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TO PRIORITY FCO

TELEGRAM NUMBER 1175 OF 7 DECEMBER 1982

INFO PRIORITY JEDDA, WASHINGTON, UKREP BRUSSELS, UKDEL IMF/IBRD WASHINGTON

SAUDI ARABIAN LOAN TO FRANCE

1. TWO FRENCH NEWSPAPERS HAVE TODAY (7 DECEMBER) PUBLISHED REPORTS THAT SAUDI ARABIA HAS AGREED TO LEND FRANCE OVER TWO BILLION US DOLLARS, BY MEANS OF A DEPOSIT IN A PARIS BANK. THE FIRST REPORT APPEARED IN QUOTIDIEN DE PARIS, WHICH A RATHER SENSATIONALIST RIGHT-WING DAILY, BUT THE SECOND APPEARED IN AN ARTICLE IN LE MONDE SIGNED BY PAUL FABRA, A HIGHLY RESPECTED ECONOMIC CORRESPONDENT. NO SOURCES ARE GIVEN BUT CONSIDERABLE CIRCUMSTANTIAL EVIDENCE IS PRESENTED. THE TRESOR HAS MET JOURNALISTS' QUESTIONS TODAY WITH QUOTE NO COMMENT UNQUOTE.
  
2. IF THE REPORTS PROVE WELL FOUNDED AS INDEED THEY MAY, THIS NEWS WOULD SUGGEST A BELIEF IN GOVERNMENT THAT THE US 4 BILLION DOLLARS CREDIT CONTRACTED IN OCTOBER WILL PROVE INSUFFICIENT TO MEET THE PRESSURE ON THE FRANC WHICH CAN BE EXPECTED TO CONTINUE OVER THE COMING MONTHS. WE HAVE IT ON GOOD AUTHORITY THAT OVER HALF THE 4 BILLION DOLLARS HAS BEEN DRAWN DOWN SINCE THE CREDIT WAS SIGNED IN LATE OCTOBER, AND THE GOVERNMENT IS APPARENTLY DETERMINED TO AVOID ANOTHER REALIGNMENT OF THE FRANC WITHIN THE EMS (OR AN EXIT FROM ITS EXCHANGE RATE SYSTEM) BEFORE THE MUNICIPAL ELECTIONS IN MARCH.

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THIS TELEGRAM  
 WAS NOT  
 ADVANCED

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