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ARGENTINE-BRITISH TRADE AND THE SOUTH ATLANTIC CONFLICT

By Alan Tabbush, FBIM FRSA

One of the lasting consequences of the conflict in the South Atlantic in 1982 has been the reduction of trade between the United Kingdom and the Argentine Republic to a small fraction of what it was or, indeed, of what it ought to be. British exports to Argentina amounted to £173 million in 1980 and £161 million in 1981 and were continuing at this rate until April 1982. Imports from Argentina were £114 million in 1980 and £137 million in 1981. Two-way trade therefore amounted to about £300 million; this would be equivalent to £450 million today just to keep up with inflation and assuming no growth in volume. Table 1 shows total UK exports to Argentina from 1980 to 1987, as well as principal exports under various headings. Total UK imports and principal UK imports from Argentina for the same period are given in Table 2. In the context of UK world exports (£70,000 million a year), the figures appear small, but they are significant as a part of trade with Latin America which is now of the order of £1,500 million a year (see Table 3).

Since the end of the Second World War, the pattern of trade between the United Kingdom and Argentina has gradually changed and its relative importance to Argentina has decreased. The sale of British assets in Argentina and consequent reduction of British investment is one of the reasons for the decline, but so is the change in world trading brought about by the formation of, and Britain's accession to, the European Community, which directly and adversely affected Argentina's meat exports.¹ In the immediate post war years, British efforts to export seem mainly to have been directed to Commonwealth countries. The oil price rises in the early seventies led to greatly increased sales to the Middle East. This did not mean, however, that Latin America was completely neglected. Large British industrial exhibitions took place in Venezuela, Argentina, Brazil and Mexico in the

late sixties and early seventies. Trade missions visited the area then as now. In particular, a very large British industrial exhibition was opened in Buenos Aires in 1970 by HRH Princess Alexandra, in the presence of President Levingston. At the time of the Argentine invasion of the Falkland Islands, the British Chapter of the Argentine-British Joint Committee for Trade and Investment, which meets at Canning House in London, was planning (with the help of the Department of Trade) to hold a technology symposium in Buenos Aires later that year.

1. British Investment in Argentina

Though less in real terms now than at the end of the Second World War, British investment in Argentina is nevertheless important. Various estimates have been made of its worth, not least at the beginning of the South Atlantic conflict. In a message sent to the Prime Minister from Buenos Aires on 15th April 1982, the Chairman of the British Chamber of Commerce in the Argentine Republic, Sr. Alberto Molinari, said that the members of the Chamber "account for an aggregate (United Kingdom) investment of over £500 million". According to the Department of Trade, "in 1976, UK investment was valued at \$437 million, 9.5% of total foreign investment registered in Argentina. The UK share in September 1979 had fallen slightly to 8%".²

The phrase 'foreign investment' needs to be clarified because of the distinction between direct investment and indirect or portfolio investment. Until recently, economists considered as direct investment those sums controlled directly from the home country and which did not pass through the recipient country's stock exchange. Nowadays, portfolio and joint venture investments are also included in the figures.

In 1910, British investments were mainly in government bonds, railway securities, land and public utilities, in that order of importance. The pattern of investment changed as time passed; the railways, for example, were sold in 1947 (for £150 million). Jones shows that British direct investment in Argentina declined after the First World War both in relation to total Argentine fixed capital and in relation to total British overseas investment.³ However, investments of the kind mentioned declined in other parts of the world as well. At the same time, British overseas investment in manufacturing industries grew, though at different rates, in Australia, Canada, Brazil, India and Argentina. Examples in Argentina can be found in pharmaceuticals, chemicals, diesel engines and glass.

The difference in the various figures quoted for current British investment in Argentina probably arise from whether or not the substantial Anglo-Dutch investments of Shell and Unilever are attributed to Britain or to the Netherlands. Whatever British investment in Argentina is agreed to be, it is not negligible. However, in a climate of Argentine economic recovery new opportunities for investment will arise, but in present circumstances Britain is unlikely to take advantage of them. Even now an agreement between Italy and Argentina concluded on 8 December 1987 is expected to lead to \$4,500 million of investment in Argentina by 1992, many times more than the level of British investment today.

