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TO IMMEDIATE UKDEL IMF/IBRD WASHINGTON
TELEGRAM NUMBER 215 OF 11 JULY
INFO IMMEDIATE WASHINGTON

YOUR TELNO 246: IMF/ARGENTINA

1. ARRANGEMENTS WERE MADE THIS WEEKEND FOR MCNAMAR TO CALL ON ME TODAY. IN THE EVENT MCNAMAR WAS RECALLED TO WASHINGTON TO HELP THE ADMINISTRATION TO PILOT THE IMF QUOTA INCREASE BILL THROUGH CONGRESS. INSTEAD HIS EXECUTIVE ASSISTANT, KEVIN COYNE, CALLED ON LITTLER THIS MORNING TO REPORT WHAT MCNAMAR HAD INTENDED TO SAY. APPELYARD (ERD, FCO) WAS ALSO PRESENT AT THE MEETING.
2. COYNE SAID THAT THE ARGENTINE AUTHORITIES HAD BEEN IN CONTACT WITH THE US ADMINISTRATION ON THE FINANCIAL RESTRICTIONS ISSUE. THEY HAD CONFIRMED THAT ARGENTINA WOULD SEEK A WAIVER ON THIS ASPECT OF THE IMF PROGRAMME, PROBABLY IN CONJUNCTION WITH ANOTHER WAIVER ON THE PAYMENT OF ARREARS. THE ARGENTINES HAD ASKED FOR THE US GOVERNMENT'S SUPPORT. A DECISION HAD BEEN TAKEN WITHIN THE US ADMINISTRATION TO SUPPORT THE UK'S CASE. HENCE THE US WOULD ARGUE AGAINST GRANTING A WAIVER AT THE EXECUTIVE BOARD MEETING, WHICH MIGHT TAKE PLACE AROUND 12 AUGUST. THE ARGENTINES HAD BEEN TOLD OF THIS DECISION.
3. AFTER RECEIVING THIS INFORMATION THE ARGENTINES HAD MADE A FURTHER APPROACH TO THE US ADMINISTRATION. THEY HAD ARGUED THAT THEY WERE LOOKING FOR A COMPROMISE. ARGENTINA HAD POLITICAL PROBLEMS OVER LIFTING THE RESTRICTIONS. THEY HAD TAKEN SOME TOUGH DECISIONS ON THE BANKING SIDE AND ON THEIR BANKRUPTCY LAWS. BUT LIFTING THE REMAINING RESTRICTIONS WOULD BE MUCH MORE POLITICALLY DIFFICULT, ESPECIALLY IN VIEW OF THE COMING ELECTIONS. BOTH THE GOVERNOR OF THE CENTRAL BANK AND THE ARGENTINE AMBASSADOR IN THE US HAD DROPPED HINTS THAT ARGENTINA WAS LOOKING FOR SOME KIND OF GESTURE FROM THE UNITED KINGDOM WHICH WOULD

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ENABLE THE IMF ISSUE TO BE WRAPPED UP IN A LARGER EXCHANGE OF CONCESSIONS. THEY HAD GONE ON TO HINT THAT ARGENTINA MIGHT BE PREPARED TO MAKE SOME KIND OF STATEMENT THAT HOSTILITIES HAD CEASED AND THAT THE RESTRICTIONS HAD BEEN LIFTED, WHICH WOULD THEN BE MATCHED BY SOME CONCESSION (PERHAPS OVER FISHING IN THE FALKLAND ISLANDS PROTECTION ZONE) BY THE UNITED KINGDOM.

4. COYNE REPEATED THAT IN PUTTING FORWARD THESE IDEAS HE WAS SIMPLY PASSING ON WHAT THE ARGENTINES HAD SAID. HE REAFFIRMED THAT THE US GOVERNMENT HAD DECIDED TO SUPPORT THE BRITISH CASE. IN ANY EVENT BRITAIN'S CASE IN THE IMF WAS LOGICALLY UNANSWERABLE THERE WAS NO QUESTION OF CHANGING THE US DECISION, BUT HE WONDERED IF THERE WAS SOME KIND OF FLEXIBILITY AVAILABLE.

5. IN REPLY LITTLER WELCOMED THE US DECISION AND AGREED THAT THE UNITED KINGDOM'S ARGUMENTS WERE UNANSWERABLE. ARGENTINA WAS IN BLATANT VIOLATION OF IMF LAW AND PRACTICE. THIS WAS NOT A BILATERAL UK/ARGENTINA ISSUE. FAILURE TO INSIST ON FULL COMPLIANCE WITH IMF PRINCIPLES WOULD BE DAMAGING TO THE IMF. LITTLER WAS NOT EMPOWERED TO TALK ABOUT LARGER POLITICAL ISSUES SUCH AS A STATEMENT OF CESSATION OF HOSTILITIES AND MOVES IN THE FALKLAND ISLANDS PROTECTION ZONE. BUT TYING THESE MAJOR PROBLEMS TO THE IMF ISSUE WOULD NOT WORK.

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