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DESKBY 080900Z

FM UKDEL IMF/IBRD WASHINGTON 052330Z AUG 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 279 OF 5 AUGUST

YOUR TELNO 251 OF AUGUST 4

IMF: ARGENTINA

1. I HAVE SENT THE DEPUTY MANAGING DIRECTOR, ON AN INFORMAL BASIS, A MEMORANDUM OF THE TERMS WHICH WE WOULD EXPECT TO SEE WRITTEN INTO ANY WAIVER OR OTHER NEW AGREEMENT ON THE ARGENTINE PROGRAM (COPY TO LONDON BY BAG).
2. ON THE QUESTIONS IN TELEGRAM UNDER REFERENCE, THE DMD TOLD ME THAT BRACHET (DIVISION CHIEF, WESTERN HEMISPHERE DEPARTMENT) WILL MAKE A SHORT VISIT TO BUENOS AIRES DURING HIS CURRENT MISSION TO URUGUAY IN ORDER TO CHECK PROGRESS OF THE ARGENTINE ECONOMY. BRACHET WOULD PROBABLY REPORT TO MANAGEMENT HERE IN, SAY, ABOUT A FORTNIGHT'S TIME. THE DMD SAID THAT THE FUND MANAGEMENT HAS NOT YET DECIDED HOW TO REPORT TO THE BOARD ANY LATER INFORMATION PRODUCED BY BRACHET'S VISIT, BUT THE MOST LIKELY VEHICLE WOULD BE A PAPER SUPPLEMENTING EBS/83/143. THE DMD WAS GUARDED ON WHETHER ARGENTINA HAD MET THE JUNE 30 CRITERIA. BRACHET'S VISIT WAS INTENDED TO FIND THAT OUT. BUT HIS IMPRESSION WAS THAT THE ECONOMY HAD NOT DETERIORATED SO MUCH BY JUNE 30 THAT THE CRITERIA WOULD HAVE BEEN BREACHED BY THEN. HE DID NOT THINK THAT ARGENTINA WOULD NEED A WAIVER ON THE OTHER CRITERIA TO QUALIFY FOR THE AUGUST 20 DRAWING.
3. ON NOTICE FOR DISCUSSION OF ANY NEW PAPER, I THINK THAT THE POSITION WOULD BE THE SAME AS FOR NOTICE OF DISCUSSION OF EBS/83/143.
4. THE DMD TOLD ME THAT THE LEAD BANKS IN THE ARGENTINE LOAN CONSORTIUM HAD RECENTLY SENT A TELEX TO THE ARGENTINE AUTHORITIES WITH TERMS FOR THE COMMERCIAL BANK LOAN. THIS TELEX INCLUDED A PARAGRAPH ABOUT THE NON-COMPLETION BY THE IMF OF THE REVIEW. IT WENT ON TO EXPLAIN THAT THE CAUSE OF THIS DELAY WAS THE MAINTENANCE BY ARGENTINA OF DISCRIMINATORY PAYMENT RESTRICTIONS AGAINST ONE FUND MEMBER. THE TELEX INDICATED THAT THERE WERE AT LEAST SOME BANKS IN THE CONSORTIUM WHO WOULD NOT BE WILLING TO SIGN THE COMMERCIAL BANK LOAN UNTIL THE IMF REVIEW HAD BEEN COMPLETED. THE DMD THEN SAID THAT THE LEAD BANKS WOULD BE SENDING A SIMILAR TELEX ON MONDAY TO ALL THE BANKS INVOLVED IN THE COMMERCIAL BANK LOAN. THAT TELEX WOULD INCLUDE A SIMILAR PARAGRAPH. HE THOUGHT THAT THERE COULD THEN BE CONSIDERABLE PUBLICITY ABOUT THE DIFFICULTIES CAUSED BY THE DISCRIMINATORY PAYMENTS RESTRICTIONS. HE WOULD BE BRIEFING THE FUND PRESS OFFICE WITH A FACTUAL STATEMENT OF THE POSITION. HE DECLINED TO SHOW THIS TO ME IN ADVANCE, BUT PROMISED ME A COPY WHEN IT IS SENT TO HIS PRESS OFFICE. WE WILL SEND YOU A COPY DIRECTLY IT IS AVAILABLE.

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/s.

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5. FCO PLEASE ADVANCE TO PS/S OF S, PS/CHANCELLOR, LITTLER AND
LAVELLE (TREASURY), GILCHRIST (BANK OF ENGLAND) AND APPLEYARD (ERD),
AND OWEN (OTS, DTI)

WICKS

MONETARY

ERD

FID

NEWS D

MR GIFFARD

MR WRE

COPIES TO

PS/CHANCELLOR }
MR LITTLER } TREASURY
MR LAVELLE }

MR GILCHRIST
BANK OF ENGLAND

MR OWEN
OTS/DTI