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UNCLASSIFIED

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TO PRIORITY CERTAIN MISSIONS AND DEPENDENT TERRITORIES
GUIDANCE TELEGRAM NUMBER 122 OF 9 JUNE 1982

FALKLANDS: THE ARGENTINE ECONOMY

1. THE FOLLOWING MAY BE DRAWN UPON FREELY. GUIDANCE TELEGRAMS 71, 101, 107 AND 113 ALSO REFER.
2. ON 26 MAY THE ARGENTINE CENTRAL BANK ANNOUNCED THAT, WITH IMMEDIATE EFFECT, PAYMENTS FOR IMPORTED GOODS COULD ONLY BE MADE AFTER 180 DAYS FROM SHIPMENT DATE. IMPORTS FROM LATIN AMERICA ARE NOT AFFECTED. THIS MEASURE IS AIMED AT SAVING FOREIGN CURRENCY TO MEET NEEDS ARISING FROM THE FALKLANDS CONFLICT. IT FOLLOWS A SERIES OF OTHER MEASURES WITH A SIMILAR OBJECTIVE AND SUGGESTS THAT THE ARGENTINES FACE GREAT DIFFICULTIES IN MEETING THEIR FOREIGN EXCHANGE COMMITMENTS.
3. ARGENTINA STILL HAS TO FIND PURCHASERS FOR PART OF HER LARGE HARVEST OF COARSE GRAINS, MAINLY MAIZE AND SORGHUM. THE ARGENTINES HAVE ONLY LIMITED STORAGE FACILITIES AND NEED TO KEEP THE COARSE GRAIN MOVING ON TO BULK FREIGHTERS AT BAHIA BLANCA, THEIR MAIN GRAIN PORT. THIS IS LIKELY TO PROVE DIFFICULT. CHILLED BEEF, ANOTHER VALUABLE EXPORT, HAS ALSO BEEN HARD HIT BY EC SANCTIONS, PARTICULARLY THOSE OF THE UK.
4. ON 26 MAY MR CHRISTOPHER MCMAHON, DEPUTY GOVERNOR OF THE BANK OF ENGLAND, SPEAKING AT A FOREIGN BANKERS' CONFERENCE IN LONDON, SAID THAT BRITAIN'S FINANCIAL SANCTIONS WERE 'WHOLLY EFFECTIVE' AND HAD BEEN 'ACCOMPANIED BY A SEVERE CONTRACTION ON GENERAL PRUDENTIAL GROUNDS IN THE AMOUNT OF CREDIT AVAILABLE TO ARGENTINA'.
5. ON 1 JUNE THE FORMER JUSTICIALIST MINISTER OF THE ECONOMY, ANTONIO CARIERO, PREDICTED THAT 'THE EMERGENCY THE REPUBLIC IS EXPERIENCING WORSENERD BY THE MALVINAS CRISIS AND THE BLOCKADE IMPOSED ON US FROM ABROAD, WILL REQUIRE HEROIC METHODS FOR A VERY LONG PERIOD OF TIME'.
6. ON 1 APRIL THE OFFICIAL RATE OF THE PESO WAS 11,675 TO THE US DOLLAR. ON 5 MAY THE PESO WAS DEVALUED TO 14,000 TO THE DOLLAR. IT HAS NOW FALLEN TO 14,850 TO THE DOLLAR AND UNOFFICIAL RATES HAVE REACHED 28,000 TO THE DOLLAR.
7. ARGENTINE SOURCES EXPECT A NEW PACKAGE OF EMERGENCY ECONOMIC MEASURES, DRAWN UP BY DR ALEMANN, THE CURRENT ECONOMY MINISTER, TO BE MADE PUBLIC SOON.

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