

Prime Minister



The Chancellor intends to bring forward the meeting of the Interim Committee to

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

10-11 February

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PRIME MINISTER

In my minute to you of 17 December about the December G5 meeting, I said that a final decision on the timing of the Interim Committee meeting would need to be taken this week.

2. Since then useful technical progress has been made in the IMF Executive Board to narrow the differences on some of the central issues for settlement at that meeting. Firstly, agreement has been reached on the method of quota recalculation to be adopted. Secondly, a number of developing countries were initially suspicious of the proposal for a new pre-arranged borrowing facility based on the existing General Arrangements to Borrow (GAB), which they feared might involve discrimination in the availability of Fund resources. As this proposal has now emerged, there is no ground for such concerns, and many developing countries have come to see this. Thirdly there seems a chance that certain potentially controversial issues, including the question of 'extended access', could be left for settlement, after the main package, by the Executive Board.

3. Against this background the issues for negotiation have become more manageable. At the same time a significant momentum towards a settlement has been built up: it is increasingly recognised that agreement could be significant not simply in its own right but also, more generally, for confidence.

4. Over the past two weeks members of the G5, and we ourselves, have undertaken soundings of the other parties on the prospects for an accelerated meeting. This was one of the aims of my visit to Saudi Arabia, during which I was also able to consider the position in some detail with the IMF Managing Director.

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5. In the light of these assessments my conclusion is that, while uncertainties remain, it would be right to decide now to advance the meeting of the Interim Committee to 10-11 February. Differences remain on the central issues, and there are precious few possible douceurs available to secure agreement if they persist. However the prospects of success would not be increased by delay: and I believe it is preferable to build on the momentum which has been achieved. It is accordingly being arranged that an announcement of an advanced meeting will be made in the Executive Board on Wednesday morning and formally confirmed by a press release in London on Thursday.

6. The next important step in the run up to the Interim Committee is a series of G10 meetings in Paris early next week. A major objective then will be to reach agreement on the size of the enlarged GAB, and on the shares within it to be taken by the participants. This is a major element of the resources package, and while we are not far from agreement on the total size, we are still a good way off it on the question of shares. Although GDP and reserves provide a guide to a settlement here, final agreement will involve some horse trading. For example the Germans have shown some restiveness so far at the suggestion that the UK should take only a 10 per cent share - and yet retain second place in Fund quotas - while they might have to take 15 per cent. Getting a deal will involve overcoming a number of such obstacles.

7. Another GAB aspect for discussion next week will be the question of involvement of others in parallel credit arrangements, falling short of full membership. One of the purposes of my visit to Saudi Arabia last weekend was to clarify this with them. My impression is that they will probably wish to participate. However there are a number of technical possibilities here which I think G10 members will need to consider, probably with early follow up meetings in Riyadh.

/The talks





8. The talks with the Saudis on the main issues went well. On the two most contentious points - the size and distribution of the Quota increase - it is clear that they will help in the search for acceptable compromise solutions. Progress on the release of the third tranche of their loan to the IMF also seems possible, though this can be handled separately. I was struck by their explicit statement that they shared a common interest with us in the maintenance of an effective IMF and a healthy world financial system.
9. A bonus from the visit to Saudi Arabia was the opportunity to consider the planning and stage-management of the Interim Committee with Jacques de Larosiere in some detail. He recognises the uncertainties as much as any and he agrees that bringing the meeting forward is something of a gamble, but he also shares my view that it is one well worth taking. And I am confident that he will make every effort to help make a success of the meeting. We may not pull it off, but neither of us believes that we would stand a better chance in April.
10. Copies of this minute go to the Foreign and Commonwealth Secretary, the Governor of the Bank of England and Sir Robert Armstrong.

GEOFFREY HOWE

11 January 1983

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*From the Private Secretary*

14 January 1983

The Prime Minister was grateful for the Chancellor's minute of 11 January about the timing of the Interim Committee meeting.

She has noted without comment that he has now announced that the meeting of the Interim Committee will be advanced to 10/11 February.

W. F. S. RICKETT

Miss Margaret O'Mara,  
HM Treasury