2. An historical backcloth to trade sanctions

The sudden re-emergence of the old Falklands/Malvinas dispute on 2nd April 1982 in so drastic a manner immediately gave rise to anxiety for the British community in Argentina and for trade relations. In official circles on both sides the Falkland Islands question was always regarded as a potential threat to trade relations between the two countries, but there seems to have been little concerted pressure applied on the British Government to settle the dispute by British companies trading with and/or having investments in Argentina. The British Chapter of the Argentine-British Joint Committee for Trade and Investment used to place the Falkland Islands question regularly on the agenda because the then Chairman, T.H. Prothero, regarded it as a potential threat and no doubt wished to bring it to the attention of the authorities. However, it was subsequently dropped when little progress was seen to be likely.⁴ Much progress had been made at the time of the Argentine invasion of the islands with plans to hold a technology symposium in Buenos Aires later that year; the Department of Trade was working closely with the Joint Committee and with the British Embassy to this end.

In the period from 13th April to 19th May 1982, almost daily telephone contact was maintained with the Chairman of the British Chamber of Commerce in the Argentine Republic, reflecting the great concern there was for the British community and for British interests. On 15th April the following impassioned message was sent by the Chairman of the British Chamber of Commerce, Sr. Alberto F. Molinari, to the Prime Minister, Rt Hon Mrs Margaret Thatcher MP:

The British Chamber of Commerce in the Argentine Republic (Inc.) represents many and important British and Argentine companies with industrial, trading or financial interests in Argentina and the United Kingdom. Within Argentina, its members employ over 10,000 persons and account for an aggregate investment of over £500 million. They are primarily responsible for generating a bilateral flow of goods and services in the order of £1,000 million per year.

Ever since its foundation in 1913 the Chamber has been actively engaged in the furtherance of economic relations between the two countries. As such, it has witnessed the development of a fruitful partnership between Argentine and British interests. Generations of Britons have chosen to work and live in Argentina, and, in many cases, have settled and integrated permanently into the local community where they found respect and even admiration for British values and way of life, and never at any time have regretted their decision.

Our Chamber is therefore most seriously concerned because that long history of friendship is now at stake, to the detriment of the many individuals and companies of British origin or affiliation present in Argentina, putting at risk a relationship developed over more than a century which may be destroyed in one day, but would require decades to repair. This concern extends also to what we believe is a lack of awareness in the United Kingdom with respect to the sincerity and intensity of the

feelings of the Argentine people towards the issue under discussion ever since it arose 150 years ago, and their frustration after 17 years of fruitless negotiations.

This Chamber is anxious that a peaceful settlement to this problem be reached. The highest sense of mutual respect and consideration must prevail. The undeniable duty of every one and particularly of those who wield power is to demonstrate the most sincere willingness to carry through to a speedy and successful conclusion the negotiations which have already been initiated, the failure of which no reasonable person can accept.

We urge you to refrain from the use of force which at this point could only cause irreparable harm to all concerned and incalculable damage to the Western World and to strive to achieve an understanding which will allow a positive future to be built in the best interests of all, including the Islanders.

Plans were made for a small party of Anglo-Argentine businessmen to visit London to call on leading politicians and try to avert an escalation of what was already a very grave situation, but in the event the plans fell through. One British businessman resident in Argentina, however, Mr. Bruce Carlisle, did come over, arriving on 15th April, and stayed for some time in London, representing the British community. He called on members of the government and on other parliamentarians.

At the time much was made of the consequences of "pushing Argentina into the wrong (i.e. the Soviet) camp". At the same time, representations were made in Argentina to the authorities, urging restraint. The British Chamber's priorities in making such representations were first, to promote a peaceful solution to the problem, which had divided the two countries and which made the British community in Argentina particularly vulnerable, and, secondly, the protection of British interests in that country.

The same concerns were expressed in London at meetings at the Foreign and Commonwealth Office, held at the invitation of two of HM's Ministers of State. The first was on 15th April, when the author called on Mr Cranley Onslow MP; the second on 20th April, when Viscount Montgomery of Alamein visited Lord Belstead.⁵ The government, said Mr Onslow, understood the position of the British community in Argentina and that of the business community. However, the Prime Minister had made it clear in the House of Commons, that the UK's first priority as the aggrieved party was for Argentina to withdraw its troops, a position overwhelmingly endorsed by Parliament and the country (this referred to the implementation of UN Resolution 502). On 20th April the Prime Minister sent the following message to the British Chamber of Commerce in Argentina:

Thank you for your telegram about the situation in the Falkland Islands. I am aware of the important contribution which your Chamber has made to the development of industrial, commercial and financial links between Argentina and the UK, and the major role which these have played in the

development of Argentina. The British Government is, like your Chamber, concerned that the good relations which have existed between the two peoples are now at risk. However, this situation has not been of our seeking: it has been caused by the unprovoked aggression by the Argentine Government against the Falkland Islands and their dependencies.

