



A.S.C. 9/4.

MS

PRIME MINISTER

## ARGENTINA: ECONOMIC RESTRICTIONS

When we spoke on the telephone last night I explained the position we had reached in the negotiations with the Argentine delegation through our US intermediary. We discussed the final terms of the understanding and you agreed that we should settle on these terms.

2. I now attach copies of the Memorandum exchanged with the Argentine representatives and the covering letters which McNamar of the US Treasury sent to both sides. The latest indication is that the Argentine Central Bank may be ready to exchange telexes on 12 September with the Bank of England to agree a time for implementation on 13 September. However these and other matters relating to implementation are now being worked out: we shall keep you in touch with what is proposed.

3. I should record that in relation to paragraph 6 of the Memorandum we obtained an assurance from McNamar that Secretary Regan would respond favourably to a letter from me asking the US authorities to use their good offices on the question of trade restrictions as early as reasonably possible. I attach a copy of the letter I have now sent to Regan: it was agreed in draft with the Department of Trade.

4. Some of the language of the Memorandum is rather curious: this reflects the difficulties of drafting such a text without direct contact. But the meaning is clear. The last two sentences of paragraph 4 are of course a nonsense, but one which seems harmless, and was our way of getting rid of an Argentine requirement, which would have been objectionable and discriminatory, for special returns from British businesses. The key point is that the final



memorandum requires the withdrawal of the Argentine supervisors now in UK businesses there.

5. Copies of this minute and its enclosures go to the Foreign and Commonwealth Secretary, the Secretary of State for Trade, the Governor of the Bank of England, and Sir Robert Armstrong.

GEOFFREY HOWE

8 September 1982





THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

September 7, 1982

Dear Sir Geoffrey:

After our discussions, it is my understanding that if the U.K. acts as in the attached memorandum, the Argentine authorities will do likewise.

Sincerely,

*R. T. McNamar*  
R. T. McNamar

The Right Honorable  
Sir Geoffrey Howe, QCMP  
Chancellor of the  
Exchequer  
United Kingdom

Attachment

TOP SECRET



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

September 7, 1982

Dear Minister Wehbe:

After our discussions, it is my understanding that if Argentina acts as in the attached memorandum, the U.K. authorities will do likewise.

Sincerely,

R. T. McNamar

The Honorable  
Jorge Wehbe  
Minister of Finance  
and Economy  
Argentina

Attachment

TOP SECRET



MEMORANDUM ON THE RECIPROCAL REMOVAL OF RESTRICTIONS

- o 1. The United Kingdom and Argentina will proceed to a reciprocal ending of financial restrictions as a contribution to problems affecting the international financial community.
- o 2. The United Kingdom Government would prefer a reciprocal and simultaneous removal of all economic restrictions between the two countries, except those on the sale of arms. The Argentine financial authorities wish to limit this stage in the removal of restrictions to specifically financial matters.
- o 3. The United Kingdom authorities will discontinue the financial restrictions affecting the operations of Argentine institutions, nationals and residents imposed on 2 April 1982 and subsequently. The Argentine authorities will discontinue the corresponding financial restrictions adopted by Argentina on 3 April 1982 and subsequently.
- o 4. Specifically, the Argentine authorities will remove discriminatory financial restrictions against the United Kingdom, including financial restrictions on UK businesses in Argentina. This will, for example, apply to financial services as to other businesses. Any official observers or supervisors operating in UK businesses in Argentina as a result of the discriminatory restrictions on those

businesses will be withdrawn and in the future the supervision of U.K. businesses in Argentina will be made through the external audit of the published reports of U.K. businesses. The same principle will apply to Argentine businesses in the United Kingdom.

5. The Argentine financial authorities are able to give an assurance that there will be no discrimination against U.K. banks, whether on a restructuring of debt or elsewhere. The application of this principle will mean that in relation to overdue payments of interest and principal the U.K. banks will be restored to the position which they would have enjoyed if, since 1 April 1982, they had been treated no less favourably than other non-Argentine banks.

6. The United Kingdom Government notes the statement of the Argentine authorities that the good offices of the United States authorities are welcome so as to consider, at a proper moment, reciprocal lifting of trade restrictions.

7. The United Kingdom Government will notify the Argentine authorities of the time and date on which they will discontinue their financial restrictions in accordance with this memorandum. The Argentine authorities will then arrange to discontinue their financial restrictions in accordance with this memorandum at the same time.





