

78

1 copy
To: SAC 6/5/82
P. McCannARGENTINIAN INVASION OF THE FALKLAND ISLANDS:
ACTION IN THE FINANCIAL AND ECONOMIC FIELDSMINUTES of a Meeting held in
Conference Room A, Cabinet Office, on
SATURDAY 3 APRIL 1982 at 8.30 am

PRESENT

Copy destroyed
15/3/85 A Norton
J M Brown

Mr R L L Pacer, Cabinet Office (In the Chair)
 Mr J G Littler, Treasury
 Mr A Fortman, Department of Trade
 Mr J V Hagestadt, Department of Trade
 Mr S S Holness, Department of Trade
 Mr R Williams, Department of Trade
 Mr C J Farrow, Department of Industry
 Mr G Bridge, Export Credits Guarantee Department
 Mr H Steel, Law Officers' Department
 Mr G A Hosker, Treasury Solicitors' Department
 Mr M J Balfour, Bank of England
 Mr C H O'D Alexander, Cabinet Office (Secretary)

INVASION OF THE FALKLAND ISLANDS: FINANCIAL AND ECONOMIC ISSUES

Previous Reference: UO456 dated 2 April 1982

THE CHAIRMAN said that the purpose of the meeting was to review the progress being made on the actions in the economic field agreed by the Cabinet on the previous evening and following on from the previous afternoon's meeting of officials.

In discussion the following points were made -

- a. The Cabinet had decided the previous evening that the Chancellor of the Exchequer in consultation with the Governor of the Bank of England should consider the freezing of Argentinian banking deposits in the United Kingdom. While the United Kingdom was a substantial creditor of Argentina, and the freezing of bank deposits would not damage their economy, these particular assets were very mobile and it would be necessary to act immediately if

their withdrawal was to be prevented. Ministers were concerned that the removal of Argentina's bank deposits from the United Kingdom would give them a free hand with British assets in Argentina. There were powers under Section 2 of the 1964 Emergency Laws (Re-enactments and Repeals) Act to prevent anyone from carrying out financial transactions with a specified group of people. A Statutory Instrument had been drawn up to bring these powers into effect. Although there was only the remotest possibility of the Argentinian assets in question being transferred to other ownership over the weekend, it would be prudent to take the opportunity of laying the Statutory Instrument before Parliament during its session that day. One of the effects of this action would be that payments for current trade would be in doubt for a period. It would be particularly important to the administration of the powers sought whether the Government's intention was to work for a return to normality.

b. The Export Credits Guarantee Department (ECGD) had since Thursday 1 April suspended consideration of any new credit for exports to Argentina. This measure applied only to credit cover for new business. ECGD were not in a position to break existing contractual obligations to United Kingdom exporters. No case had come to light where further credit was required for existing business.

c. A letter to Departments from Mr Bayne, Foreign and Commonwealth Office, addressed the question of the treatment of exports of military equipment and spares. Action to deal with applications for export licences to Argentina for military equipment and spares had been suspended. It had been thought that this action might be extended to other goods of strategic importance, but nothing of the kind had been discovered. Nothing further was known about the question remitted to the Ministry of Defence and the Department of Trade by the meeting of officials on 2 April (U0456) concerning the possibility that export licences might have been granted for consignments of military equipment and spares to Argentina which had yet to be shipped. Nor was it clear what was the legal position in this matter. These questions needed to be pursued urgently.

d. The one Argentinian ship which had been in a British port (Newhaven) the previous day had been expected to move to London River. The ship's whereabouts were now unknown. Two Argentinian merchant ships which had been due to call at Heysham over the weekend had been diverted. It was still not clear whether there were powers under the Merchant Shipping Act 1974 to take any action against Argentinian merchant ships. It might be preferable to deal with them administratively by taking advantage of customs regulations. The position as regards merchant ships in Argentinian waters appeared to be that there was one ship 48 hours up river from Buenos Aires and two further ships en route for Argentinian ports. The first of these ships was on charter to the Russians and had decided to go about its business. The others had been warned to keep clear of Argentinian waters but had decided to make no change in their plans: both were on charter to Argentinian firms and one had an Argentinian crew.

e. It would be possible formally to suspend air services between Argentina and the United Kingdom. In practice, air services had already ceased.

f. (Confirmed by the Secretary immediately after the meeting) Argentina did have a civil nuclear power programme. But there were no major contracts with British Nuclear Fuels Ltd for the supply of nuclear fuel for this programme; and neither was it thought that there were any minor contracts. The Argentinians were aiming to establish their own nuclear fuel reprocessing facilities and their existing reactors had been installed and fuelled by the Germans and Canadians. There would be no difficulty in suspending any British involvement in this programme.

The Meeting -

1. Invited the Treasury and the Department of Trade to prepare draft passages for Ministers' speeches that morning in Parliament on financial and economic points, to be considered at the immediately following meeting of Ministers.

2. Renewed the invitation to the Ministry of Defence and the Department of Trade urgently to establish the position on the shipment of military equipment and spares already granted export licences but not shipped to Argentina, and related legal questions.
3. Invited the Department of Energy to confirm that there was no British involvement in the Argentinian civil nuclear power programme or that any such involvement was being placed in suspense.

Cabinet Office

5 April 1982

Distribution:

Those present plus

Sir Robert Armstrong ✓

Members of ODO(SA)

Mr Wade-Gery ✓

Mr Colvin ✓

Cdr Middleton ✓