We want a peaceful solution to the present crisis. We are making every effort to achieve one. However this must be on the basis of the mandatory resolution passed by the Security Council of the UN, which calls for an immediate withdrawal of Argentine Forces. Any intensity of feeling in Argentina on this subject is fully matched by the outrage at Argentina's invasion felt here. If the Argentine Government's attempt to impose its views by force on the people of the Falkland Islands, who have many times made quite clear their determination to remain British, were allowed to succeed, there would be the gravest consequences for peace, security and the rule of law, not only in the South Atlantic, but in the wider world also.

In Argentina, the British Chamber of Commerce was intensely preoccupied. It thought that it was necessary to have a lobby to speak on behalf of the British community, whose interests were seriously threatened. There was talk of nationalising British companies such as ICI, Glaxo, Shell and Lloyds Bank International. Laws of national mobilisation and defence would be invoked and emergency legislation prepared to affect what would be considered enemy property. There was a feeling of helplessness: members of the community were distressed because they thought their interests were not being taken into account and they were being "abandoned to the wolves".

This despair was reflected in a second cable sent by the Chairman of the British Chamber of Commerce to Mrs Thatcher on 6th May 1982, by which time the conflict had begun in earnest:

Tragic loss of life resulting from the escalation of hostilities drives us to bring to your notice in the strongest possible terms the viewpoint of the members of the British Chamber of Commerce in the Argentine Republic, who, based on contact with hundreds of thousands of Argentines spread across the country, must inform you that there is the fullest support from the whole population for the action being taken by the Argentine Government. In the light of the known facts, we believe there is no way in which the continued use of force could produce anything other than a no win situation at an unacceptably high cost of human life, including lives of the islanders.

We sincerely believe that were negotiations to take place, the Argentine Government would be willing to more than accommodate the Islanders' interests and therefore urge you to enter into a cease fire, enabling negotiations which deal squarely with all the issues, thus preventing the inevitable further deterioration of relationships throughout Latin America and the world.

Copies of this message were sent to the leaders of the Labour, Liberal and Social Democrat parties. A similar representation was made to the Argentine Government.

3. The onset of trade sanctions

Both countries were quick to take action on trade. On 5th April 1982, the Secretary of State for Trade, the Rt Hon Mr. John Biffen MP, announced that with effect from midnight on 3rd April 1982:

- 1) all Argentine financial assets in the United Kingdom would be frozen;
- 2) the Export Credit Guarantees Department would not provide new export credit cover for Argentina; and
- 3) exports of arms and military equipment to Argentina were prohibited.

A similar statement was made in the House of Lords. No assurances were obtained from the government regarding compensation to British firms suffering losses because of the interruption of trade with Argentina and regarding losses in respect of Export Credit Guarantees. On 5th April 1982, the Secretary of State for Trade declared that there was no general ban on exporting to Argentina; the exception was the export of arms and military equipment referred to above.

A further announcement was made on 6th April by one of the Department of Trade and Industry ministers, Mr Peter Rees MP, to the effect that from midnight 6th April all imports from Argentina would be banned and any existing import licences would be revoked. However, the government would consider applications for licences to import goods shown to have been in transit to the UK before the ban took effect.⁶ At the time, the Export Credits Guarantee Department reckoned that its exposure in Argentina was around £300 million. On 10th April, the European Community agreed to impose a complete embargo on imports from Argentina.

On the Argentine side a number of measures were announced through communiques (later enforced by government decrees) from the Central Bank, supplemented by resolutions of the Central Bank and of various ministries and government entities.⁷ The blocking of British assets was achieved by means of Law No 22591 passed on 21st May 1982. This did not affect the assets of British citizens permanently resident in Argentina. The measure restricted the disposal of assets, but not ordinary business operations. The law enabled the appointment of overseers or joint managers to be made to monitor the activity of British-owned companies and a National Surveillance Board was created with representatives of the President and the relevant ministries.⁸ The Board immediately proceeded to regulate the functions of the overseers and to forbid remittances of capital or profits abroad, the disposal of assets and the transfer of ownership of the companies affected, among other specific measures. All payments of interest and principal due on the \$5,800 million borrowed from British banks were suspended.⁹

After the armed hostilities had finished, some considerable relaxation of restrictions on financial and banking operations was achieved, prompted by the USA, as a result of talks in Toronto in September 1982 between Sir Geoffrey

Howe and Dr Wehbe, during the annual meeting of the International Monetary Fund. Financial assets were unfrozen and British banks could again take part in the re-scheduling of Argentina's large foreign debt. Argentina allowed the payment of dividends by means of External Bonds or Bonex, which are US dollar denominated, coupon-bearing, government bonds freely transferable in and outside Argentina.