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

Hon Donald Regan  
Secretary  
US Treasury  
Washington DC 20220

8 September 1982

*Dear Don*

ARGENTINA

In the course of Tim McNamar's discussions in Toronto with the Argentine delegation about the reciprocal ending of sanctions between the United Kingdom and Argentina, the Argentine representatives said that "the good offices of the United States authorities are welcome, to consider, at a proper moment, reciprocal lifting of trade restrictions". We included in the Memorandum, which was the final basis of agreement, a paragraph noting this statement.

2. As you know, we would be glad to remove all remaining restrictions (other than the trade in arms) between Argentina and ourselves. The Argentines were however not ready to go beyond the ending of financial sanctions. In accordance with an understanding we reached with Tim McNamar, I am writing to ask if you would be ready to take up the Argentine suggestion that they might welcome your good offices at a reasonably early date, and seek a reciprocal removal of trade restrictions (except on arms) as speedily as may be. It seems to us, as I think it did to Tim McNamar, that the general context of the preparations for the GATT Ministerial meeting would be an appropriate one, just as the IMF context was helpful on financial restrictions. We would however very much hope that the November GATT meeting itself would be the latest point for the removal of the trade restrictions and that this could rather be linked to an appropriate preparatory stage in late September or October. I am sure you would agree that it is desirable to keep up the momentum of a return to normality for the Argentines whether in the area of debt rescheduling and an IMF application, or in getting rid of trade restrictions between Argentina and the UK.

3. We are still very much concerned about the Argentine restrictions on UK air services, which are in breach of the ICAO agreement on overflying. It has not so far been possible to make any progress on this but we intend to return to that too at a later stage.



4. May I take this opportunity to express my very warm thanks to you for making Tim McNamar available for this exercise in Toronto, and to him for his tireless efforts there.

*With very good will*

*Yours*

*Geoffrey Howe*  
—

GEOFFREY HOWE



10 September 1932

Argentina: Economic Restrictions

The Prime Minister has noted the contents of the minute of 8 September from the Chancellor of the Exchequer.

JOHN COLES

John Hoff, Esq.,  
H.M. Treasury.

*UK Argentina @ Lake's*

PRIME MINISTER

*pm sea  
PA*

The Chancellor can be contacted in Toronto until 1145 p.m. If you do not ring him he may try to ring from the airport about 0010 a.m.

It is becoming known in Toronto that a deal on these lines is close to completion and the Chancellor is, therefore, considering saying "snap to it" before leaving Toronto.

FERB

7 September 1982



MEMORANDUM ON RECIPROCAL REMOVAL OF RESTRICTIONS

1. The United Kingdom and Argentina will proceed to a reciprocal ending of financial restrictions as a contribution to problems affecting the international financial community.
2. The United Kingdom would prefer a reciprocal and simultaneous removal of all economic restrictions between the two countries except those on the sale of arms. The Argentine financial authorities wish to limit this stage in the removal of restrictions to specifically financial matters.
3. The United Kingdom authorities will discontinue the financial restrictions affecting the operations of Argentine institutions, nationals and residents imposed on 2 April 1982 and subsequently. The Argentine authorities will discontinue the corresponding financial restrictings adopted by Argentina on 3 April 1982 and subsequently.
4. Subsequently, the Argentine authorities will remove the discriminatory financial restrictions against the United Kingdom, including financial restrictions on UK businesses in Argentina. This will, for example, apply to financial services as to other businesses. Any official observers or supervisors operating in UK businesses in Argentina as a result of the discriminatory restrictions of those businesses will be physically withdrawn, and will act using the conventional procedures of periodic external auditing. The same principle will apply to Argentine businesses in the UK.
5. The Argentine financial authorities are able to give an assurance that there will be no discrimination against UK banks, whether on a restructuring of debt or elsewhere. The application of this principle will mean that in relation to overdue payments of interest and principle the UK banks will be restored to the position which they would have enjoyed since 1 April if they had been treated no less favourably than non-Argentine banks.



6. The UK notes the statement of Argentina that the good offices of the US authorities are welcome so as to consider, at an appropriate moment, reciprocal lifting of trade restrictions.

7. The UK will notify Argentina of the time and date on which they will discontinue their financial restrictions in accordance with this memorandum. Argentina will then arrange to discontinue their financial restrictions in accordance with this memorandum at the same time.