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DD 091900Z UKDEL IMF/IBRD WASHINGTON
GRS 309
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DESKBY 091900Z
FM FCO 091721Z AUG 83
TO IMMEDIATE UKDEL IMF/IBRD WASHINGTON
TELEGRAM NUMBER 255 OF 9 AUGUST
MIPT IMF: ARGENTINA - FINANCIAL RESTRICTIONS
YOUR TELNO 283 OF 8 AUGUST.

2. THE LIFTING OF FINANCIAL RESTRICTIONS AGAINST UK COMPANIES IS WELCOME SO FAR AS IT GOES. BUT DEL SOLAR'S TELEX IN TUR DOES NOT MAKE IT ABSOLUTELY CLEAR WHAT ARGENTINA IS DOING OR INTENDS TO DO. PLEASE ASK THE FUND STAFF TO FIND OUT EXACTLY WHAT IT MEANS.
3. THE MODIFICATION TO THE LETTER FROM WEHBE MEANS THAT THE PRESENT DISCRIMINATORY PRACTICES ARE BEING ELIMINATED. PRESUMABLY THIS MEANS THAT UK NON-FINANCIAL COMPANIES WILL NOW BE ABLE TO SELL THEIR BONEX (AT A DISCOUNT) IN THE PARALLEL MARKET, AS OTHER FOREIGN FIRMS IN ARGENTINA ALREADY CAN. SO FAR SO GOOD.
4. NO MODIFICATION IS PROPOSED TO PARA 4 OF WEHBE LETTER, WHICH REPORTS ARGENTINA'S INTENTION TO ALLOW FREE ACCESS TO THE FOREIGN EXCHANGE MARKETS FOR FOREIGN-OWNED INSTITUTIONS IN ARGENTINA FROM 15 AUGUST. IF THIS LIBERALISATION IS NOW TO INCLUDE UK COMPANIES AND FINANCIAL INSTITUTIONS, WELL AND GOOD.
5. BUT IT MAY CONCEAL AN INTENTION TO STOP OUR COMPANIES AND BANKS USING THE FOREIGN EXCHANGE MARKETS WHILE ALLOWING THEM TO TRADE THEIR BONEX IN THE PARALLEL MARKETS. IF SO, THIS WOULD CONSTITUTE A NEW FINANCIAL DISCRIMINATION BECAUSE UK COMPANIES WOULD BE GETTING A LESS FAVOURABLE EXCHANGE RATE.
6. WE BELIEVE THAT, WERE THIS TO BE THE CASE, IT WOULD CONSTITUTE A BREACH OF ARGENTINA'S PERFORMANCE CRITERIA (AS CLARIFIED BY DALE'S MEMO OF 28 JANUARY). DO THE FUND STAFF AGREE THIS INTERPRETATION? DO THEY KNOW WHAT ARGENTINA INTENDS TO DO? ARE LAWS 22591 OR 22820 TO BE MODIFIED OR SUSPENDED? ACCORDING TO DEL SOLAR IN A CONVERSATION TODAY WITH

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THE GOVERNOR OF THE BANK OF ENGLAND, ARGENTINA HAS INTRODUCED NEW LEGISLATION WHICH CANCELS THE DISCRIMINATORY PROVISIONS OF THE EARLIER OFFENDING LEGISLATION.

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