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ZZ BRUSSELS

GRS 1426

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FM FCO 061846Z APR 82

TO FLASH BRUSSELS

TELEGRAM NUMBER 72 OF 6 APRIL,

AND TO FLASH ALL OTHER EC POSTS, UKREP BRUSSELS, WASHINGTON, TOKYO, OTTAWA, CANBERRA AND WELLINGTON,

INFO PRIORITY UKMIS NEW YORK, UKMIS GENEVA AND UKDEL OECD.

MIPT: FALKLAND ISLANDS: ECONOMIC MEASURES AGAINST ARGENTINA

FOLLOWING IS TEXT OF MESSAGE:

BEGINS. 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, CALLING FOR ITS IMMEDIATE WITHDRAWAL. 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 THIS SITUATION 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 RR FRASER ONLY)

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I AM VERY GRATEFUL FOR YOUR PROMPT AND FORTHRIGHT
CONDENNATION 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 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 THERE-
AFTER. I NOW SEEK YOUR PERSONAL HELP TO BRING ABOUT THE URGENT
INTRODUCTION OF ECONOMIC AND FINANCIAL MEASURES AGAINST
ARGENTINA, BY NATIONAL ACTION COORDINATED AMONG US. I AM
MAKING A SIMILAR APPROACH TO THE LEADERS OF THE UNITED STATES,
JAPAN, CANADA, AUSTRALIA AND NEW ZEALAND.

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(TO PRIME MINISTERS OF BELGIUM 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 QUOTE SERIOUS INTERNATIONAL TENSION CONSTITUTING A THREAT OF WAR UNQUOTE: 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.

(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. COORDINATED 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

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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 PER CENT 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.

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 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.

(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.

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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.

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. ENDS.

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FALKLAND ISLANDS

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