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ECLIPSE  
FM WASHINGTON 212015Z  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 2065 OF 21 JULY 1983  
INFO IMMEDIATE UKDEL IMF/IBRD

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Prime Minister <sup>(2)</sup>

If this is so  
I shall have to  
send a very  
sharp  
message. MB

Very unwelcome straws in the  
wind.

MLS 22/3

IMF/ARGENTINA: US ATTITUDES

1. I HAVE BEEN REFLECTING ON THE REPORTS FROM UKDEL IMF AND OUR POSTS ABROAD ON THE EXTENT OF SUPPORT FOR OUR VIEW THAT ARGENTINA MUST LIFT ITS DISCRIMINATORY RESTRICTIONS AGAINST US IN ACCORDANCE WITH IMF CONDITIONS. IT SEEMS CLEAR THAT THE ATTITUDE OF THE AMERICANS WILL BE CRUCIAL IN SHAPING THE VIEW OF OTHER MEMBERS OF THE BOARD.

2. I AM SURE THAT YOU DO NOT TAKE AMERICAN BACKING FOR GRANTED. ALTHOUGH SECRETARY REGAN SEEMED REASONABLY SOUND WHEN YOU DISCUSSED THE ISSUE WITH HIM AT BREAKFAST LAST WEEK, MCNAMAR, WHO MAKES THE RUNNING, SEEMED TO ME TO BE LOOKING FOR A COMPROMISE. I WAS STRUCK BY SHULTZ'S MUCH MORE ENIGMATIC REACTION (OUR TELNO 1983). THIS SUGGESTS TO ME THAT THE AMERICANS HAVE YET TO TAKE A FINAL DECISION AND WILL DELAY DOING SO FOR AS LONG AS POSSIBLE. THE CHOICES FACING THEM ARE FAR FROM SIMPLE. ON ONE HAND, THEY ENTIRELY ACCEPT OUR VIEW THAT ARGENTINA OR ANY OTHER MEMBER OF THE IMF CANNOT BE ALLOWED TO FLOUT THE RULES AND PRACTICES OF THE FUND. HOWEVER THERE ARE FEARS IN THE STATE DEPARTMENT THAT THE ARGENTINES MAY NOT LIFT THE DISCRIMINATORY RESTRICTIONS EVEN IF A WAIVER IS REFUSED THUS DENYING THEMSELVES FURTHER IMF FUNDS. THE AMERICANS ARE THEREFORE DEEPLY CONCERNED ABOUT THE DANGER OF THE ARGENTINES OPTING INSTEAD FOR A MORATORIUM ON INTEREST AND CAPITAL WHICH COULD LEAD TO WIDESPREAD ECONOMIC DISRUPTION IN ARGENTINA AND SERIOUS DAMAGE TO THE ENTIRE INTERNATIONAL FINANCIAL SYSTEM. ALTHOUGH WE HAVE DETECTED NO SIGN THAT THE PRIVATE BANKING SECTOR IS SO FAR CONCERNED ABOUT THIS RISK, THE ADMINISTRATION IS LIKELY TO COME UNDER STRONG PRESSURE FROM THAT QUARTER TO SUPPORT THE GRANTING OF A WAIVER IF THE BANKERS THINK THAT THE ALTERNATIVE MIGHT BE A FULL MORATORIUM. IN ADDITION, OTHERS SUCH AS MRS KIRKPATRICK, WILL ARGUE THAT THE US CANNOT AFFORD TO ALIENATE ARGENTINA AT THE VERY MOMENT WHEN THE COUNTRY IS MOVING TOWARDS DEMOCRACY.

3. WE SHALL THEREFORE HAVE TO CONTINUE VIGOROUSLY TO ARGUE OUR CASE WITH THE AMERICANS. YOUR OWN VISIT HERE HAS BROUGHT HOME TO THEM THE SERIOUSNESS WITH WHICH WE REGARD THE ISSUE, AND THE ECONOMIC SECRETARY'S VISIT HERE NEXT WEEK WILL OFFER A USEFUL OPPORTUNITY FOR REINFORCING THAT MESSAGE. MAYBE THE AMERICANS WILL STAND BY THE COMMITMENTS THEY HAVE ALREADY GIVEN US, PARTICULARLY IF WE KEEP HAMMERING HOME THE MESSAGE. ON TIMING, THE ARGENTINES NEED TO OBTAIN A WAIVER BY ABOUT 20 AUGUST IF THEY ARE TO RECEIVE A FURTHER TRANCHE UNDER THE EXISTING PROGRAMME ON THE TIMETABLE ORIGINALLY PLANNED. IT IS IMPOSSIBLE TO FORESEE WHEN EXACTLY THEY

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/will

WILL JUDGE THE SITUATION RIPE FOR GOING TO THE BOARD AND IT IS POSSIBLE THAT THEY WILL DELAY BEYOND 20 AUGUST IN ORDER TO ALLOW THE SORT OF PRESSURES REFERRED TO ABOVE TO BUILD UP ON THE AMERICANS, THE FUND MANAGEMENT AND OURSELVES. BUT MY READING OF THE US POSITION, WHICH I HAVE DISCUSSED WITH THE UK EXECUTIVE DIRECTOR, IS THAT WE WOULD BE WISE TO CONSIDER WHAT OPTIONS WE HAVE IF WE CANNOT KEEP THE AMERICANS ON BOARD. THEY RATTED ON US AT THE U.N. LAST AUTUMN WHEN THEY DECIDED THAT THEIR WIDER INTERESTS REQUIRED THEM TO VOTE WITH THE ARGENTINES AND I WOULD'NT PUT IT PAST THEM TO DO SO AGAIN IN THIS CONTEXT.

WRIGHT

MONETARY  
FID  
NAD  
ERD  
MR GIFFARD  
MR URG



10 DOWNING STREET

*From the Private Secretary*

25 July, 1983

IMF/Argentina: US Attitudes

The Prime Minister has seen Washington Telegram No. 2065 which casts some doubt on whether the United States will support us in discussion at the the IMF Board of Argentina's discriminatory restrictions against the United Kingdom.

Mrs. Thatcher has commented that if American support is really in doubt she ought, at the right time, to send a sharp message to President Reagan. She would be grateful if the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary could let her have a recommendation on this point in due course.

I am copying this letter to Brian Fall (Foreign and Commonwealth Office).

A. J. COLES

J. Kerr, Esq.,  
Foreign and Commonwealth Office