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FM UKDEL IMF/IBRD WASHINGTON 172130Z AUG 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 291 OF 17 AUGUST

IMF: THE MANAGING DIRECTOR'S BORROWING INITIATIVE

1. HABERMEIER (TREASURER) TELEPHONED TODAY WITH THE FOLLOWING QUOTE CONFIDENTIAL BUT OFFICIAL UNQUOTE MESSAGE ABOUT THE MANAGING DIRECTOR'S BORROWING INITIATIVE. THERE WAS OFFICIAL NEWS FROM SAUDI ARABIA THAT THEY WERE PREPARED IN PRINCIPLE TO OFFER THE FUND AN SDR3 BN CREDIT LINE PROVIDED THE BIS AND THE INDUSTRIAL COUNTRIES CAME UP WITH THEIR SHARE OF THE PACKAGE AS PROPOSED BY THE MANAGING DIRECTOR.

2. HABERMEIER SAID HE WAS PERSONALLY PLEASED NOT ONLY BECAUSE THE MESSAGE GAVE A POSITIVE TONE TO THE CURRENT DISCUSSIONS BUT ALSO BECAUSE IT MEANT THE FUND WOULD GET MORE FROM SAUDI ARABIA THAN THE SDR4 BN ORIGINALLY HOPED FOR IE SDR3 BN PLUS SDR 1.5 BN IN ASSOCIATION WITH THE GAB. HABERMEIER DOES NOT EXPECT A DIRECT REPLY TO THIS MESSAGE. HE SAID THE BALL WAS NOW IN THE COURT OF THE G10 AND OF THE CENTRAL BANKS IN PARTICULAR.

3. FCO PLEASE ADVANCE TO DIGGLE (HMT), GILCHRIST (BANK OF ENGLAND) AND APPELYARD (ERD).

WICKS

[ADVANCED AS REQUESTED]

MONETARY

ERD

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TO ROUTINE FCO  
TELEGRAM NUMBER 292 OF 17 AUGUST  
INFO BRASILIA

IMF: BRAZIL

1. WE SPOKE PRIVATELY TO REICHMANN (WESTERN HEMISPHERE DEPARTMENT) ON HIS RETURN FROM BRAZIL. HE SAID THAT ALL IN ALL THINGS LOOKED QUITE POSITIVE. FINAL AGREEMENT ON A REVISED LETTER OF INTENT WOULD HAVE TO AWAIT THE MANAGING DIRECTOR'S DECISION ON CERTAIN ASPECTS. THE PROGRAMME FOR THE REMAINDER OF 1983 WAS MORE OR LESS SETTLED BUT THERE WERE CERTAIN BASIC ALTERNATIVES TO CONSIDER FOR 1984.
2. WE ASKED IF MANAGEMENT INTENDED TO HOLD AN INFORMAL DE-BRIEFING MEETING FOR EXECUTIVE DIRECTORS FOLLOWING THE LATEST STAFF MISSION AS HAD BEEN DONE IN JULY (OUR TELNO 259). REICHMANN THOUGHT THE MANAGING DIRECTOR MIGHT WISH TO CALL SUCH A MEETING SOON AFTER HIS RETURN FROM HOLIDAY ON 26 AUGUST.
3. REICHMANN CONFIRMED THAT THE REVISED LETTER OF INTENT WOULD NOT BE PRESENTED TO THE BOARD UNTIL OCTOBER. THE ACCOMPANYING STAFF PAPER WOULD PROBABLY ARGUE THAT, WHILE THE FINANCIAL PROGRAMME FOR 1983 HAD GONE OFF TRACK, CONTINUED FUND SUPPORT WAS APPROPRIATE IN VIEW OF THE MAJOR STRUCTURAL CHANGES ACHIEVED SO FAR (EG ON WAGES AND AGRICULTURE) AND THE STRONG ADJUSTMENT MEASURES ENVISAGED FOR 1984.
4. FCO PLEASE PASS TO DIGGLE (HMT), GILCHRIST (BANK OF ENGLAND) AND APPELYARD (ERD).

WICKS

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COPIES TO:

MR DIGGLE, TREASURY

MR GILCHRIST, BANK OF ENGLAND

THIS TELEGRAM  
WAS NOT  
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