

FLASH

ADVANCE COPIES: FALKLAND ISLANDS

(30) + 7 CAB

PS +6  
PS/MR HURD  
PS/MR ONSLOW  
PS/PUS  
MR GIFFARD  
MR WRIGHT  
MR ADAMS  
MR URE  
MR GILLMORE

HD/S AM D (FCO DIST + A/D F/I)  
HD/DEF D  
HD/NEWS D  
HD/UND  
HD/PLANNING STAFF  
MR ANTHONY WILLIAMS W60  
RESIDENT CLERK

~~PS~~ NO 10 DOWNING ST  
PS/S OF S FOR DEFENCE  
PS/CHANCELLOR )  
SIR K COUZENS )  
MR LITTLER )  
MR HAWTIN )  
MR PERETZ ) TREASURY  
MR ILETT )  
MR McINTYRE )

MISS DICKSON (EIP DIV) D/EN  
DIO CABINET OFFICE  
MR WADE-GERY CABINET OFFICE  
MR FULLER SAPU/DIO " "

SIR M PALLISER CABINET OFFICE  
SIR R ARMSTRONG " "

(Copy passed to Emergency Staff)

FLASH

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GRS 460

CONFIDENTIAL

FM WASHINGTON 301737Z APR 82

TO FLASH F C O

TELEGRAM NUMBER 1537 OF 30 APRIL

INFO IMMEDIATE UKMIS NEW YORK, UKREP BRUSSELS.

ARGENTINA: U.S. MEASURES.

1 THE AMERICANS ARE STILL BAULKING AT IMPOSING AN IMPORT BAN AT THIS STAGE ON ARGENTINE IMPORTS. THEY ARE PLEADING LEGAL AND ADMINISTRATIVE PROBLEMS, BUT THE REAL DIFFICULTIES ARE CLEARLY POLITICAL.

2. THE MAIN ARGUMENTS AGAINST AN IMPORT BAN WHICH HAVE BEEN USED WITHIN THE ADMINISTRATION ARE:

- (I) GENERAL. THE UNITED STATES HAS ONLY EVER USED SUCH A BAN IN VERY LIMITED CIRCUMSTANCES, CUBA, VIETNAM, KOREA, LIBYA. EVEN IN THE CASE OF POLAND THEY DID NOT DO SO.
- (II) LEGAL. THERE ARE ONLY TWO POWERS WHICH COULD BE USED. THE INTERNATIONAL ECONOMIC EMERGENCY POWERS ACT IS AVAILABLE IN

INTERNATIONAL ECONOMIC EMERGENCY POWERS ACT IS AVAILABLE IN EXTREME CIRCUMSTANCES BUT IT HAS ONLY EVER BEEN USED TWICE - MOST RECENTLY FOR THE FREEZING OF IRANIAN ASSETS. TO USE THIS ACT THE PRESIDENT WOULD HAVE TO DECLARE A NATIONAL EMERGENCY. AN ALTERNATIVE IS THE NATIONAL SECURITY CLAUSE OF THE TRADE EXPANSION ACT. THIS WAS USED FOR THE EMBARGO ON LIBYAN OIL. BUT THE STATE DEPARTMENT LAWYERS ARGUE THAT IT WOULD BE HARD TO PLEAD THAT ANY IMPORTS FROM ARGENTINA REPRESENT A THREAT TO NATIONAL SECURITY.

(III) ECONOMIC. THERE IS CONCERN ABOUT THE EFFECT ON FINANCIAL MARKETS OF U.S. ACTION AGAINST ARGENTINIAN IMPORTS. THIS WOULD ARISE PARTICULARLY IF THE SAME POWERS WERE USED AS IN THE CASE OF THE FREEZING OF IRANIAN ASSETS. THE ARGUMENT IS THAT THE FINANCIAL MARKETS WOULD FORESEE A CLEAR RISK THAT ARGENTINIAN ASSETS WOULD BE FROZEN AT SOME STAGE. A FURTHER ECONOMIC ARGUMENT BEING USED IS THAT THE EUROPEAN COMMUNITY'S IMPORT BAN IS NOT IN FACT BITING SINCE IT DOES NOT APPLY TO EXISTING CONTRACTS.

3. THE ABOVE IS NOT DOUBT NO MORE THAN A PARTIAL SUMMARY. BUT IT REVEALS AN UNDERLYING JUDGEMENT THAT NEITHER THE POLITICAL CIRCUMSTANCES NOR THE THREAT TO THE SECURITY OF THE UNITED STATES HAVE YET REACHED A POINT WHERE THE POWERS THAT BE CONSIDER THAT AN IMPORT BAN IS JUSTIFIED. THE LATIN AMERICAN LOBBY HERE HAS ARGUED THAT THE COST TO THE UNITED STATES IN TERMS OF THE REACTION TO SUCH A BAN IN LATIN AMERICA AS A WHOLE, WOULD BE MORE THAN THE ECONOMIC EFFECT ON ARGENTINA WOULD JUSTIFY. THIS OF COURSE MISSES THE POINT ENTIRELY, AS WE HAVE POINTED OUT. SOME IN THE STATE DEPARTMENT ARE PREPARED TO CONCEDE THAT THE IMPORTANT THING AT THE MOMENT IS NOT THE EFFECTIVENESS OF SANCTIONS IN ECONOMIC TERMS BUT THE POLITICAL PRESSURE WHICH THEY GENERATE. BUT THIS POINT DOES NOT PREVAIL POLITICALLY AT THE MOMENT.

4. SEE M I F T.

HENDERSON

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