

375. Memorandum From the President's Assistant for National Security Affairs (Clark) to President Reagan¹

Washington, undated

SUBJECT

Lifting U.S. Economic Sanctions Against Argentina

Issue

U.S. economic sanctions against Argentina imposed on April 30 served a useful purpose, but it is time to lift them without further delay after giving notification to the British.

Facts

The British asked us to keep the sanctions in place for another ten days or so, as leverage on the prisoner return/cessation of hostilities issue. The Argentine government has not been receptive, however. In Buenos Aires' view, any further Argentine *public* statement on formally ending hostilities—London's *quid pro quo* for the Argentine prisoners—would greatly undermine the new government, absent some British agreement to negotiations over the Islands' future status. Meanwhile, the Argentine government has made clear through public and private channels that a public gesture (lifting the sanctions) on the part of the U.S. is a *sine qua non* to begin improving Argentine relations.

Discussion

Our sanctions show signs of becoming a political football in this country. There are new questions as to why U.S. sanctions continue and what U.S. interests they serve.

U.S. economic interests include \$10 billion in U.S. private bank lending which must be protected as part of the \$35 billion total Argentine foreign debt restructuring about to get underway. Japan and the European Economic Community have already lifted their sanctions,

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Argentina (07/02/1982–07/15/1982). Confidential. Sent for action. Printed from an uninitialed copy. Prepared by Fontaine. Fontaine forwarded the memorandum to Clark as the first of two tabs under a July 8 covering memorandum. The second of the two tabs is Document 374. The covering memorandum and its tabs were attached to a July 9 transmittal form sending the package of documents to Clark in Santa Barbara. On this transmittal form, Poindexter wrote a note, dated July 12: "President essentially approved second option. Sanctions lifted on 12 July 82." (Ibid.) Reagan's July 12 statement announcing the termination of economic sanctions against Argentina is printed in *Public Papers: Reagan, 1982*, Book II, p. 914.

and their exporters have a competitive jump over U.S. firms. This could cost us as much as \$100 million per month.

Finally, and most importantly, the sanctions jeopardize our efforts to restore our relations with Argentina and the rest of Latin America. Each week that passes is time lost in the difficult process of rebuilding working relationships in the hemisphere. Specifically, lifting such sanctions would improve relations with Argentina, Peru and Venezuela.

We have gone to great lengths to consult with the British on this issue and to take account of their interests. We will continue to keep them fully abreast of our plans, but it is time for us to move now.

Recommendation

That you authorize the immediate lifting of economic sanctions against Argentina after notifying the British of our intentions.

That you authorize us to advise the British of our intention to lift economic sanctions on Argentina as soon as arrangements for the prisoner return are agreed, but in any event by Tuesday, July 13.²

² Neither recommendation was approved or disapproved, but see footnote 1 above.