However, the sanctions on trade between the two countries remained although the other European Community countries lifted theirs on 20th June 1982, immediately after the cease-fire. These sanctions extended to the rights of aircraft of one flag to land in and to fly over the country of the other, and of ships of one country entering the waters of the other. Attempts since then to restore these rights have met with very little success.

In Argentina, Law No 22820 was enacted on 27th May 1983, authorising the National Surveillance Board to suspend the application of Law No 22591 "in respect of certain persons, companies and entities or for individual cases, particularly to lift the embargo on property and other precautionary measures". It even included provision for a general suspension of the restrictions imposed by Law No 22591, but, as will be seen later, this provision has not been invoked.

The election of President Alfonsín at the end of 1983, raised hopes of negotiations between the two countries. First there was a message of congratulation to the President from the British Prime Minister upon his election. On 4th January 1984, the British Government offered to lift the 150-mile exclusion zone around the Falkland Islands, if the new democratic government in Argentina announced a formal end to hostilities in the South Atlantic.¹⁰ The British Government's proposals, revealed later that month, included among others the restoration of trade and financial links and the resumption of flights between Buenos Aires and London. Negotiations through Switzerland, representing the United Kingdom, and Brazil, representing Argentina, led to a meeting being arranged in Berne on July 18th 1984 between British and Argentine representatives. In the event, the talks quickly foundered on the question of discussing sovereignty.

The British Government announced unilaterally on 9th July 1985, that it was lifting its ban on imports from Argentina and expressed the hope that Argentina would respond by, in turn, allowing the import of British goods. Unfortunately, the Argentine Government was not given advanced notice of this positive move. The measure was intended to encourage the resumption of normal commercial relations with Argentina, but was not reciprocated. Instead, the Argentine Foreign Minister offered on 10th July to declare a formal cessation of hostilities, if the British Government agreed to bilateral talks including the question of sovereignty within the next sixty days. This offer was not acceptable to the British Government.

In February 1986 the South Atlantic Council organised a visit to London of four Argentine Congressional leaders. As a result of the good-will generated by their contacts with British MPs, in April 1986 it was learned that Argentina had lifted its embargo on imports from the United Kingdom. No formal announcement was made at the time, policy was changed by the simple expedient of allowing

applications for import licences to be accepted by the data processing system used by the Secretariat of Industry and External Commerce. In the short period to November 1986 the volume of British exports experienced a noticeable rise to £4.75 million, as Argentine importers saw the benefits of buying British goods directly instead of by the more costly "triangular" routes, i.e. through third countries.

The embargo was reimposed in November 1986, again without an official announcement, in response to Britain's introduction of the 150-mile fisheries conservation zone around the Falkland Islands at the end of October 1986.¹¹ By Resolution SICE No 1003/86, a new system of dealing with import licence applications was introduced which expressly excluded imports from the United Kingdom or British overseas possessions; these imports therefore continue to be covered by the previous system whereby the Secretariat of Industry and External Commerce may grant or withhold permission to import. Since then, permission for British goods to enter Argentina has generally been withheld. Again in early 1988 the outlook appeared to be improving when Ferranti, through its US subsidiary company, landed a substantial contract with the state-owned electricity company, Agua y Electrica Argentina. However, the atmosphere in Buenos Aires again became tense, when the British announced the 'Fire Focus' exercise, to test procedures for reinforcement of the Falkland Islands garrison.

4. An enduring state of affairs

The business communities in both countries have made clear their views on this unfortunate situation which endures more than seven years after the conflict. In a memorandum dated November 1987, sent by the British Chapter to the Argentine Chapter of the Argentine-British Joint Committee for Trade and Investment, the situation was summed up as follows:

British restrictions on Argentine imports were lifted in 1985. The United Kingdom has never banned exports to Argentina, with the exception of certain military and related items whose export is regulated in respect of all other countries as well. Furthermore, Her Majesty's Government, so far as we are aware, has never [other than during the war-time freeze on funds] opposed a rescheduling of Argentine debt by the Paris Club nor has it discouraged United Kingdom banks from rescheduling commercial loans and opening new lines of credit.

The Argentine Government resolution SICE No 1003/86 and the Banco Central circular No 5389/87 would appear to represent an intensification of the discrimination against British exports and services in operation since 1982. The Argentine Government also imposes restrictions on the remittance to the United Kingdom of dividends, royalties and technology payments, denies access for British companies to public contracts and bans British ships from calling on Argentine ports and British aircraft from entering Argentine airspace. There are no such restrictions on the United Kingdom side. This continuing discrimination against British interests is completely unjustified on trade policy grounds and prejudicial

to Argentine economic interests; there is evidence, for instance, of British companies redirecting planned investment in the Argentine Republic to other countries.

