



Prime Minister

To note

A.P.C. 6/5

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 May 1982

B J P Fall Esq.
Principal Private Secretary
Foreign and Commonwealth Office

New Brian,

FINANCIAL RESTRICTIONS ON THE ARGENTINE

There is one point about our present financial restrictions which you may wish to bear in mind.

As you know, they are mainly aimed at freezing Argentine assets by Directions under the Emergency Laws (Re-enactments and Repeals) Act 1964. These Directions control all payments by order of Argentine residents, which is as wide as the Act permits. They also apply to some contractual payments, where an order forms part of the arrangements, but this is rather a grey area, and Treasury and Department of Trade Officials have formed the view that payments in respect of insurance claims by residents of the Argentine would not necessarily be caught, unless such payments were into Argentine accounts in the UK - which are of course blocked. This leaves a gap in our control.

The Chancellor has therefore authorised the inclusion in the draft Emergency Powers (Falkland Islands) Bill of a provision to prevent the fulfilment of contracts with the Argentine. If the Bill and Regulations are enacted, this could be used to prevent the payment of all insurance claims and any other contractual obligations. Voluntary payments to Argentina could still be made, but in practice the Chancellor doubts that it would be worth attempting to control voluntary payments.

Copies of this letter go to Michael Scholar at No.10, John Rhodes at the Department of Trade, and David Wright at the Cabinet Office.

Yours ever,
J. O. Kerr

J O KERR
Principal Private Secretary