



CONFIDENTIAL
SAVING TELEGRAM

Ref: ECO 091/13

FM Ottawa

To FCO telno Saving 9 of 24 June 1982.

Our telno 333: CANADIAN ECONOMIC SANCTIONS AGAINST ARGENTINA

1. In the light of Canada's decision to lift her ban on imports from Argentina and permit new export credits, you might be interested in the following assessment of the cost to Canada of imposing sanctions which we have obtained subsequent to your request for such information (your telno 342 to Paris).

2. The overall view at present is that the imposition of sanctions will not have had a very damaging or long lasting effect on Canadian/Argentine economic and trade relations. At the same time there is a feeling that if the measures had remained in place for much longer then the damage could well have been substantial.

/from
Argentina 3. Canadian officials have pointed out to us that Canada has received less public condemnation/for her actions than the European Community. At the same time, CP Air has continued to fly into Buenos Aires during the period of sanctions and Argentina has imposed no counter-ban on Canadian imports. Special circumstances which may have persuaded Argentina to adopt this circumspect approach are that Canada is preparing to ship a consignment of fuel bundles to Argentina in the near future for use in the Canadian built nuclear reactor at Cordoba (Callan's letter of 31 May to Hughes refers). The Canadians claim to have been anxious to avoid giving Argentina an excuse for abrogating the safeguards agreement on the reactor by withholding the fuel rods, but Argentina was most probably as anxious not to give the Canadians an excuse for suspending the fuel rod shipment by imposing even a limited ban on Canadian imports.

4. Nevertheless, the Canadians consider that they have lost one contract directly as a result of the imposition of sanctions. This was an order for turbine generators for the YACYRETA power project, worth \$C100 million, which Canadian General Electric were close to clinching. The Argentinians have told the Canadian Government that CGE will no longer be considered. The Canadians are also concerned that

/contracts



CONFIDENTIAL
SAVING TELEGRAM
PAGE 2

contracts for electrical transmission equipment and refurbishing of railway stock worth a total of \$C90 million might be steered away from Canadian companies which were previously well placed to win them.

5. The Canadians expect further examples of lost business to come to light in due course, but appear confident at this stage that damage to trade relations can be repaired fairly rapidly. They have also pointed out to us that, in the aftermath of the Falklands war, a number of major capital projects which were planned in Argentina are likely to be shelved for want of funds. The Canadians hope that by the time these projects are reactivated relations will have returned to normal and Canadian companies will be able to compete for contracts on a fairly equal footing.

6. The Canadians have no evidence as yet of any reverses in their trading relations with other Latin American countries as a result of sanctions against Argentina. They have told us that trade relations with Brazil are particularly good, and active, at present.

THIS TELEGRAM
WAS NOT
ADVANCED

FAULKLAND ISLANDS GENERAL

FCO

FAULKLANDS UNIT

CABINET OFFICE

ADDITIONAL DISTRIBUTION
FAULKLAND ISLANDS

[COPIES SENT TO NO 10 DOWNING STREET]