



B.F.

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Note for file

I have spoken to Brian Lunn and M O'Mara.

22 August 1983

Dear Willie, The Chancellor will let you have a full report on how the negotiations between Brazil and the IMF are proceeding by Wed/Thurs of next week. This will indicate the options open to us for increasing the pressure on Brazil.

BRAZIL

When the Prime Minister discussed current international debt questions with the Chancellor on 8 August, she was aware that a further tranche of Brazil's BIS credit was due for repayment at the end of August. Our expectation was that it was unlikely to be repaid, in which case it would be dealt with in the same way as the postponed 31 May tranche - ie no formal extension but roll-over in practice to 15 September to allow time for Brazil to carry forward its negotiations with the IMF.

The Prime Minister may like to be aware that the BIS have now put that proposition to the Bank of England on a precautionary basis. Negotiations with the IMF are continuing and repayment on 31 August seems improbable. We and the Bank therefore see no alternative to treating the 31 August tranche in the same way as the May tranche with the same 15 September deadline.

I am copying this letter to John Bartlett (Bank of England).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

See my note of B.

WM
23/8