



Your Ref

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CONFIDENTIAL

FROM: DAVID PERETZ
DATE: 14 September 1982

NOTE FOR THE RECORD

cc Sir K Couzens
Mr Littler
Mr Carey
Mr Lavelle
Mr Perfect
Mr Donnelly
Mr Hosker - T. Sol
Mr Appleyard - FCO
Mr Titchenor - D/Trade
Mr Balfour } - Bank of England
Mr Dawkins }

REMOVAL OF FINANCIAL RESTRICTIONS ON THE ARGENTINA

The events of last night have been fairly fully reported in the newspapers, and no doubt there will be a record from No 10 of the Prime Minister's meeting yesterday evening at which, apart from the Prime Minister, the Governor and myself, the Secretary of State for Energy and Mr Walters were also present.

2. The Prime Minister had no doubts at all that we should hold up our lifting of restrictions until the Argentines were ready to move, and the Governor agreed. I had previously established with Mr Hosker that the only way that could be done was by laying a new Statutory Instrument which, with his help, we drafted on the spot. The Prime Minister also agreed that we should take a low key approach in public, giving the impression of mainly technical problems at the Argentine end.

3. Attached to this note are the following documents:-

(a) The Statutory Instrument made last night, and signed by the Prime Minister and Mr Selwyn Gunner.

(b) The press notice put out around 10.20 p.m. last night.

(c) The Q and A briefing prepared last night for press offices.

(d) A press statement put out by the Argentine authorities yesterday (as dictated on the telephone by McNamar to Mr Butler last night).

(e) A secret telex sent to the Bank yesterday at US request (according to McNamar) to try to reassure us about (d) (again, as dictated on the telephone by McNamar, though I assume this has now been received by the Bank).

Mr Butler read our press notice over the telephone to McNamar, and we made some minor changes as a result. It was subsequently approved by the Prime Minister.

4. The background to events yesterday in Buenos Aires is a little confused, but as reported by McNamar to the Governor (and by the Governor to the Prime Minister) it was as follows. Possibly as a result of a garbled Reuters report of our announcement a factor in Buenos Aires first had the impression that the arrangements covered trade sanctions; and then subsequently threatened to challenge the proposed Presidential decree lifting the Argentine financial sanctions, in the Courts. The Central Bank took legal advice; concluded they could not be sure of winning; and decided therefore that they needed to legislate through the Argentine Parliament rather than rely on a decree. This, they told the Americans, would take until Wednesday.

5. The Argentine official press notice looks on close reading as if it is meant to prepare the way for that. And the telex sent to the Bank (which we may not reveal) gives a clear undertaking.

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6. This morning, I have agreed with Mr Appleyard that FCO will send a further telegram to posts with our statement and background. Mr Appleyard is also considering seeking a separate report from BIS in Buenos Aires, via the Swiss, on how things stand at that end; and whether it would be helpful on Wednesday to use the same route to supplement the US link in confirming that the Argentines actually have acted (I said there is advantage in continuing US engagement).

7. Mr Hosker is drafting a revised Revocation Directions, for use tomorrow if necessary.

8. I understand the Bank are ^{this morning} circularising banks etc to cancel yesterday's notice of the end of our restrictions.

DLCP
D L C PERETZ

STATUTORY INSTRUMENTS

1982 No.
EXCHANGE CONTROL

The Control of Gold, Securities, Payments
and Credits (Argentine Republic) (No. 2)
Directions 1982

<u>Made</u>	13th September 1982
<u>Laid before Parliament</u>	14th September 1982
<u>Coming into Operation</u>	14th September 1982

Whereas the Treasury are satisfied that action to the detriment of the economic position of the United Kingdom is being taken by the Government of or persons resident in the Argentine Republic:

Now, therefore, the Treasury, in exercise of the powers conferred upon them by section 2 of the Emergency Laws (Re-enactments and Repeals) Act 1964(a) hereby give the following directions:-

1. These Directions may be cited as the Control of Gold, Securities, Payments and Credits (Argentine Republic) (No. 2) Directions 1982 and shall come into operation on 14th September 1982.
2. Except with permission granted by or on behalf of the Treasury, no order given by or on behalf of the Government of or any person resident in the Argentine Republic at the time of the coming into operation of these Directions or at any later time while these Directions are in force shall be carried out insofar as the order -

(a) 1964 c.60; section 2 was amended by the Finance Act 1968 (c.44) sections 55 and 61(10) and Schedule 20, Part V.

- (i) requires the person to whom the order is given to make any payment or to part with any gold or securities; or
- (ii) requires any change to be made in the persons to whose credit any sum is to stand or to whose order any gold or securities are to be held.

Margaret H. Thatcher

John Major

Two of the Lords Commissioners
of Her Majesty's Treasury.

13th September 1982

TORY NOTE

Note is not part of the Directions)

These Directions prohibit (except with Treasury permission) any recipient in the United Kingdom, the Channel Islands or the Isle of Man of an order from the Government of or any person resident in the Argentine Republic from carrying out that order in so far as the order:

(a) requires the recipient to make any payment or to part with any gold or securities; or

(b) requires any change to be made in the persons to whose credit any sum is to stand or to whose order any gold or securities are to be held.

The Control of Gold, Securities, Payments and Credits (Argentine Republic) Directions 1982 (SI 1982/512) were made on 3rd April 1982 and came into operation on that date. In anticipation of the simultaneous removal of similar financial restrictions imposed by the Argentine Republic, those Directions were to be revoked on 14th September 1982 and the Control of Gold, Securities, Payments and Credits (Argentine Republic) (Revocation) Directions 1982 (SI 1982/1296) were made on 13th September. As the Argentine restrictions will not be removed on 14th September, these Directions have accordingly been made in similar terms to the earlier Directions.

Removal of financial restrictions on the Argentine Republic

The Treasury announced this morning that the financial restrictions imposed on Argentine residents and the Argentine Government were to be discontinued from midnight London time, with a simultaneous reciprocal removal of Argentine financial restrictions on the United Kingdom.

There has been an unexpected delay in Buenos Aires caused by the legal procedures which the Argentine Government need to take. These procedures will not be completed in time to enable the Argentine restrictions to be lifted at midnight.

The Government is therefore taking the steps necessary to maintain the United Kingdom's restrictions for the time being until the Argentine Government have issued a revised timetable for the removal of their restrictions. The United Kingdom restrictions will be lifted, as intended, simultaneously with those imposed by the Argentine Government.

Removal of Financial Restrictions on the Argentine Republic

Treasury Press Notice No.2, 13th September 1982

Background Briefing for Press Offices

Q. What is the hitch at the Argentine end?

We understand that to avoid the risk of challenge in the courts the Argentine Government has had to adopt a different and slightly lengthier statutory procedure than that originally envisaged.

Q. How is the delay being given effect in the UK?

A new Statutory Instrument has been made under the Emergency Laws (Re-enactments and Repeals) Act 1964 to maintain the UK freeze for the time being.

Q. When will the UK freeze end?

As soon as the Argentine Government has completed the action necessary to remove its financial restrictions.

Q. When will that be?

It is expected to be in a matter of days, perhaps only a day or so.

Q. Has there been any direct contact with the Argentine Government?

We understand the Argentine Government is making a statement