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TO IMMEDIATE UKDEL IMF/IBRD WASHINGTON

TELEGRAM NUMBER 284 OF 9 NOVEMBER 1984

INFO PRIORITY PARIS

SAVING BISBA

YOUR TELNO 231 OF 1 NOVEMBER: IMF ARGENTINA

1. PLEASE TELL THE MANAGING DIRECTOR THAT WE ARE NOT REPEAT NOT PREPARED TO CONTRIBUTE TO THE DOLLARS 1 BILLION PLUS OF NEW EXPORT CREDITS WHICH REPRESENT THE OFFICIAL ELEMENT IN THE ARGENTINE FINANCE PACKAGE. IN FACT CONTRIBUTIONS IN PROPORTION TO PAST AND PROSPECTIVE TRADE PATTERNS WOULD MAKE OUR SHARE NIL (IF BASED ON THE RECENT PAST) OR NEGLIGIBLE (STERLING 25-30 MILLION?) IF BASED ON PROSPECTIVE TRADE. BUT WE ARE NOT PREPARED TO COMMIT ANYTHING IN ADVANCE.

2. THE TIMING AND CONDITIONS OF RESTORATION OF UK EXPORT CREDIT COVER DOES NOT YET ARISE. WE SHALL LOOK AT IT AGAIN AFTER THE RESCHEDULING OPERATION IS COMPLETE, PROVIDED ALL TRADE SANCTIONS HAVE THEN BEEN LIFTED. GIVEN THE PRESENT STATE OF ANGLO-ARGENTINE RELATIONS, YOU NEED NOT FEEL INHIBITED IN CONFIRMING OUR RELUCTANCE OPENLY IN THE BOARD OR ELSEWHERE.

3. FOR YOUR GUIDANCE WE REMAIN UNHAPPY WITH THE WAY THE FUND CONTINUE TO RELY ON 'GAPOLOGY'. AS UNWIN SAID AT THE G5 DEBT DEPUTIES MEETING, THE FUND'S ASSUMPTIONS ABOUT THE TRADE ACCOUNT LOOK VERY SUSPECT AS DOES THE UNDERLYING ARITHMETIC. WE ARE CHECKING THE FIGURES TO SEE IF THEY SUPPORT THE MD'S CLAIM THAT THERE WILL BE EQUALITY OF MISERY BETWEEN BANKS AND GOVERNMENTS.

4. THERE IS NO CHANGE IN HMG'S ATTITUDE TO PARTICIPATION BY UK BANKS. IT IS ENTIRELY A MATTER FOR THEIR COMMERCIAL JUDGEMENT. BUT IF THEY GO AHEAD WITHOUT AN IMF PROGRAMME, WE SHALL FEEL FREE TO CRITICISE THEM PUBLICLY. WE DO NOT BELIEVE THAT THEY WILL DEMAND UK GOVERNMENT PARTICIPATION AS THE PRICE OF THEIR OWN CONTRIBUTION - PARTICULARLY WHEN THEY WILL BE NET BENEFICIARIES

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FROM THE CURRENT PROPOSALS.

5. YOU REPORTED THE MANAGING DIRECTOR'S VIEW THAT IF THE OFFICIAL COMPONENT WAS NOT FORTHCOMING THERE WOULD BE NO FUND PROGRAMME. WE CONSIDER THAT THE AMERICANS, WHO BELIEVE THE PROGRAMME SHOULD NOT BE ALLOWED TO FAIL, WILL IN THE LAST RESORT FILL ANY GAP.

6. THE NEW TIMETABLE MAY MAKE IT IMPOSSIBLE TO RESCHEDULE IN THE PARIS CLUB IN THE WEEK OF 17 DECEMBER AS PLANNED. THE QUESTION OF UK PARTICIPATION IN THE PARIS CLUB DOES NOT NEED TO BE SETTLED IMMEDIATELY AND HAS YET TO BE CONSIDERED BY MINISTERS.

7. FOR YOUR GUIDANCE, JURGENSEN HAS JUST TOLD US (PLEASE PROTECT) THAT THE US EMBASSY IN PARIS IS ASKING ABOUT THE SIZE OF ANY FRENCH CONTRIBUTION. HE SAYS HE HAS REFUSED TO GIVE A FIGURE. BUT FOLLOWING REFERENCE TO MINISTERS, THE FRENCH POSITION IS NOW 'A LITTLE MORE OPEN' THAN LAST WEEK. FRANCE IS PREPARED TO GIVE THE FUND, FOR ITS USE ONLY, AN INDICATION OF WHAT CREDIT MIGHT BE AVAILABLE FROM GOVERNMENT SOURCES AS A CONTRIBUTION TO THE 'CRITICAL MASS'. THIS IS, IN FACT, THE MECHANISM PROPOSED BY THE RECENT BRAU REPORT. JURGENSEN BELIEVES THAT FRG WILL ALSO REFUSE TO GIVE ANY FIGURE TO THE US, THOUGH PIESKE TOLD G5 DEPUTIES THAT FRG WOULD SOON RESUME LIMITED SHORT-TERM COVER. SO FAR, WE HAVE HAD NO APPROACH FROM THE US EMBASSY IN LONDON.

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