Adverse reaction in Argentina to the military exercises carried out in the Falkland Islands during April 1988 made the Argentine Chapter of the Joint Committee think that such representations to the Argentine authorities regarding Argentine-British trade would be inappropriate at the time. However, in August 1988, the Argentine Chapter prepared a memorandum on trade relations between the United Kingdom and Argentina, clearly setting out the commercial, financial and political reasons for an immediate lifting of economic sanctions.¹² The memorandum points to two factors which affect economic relations between the two countries:

- a) the fact that, with few exceptions, applications for import licences (DJNI - Declaraciones Juradas de Necesidades de Importacion) are not processed when the country of origin is the United Kingdom; and
- b) Law 22591 affecting British assets in the Argentine Republic, placing restrictions on their disposal and empowering the National Surveillance Board (Comision Nacional de Vigilancia) to appoint overseers in British-owned companies.

In 1981, Argentine exports to Great Britain represented approximately 3% of total Argentine exports whereas UK exports to Argentina were only 0.3% of total British exports. In 1981, Argentina exported £137 million to the UK; in 1987, in spite of there being no restrictions, exports amounted to only £64.5 million. This figure is then compared in the memorandum to Brazil's exports to the United Kingdom in 1987, which amounted to £638.7 million, practically ten times as much. Because of the obvious imbalance of trade and the attendant risk of restrictions being reimposed on the British side, Argentine exporters do not bend their best efforts to increasing their exports to Britain.

At the same time, Argentine companies in the state and in the private sectors experience countless difficulties because they cannot import capital goods, spare parts and raw materials obtainable only from Britain. Argentina needs both to re-equip and to export and neither objective is served by an interruption of trade with Great Britain. Measures imposed during the conflict were temporary and precautionary, and there is no good reason for maintaining them.

The memorandum then says that the companies affected by Law 22591 make a considerable contribution to the Argentine economy by way of employment, exports, technology and taxes. Just twelve of those companies employ 12,000 persons and just five of them contributed \$150 million in taxes during 1987 and exported to a value of \$70 million. It is unlikely that in present circumstances such companies will consider making important new investments, and this can, but mean a loss to Argentina, both technical and economic. Reference is also made in the memorandum to the continuing need for help from British banks, which have already lent Argentina about \$3,500 million (sic) to refinance Argentine foreign debt. Restrictions on British-owned assets and on free trade, it is suggested, can only be disturbing factors.

The memorandum concludes that economic sanctions are not conducive to achieving a solution by direct negotiation between the two parties to the dispute. Trade is undoubtedly the first step towards resuming relations and this will lead to a reduction of diplomatic tension and in due course to direct negotiations. The lifting of sanctions would be in accordance with Argentina's general foreign policy which is against the imposition of economic sanctions for political reasons.

Another group, which has paid special attention to Argentine-British economic relations, is the Centre for the Study of the South Atlantic, (Centro de Estudios del Atlantico Sur - CEAS). This is a private group of individuals based in Buenos Aires, who came together shortly after the 1982 conflict. In one of their papers, CEAS examines the legal aspects of economic sanctions and concludes that they could well be contrary to the Argentine constitution, once the circumstances in which they were imposed no longer obtain. They could also be in breach, it is suggested, of the San Jose de Costa Rica Convention which since March 1984 has been part of Argentine law and which deals with human rights, including the use and enjoyment of property.¹³ CEAS notes that the United Kingdom has lifted the restrictions which affected Argentine citizens in that country and on trade with the Argentine Republic. The situation of armed conflict which led to the imposition of sanctions no longer exists and consequently, according to CEAS,

From the point of view of the rule of law it would seem that the only correct course to follow is for the (Argentine) National Government, in exercise of the ample faculties conferred by Law No 22820, to lift definitively the restrictions imposed by Law No 22591 and submit to Congress the bill repealing the latter.

The imbalance of trade between the two countries continues. Total imports into the United Kingdom from Argentina in 1988 amounted to £66 million. During the same period, United Kingdom exports to Argentina were valued at slightly less than £13 million. As has been mentioned, exports to Argentina at best represented a small proportion of the United Kingdom's total exports since the end of the Second World War. Nevertheless, the surplus which Argentina has achieved in its trade with the United Kingdom has moved the British Government to hint that it would consider reimposing a ban on Argentine imports, if Argentina continues to restrict British imports.¹⁴ This would be a wholly undesirable development, yet it is a possibility that observers of the situation have noted for some time. Members of a LATAG (Latin America Trade Advisory Group) Mission to the area in July 1987, who paid an unofficial visit to Buenos Aires, pointed out that the virtual one-way flow of goods could cause questions to be asked in the United Kingdom. They also emphasised that the status quo prejudices further British investment, adversely affecting employment and growth in Argentina. At the same time, the British visitors found real interest among the local business community in the restoration of normal trade relations.

