



From the Secretary of State

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The Rt Hon Francis Pym MC MP  
 Secretary of State for Foreign and  
 Commonwealth Affairs  
 Foreign and Commonwealth Office  
 Downing Street  
 London, SW1A 2AL

Prime Minister

X seems to me an odd view.  
 You may wish to await Mr.

Lynn's view

A. J. C. 23/4

M 24/4

23 April 1982

L.A.

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Dear Francis,

On 4 April my predecessor took action to ban the export of aircraft, arms, spares and other strategic goods to Argentina under the Export of Goods (Control) Order 1981. Subsequent measures taken by our EC partners to ban the export of arms and military equipment and spares has reinforced the effect of this measure.

Nevertheless as the paper on the Effectiveness of Trade Sanctions against Argentina (OD(20)82) makes clear, the Control does not embrace all items which could have an eventual military application. Officials in my Department have learnt that several companies have sub-contract orders to supply equipment not covered by the existing ban for incorporation in ships or aircraft to be exported to the Argentine. In these cases, the firms agreed not to supply the equipment to the main contractors without further consultation.

Apart from goods with strategic significance there is a wide range of items that could quite legally be supplied from the United Kingdom which could make a contribution to the Argentine war effort. The only certain way of seeking to prevent the supply of such items (eg mobile generators, cranes etc) would be to make a new Export Control Order making a wide range of goods subject to licence (see ... attachment). In the absence of such a Control there is a risk that the export of non-strategic items may cause the embarrassment.

X Nevertheless, I would not think it right in the present delicate state of negotiations to initiate a new round of economic measures. I would be glad to know whether colleagues share this view.

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*From the Secretary of State*

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Separately, there is at present no ban on the provision of services to Argentina. This gap, which would have been closed by the emergency legislation which we have decided to shelve, can equally cause embarrassment as Lloyds' potential involvement in a re-insurance contract for Aerolineas Argentinas illustrated. The great majority of British companies will continue to act in a responsible and prudent way and even if they are not inclined to do so the risks of adverse publicity must be a powerful deterrent to them. Thus the Committee of Lloyds has now told its Members not to undertake direct insurance or identified reinsurance with Argentina.

While therefore I do not propose that action should be taken by Order (still less by primary legislation) to widen the scope of the ban on exports of goods or to introduce a ban on services, I think that it is important that a strong line should be taken by all Departments on the question of undertaking new business with Argentina. In discouraging exporters or equipment or services from undertaking new commitments, my officials are pointing out the inevitable commercial risks involved in dealing with a country in an increasingly precarious economic position, the absence of ECGD cover for new contracts, the selective Argentine import ban and rule that no payments are to be made to British entities, and the wider national interest in refraining from assisting the Argentine economy. Exporters are also being advised to contact the ECGD before shipping orders fulfilled under existing insured contracts. As regards contractual commitments, it would be wrong to suggest to exporters that they should refrain from meeting legal obligations, but we will not of course be encouraging enquirers to go out of their way to help their Argentine customers if they can refrain from doing so without incurring liabilities.

I am sending copies of this letter to Members of OD, Secretaries of State for Industry and Energy and to Sir Robert Armstrong.

*J. W. Armstrong*  
*Armstrong*

LORD COCKFIELD

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GOODS WHICH MIGHT BE SUBJECT TO LICENSING CONTROL IN ANY NEW ORDER

- 1 Machinery and equipment for any purpose which is powered by electricity, battery, steam or oil or its derivatives; and parts for such machinery and equipment.
- 2 Hydrocarbon oils, crude or refined.
- 3 Ships of any description; marine equipment; and parts for ships and marine equipment.
- 4 Powered vehicles of any description; and parts for such vehicles.

