

GR 650  
CONFIDENTIAL [CULL]  
FM WASHINGTON 072254Z JUL 83  
TO ROUTINE FCO  
TELEGRAM NUMBER 1903 OF 7 JULY

**CONFIDENTIAL**

*CF*  
*Please me*  
*mes 14/7*  
*Treasury*

**CALL ON SECRETARY REGAN**

1. I CALLED ON SECRETARY REGAN TODAY AS PART OF THE PREPARATIONS FOR YOUR VISIT NEXT WEEK AND TO INTRODUCE MINISTER (ECONOMIC), LELAND (ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, US TREASURY) WAS ALSO PRESENT.

2. THE US TREASURY WERE CLEARLY MUCH AGITATED THIS MORNING BY TODAY'S ARTICLE IN THE WASHINGTON POST REPORTING THAT "FEDERAL RESERVE OFFICIALS, FACED WITH AN ECONOMIC RECOVERY THEY BELIEVE COULD SPEED OUT OF CONTROL, WILL TIGHTEN CREDIT CONDIT<sup>T</sup>IONS NEXT WEEK AND LET INTEREST RATES RISE". SECRETARY REGAN SAID THAT THE SAW NO CASE FOR COOLING DOWN THE ECONOMY WHEN IT HAD NOT YET HAD A CHANCE TO HOT UP. THERE WAS STILL A LOT OF SLACK IN THE US ECONOMY SO THAT EARLY ACTION WOULD BE PREMATURE.

3. I SAID THAT YOU WOULD NO DOUBT WELCOME A DISCUSSION ON THIS AS WELL AS ON PROSPECTS FOR REDUCING FUTURE BUDGET DEFICITS.

*We must engage what's in the Treasury.*

4. REGAN THEN ASKED ABOUT REACTION IN THE UNITED KINGDOM TO THE SUPREME COURT'S RECENT DECISION ON UNITARY TAX. I TOLD HIM ABOUT THE CONSIDERABLE CONCERN WHICH THAT DECISION HAD CREATED AND I SAID THAT YOU MIGHT WELL WISH TO RAISE THE SUBJECT WITH HIM. LELAND SAID THAT THE JUSTICE DEPARTMENT WERE CONSIDERING ASKING THE SUPREME COURT FOR A RETRIAL ON THE GOUNDS THAT THEY HAD NOT CONSIDERED THE ADMINISTRATION'S CASE. REGAN THOUGHT THAT THE MORE PROBABLE COURSE WOULD BE FOR THE ADMINISTRATION TO PROPOSE REMEDIAL LEGISLATION. HE FORESAW CONSIDERABLE DIFFICULTIES IN CONGRESS WITH SUCH LEGISLATION, ESPECIALLY AS THE AFFECTED STATES WOULD NO DOUBT DEMAND FINANCIAL COMPENSATION FROM THE US TREASURY.

5. REGAN REPORTED THAT THE ADMINISTRATION'S IMF BILL WOULD BE FACING CRITICAL VOTES IN THE HOUSE ON EITHER JULY 15 OR 19. IF THE VOTES WERE LOST, THE BILL WOULD NOT BE KILLED BUT WOULD CERTAINLY BECOME 'COMATOSE'. THE ADMINISTRATION, INCLUDING THE PRESIDENT, WERE THEREFORE ENGAGED IN MASSIVE LOBBYING EFFORTS WITH REPRESENTATIVES. WE SAID THAT THE UK LEGISLATION AUTHORISING OUR HIGHER CONTRIBUTION TO THE GENERAL ARRANGEMENTS TO BORROW AND OUR CONTRIBUTION TO THE EIGHTH QUOTA INCREASE OUGHT, ON PRESENT PLANS, TO BE PASSED BY PARLIAMENT WITHIN THE NEXT WEEK. SECRETARY REGAN SAID THAT IT WOULD

*←*

BE HELPFUL IF THE CHANCELLOR OF THE EXCHEQUER WERW ABLE TO INFORM HIM OFFICIALLY OF THE LEGISLATION'S PASSAGE AT THE EARLIEST OPPORTUNITY. THIS WOULD HELP THE ADMINISTRATION WITH THE CONGRESS.

**CONFIDENTIAL**

*/6.1 SAID*

# CONFIDENTIAL

6. I SAID THAT YOU MIGHT WELL WISH TO RAISE NEXT WEEK THE STILL OUTSTANDING ARGENTINE DISCRIMINATORY RESTRICTIONS. REGAN WAS NOT SURPRISED. LELAND SAID THAT IT WAS NO SECRET THAT THE ARGENTINE ECONOMIC MINISTERS WANTED THE RESTRICTIONS REMOVED, AND MANY IN THE MILITARY WOULD PROBABLY NOT, IN THE EVENT, OBJECT. BUT AN INFLUENTIAL ELEMENT IN THE ARMED FORCES WERE DEMANDING THAT THE UK SHOULD MAKE SOME GESTURE FIRST.

*Do have -  
in US first  
loan and  
in agreement  
of credit  
in London.*

7. ON THE INTERNATIONAL DEBT SITUATION, SECRETARY REGAN SAID THAT WHILE THERE WAS NOT YET A PERMANENT SOLUTION, MEXICO'S DEBT PROBLEM WAS RELATIVELY BETTER THAN IT HAD BEEN A YEAR AGO. THE ARGENTINE SITUATION HAD ALSO IMPROVED. BUT THE POSITION IN BRAZIL WAS STILL UNRESOLVED. PRESIDENT FIGUEIREDO'S DEPARTURE NEXT WEEK TO THE UNITED STATES FOR HEART TREATMENT WAS LIKELY TO MAKE IT MORE DIFFICULT TO DEVISE A SOLUTION WHICH WOULD MEET IMF REQUIREMENTS.

WRIGHT

FINANCIAL  
NAD

<sup>2</sup>  
CONFIDENTIAL