On 21st October 1988, by means of Resolution 3620/88 ANA (published on 3rd January 1989), the Administracion Nacional de Aduanas (the National Customs Administration) announced new import procedures to make easier the importation

of 2,000 products. Previously, importers required import authorisation for these goods before they left the country of origin, whereas now the import paperwork can be completed once the goods have arrived in Argentina. However, the new system does not apply to British goods, which will continue to require import permits from the Secretariat of Industry and External Commerce before leaving the UK. Clause 2(d) of Annex III of the Resolution states that the customs service will verify that "the goods do not originate or proceed from British possessions or the United Kingdom". Commenting on this decision, the Financial Times thought it would lend weight to British arguments to the World Bank that Argentina must open its doors to British imports before receiving new loans. The new measure was enacted in order to satisfy a World Bank condition for a \$1,200 million loan granted in September 1988.¹⁵

Asked what action he was taking in response to Resolution 3620/88 ANA, Mr Alan Clark MP, the Minister for Trade, replied in the House of Commons on 16th February 1989

Our protecting power [the Swiss Embassy in Buenos Aires] has already delivered a note of protest. We have drawn the Resolution to the attention of the World Bank, since in our view it conflicts with the trade liberalisation policies being supported by a World Bank loan. The European Commission with whom we are in close touch on this issue share our concern and have made it clear to the Argentine authorities that there is no scope for developing EC/Argentine relations as long as discrimination against our exports and air and shipping interests continues. Both these organisations have a role to play in persuading Argentina to drop this discrimination.

Earlier in his reply, Mr Clark said:

We are committed to seeking more normal relations with Argentina and have proposed a series of initiatives to that end. The Argentine response has so far been disappointing and the publication of Resolution 3620/88 ANA will do nothing to promote better relations.

5. The practical consequences re-stated

The situation today is that there is no British ban on imports from Argentina nor is there any restriction on exports to Argentina other than on military or strategic goods. However, British export insurance is still not available from the Export Credits Guarantee Department for shipments to Argentina. In Argentina, applications to the Registry of Foreign Investments for new investment, transfer of shares or remittance of capital, relating to British-owned companies generally do not succeed; applications for registration of transfer of technology agreements with British companies by the National Institute of Industrial Technology (INTI) do not prosper; the remittance of External Bonds in payment of dividends and royalties is subject to the prior authorisation of the National Surveillance Board and, certainly the most obvious, only a trickle of British goods is imported.¹⁶

British companies in Argentina may not dispose of their assets without prior authorisation; they cannot transfer stocks and shares, receive capital from abroad or repatriate capital, make and register transfer-of-technology agreements, obtain loans over and above those necessary in the ordinary course of business or remit dividends by means of External Bonds under the same conditions as for other companies with foreign shareholders.¹⁷ Official overseers continue to be present in many British-owned companies and have a right of access to any type of information on the business of each company. Finally, visas are still required by citizens of the one country to visit the other and business people, like all other travellers between the two countries, have to suffer the delay and inconvenience of changing planes in Brazil or in Europe.

Some limited progress towards more normal communications has been achieved. A joint ticketing arrangement between British Airways and Aerolíneas Argentinas enables travellers to transfer from one line to the other in Madrid or Rio de Janeiro using the same ticket; there are still no direct flights.¹⁸ One privately-owned Argentine shipping line, CIAMAR, calls at British ports once more, but goods carried on ships of the state-owned shipping line, ELMA, and destined for the UK are transhipped at Rotterdam. One may note that despite the problems on trade and financial questions, social, cultural, religious, academic, sports and parliamentary exchanges flourish between the two countries.

6. What next?

The resumption of normal trade relations is not only desirable for business reasons, but also - perhaps more so - for cultural and social reasons.

The British and Argentine governments look to improving relations from two opposing standpoints. The British Government would advance gradually by means of a series of steps, including lifting of trade sanctions, reinstatement of shipping and flying rights, agreement on fishing, full exchanges on sport, some form of direct diplomatic representation, some attempt at providing services and supplies to the islanders from Argentina, etc., but currently is not willing to contemplate negotiations on the question of sovereignty. The Argentine Government, on the other hand, wishes the British to acknowledge that there is a dispute on the question of sovereignty. Only when this is done will they be willing to have formal discussions on practical co-operation between the two countries. That said, tacit co-operation and indirect communications on the question of fishing have succeeded, even though control of fishing intimately involves the sovereignty question.

