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CABINET

DEFENCE AND OVERSEA POLICY (OFFICIAL) COMMITTEE
SUB-COMMITTEE ON THE SOUTH ATLANTIC AND THE FALKLAND ISLANDS

ARGENTINA: THREAT TO BRITISH ECONOMIC INTERESTS
IN OTHER SOUTH AMERICAN COUNTRIES:
DEVELOPMENTS 23 TO 29 APRIL

Note by Foreign and Commonwealth Office

1. This paper updates ODO(SA)(82)23 and 28, on possible economic measures against the UK by other South American countries, plus Mexico.
2. At the OAS meeting on 26-28 April Argentina made no attempt to promote a resolution calling for economic measures by signatories of the Rio Treaty against the UK. The resolution finally adopted therefore makes no reference to such measures, though it does deplore the import ban introduced by the European Community and calls for its early removal. Many delegations concealed behind extravagant statements of solidarity their reluctance to take practical action. The United States, Colombia, Chile and Trinidad abstained on the resolution. Mexico and Brazil shared their views on Argentina's illegal action but sought to avoid confrontation.
3. The British press reported that the Venezuelan authorities had refused to invite British banks to a meeting in Caracas on 30 April, to consider Venezuela's borrowing needs. But this has proved to be untrue; both National Westminster and Midland Bank have been invited to this meeting(though they will not be attending). Petroleos de Venezuela, the Venezuelan national oil company, has said publicly that it is beginning to transfer to other financial centres the funds which at present

it holds in London (estimated by the press at \$2-3 billion). While this reflects the company's nervousness about future events, they have told our Embassy in Caracas that they are not acting on instructions from the Venezuelan Government.

4. There has also been nervousness by some British and other international banks about future lending to Venezuela. Standard Chartered Bank have withdrawn from a \$200 million syndicated loan to Venezuela and Lloyds Bank International may do the same. But the Swiss bank which is organising this loan has reported a general lack of support, so that it may be shelved. National Westminster have just signed a loan agreement for Venezuela, but both they and Midland Bank have told us privately that they are unenthusiastic about future lending. Confusion about the banking scene has been interpreted by the Venezuelan press as evidence of economic measures by the British Government against Venezuela. HM Ambassador, Caracas, has been instructed to deny this firmly.

5. Dock workers in Peru are refusing to handle British cargoes; in Venezuela they are boycotting cargo ships flying the British flag. Air Traffic Controllers in Peru are also blocking air freight for Britain, which has interfered with B Cal's flights. These actions have all been taken on the initiative of the unions concerned (encouraged by their fellow unions in Argentina) and have not been endorsed by their governments, as far as we are aware. We are seeking further information from Latin American posts about the scope of these actions and asking whether similar actions are likely in other countries. In the light of these reports, we will try to assess any economic impact of such measures, both on ourselves and on the countries concerned.

Foreign and Commonwealth Office
30 April 1982