argentina. We have ourselves ceased to enter into new guarantee commitments and frozen all Argentine financial assets in London, and we expect British financial institutions to be very reluctant to undertake new commitments towards Argentina in present circumstances. The aggressive actions by the Argentine authorities and the uncertainty of their outcome, against a background of considerable domestic economic difficulty, have already undermined confidence in that country's creditworthiness. The further actions we have taken will directly create financial difficulty for Argentina. Prudence alone should deter the international banking community and other governments from undertaking further credits and loans to Argentina. I ask you to provide no incentive and no encouragement.

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I know that these measures will affect your own economic interests. But if they are taken rapidly, with the widest possible solidarity among our partners, they should bring the Argentine Government to their senses. They would show Argentina that force does not pay and lead us towards withdrawal of their forces and the peaceful solution which we want if at all possible. The quicker these measures can be agreed, announced and put into effect, the stronger their impact on Argentina and the better the prospect that they can as quickly be reversed.

I look forward to your earliest possible response.



INSERTION FOR MESSAGE FROM PRIME MINISTER TO HEADS OF GOVERNMENT
OF BELGIUM, ~~NETHERLANDS~~ AND LUXEMBOURG

I am told that at today's COREPER your representative tended to the view that, while action under Article 224 was appropriate for the UK, action by the rest of the Community should be on a proposal of the Commission under Article 113. I recognise that action by all Member States could be seen as an exception to the Common Commercial Policy under Article 113. But we considered carefully which course to follow and decided that national action under Article 224 offered decisive advantages. The Community took action under Article 224 over Iran. We know the difficulties Article 113 causes for Denmark and perhaps France, especially in a case so clearly falling within the ambit of Article 224's reference to 'serious international tension constituting a threat of war'; the Falklands are a dependent territory associated with the Community under Part IV of the Treaty of Rome. The situation is far too serious ^{and urgent} for us to be held up by technical differences in COREPER about the Article to be used. I urge you to instruct your representatives to go along with national action under Article 224, of course in consultation together.