For the British Government, politics and economics are two entirely separate pursuits; governments should take charge of matters of high politics and leave traders to get on with the business of trade or low politics. The Argentine Government believes that politics and economics cannot be so easily separated nor should they be, a view which reflects the position of the South in the North/South debate.¹⁹ Nevertheless, both in mid-1986 and in early 1988, when the Argentine Government felt relations were improving, they quietly eased restrictions on trade. Unfortunately, these moves were quickly reversed when in both cases the British

Government took action (over fishing and with the military exercises, respectively), which was perceived to be provocative.

Businessmen in both countries believe that political differences should not stand in the way of normal commercial relations between our two countries and it is with a view to restoring such relations that representations are directed to both governments whenever opportune. As Lord Chalfont wrote recently, "it is difficult to resist the conclusion that the stalemate is more likely to be broken by mercantile than by political initiatives".²⁰

The view has been put forward on the Argentine side that they are right to be wary of moves to restore diplomatic relations and to lift restrictions on trade and communications without discussing the main point at issue, having regard to British actions in respect of fishing and of military exercises. The opposite might well be true: if there had been full trade and diplomatic relations, might not the fisheries question and the military exercises have been handled differently?

Notes

1. Caroline Thomas and Pamela Haysom, "The Anglo-Argentine Trade Relationship, 1982-88", Department of Politics, University of Southampton, paper read at the International Seminar on Anglo-Argentine relations after the Conflict in the South Atlantic, Buenos Aires, 19-21 April 1988, organised by the Centro de Investigaciones Europeo-Latino-Americanas and the Legal Research Unit of the University of Warwick.
2. "Argentina: Background Note and Economic Profile, May 1980", Department of Trade.
3. Charles A. Jones, "British Direct Investment in Argentina: Past and Present". Department of International Studies, University of Warwick, paper read at the International Seminar on Anglo-Argentine relations after the Conflict in the South Atlantic, Buenos Aires, 19-21 April 1988.
4. The author of this Occasional Paper was appointed Chairman of the Argentine-British Joint Committee for Trade and Investment in April 1981.
5. Viscount Montgomery of Alamein was then President of the Anglo-Argentine Society in London and also a member of the Joint Committee. The author was Chairman of the Anglo-Argentine Society.
6. Details of the new arrangements were contained in Notice to Importers 1890, issued by the Department of Trade and published in *British Business* dated 16-22 April 1982.
7. "Legal Situation of British Property in Argentina", Centre for South Atlantic Studies (CEAS - Centro de Estudios del Atlantico Sur), Buenos Aires, July 1987.
8. In July 1987, CEAS noted that overseers had been appointed to one hundred and six British-owned companies, including two banks and thirteen insurance companies, and were still in office.
9. *The Economist*, 10 April 1982.

10. *Financial Times*, 5 January 1984.

11. For a detailed analysis of the fisheries question, see "Fishing in the South-West Atlantic", by Dr Peter Willetts, South Atlantic Council Occasional Papers, No 4, March 1988.

12. Comite Mixto Argentino-Britanico, Memorandum, Agosto de 1988.

13. CEAS, op.cit.

14. Interview with Mr Timothy Eggar MP, Parliamentary Under-Secretary at the Foreign and Commonwealth Office, *The Times*, 4 November 1988.

15. "Argentine excludes UK from new import regime", *Financial Times*, 10 January 1989, report by Janette Staubus.

16. CEAS, op.cit.

17. CEAS - op.cit.

18. "Argentine-UK traders take to tango", *Financial Times*, 17 June 1988, report by Tim Coone.

19. C. Thomas and P. Haysom, op.cit.

20. The Rt Hon The Lord Chalfont O.B.E. M.C., "Britain and Argentina", *Business Life*, April/May 1988.

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TABLE 1 - United Kingdom Exports to Argentina (value in £ thousand)

Principal classes of products (Standard International Trade Classification).

