

CONFIDENTIAL

To Switzerland  
15/9 @ 8 pm.

cc Press Office



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

15 August 1983

Tim Flesher Esq  
10 Downing Street

*Dear Tim,*

ARGENTINA

As foreshadowed in the report we sent you on Friday, the IMF Board discussion took place earlier today and Nigel Wicks has reported by telephone from Washington that the decision went through on a basis which appears entirely satisfactory to us. The essential point is that under the terms of the standby arrangement, Argentina will forfeit her right to any future drawings if she discriminates against the UK either by the introduction or re-introduction of discriminatory measures or by failing to extend to the UK any new measures of payments liberalisation. This therefore meets the condition stipulated by the Chancellor in paragraph 4 of his message to Mr Regan.

Before Argentina can draw on the standby, she will also have to reach agreement with creditor banks about the treatment of bank debt arrears. The current view in Washington is that this matter is unlikely to be settled before early September. This is helpful from our point of view because it gives us more time to establish to our own satisfaction that discrimination against UK firms really has been removed.

The Bank of England have accordingly told the UK banks concerned that the Government would not wish to stand in their way if they were now to decide that signature of the proposed \$1.5 billion loan was in their commercial interest.

I am copying this letter to Brian Fall (FCO) and to John Bartlett (Bank of England).

*Yours sincerely,*

*Margaret O'Mara*

MISS M O'MARA  
Private Secretary

CONFIDENTIAL

cc Press Off

NO 10 TO SWITZERLAND

C O N F I D E N T I A L

PRIME MINISTER FROM TIM FLESHER

YOU WILL ALREADY HAVE HEARD THAT THE OUTCOME OF THE IMF BOARD MEETING WAS SATISFACTORY FOLLOWING IS THE REPORT WHICH THE TREASURY HAVE RECEIVED FROM NIGEL WICKS IN WASHINGTON

BEGINS

ARGENTINA

AS FORESHADOWED IN THE REPORT WE SENT YOU ON FRIDAY, THE IMF BOARD DISCUSSION TOOK PLACE EARLIER TODAY AND NIGEL WICKS HAS REPORTED BY TELEPHONE FROM WASHINGTON THAT THE DECISION WENT THROUGH ON A BASIS WHICH APPEARS ENTIRELY SATISFACTORY TO US. THE ESSENTIAL POINT IS THAT UNDER THE TERMS OF THE STANDBY ARRANGEMENT, ARGENTINA WILL FORFEIT HER RIGHT TO ANY FUTURE DRAWINGS IF SHE DISCRIMINATES AGAINST THE UK EITHER BY THE INTRODUCTION OR REINTRODUCTION OF DISCRIMINATORY MEASURES OR BY FAILING TO EXTEND TO THE UK ANY NEW MEASURES OF PAYMENTS LIBERALISATION. THIS THEREFORE MEETS THE CONDITION STIPULATED BY THE CHANCELLOR IN PARAGRAPH 4 OF HIS MESSAGE TO MR REGAN.

BEFORE ARGENTINA CAN DRAW ON THE STANDBY, SHE WILL ALSO HAVE TO REACH AGREEMENT WITH CREDITOR BANKS ABOUT THE TREATMENT OF BANK DEBT ARREARS. THE CURRENT VIEW IN WASHINGTON IS THAT THIS MATTER IS UNLIKELY TO BE SETTLED BEFORE EARLY SEPTEMBER. THIS IS HELPFUL FROM OUR POINT OF VIEW BECAUSE IT GIVES US MORE TIME TO ESTABLISH TO OUR OWN SATISFACTION THAT DISCRIMINATION AGAINST UK FIRMS REALLY HAS BEEN REMOVED.

THE BANK OF ENGLAND HAVE ACCORDINGLY TOLD THE UK BANKS CONCERNED THAT THE GOVERNMENT WOULD NOT WISH TO STAND IN THEIR WAY IF THEY WERE NOW TO DECIDE THAT SIGNATURE OF THE PROPOSED DOLLAR 1.5 BILLION LOAN WAS IN THEIR COMMERCIAL INTEREST.

I AM COPYING THIS LETTER TO BRIAN FALL (FCO) AND TO JOHN BARTLETT (BANK OF ENGLAND).

ENDS

15 AUGUST 1983

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