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FM UKDEL IMF/IBRD WASHINGTON 242100Z JUN 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 233 OF 24 JUNE

*Ms.*  
1) *Mr. Scholer*  
2) *Prime Minister*

MY TELNO 229 OF JUNE 16

*MS*      *AR 27/6.*

IMF: ARGENTINA--FINANCIAL RESTRICTIONS

1. THE MANAGING DIRECTOR REPORTED TO ME HIS MEETING TODAY WITH DEL SOLAR (GOVERNOR OF THE ARGENTINIAN CENTRAL BANK).

2. BEFORE TELLING ME ABOUT THE DETAILS OF HIS CONVERSATION, THE MD SAID THAT ARGENTINA LOOKED AS IF IT WOULD MEET ALL THE IMF PROGRAMME TARGETS AND CRITERIA, EXCEPT THE REMOVAL OF THE PAYMENTS RESTRICTIONS. THE MD SAID THAT DEL SOLAR HAD TOLD HIM ABOUT HIS RECENT CONVERSATION IN BASLE WITH THE GOVERNOR OF THE BANK OF ENGLAND, ABOUT THE NEW LAW, WHICH GAVE THE ARGENTINIAN EXECUTIVE BRANCH POWER TO ACT TO REMOVE THE RESTRICTIONS. DEL SOLAR SAID THAT HIS AUTHORITIES HAD REMOVED ALL OBSTACLES PREVENTING UK BANKS MAKING REMITTANCES BUT WERE NOT IN A POSITION TO DO THIS FOR NON-BANKING COMPANIES. INDEED, THE ARGENTINIANS HAD HOPED THAT THE REMOVAL OF THE BANKING RESTRICTIONS WOULD HAVE LED THE UK TO MAKE SOME GESTURE ON THE EXCLUSION ZONE. ACCORDING TO DEL SOLAR, THE ARGENTINIANS WOULD NOT BE ABLE, FOR POLITICAL REASONS, TO REMOVE THE RESTRICTIONS ON NON-BANKING COMPANIES BY THE END OF JULY IF THERE HAD NOT BEEN PROGRESS ON THE EXCLUSION ZONE.

3. THE MD TOLD ME THAT HE HAD REPLIED TO DEL SOLAR THAT THE ARGENTINE COMMITMENT WAS TO REMOVE ALL, NOT PART, OF THE OUTSTANDING RESTRICTIONS. IF DISCRIMINATION STILL REMAINED, THE FUND MANAGEMENT COULD NOT INDICATE TO THE BOARD THAT ALL THE IMF CONDITIONS HAD BEEN FULFILLED. THE MD ASKED DEL SOLAR TO INFORM HIS POLITICAL AUTHORITIES THAT THE FUND MANAGEMENT, AND PROBABLY THE BOARD, QUOTE COULD NOT LOOK WITH A BENEVOLENT EYE UNQUOTE ON THE REMAINING RESTRICTIONS. THE ARGENTINE POLITICAL AUTHORITIES SHOULD BE AWARE OF THE GREAT DIFFICULTIES TO WHICH THEY WERE EXPOSING THEMSELVES. IF THEY DID NOTHING, THEY WOULD NOT BE ELIGIBLE TO DRAW FURTHER MONEY. DEL SOLAR REPLIED TO THE MD THAT THE ARGENTINIANS WOULD THEN ASK FOR A WAIVER OF THE CONDITION. THE MD REPLIED THAT THE BOARD, IN HIS VIEW, WOULD NOT FAVOUR THIS AND THAT HE, LAROSIERE, COULD NOT GIVE SUCH A REQUEST ACTIVE SUPPORT.

4. THE MD SAID THAT BESIDES TALKING TO MCNAMAR (DEPUTY SECRETARY, US TREASURY), DEL SOLAR WOULD BE CONTACTING OTHER CERTAIN (UNNAMED) EXECUTIVE DIRECTORS IN THE FUND. YOU MAY THEREFORE WISH ME TO TALK TO MY OTHER COLLEAGUES, BESIDES THOSE REFERRED TO IN MY TELNO 232 OF JUN 23 TO ENSURE THAT THEY ARE AWARE OF THE TRUE POSITION. GRATEFUL FOR INSTRUCTIONS.

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5. ERB (IMF UNITED STATES ED) TOLD ME THAT IN HIS CONVERSATION WITH MCNAMAR, DEL SOLAR LINKED REMOVAL OF THE REMAINING RESTRICTIONS WITH THE OPENING UP OF FISHING RIGHTS AROUND THE FALKLANDS. MCNAMAR HAD TOLD DE SOLAR THAT THE US SUPPORTED THE UK POSITION. DEL SOLAR HAD REPLIED: QUOTE DON'T BRING THE SYSTEM DOWN UNQUOTE.

6 FINALLY, YOU WILL WISH TO KNOW THAT TVEDT (REPRESENTING THE NORDIC CONSTITUENCY) INFORMED ME THAT HIS AUTHORITIES HAVE ALREADY TOLD HIM TO SUPPORT THE UK POSITION.

WICKS

MONETARY  
FID  
ERD  
MR GIFFARD  
MR URE

COPIES TO:-  
MR LITTLE } TREASURY  
MR LAUELE }  
MR LOGANIS B/ENGLAND

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