



Prime Minister (2) cc No.
To note, X in particular.

AT
15/6

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

15 June 1984

Andrew Turnbull Esq
10 Downing Street

Dear Andrew,

ARGENTINA

This letter reports the latest developments on Argentina, of which the Prime Minister may wish to be aware.

The IMF Board will meet later today (Washington time) to hear a report from the Managing Director on the Letter of Intent which, as you know, the Argentines have submitted direct to the Board. We understand that his first reaction, like ours, is that it is unacceptable. Among a number of unsatisfactory features it still, as widely reported in the press, envisages substantial real wage increases, which the Fund could not possibly endorse.

The Managing Director has already told the Argentines his reactions, but has indicated a willingness to help keep negotiations open (there may be resumption of work by an IMF technical mission early next week). He is not, however, hopeful of any early resolution of the problem, given the need for a substantial change in Argentine attitudes.

We have also been informed this afternoon by the US Treasury that they will be announcing later today that they will not renew their guarantee of the end-March loan by the four Latin American Governments (which expires today). The decision has been referred to the President himself and although there is still concern about the impact of the announcement, the US Administration have decided that it is unacceptable to be strung along by the Argentines any further. The press notice announcing the decision will, however, be emollient, and indicate willingness to consider any request for further bridging aid, provided the Argentines make progress with the Fund. Secretary Regan will also be in touch personally in the course of today with the four Latin American Governments concerned.

X | We have told the US Treasury that we think their decision absolutely right and that for our part we have made it clear to the British banks involved that we would strongly deprecate the release of any further funds to Argentina unless genuine progress is made in the negotiations with the Fund. The Working Committee of the principal banks is in fact also due to meet in New York later today, but in the circumstances we would not expect them to take any new decisions.

I am copying this letter to Len Appleyard at the FCO and John Bartlett at the Bank of England.

Yours ever,

J.C.S.

MISS J C SIMPSON
Private Secretary

15 JUN 1984

