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24 NOV 1983
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SECRET

ZZ NEW DELHI

FLASH

GRS 260
FM UKDEL IMF/IBRD WASHINGTON 240040Z NOV 83
TO FLASH FCO
TELEGRAM NUMBER 380 OF 23 NOVEMBER
AND TO FLASH NEW DELHI (FOR PRIVATE SECRETARIES TO THE PRIME MINISTER
AND THE FOREIGN SECRETARY)

IMF AND ARGENTINA: YOUR TELNO 875

1. AS INSTRUCTED, I ASKED THE MD TO MAKE A STATEMENT IN THE IMF BOARD ABOUT THE DOLLARS 500 MN FIRST TRANCHE OF THE BANKS' DOLLARS 1.5 BN MEDIUM-TERM LOAN TO ARGENTINA. THE MD AGREED AND MADE THE FOLLOWING STATEMENT THIS AFTERNOON IN THE FULL IMF BOARD. HE SAID RHODES (CHAIRMAN OF THE BANKS' ADVISORY COMMITTEE) HAD TOLD HIM THIS LUNCHTIME THAT, ALTHOUGH THERE WERE MATTERS STILL TO RESOLVE, THE BANKS WERE MOVING FORWARD ON THE RELEASE OF THE DOLLARS 500 MM. THE MD SAID THAT HE HAD TOLD RHODES HE WELCOMED THIS. THE LOAN HAD BEEN A LONG TIME IN THE OFFING AND RELEASE OF THE FIRST TRANCHE WOULD HELP WHEN IT CAME TO A RESUMPTION OF MORE FUNDAMENTAL DISCUSSIONS ABOUT THE ARGENTINE ECONOMY BETWEEN THE IMF AND THE NEW ARGENTINIAN GOVERNMENT. NO DIRECTOR COMMENTED ON THE MD'S REPORT.

2. I HOPE THAT THE MANAGING DIRECTOR'S STATEMENT IS WHAT IS REQUIRED. IT COULD HELP MINISTERS TO MAINTAIN THE LINE TO ONE CONSTITUENCY THAT THE BANKS' DECISION TO MAKE THE LOANS IS, FROM OUR POINT OF VIEW, QUOTE PREMATURE AND REGRETTABLE UNQUOTE, WHILE ARGUING TO A DIFFERENT CONSTITUENCY THAT THE BANK LOANS ARE PART OF THE CONTINUING INTERNATIONAL EFFORT TO MAINTAIN THE INTERNATIONAL FINANCIAL SYSTEM AND THUS TO SUPPORT THE WORLD ECONOMY.

3. FCO PLEASE ADVANCE TO PS/CHANCELLOR AND LITTLER (HMT), PS/GOVERNOR AND LOEHNIS (BANK OF ENGLAND) AND APPELYARD (ERD). NO FURTHER CIRCULATION.

WICKS

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