SITC Code	1980	1981	1982	1983	1984	1985	1986	1987	1988
Total Exports	172,888	161,192	37,327	4,471	5,232	3,815	10,115	10,267	12,991
11 Beverages	7,603	8,006	2,243	1,724	735	959	2,116	1,584	898
51 Organic chemicals	4,069	5,028	1,469			314	1,672	968	1,720
54 Medicines & pharmaceuticals	3,620	4,332	1,680				830		47
59 Chemicals & products NES	5,638	4,849	1,117	213		142	288		417
67 Iron and steel	6,977	5,245	1,184				588	1,416	1,146
71 Power generation machinery	17,639	9,354	5,261	477	2,835				291
72 Specialised machinery	28,105	14,135	1,489				330	1,392	3,241
73 Metal working machinery	2,582	4,141	544			284			
74 General industrial machinery	10,316	11,125	1,455			37	345	511	1,135
75 Office & data processing machines	1,569	2,610	533	226		197			1,521
77 Electrical machinery NES	5,511	3,556	851				623		
78 Road vehicles	17,052	21,770	2,201						
79 Other transport equipment	5,520	19,472	3,901						302

Source: HMSO Overseas Trade Statistics

TABLE 2 - United Kingdom Imports from Argentina (value in £ thousand)

Principal classes of products (Standard International Trade Classification).

SITC Code	1980	1981	1982	1983	1984	1985	1986	1987	1988
Total	116,177	136,892	58,315	153	65	2,032	28,635	64,595	66,281
01 Meat and meat preparations	50,602	63,872	22,953			295	3,937	29,520	23,846
03 Fish, etc. and preparations thereof	981	966						1,769	1,653
04 Cereals and cereal preparations	287	183						8,159	11,528
05 Vegetables and fruit	1,295	1,282	509			111	9,397	1,259	2,110
07 Coffee, tea, cocoa, spices etc	2,565	2,356	3,155					1,121	1,445
08 Feeding stuffs for animals	1,691	11,335	7,173			312	3,699	2,997	2,550
12 Tobacco and tobacco manufactures	1,029	2,375	1,555					1,536	2,449
22 Oil seeds and oleaginous fruits	9,077	1,350	224				4,184	3,190	2,787
26 Textile fibres and their wastes	9,712	12,058	2,181					1,266	1,358
28 Metalliferous ores and metal scrap	9,972	11,195	701						210
33 Petroleum and petroleum products		5,234	5,449						86
42 Fixed vegetable oils and fats	2,706	749	1,182				1,547	14	11
51 Organic chemicals	2,244	1,263	709					1,484	82
52 Inorganic chemicals	2,382	264	510						64
55 Essential oils and perfume materials	678	2,604	702					3,404	2,529
61 Leather and fur skins	5,553	2,236	857			209	910	1,495	1,647
67 Iron and steel	26		2,184						2,816
71 Power generation machinery	1,719	2,158	1,542						811
75 Office & data processing machines	4,245	5,904	775	52				608	279

Source: HMSO Overseas Trade Statistics

Table 3 United Kingdom Trade with Latin America (£ millions).

	<i>UK Exports</i>		<i>UK Imports</i>	
	1987	1988	1987	1988
Argentina	10.26	12.99	64.57	66.28
Bolivia	3.66	6.03	14.80	13.22
Brazil	348.13	304.46	638.72	742.15
Chile	105.84	80.90	112.84	179.62
Colombia	61.38	53.12	65.33	62.79
Ecuador	37.95	50.67	14.45	13.12
Paraguay	25.41	22.02	1.41	1.95
Peru	49.32	31.38	91.69	90.84
Uruguay	26.43	35.00	40.47	35.41
Venezuela	157.75	177.74	91.75	76.63
Sub-Total South America	826.13	774.31	1136.03	1282.01
Costa Rica	14.41	11.38	16.75	16.91
Cuba	41.51	31.17	12.76	28.49
Dominican Republic	23.89	17.24	8.64	8.53
El Salvador	9.59	8.17	1.89	2.96
Guatemala	13.93	15.39	7.54	10.68
Haiti	5.33	6.76	0.63	0.85
Honduras	10.45	7.89	4.70	8.30
Mexico	198.99	190.01	244.72	144.95
Nicaragua	7.88	6.87	0.71	0.73
Panama	40.02	32.50	4.92	12.23
Sub-Total Central America	366.00	327.38	303.26	234.63
Total Latin America	1192.13	1101.69	1439.29	1516.64
Region's share of world trade	1.49%	1.35%	1.52%	1.42%

Source: United Kingdom Customs Statistics

About the author

Alan Tabbush was born in England, but was brought up and went to school in Argentina, graduating at the University of Buenos Aires in 1953 as an industrial engineer. He returned to England to serve an apprenticeship in electrical engineering and now has more than thirty years experience of industry gained in leading British companies.

Since April 1987, he has worked independently as an international engineering business consultant and is now an export development adviser at the London Chamber of Commerce.

Alan Tabbush is Chairman of the British Chapter of the Argentine-British Joint Committee for Trade and Investment, which meets at Canning House. He is also Vice-President of the Anglo-Argentine Society.

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