



Prime Minister

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approval?A.F.C. 20.  
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Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

20 January 1983

FOREIGN AND COMMONWEALTH SECRETARY

IMF - ARGENTINA

You will be aware that on 24 January the IMF Executive Board is due to consider Argentina's request for phased drawings totalling about SDR 2bn, and that we have drawn the Fund's attention to discriminatory payments restrictions which the Argentinians are continuing to maintain against us in contravention of their obligations under the Fund's Articles. Your officials and mine have considered the issues this raises, in consultation with the Bank of England.

2. It is not yet clear how the Fund staff propose to react. If they decide to postpone consideration of Argentina's programme, it seems to me very desirable that the delay is clearly imputed to the IMF staff rather than to ourselves.

3. If the staff were in fact to see no impediment to the approval of the adjustment programme, this would in some ways be helpful. It would put Argentinian Government spending firmly under IMF scrutiny, and would assist the return of confidence to the international financial system. It would also provide an opportunity for steps to be taken by the Argentinian authorities to transfer the administration of the discriminatory payments restrictions to the Ministry of the Economy, where they can be readily rendered inoperative. (I understand that this is in fact under consideration in Buenos Aires at the moment.)

4. But I am quite sure that, if the staff were to take this line, it would be essential to secure a firm understanding that if the

/restrictions



restrictions were not lifted by May, when the Fund will review the programme, the Argentiniens' right to make further drawings under their programme would be immediately suspended. I accordingly endorse the line to this effect which officials agree should be taken on 24 January by our Director on the Executive Board.

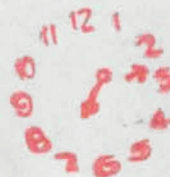
5. I am copying this minute to the Prime Minister and the Governor of the Bank of England.

A handwritten signature in black ink, appearing to be "G.H.".

G.H.

20 January 1983

20 JAN 1983



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10 DOWNING STREET

*From the Private Secretary*

24 January 1983

IMF - ARGENTINA

The Prime Minister is content with the proposed approach to the IMF Executive Board discussion on Argentina which is described in the minute of 20 January by the Chancellor of the Exchequer.

I am copying this letter to John Holmes (Foreign and Commonwealth Office) and Tim Allen (Governor's office, Bank of England).

A. J. COLES

John Kerr, Esq.,  
HM Treasury