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(FM BERNE 021429Z)

FM BIS BUENOS AIRES

TO IMMEDIATE FCO

TELNO 659 OF 28 JULY 1983

REPEATED PRIORITY BANKO ENGLAND DOT WASHINGTON UKDEL/
IBRD WASHINGTON UKREP BRUSSELS AND UKMIS NEW YORK.

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ARGENTINA : COMMERCIAL RELATIONS

1. AT A MEETING OF EC AMBASSADORS ON 27 JULY, THE FRENCH, GERMAN, ITALIAN, DUTCH AND BELGIAN REPRESENTATIVES CONFIRMED THAT THEY HAD BEEN INVITED BY THE MFA TO DISCUSS THE FORTHCOMING REVIEW OF ARGENTINA'S FULFILMENT OF THE TERMS OF THE IMF LOAN UPON WHICH FUTURE ASSISTANCE WITH THE COUNTRY'S EXTERNAL DEBT PROBLEMS WILL DEPEND.

2. THE AMBASSADORS WERE RECEIVED BY FELIX PENA, UNDER SECRETARY FOR INTERNATIONAL ECONOMIC RELATIONS AT THE MFA, WHO EXPLAINED THAT ARGENTINA ANTICIPATED STRONG PRESSURE FROM THE UK AGAINST FURTHER IMF AID IF COMMERCIAL RESTRICTIONS ON BRITISH COMPANIES IN ARGENTINA WERE NOT RELAXED. HE MAINTAINED THAT WHILE BOLSA AND BARCLAYS BANK HAD BEEN PERMITTED TO REPATRIATE DEIVIDENDS, IT WAS FOR THE MOMENT POLITICALLY IMPOSSIBLE FURTHER TO AMEND THE SANCTIONS LAW (22.591) IN ORDER TO ALLOW THE SAME DISPENSATION FOR UK NON-BANKING ENTERPRISES. HE APPARENTLY ALLEGED THAT THESE WERE NOT ANYWAY NUMEROUS AND THAT THE SUMS INVOLVED WERE NOT IMPORTANT. FINALLY, HE STATED THAT BY WITHHOLDING SUPPORT, THE IMF WOULD CAUSE ARGENTINA'S ENTIRE ECONOMIC AND FINANCIAL INFRASTRUCTURE TO COLLAPSE, AND HE ASKED THE AMBASSADORS TO PASS THIS MESSAGE TO THEIR CAPITALS TOGETHER WITH THE REQUEST THAT THE IMF BE INDUCED TO DELAY UNTIL FEBRUARY 1984 JUDGEMENT OF ARGENTINA'S PROGRESS TOWARDS MEETING HER COMMITMENT TO END DISCRIMINATION AGAINST BRITISH COMPANIES.

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3. THE AMBASSADORS WERE EVIDENTLY CONCERNED THAT PENA'S FEARS OF NATIONAL BANKRUPTCY MIGHT MATERIALISE. I POINTED OUT THAT THERE WERE IN FACT A CONSIDERABLE NUMBER OF BRITISH COMMERCIAL FIRMS AFFECTED BY THE ARGENTINE MEASURES AND THAT LEGISLATION (LAW 22.820) ALREADY EXISTED WHICH WOULD ALLOW THEM TO TRANSFER FUNDS BACK TO THE UK. PENA HAD BEEN EXTREMELY VAGUE ABOUT THE EXACT NATURE OF THE POLITICAL OBSTACLES TO THE LIFTING OF SANCTIONS, ALTHOUGH AMBASSADORS AGREES THAT OBJECTIONS HAD ALMOST CERTAINLY DERIVED FROM THE AIR FORCE RATHER THAN FROM POLITICAL PARTIES.

JACKSON-HOULSTON

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