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10 DOWNING STREET

From the Private Secretary

5 July 1985

ARGENTINA: TRADE EMBARGO

The Prime Minister has considered the Foreign Secretary's minute of 4 July in which he proposes that we should lift our ban on Argentine imports as soon as possible.

The Prime Minister agrees that we should do this and is content for it to be announced by a Written Answer on 8 July. She does, however, attach great importance to making it clear that our decision represents no weakening whatsoever in our position on sovereignty. You will wish to consider to what extent this can be brought out in the Written Answer. It will also be important to bring it out in any accompanying comment and briefing.

The Prime Minister has also commented that we must let the Governor know urgently of the impending announcement and the reasons for it, again stressing that it portends no change in our position on the Falklands.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, Secretary of State for Trade and Industry, Minister of Agriculture, Fisheries and Food, the Attorney General and to Sir Robert Armstrong.

C.D. POWELL

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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Prime Minister

Please let the Government know before announcement

Agree to the decision to lift the embargo?

Agree to proposed written question & Answer next Monday?

PM/85/65

PRIME MINISTER

Yes - but it must be understood that there is no weakening what's ever on the Falklands

Argentina: Trade Embargo

C.D.P. 4/7

1. You agreed on 1 July that I should hold an early meeting with colleagues to agree recommendations on the future of our ban on Argentine imports, and how we might present a decision to lift it.

2. Norman Tebbit, Michael Havers, Michael Jopling, Barney Hayhoe and I duly met on 4 July.

3.

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Lifting the ban would benefit British industry, by restoring access to Argentine raw materials and by putting an end to the present situation in which we are importing finished or semi-finished goods made in third countries from Argentine raw materials. It should also benefit employment, particularly in the case of a mill in Warrington which has been struggling to survive in the absence of Argentine maize, and where jobs have already been lost.

4. Norman Tebbit can arrange for the administrative measures to lift the embargo to be taken very quickly and simply. I should be grateful for your confirmation that you are content for him to go ahead with this.

5.

As I explained in my minute of 27 June, I think it important to announce our

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decision in the context of wider policy considerations, in particular as a demonstration of our readiness to make the running in trying to restore more normal relations with Argentina, despite their inflexibility, and because of its effect on certain sectors of domestic industry, including the employment consideration.

6. If you are content, I propose to announce the change by Written Answer on 8 July. John Biffen and John Wakeham would much prefer to avoid an oral statement next week and I am confident that the opposition will not make an issue of this. I enclose a draft Answer.

7. I will be in Brazil on 8 July. Announcement on that day will enable me to make the most of our policy in presenting it to the Brazilian Government, who are of course influential in Latin America. Our Posts will also be instructed to put over this move in a positive way with our friends in Europe and beyond.

8. We considered your point about increased imports. In the last two full years before the Falklands conflict we enjoyed an average trade surplus of £40 million pa (figures enclosed). Even if restrictions were lifted reciprocally, it would take some time for bilateral trade to recover to former levels. In 1981 over 75% of our imports from Argentina were food or other agricultural products; fresh and processed beef alone (£66 million) represented half of total imports. If our embargo is removed, the Argentines would hope to regain a share of our market for meat and meat products, but they would now have to make up ground lost to other suppliers, notably Brazil and Uruguay, since 1982. Meat product imports could not of course be resumed until we had carried out a veterinary inspection of Argentine meat plants; that could take a little time. The switch back to Argentine supplies on grounds of quality or price would merely replace imports from other sources, and there would be no net increase

/to



to the national import bill.

9. I am copying this minute to Norman Tebbit, Michael Jopling, Michael Havers, Nigel Lawson and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read 'G. Howe'.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

4 July 1985

[Approved by the Secretary of
State and signed in his absence]

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UK/ARGENTINE TRADE

	1979 £M	1980 £M	1981 £M	1982 £M	1983 £M	1984 £M
Exports	128.4	172.8	161.2	37.3	4.5	5.2
Imports	144.2	116.2	136.9	58.7	0.2	0.1
Trade balance to UK	- 15.8	+56.6	+ 24.3	- 21.4	+ 4.3	+ 5.1

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QUESTION:

To ask the Foreign Secretary if he is considering, in the context of his forthcoming visit to Latin America, any development in relations between the United Kingdom and Argentina.

ANSWER:

The twin objectives of our policy are: to fulfil our commitments to the Falkland Islanders; and to restore more normal relations between Britain and Argentina.

In our view, better relations with Argentina will only realistically be achieved by seeking agreement on practical issues. Commercial and economic relations offer a natural opportunity for progress of this kind. We have on a number of occasions made it plain to the Argentine Government that we are willing to discuss this subject. They have not so far responded to any of these initiatives.

We have accordingly decided ourselves to take a fresh step to promote improvement in this field. We are lifting, with effect from today, the ban on imports from Argentina which has been in place since April 1982.

The International Monetary Fund have stressed the importance of increased trade for the recovery of the Argentine economy and for the resolution of their debt problems. That is important for international financial stability and for the consolidation of Argentine democracy. We have consistently played a constructive part in the relevant negotiations in the IMF and the Paris Club. The announcement which I am making today will enable Argentina to recognise that if trade is to flourish it has to be a two-way street, and so to lift their restrictions on imports from Britain. It will also benefit British industry, by restoring access to Argentine raw materials, and employment in the United Kingdom.

/Argentina



- ii -

Argentina now has the opportunity to respond to our initiative and thereby to open the way to further steps towards more normal relations between Britain and Argentina.