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FM WASHINGTON 082330Z AUG 83

TO IMMEDIATE FCO

TELNO 2223 OF 8 AUG 83

UKDEL IMF/IBRD TELNO 282 AND YOUR TELNO 130 TO BIS BUENOS AIRES

IMF/ARGENTINA : LIFTING OF FINANCIAL RESTRICTIONS

1. MCNAMAR (DEPUTY SECRETARY US TREASURY) TELEPHONED ME THIS AFTERNOON TO TELL ME ABOUT THE REPORTED LIFTING OF THE ARGENTINE RESTRICTIONS ON PAYMENTS TO NON-FINANCIAL FIRMS. HE SAID THAT THIS HAD BEEN AN EXTREMELY DIFFICULT DECISION FOR THE ARGENTINIANS AND HE HOPED THERE WOULD BE A POSITIVE REACTION FROM WASHINGTON. (I UNDERSTAND THAT IT HAS NOT YET BEEN DECIDED WHETHER TO MAKE A PUBLIC US COMMENT. BUT IF ANYTHING IS SAID, IT IS LIKELY TO BE IN RESPONSE TO QUESTIONS, AND BE APPROPRIATELY CAUTIOUS, PENDING VERIFICATION. THE LINE WILL PROBABLY BE THAT THIS IS A WELCOME STEP IN THE DIRECTION OF NORMALISATION OF RELATIONSHIPS. MCNAMAR SAID ANY STATEMENT WOULD PROBABLY NOT LINK THE ACTION DIRECTLY WITH THE REQUIREMENTS OF THE FUND).

2. MCNAMAR WONDERED WHETHER THE UK WOULD SEE ITS WAY TO OFFERING 'SOMETHING POSITIVE IN RESPONSE' TO THE ARGENTINIAN ACTION AND FROM WHAT HE SAID HE WAS STILL HANKERING AFTER THE FISHING ACCESS POINT. IN SPEAKING TO HIS ARGENTINIAN COUNTERPARTS, HE HAD CONFIRMED HIS UNDERSTANDING THAT THE BRITISH WOULD BE PREPARED TO CONSIDER A REQUEST FOR ACCESS BY FISHING VESSELS TO THE EXCLUSION ZONE. HE HAD MADE IT CLEAR TO THEM THAT HE COULD NOT TAKE DISCUSSION OF THAT QUESTION ANY FURTHER AND THEY MUST NOW APPROACH THE MATTER THROUGH THE SWISS. BUT WHAT THEY WERE NOW LOOKING FOR WAS SOME CONFIRMATION THAT THERE WOULD BE A POSITIVE BRITISH RESPONSE TO A SERIOUS APPLICATION.

3. I TOLD MCNAMAR THAT THE LIFTING OF THE ARGENTINIAN RESTRICTIONS, IF IT WAS IMPLEMENTED, WOULD CERTAINLY BE WELCOME IN LONDON. I DISCOURAGED HIM STRONGLY FROM THINKING THAT WE MIGHT OFFER SOMETHING IN RESPONSE TO A STEP WHICH THE ARGENTINIANS HAD ALREADY COMMITTED THEMSELVES TWICE TO UNDERTAKE. I WELCOMED HIS CAUTION OVER FURTHER DISCUSSION OF FISHING ACCESS AND TOLD HIM THAT THE RECENT INCURSIONS BY ARGENTINIAN SHIPS AND AIRCRAFT INTO THE ZONE HAD LEFT IT PRETTY CLEAR THAT THESE HAD BEEN DONE WITH THE KNOWLEDGE, IF NOT THE AUTHORITY, OF THE ARGENTINE NAVY AND AIR FORCE. I WARNED HIM THAT THIS WOULD MAKE IT MUCH MORE DIFFICULT FOR US TO LOOK ON ANY REQUEST FOR ACCESS AS BEING GENUINELY MOTIVATED BY FISHING INTERESTS.

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4. PICKING UP A REFERENCE TO THE UK EXPORT RESTRICTION ON AN AIRCRAFT SIMULATOR, I DREW ON PARAGRAPH 7 OF YOUR TELNO 130 TO BIS BUENOS AIRES TO SUGGEST THAT THE PROPER CONTEXT FOR DISCUSSION OF TRADE RESTRICTIONS WAS THE PROPOSALS PUT FORWARD BY THE EC ABOUT NORMALISATION OF COMMERCIAL RELATIONSHIPS. IF THE ARGENTINIANS SERIOUSLY WANTED TO PURSUE THE LIFTING OF TRADE RESTRICTIONS, THEY SHOULD RESPOND TO THE VARIOUS APPROACHES WHICH HAD BEEN MADE TO THEM ABOUT THIS, MOST RECENTLY BY THE GREEK PRESIDENCY. MCNAMAR WONDERED IF THIS WAS PROPERLY UNDERSTOOD IN BUENOS AIRES AND SAID THAT HE HOPED EC REPRESENTATIVES WOULD MAKE THE POINT CLEAR BOTH TO THE MINISTRY OF FOREIGN AFFAIRS AND TO THE MINISTRY OF ECONOMICS IF WE SAW THE CASE OF THE SIMULATOR AS PART OF THE WIDER PROBLEM OF ARGENTINE/UK COMMERCIAL RELATIONSHIPS.

5. IN CONCLUSION, MCNAMAR SAID THAT HE RECOGNISED THE PROBLEMS OF ALL THIS FOR US. BUT HE EMPHASISED AGAIN HOW DIFFICULT THE DECISION TO LIFT RESTRICTIONS HAD BEEN FOR THE ARGENTINIANS AND HE HOPED VERY MUCH THAT WE WOULD BE ABLE TO GIVE A POSITIVE REACTION, PERHAPS WELCOMING IT AS A USEFUL STEP WHICH SHOULD HELP TO CLEAR THE WAY TOWARDS NORMALISATION OF RELATIONS. I TOLD HIM THAT IF THE REPORTS WERE SUBSTANTIATED I THOUGHT IT WOULD BE OUR NORMAL INSTINCT TO RESPOND IN THIS KIND OF WAY. I COULD ASSURE HIM IN ANY CASE THAT THERE WOULD BE NO DISPOSITION IN LONDON TO CROW.

6. I SHOULD BE GRATEFUL TO KNOW THE TERMS OF ANY OFFICIAL REACTIONS WE MAY MAKE SO THAT I CAN LET MCNAMAR KNOW. WE WILL REPORT IF ANYTHING IS SAID HERE.

THOMAS

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