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Prime Minister 2

WR  
10/8



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

9 August 1983

W F S Rickett Esq  
10 Downing Street

Thank you very  
much  
WR

New Willie,

CURRENT INTERNATIONAL DEBT QUESTIONS

You suggested that it would be helpful to the Prime Minister, before she leaves for Switzerland, to have a further short note listing the key dates for forthcoming decisions in respect of IMF and BIS finance for the main debtor countries discussed in my letter of 5 August.

with WR?

... I attach a list. Some of the dates are of course by no means immutable, and discussions in advance of decisions will be held at a number of meetings which I have included in the list in brackets.

... The list does not mention Argentina, on which I attach a separate short note, in view of developments during the last 24 hours.

Copies of this letter and enclosures go to John Holmes at the FCO and John Bartlett at the Bank.

Yours ever,  
John Kerr

J O KERR  
Principal Private Secretary

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## INTERNATIONAL DEBT AND IMF FUNDING: KEY DATES

<u>15 August</u>	<u>Mexican</u> drawing under IMF programme.
<u>20 August</u>	Due date for drawing under Argentine IMF programme.
<u>24 August</u>	Possible IMF Board discussion of Argentina.
<u>10 September</u>	BIS - opportunity to discuss Brazil and financing arrangements for IMF.
(10/11 Sept	ECOFIN.)
15 September	Informal rollover of BIS loan for Brazil expires.
(21/22 Sept	Commonwealth Finance Ministers, Trinidad.)
(23 September	G5 Ministers, Washington, IMF issues.)
(24 September	G10 Ministers, Washington, IMF issues.)
25 September	IMF Interim Committee, Washington, IMF issues.
(26 September	Development Committee, Washington.)
(27-30 Sept	IMF/IBRD annual meetings, Washington.)
15 November	Mexican drawing under IMF programme.
20 November	Argentine drawing under IMF programme (subject to renegotiation if necessary).

### Country notes

Yugoslavia	IMF mission to review programme in September.
Nigeria	IMF programme likely after election - perhaps in September.
Venezuela	IMF mission to return in mid-August, agreement on programme hoped by early September.
Brazil	Renegotiated IMF programme still to be discussed in Board - possibly in September (or later).



ARGENTINA

Yesterday, 8 August, the Argentine authorities reported both to the IMF and to the representatives of commercial banks in New York that they had removed discriminatory restrictions (and, we understand, met certain other requirements demanded by the commercial banks). Full details are awaited, but the IMF understanding is that a new Law has been or is being introduced which cancels those parts of the Law under which discrimination was imposed against various kinds of payments by UK banks and other companies in Argentina. The IMF are inclined to read this, subject to confirmation, as satisfactorily eliminating existing restrictions and removing the legal basis for future restrictions.

2. In itself, this is satisfactory news. It can be regarded as the result of firmness of the IMF itself and of other leading countries in response to our pressure, fortified by the tough message which the international commercial banks sent to Argentina late last week, as a result of representations by British participants prompted by the Bank of England.

3. Argentina is now pressing for very rapid action both on the IMF standby and on the commercial bank loan:

- On the former, subject to confirmation the IMF staff are proposing to circulate a paper for discussion and decision in the Executive Board on Wednesday 24 August; we have no ground for objecting to that procedure, but shall want to be sure that our conditions are met before approval is given.

- On the commercial bank loan, Argentina has asked for a meeting for signature on Friday, 12 August; this seems to us to be rushing matters far too quickly.



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4. The Bank of England will be urging British banks to seek a deferment of the proposed signature meeting, on the reasonable ground that so serious a step should not be taken until the Argentine position with the IMF is further clarified. Indeed, our view is that the commercial banks should not sign ahead of a positive Executive Board decision which cannot occur before 24 August. The Bank of England will hope to persuade British banks to take this view, and persuade their international colleagues, in their own commercial interest. If necessary, however, they will indicate that the Government would consider premature signature ill-advised and be prepared to say so publicly.

5. An element in the commercial bank loan is the requirement for a certificate by the IMF, to the effect that the standby agreement with Argentina is still in operation, before money can be drawn under the loan. Separately, we are asking our Executive Director in Washington to urge the Acting Managing Director not to give any such certificate until the situation is genuinely clear, again probably meaning after the Executive Board discussion on 24 August.

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