

RESTRICTED

GRS 295

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FM MEXICO CITY 030115Z SEPT 82

TO PRIORITY FCO

TELEGRAM NUMBER 720 OF 2 SEPTEMBER

INFO PRIORITY WASHINGTON, DOT, TREASURY, ECGD, BANK OF ENGLAND.

MY TELS NOS. 716 AND 717: NEW ECONOMIC MEASURES / IMPACT ON
BRITISH TRADE.

1. THE DECREES NATIONALISING THE BANKS AND IMPOSING EXCHANGE CONTROLS
HAVE INEVITABLY ADDED TO THE GLOOM OF BRITISH COMPANIES OPERATING
OR TRADING HERE (MY TELNO 707).

2. THERE ARE TWO MAIN ASPECTS. THE IMPACT OF THE NATIONALISATION
OF THE BANKS IS MAINLY PSYCHOLOGICAL. THERE WERE NO BRITISH HOLDINGS
IN THE MEXICAN BANKS WHICH HAVE BEEN NATIONALISED. THE BRITISH
BANKS BASED HERE ALL OPERATE REPRESENTATIVE OFFICES WHICH ARE NOT
AFFECTED BY THE DECREE. APART FROM THE IMMEDIATE PROBLEMS
CAUSED BY THE CLOSURE OF THE COMMERCIAL BANKS UNTIL 6 SEPTEMBER,
BRITISH COMPANIES SHOULD NOT BE DIRECTLY AFFECTED BY THE NATION-
ALISATION.

3. THE IMPOSITION OF FULL EXCHANGE CONTROLS IS BOUND TO HAVE AN
IMPORTANT IMPACT ON BRITISH COMPANIES HERE. THE DECREE DOES
PROVIDE FOR THE PROVISION OF FOREIGN EXCHANGE FOR THE PAYMENTS
OF ROYALTIES AND OTHER COMMITMENTS (DIVIDENDS ARE NOT MENTIONED
AS SUCH), BUT THEY ONLY RANK TENTH OUT OF 12 IN ORDER OF
PRIORITY FOR FOREIGN EXCHANGE. ANY SUCH PAYMENTS WILL NEED THE
AUTHORISATION OF THE FOREIGN INVESTMENT COMMISSION.

4. IN THE SHORT TERM MOST BRITISH COMPANIES WILL BE MAINLY CONCERNED
WITH KEEPING THEIR OPERATIONS HERE AFLOAT RATHER THAN PAYING DIV-
IDENDS TO THEIR PRINCIPALS. THEIR IMMEDIATE NEEDS FOR FOREIGN
EXCHANGE WILL BE FOR IMPORTS TO WHICH THE GOVERNMENT IS IN-
EVITABLY GIVING HIGHER PRIORITY. EVEN HERE THE ALLOCATION OF
FOREIGN EXCHANGE WILL BE BOUND TO RESTRAIN IMPORTS FOR THE NEXT
FEW MONTHS.

5. GIVING THE CONTINUING IMPORTANCE THE MEXICAN GOVERNMENT
CONTINUES TO ATTACH TO ATTRACTING FOREIGN INVESTMENT TO MEXICO,
I BELIEVE THAT ANY RESTRICTIONS ON THE PAYMENT OF DIVIDENDS
TO FOREIGN PRINCIPALS SHOULD BE REASONABLY SHORT-TERM.

TICKELL

FINANCIAL

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