

PS
PS/MR HURD
PS/MR SLOW
PS/MR RIFKIND
PS/PUS
SIR J BULLARD
SIR I SINCLAIR
MR GIFFARD
MR WRIGHT
MR ADAMS
LORD N G LENNOX
LORD BRIDGES
MR URE
MR GILLMORE

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MR ILETT) TREASURY
MR LITTLER)
MISS DICKSON D/ENERGY
SIR R ARMSTRONG)
SIR M PALLISER)
MR A D S GOODALL) CABINET OFFICE
DIO)

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Mr. COLIN ROTH, LAEPD, ODA
~~Mr. BURT~~, LAEPD, ODA.
MRS. M. PATTERSON

GRS 750
CONFIDENTIAL
FM WASHINGTON 112345Z AUG 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 2710 OF 11 AUGUST

MY TELNO 2683: ARGENTINA: FINANCIAL AND TRADE SANCTIONS

1. BURT (ASSISTANT SECRETARY FOR EUROPEAN AFFAIRS) ASKED ME TO CALL THIS AFTERNOON TO LET ME KNOW THE RESULT OF THE SOUNDINGS WHICH THE U S EMBASSY IN BUENOS AIRES HAD MADE ABOUT RECIPROCAL MOVEMENT ON TRADE AND FINANCIAL SANCTIONS (PARAGRAPH 3 OF MY TELEGRAM UNDER REFERENCE)
2. DAGNINO PASTORE, ARGENTINE MINISTER OF THE ECONOMY, HAD TOLD THE U S EMBASSY IT WOULD BE IMPOSSIBLE FOR THE ARGENTINIAN GOVERNMENT TO LIFT TRADE SANCTIONS AT THE SAME TIME AS FINANCIAL SANCTIONS. BUT HE HAD GIVEN HIS ASSURANCE THAT IF AGREEMENT COULD BE REACHED TO LIFT FINANCIAL SANCTIONS, TRADE SANCTIONS WOULD BE LIFTED WITHIN A MONTH. THE U S EMBASSY HAD EXPLAINED THAT WHILE DAGNINO PASTORE CARRIED PRIMARY RESPONSIBILITY FOR FINANCIAL DECISIONS, HE COULD NOT ENTER INTO COMMITMENTS ABOUT THE BROADER AND MORE POLITICAL TRADE SANCTIONS. BUT THEIR ADVICE WAS THAT IF A FIRST STEP COULD BE TAKEN ON THE FINANCIAL SIDE, WE COULD BE CONFIDENT THAT THE WAY WOULD BE CLEARED FOR LIFTING TRADE SANCTIONS.
3. BURT SAID THAT THE STATE DEPARTMENT HAD CONSIDERED THIS ADVICE VERY SERIOUSLY AND FELT IT TO BE RIGHT. THEY RECOGNISED THAT IT WOULD BE VERY DIFFICULT FOR US TO CONTEMPLATE NOT LIFTING BOTH TYPES OF SANCTIONS SIMULTANEOUSLY. BUT THE CONSIDERED VIEW OF THE U S GOVERNMENT WAS THAT IN ALL THE CIRCUMSTANCES THIS WAS THE MOST PROMISING WAY TO MAKE PROGRESS.

4. I TOLD BURT THAT THIS WAS A DISAPPOINTING RESULT OF THE INITIATIVE WHICH ENDERS HAD OFFERED DURING MR CRANLEY ONSLOW'S VISIT. THE AMERICANS WOULD UNDERSTAND THAT IT WOULD BE EXTRAORDINARILY DIFFICULT FOR HMG, IN PRESENT CIRCUMSTANCES, TO MAKE A MOVE ON FINANCIAL SANCTIONS WHICH WAS MANIFESTLY TO THE ADVANTAGE OF ARGENTINA, WITHOUT OBTAINING A PARALLEL MOVE ON TRADE SANCTIONS WHICH WOULD BE OF BENEFIT TO THE UK. BURT UNDERSTOOD THIS, BUT HE ARGUED THAT THE REMOVAL OF FINANCIAL SANCTIONS WOULD BE OF BENEFIT TO THE UK AS WELL AS TO ARGENTINA SINCE UK BANKS WERE MORE EXPOSED THAN OTHERS. MOREOVER, IF FINANCIAL SANCTIONS WERE NOT LIFTED, THE PROSPECT OF RESCHEDULING ARGENTINIAN DEBTS WOULD BE ENDANGERED. BURT ADDED ON A PERSONAL NOTE THAT THE U S HAD A VITAL INTEREST IN BRINGING ABOUT A DE-ESCALATION OF THE PRESENT DIFFICULT RELATIONSHIP WITH ARGENTINA. THE ADMINISTRATION HAD GIVEN US UNSTINTED HELP DURING THE FALKLANDS CONFLICT. THEY RECOGNISED THAT WE TOO WERE DOING OUR BEST NOW TO DE-ESCALATE AND HOPED VERY MUCH THAT WE WOULD SEE IT AS A FURTHER STEP IN THIS DIRECTION TO ACCEPT THE LIFTING OF FINANCIAL SANCTIONS IN ADVANCE OF THOSE APPLYING TO TRADE.

5. THE STATE DEPARTMENT HAVE EVIDENTLY CALCULATED THAT THIS UNWELCOME MESSAGE WOULD BE SLIGHTLY MORE PALATABLE COMING FROM BURT THAN FROM ENDERS. THIS ALSO SHOWS THAT IT HAS FAIRLY WIDE BACKING WITHIN THE STATE DEPARTMENT, EVEN IF (AS BURT ADMITTED) IT HAS NOT YET BEEN ENDORSED BY SHULTZ. BURT HAD NO ANSWER TO MY QUESTION ABOUT HOW WE COULD BE EXPECTED TO ACCEPT AN ASSURANCE OF A MEMBER OF THE ARGENTINE GOVERNMENT. HE SIMPLY REPEATED THAT THE STATE DEPARTMENT'S VIEW WAS THAT THIS WAS THE ONLY HOPEFUL WAY FORWARD.

6. IF WHAT THE AMERICANS ARE SUGGESTING IS UNACCEPTABLE, IT WILL BE IMPORTANT TO SAY SO QUICKLY. THE BEST RESPONSE MIGHT BE TO THANK THE AMERICANS FOR TAKING THIS QUESTION UP IN BUENOS AIRES, AS THEY HAD UNDERTAKEN TO DO; BUT TO SAY THAT, WHILE WE UNDERSTOOD THE ARGUMENTS THEY HAD PUT TO US, IT WOULD ATTRACT SERIOUS POLITICAL CRITICISM IN THE UK IF HMG WERE TO OFFER SOMETHING TO THE ARGENTINIANS IN PRESENT CIRCUMSTANCES WITHOUT GETTING ANYTHING TANGIBLE IN RETURN. THIS WOULD AMOUNT TO A BLIND ACT OF FAITH FOR WHICH THERE WAS NO POSSIBLE BASIS. WE COULD CONFIRM THAT WE ARE SEEKING WAYS OF DE-ESCALATING, AS WE HOPE THE ARGENTINIANS THEMSELVES ARE DOING, BUT CANNOT BE EXPECTED TO GIVE THEM A BLANK CHEQUE. FINALLY, WE COULD URGE THE AMERICANS, IN THEIR OWN INTERESTS AS WELL AS OURS, TO CONTINUE TO TALK TO THE ARGENTINIANS ABOUT THIS AND TRY TO BRING THEM TO A MORE REASONABLE POSITION.

THOMAS

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