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TELEGRAM NUMBER 104 OF 2 FEBRUARY

AD TO IMMEDIATE BANK OF ENGLAND (CRAWFORD), DOT (OWEN), TREASURY  
(DENNISON), ECGD (BREACH CPD)

OUR TELEGRAM NUMBER 76

CHILE : DEBT RESCHEDULING

1 FROM RECENT CONVERSATIONS WHICH AMY HAS HAD WITH THE MINISTER OF FINANCE, LUDERS, THE PRESIDENT OF THE CENTRAL BANK, CACERES, AND REPRESENTATIVES OF SOME OF THE 12 BANKS INVOLVED IN THE RECENT NEW YORK RESCHEDULING TALKS, THE FOLLOWING PICTURE EMERGES. THE CHILEAN GOVERNMENT HAS PROPOSED THAT ALL CHILEAN PUBLIC AND PRIVATE EXTERNAL DEBT MATURING WITHIN THE NEXT 90 DAYS SHOULD BE ROLLED OVER FOR A FURTHER 90 DAYS WITH IMMEDIATE EFFECT. AS FAR AS WE KNOW, ALL 12 BANKS ARE NOW DOING THIS AUTOMATICALLY FOR "WORKING CAPITAL" LOANS AND HAVE RECOMMENDED THAT OTHERS SHOULD FOLLOW THEIR EXAMPLE. WE HEAR THAT SOME US REGIONAL BANKS ARE STILL UNHAPPY, BUT WILL PROBABLY FOLLOW THE PACK. AS REGARDS TRADE-RELATED LOANS, THE TREND APPEARS TO BE TO MAINTAIN OR SLIGHTLY REDUCE BANKS' CURRENT LEVELS OF EXPOSURE.

2. AT NEW YORK, LUDERS AND CACERES ALSO PROPOSED THAT CHILE'S 1983 AMORTIZATIONS (US DOLLARS 1.33 BN) SHOULD BE ALLOWED A FIVE-YEAR GRACE PERIOD AND REPAYED IN THE THREE YEARS THEREAFTER (IN 1988-91). FOR THE 1984 AMORTIZATIONS (US DOLLARS 1.06 BN), A FOUR OR FIVE YEAR GRACE PERIOD IS SOUGHT WITH A FOUR OR THREE YEAR REPAYMENT PERIOD THEREAFTER. WE DO NOT KNOW BANKERS' REACTIONS TO THESE PROPOSALS BUT THE CHILEAN PRESS REPORTS TODAY THAT THE FINANCIAL TIMES HAS CLAIMED THAT LONDON BANKERS REGARD THESE PERIODS AS EXCESSIVE.

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3. LUDERS HAS ALSO ANNOUNCED THAT CHILE WILL BE LOOKING FOR A FRESH LOAN OF US DOLLARS 913 M FROM THE FOREIGN BANKS IN 1983 (WITH 3/4 YEAR GRACE PERIOD AND 7 YEARS IN TOTAL TO PAY).

4. WE GATHER THAT THE PRINCIPAL STUMBLING BLOCK AT NEW YORK WAS THE QUESTION OF FOREIGN BANKS' DIRECT LENDING TO CHILEAN PRIVATE SECTOR COMPANIES, AND THAT BANK OF AMERICA WALKED OUT OF THE MEETING ACCUSING THE CHILEAN GOVERNMENT OF SHIRKING ITS RESPONSIBILITIES IN THIS AREA . WE BELIEVE THAT THIS ASPECT IS ALSO OF PARTICULAR RELEVANCE FOR US SINCE A SIGNIFICANT PROPORTION OF BRITISH BANKS' EXPOSURE TAKES THE FORM OF DIRECT LOANS TO THE PRIVATE SECTOR.

5. LUDERS AND CACERES WILL BE VISITING NEW YORK (AND POSSIBLY JAPAN) FOR FURTHER DISCUSSIONS AROUND 7-14 FEBRUARY AND WILL BE IN EUROPE AROUND 21-26 FEBRUARY TO TALK TO PRIVATE BANKERS.

6. GRATEFUL FOR IMMEDIATE ADVICE FROM THE BANK OF ENGLAND ON TOTAL BRITISH LOAN EXPOSURE TO CHILEAN BANKS AND CHILEAN PUBLIC AND PRIVATE COMPANIES (SEPARATE FIGURES IF POSSIBLE) SMI COLON AND GUIDANCE AS TO THE ATTITUDE WE SHOULD ADOPT IN FUTURE CONTACTS WITH THE CHILEAN AUTHORITIES. I EXPECT TO SEE BOTH LUDERS AND CACERES ON 7 FEBRUARY.

HICKMAN

FINANCIAL  
SAMD

COPIES TO  
MR CRAWFORD B/ENGLAND  
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