



10 DOWNING STREET

PRIME MINISTER

Tim Flesher asked me
to show you the attached
note which was prepared
by the Treasury this evening.

A handwritten signature in cursive script that reads "Steve Long".

DUTY CLERK

11 August 1983

ARGENTINA

Good - I agree the Chancellor's approach is

There has been a further development, which seems to result from the firm messages we have been conveying to the United States authorities. They are no longer for the moment pressing us to allow British banks to sign the loan agreement quickly (before the IMF Board decision on the next tranche of IMF lending). Instead, they are trying to accelerate the IMF Board decision. There is a possibility that a Board meeting could be held in the first two or three days of next week.

Meanwhile, you will be interested to know that news is accumulating that transfer payments for all British banks and companies are being authorised in Argentina. It seems probable that, by Monday at latest, we shall have no outstanding complaint of discrimination on transfers already due.

It is difficult to find any good ground on which the UK could object to accelerated consideration by the IMF of the Argentine loan, once it is clear that existing discriminations have in practice been removed. The Chancellor's general reaction is that we should therefore take the opportunity which would seem to be available to insist that, in the interests of getting a decision through quickly, our requirements as to conditions to be imposed by the IMF are fully met. These, you will recall, include a requirement that no new discrimination should be introduced, and a condition that, if new discrimination were nevertheless introduced, there would be no question of future IMF drawings. This would impose the strongest pressure on Argentina. It would also be a valuable quotable achievement.

You may also remember that there has been talk of Argentina introducing a general relaxation of restrictions on 15 August. At an earlier stage we were warned that this would not apply to UK companies. We have more recently been assured that there will be no discrimination, and that UK companies will benefit equally with others. The Chancellor considers that it would be sensible to make sure that this happens before the IMF Board decision, which points to a meeting not before 16 August.

An accelerated decision on these lines would open the way for British banks and others to sign and implement the commercial loan agreement, and the grounds on which we have been restraining British banks would have been removed.

It is by no means clear that an arrangement on these lines will prove practicable, but I thought you would like to know that this is the way things seem at present to be moving.

DRAFT MESSAGE

To: Don Regan
Secretary
US Treasury

Prime Minister

This is the message the
Chancellor has sent to
Secretary Regan.

Excellent
mf.

LM
11/8

Dear Don

I took the unusual step yesterday of instructing our Executive Director of the International Monetary Fund to present the attached formal note of protest to the Acting Managing Director.

2. Argentina has repeatedly failed to implement its undertakings to remove financial discrimination. Whatever ~~ever~~ the pressures on him may have been, the precipitate action by the Acting Managing Director, without consultation with the member country directly concerned, is quite unacceptable.
3. I would like you to understand our position on two points in particular.
4. The first is that the principles of non-discrimination must surely be respected on any resumption of IMF lending to Argentina. To that end, when the question next comes to the Executive Board, I shall have to insist on evidence that existing discrimination has been removed without qualification, and on a clear stipulation in the terms

of resumed IMF lending that no discrimination will be imposed in future. I hope I shall be able to count on the support of colleagues for this application of IMF principle.

5. My second point is that the commercial bank loan really ought - in common prudence if for no other reason - to be available only when IMF lending is resumed, the relevant conditions having been met. I shall continue to discourage British banks from putting their names to a loan before that position has been reached [and I cannot but feel surprised that others ^{Governments} should take a different view.]

11 AUG 1953

