

CONFIDENTIAL



Jo B

SUBJECT

10 DOWNING STREET

cc. Master set.

From the Private Secretary

15 September 1982

Dear John.

Removal of financial restrictions on Argentina

I am writing to record the events over the last two days which have ended in the laying of a further statutory instrument lifting our financial restrictions on Argentina as from midnight last night.

On Monday evening at 2000 hours the Prime Minister had a short meeting with the Governor of the Bank of England about the events which had taken place in Buenos Aires on Monday. The Secretary of State for Energy (who happened to be here for another meeting), Mr. D.C. Peretz (HM Treasury) and Mr. Alan Walters were also present. The Governor explained that the Argentines were saying that if they lifted their financial restrictions as earlier envisaged by Presidential decree, they would be liable to challenge in the courts and they were therefore proposing to obtain legislative authority from their Parliament. They had told the Americans that this would take probably until Wednesday. The question for decision was whether we should hold up the lifting of our restrictions until the Argentinians were ready to move. After a brief discussion it was agreed that we should do so, and on Monday night a new statutory instrument was prepared and signed by the Prime Minister. It was also agreed that we should take a low-key approach in public, referring to technical problems at the Argentine end.

Later on Monday evening we received a statement by the Argentine Junta (appended at annex A to this letter) which, among other things, asserted that the British Government were making a spontaneous proposal to lift restrictions, and denied that there had been any prior agreement with the Argentine government. At about the same time the Bank of England received a secret telex from the Central Bank of Argentina, regretting the unforeseen and unavoidable delay in lifting the sanctions, and giving the clear undertaking that the restrictions would be lifted at 1000 a.m. Argentine time on Wednesday 16 September. (The text of this message is at annex B.)

During the course of Tuesday 14 September the Governor was informed by his counterpart in the Argentine Central Bank that an announcement would be made at 1900 hours Argentine time (2300 hours our time) that the restrictions were being removed from midnight. A Presidential decree would be published. There would be a Communiqué from the Argentine Ministry of Economy, and perhaps

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also a Communiqué from the Argentine Central Bank. The Presidential decree would both empower the Ministry of Economy to lift the financial restrictions, and also instruct them to do so. The Ministry of Economy's Communiqué would announce that it had ordered the Central Bank to put this into effect at the opening of business on Wednesday 15 September, by issuing instructions to the financial institutions concerned. On the basis of this information and of advance texts of the documents obtained by the Governor from his Argentine counterpart, the Prime Minister agreed that, provided it was confirmed that these announcements were in fact made in Buenos Aires, our own restrictions could be lifted in parallel.

On receipt of a message from the Argentine Central Bank substantially in the same form as that which had been promised, and with independent confirmation from news agencies that the announcements had been made in Buenos Aires, we made our own announcement shortly after midnight last night. The necessary new statutory instrument, which was signed by the Prime Minister last night, is, I understand, being laid this morning.

I am sending a copy of this letter and enclosures to Brian Fall (Foreign and Commonwealth Office) and Tim Allen (Governor of the Bank of England's Office).

Yours sincerely,

Michael Scholar

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John Kerr, Esq.,
HM Treasury.

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STATEMENT BY ARGENTINE JUNTA A
ON MONDAY 13 SEPTEMBER

In view of cable received from abroad with respect to a proposal from Great Britain for the lifting of financial restrictions, it is expressly stated:-

- 1) The Bank of England has sent to the Central Bank of Argentina a telex proposing the lifting of financial restriction applied on account of the conflict with Malvinas Islands.
- 2) The Bank of England requests the Central Bank of Argentina reciprocity insofar as the lifting of measures which were imposed by the Argentine Government.
- 3) This spontaneous proposal of the Government of Great Britain is not repeat not the consequence of any prior agreement with our Government.
- 4) The result of the said proposal, the Central Bank of Argentina is studying several alternatives.
- 5) These circumstances would create mitigating conditions vis-a-vis the United Nations for the problem of Malvinas, especially in the European sector. On the other hand, they would produce a positive action for the internal reactivation in this country and furthermore would ^{not} block the conditions for the refinancing of the Argentine external debt.
- 6) The study of the solution on this proposal has nothing to do with the formal cessation of hostility and does not alter in absolute the maintenance of other measures.
- 7) The Argentine reply will be given considering the most convenient interest in this country.
- 8) Any other information or version of these facts has no validity. The Ministry of Economy is the only responsible source.

TELEX FROM BANK OF ARGENTINA TO

B

BANK OF ENGLAND RECEIVED ON MONDAY
13 SEPTEMBER

We reiterate our reply to your cable dated September 12.

However, due to technical and legal difficulties, we shall be able to implement the lifting of our restrictions only on Wednesday September 15 at 10 am Argentine time, coinciding with the time of opening of operations in our banking and financial markets. We regret this unforeseen and unavoidable delay. Utmost secrecy is indispensable and therefore required from you.



PA

10 DOWNING STREET

Wed 15/9

Prime Minister

The Argentines have run into a snag in lifting their financial restrictions. It appears that they cannot do it by Presidential decree as previously expected and have to pass a law (which they are suggesting that they can do within 24 hours).

The issue is whether we withdraw our Order (or make another Order cancelling it) or let it proceed.

We need to make an urgent decision and the Governor and Sir K. Cozens want to come and consult you.

Could you come out for a moment when they arrive - about 7.15? FERB.

~~We have been advised that~~ The Government of Argentina have announced the lifting of their financial restrictions with effect from midnight tonight. Accordingly, the UK's financial restrictions on Argentina are being removed simultaneously.

15.9.82.