

ADVANCE COPIES: FALKLAND ISLANDS

32
(30) + 7 CAB

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PS/MR HURD
PS/MR ONSLOW
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MR GIFFARD
MR WRIGHT
MR ADAMS
MR URE
MR GILLMORE

ED/S AM D (FCO DIST + A/D F/I)
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MR ANTHONY WILLIAMS W60
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PS/CHANCELLOR)
SIR K COUZENS)
MR LITTLER)
MR HAWTIN)
MR PERETZ) TREASURY
MR ILETT)
MR McINTYRE)

MISS DICKSON (EIP DIV) D/EN
DIO CABINET OFFICE
MR WADE-GERY CABINET OFFICE
MR FULLER SAPU/DIO " "

SIR M PALLISER CABINET OFFICE
SIR R ARMSTRONG " "

(Copy passed to Emergency Staff)

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FM WASHINGTON 302351Z APR 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 1552 OF 30 APRIL 1982
INFO IMMEDIATE UKMIS NEW YORK

FALKLANDS: US ECONOMIC SANCTIONS

1. THE ECONOMIC SANCTIONS AGAINST ARGENTINA ANNOUNCED TODAY (MY TEL NO 1525) FOCUS ON THE SUSPENSION OF NEW EX-IM BANK CREDITS AND GUARANTEES AND ON THE SUSPENSION OF COMMODITY CREDIT CORPORATION GUARANTEES.

2. EX-IM BANK. THE ARGENTINA LOAN OFFICER AT EX-IM BANK HAS GIVEN US THE FOLLOWING PRELIMINARY ANALYSIS. THE CURRENT EX-IM BANK EXPOSURE IS:

A. COMMITTED AND DISBURSED - DLRS 550 MILLION.

THESE FUNDS ARE UNAFFECTED BY THE MEASURES INTRODUCED TODAY.

B. COMMITTED BUT NOT YET DISBURSED - DLRS 700 MILLION, SOME DLRS 550 MILLION OF WHICH RELATES TO THE YACYRETA HYDRO-ELECTRIC PROJECT. A SUBSTANTIAL AMOUNT OF PLANNING WORK STILL NEEDS TO BE DONE ON THIS PROJECT. THE DLRS 150 MILLION OF REMAINING COMMITTED BUT UNDISBURSED FUNDS RELATES TO VARIOUS PROJECTS SOME OF WHICH MAY BE TOO FAR

PROJECT. THE DLRS 150 MILLION OF REMAINING COMMITTED BUT UNDISBURSED FUNDS RELATES TO VARIOUS PROJECTS, SOME OF WHICH MAY BE TOO FAR DOWN THE TRACK TO STOP. THE EX-IM BANK MAY ARGUE THAT ALL COMMITMENTS NOT YET DISBURSED SHOULD GO AHEAD.

C. THERE ARE ABOUT SIX OFFER LETTERS OUTSTANDING FOR EX-IM BANK FUNDS WITH A VALUE OF ABOUT DLRS 230 MILLION. THESE PRELIMINARY COMMITMENTS INDICATE CONDITIONS UNDER WHICH EX-IM BANK WOULD BE PREPARED TO LEND; THEY ARE NORMALLY VALID FOR SIX MONTHS. IT IS ALMOST CERTAIN THAT DISBURSEMENT OF THESE FUNDS WOULD BE RULED OUT NOW, TOGETHER WITH THE OFFER OF ANY NEW CREDITS, GUARANTEES, OR POLITICAL RISK INSURANCE.

3. COMMODITY CREDIT CORPORATION GUARANTEES (CCC)

CCC IS ADMINISTRED BY THE US DEPARTMENT OF AGRICULTURE. A DLRS 2 MILLION LINE OF CREDIT GUARANTEES HAS BEEN EXTENDED TO ARGENTINA FOR THE CURRENT FISCAL YEAR; THIS SUM IS EARMARKED FOR THE GUARANTEE OF SOFTWOOD LUMBER EXPORTS, ALTHOUGH ARGENTINA HAS NOT USED THE CREDIT SO FAR. SUSPENSION OF CCC CREDIT GUARANTEES WILL THEREFORE MEAN THAT THE DLRS 2 MILLION WILL NOT NOW BE AVAILABLE.

4. CONCLUSION

THE SUMS INVOLVED IN THE ECONOMIC MEASURES ANNOUNCED TODAY WILL THEREFORE DEPEND ON HOW THE DETAILED IMPLICATIONS OF HAIG'S ANNOUNCEMENT ARE WORKED OUT. IT IS UNLIKELY THAT THE VALUE OF THE COMITMENTS SUSPENDED IN THE SHORT TERM WILL BE VERY SUBSTANTIAL. HAIG HIMSELF SAID IN BACKGROUND BRIEFING THAT THE SHORT TERM EFFECT WILL BE PRIMARILY POLITICAL. OVER TIME HOWEVER, THE EFFECT OF THE SUSPENSION OF NEW GOVERNMENT CREDIT GUARANTEES ON US BUSINESSES WISHING TO DEAL WITH ARGENTINA IS LIKELY TO BECOME PRONOUNCED, PARTICULARLY SINCE BUSINESS CONFIDENCE IN ARGENTINA IS ALREADY DWINDLING.

5. HAIG, AS PROMISED TO US ALSO SAID IN BACKGROUND BRIEFING THAT THERE WERE ADDITONAL STEPS WHICH THE US COULD TAKE AND WOULD BE PREPARED TO TAKE IF CIRCUMSTANCES REQUIRED.

HENDERSON

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