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Prime Minister

*The issue of PLO status
with IMF/IBRD is now
coming to a head. See also
tel. below on Saudi
feelings*

MP 21/8

GRS 617

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DESKBY 130830Z LUXEMBOURG

FM FCO 121600Z AUG 80

TO IMMEDIATE LUXEMBOURG

TELEGRAM NUMBER 100 OF 12 AUGUST

AND TO IMMEDIATE OTHER EC POSTS, WASHINGTON

REPEATED TO FOR INFO ROUTINE UKDEL IMF/IBRD WASHINGTON, CAIRO,

AMMAN, JEDDA, ABU DHABI, KUWAIT, DAR ES SALAAM, TOKYO, BEIRUT,

DAMASCUS, TEL AVIV, WELLINGTON, CANBERRA

SAVING TO (FOR INFO) UKMIS NEW YORK, UKMIS GENEVA.

UKDEL IMF/IBRD WASHINGTON TELS NOS 224 AND 230, AND WASHINGTON

TEL NO 3729: IMF/IBRD AND THE PLO

1. CHANCELLOR OF EXCHEQUER, AS UK GOVERNOR OF BANK AND FUND, HAS NOW BEEN INVITED TO VOTE ON RESOLUTION WHICH WOULD EFFECTIVELY PREVENT PLO FROM BECOMING OBSERVERS AT IMF AND IBRD FOR THE ANNUAL MEETINGS IN SEPTEMBER/OCTOBER THIS YEAR. VOTES MUST BE CAST BY 9 SEPTEMBER. THE AMERICANS HAVE LOBBIED US HERE TO VOTE AND 'TO MAKE ANY EFFORTS WE FEEL APPROPRIATE' TO PERSUADE OTHERS TO VOTE TOO. THEY ARE LOBBYING MOST OTHER NON-ARAB FUND AND BANK MEMBERS IN THE SAME SENSE. THEIR OBJECTIVE IS TO ENSURE THAT THE PROPOSAL DOES NOT FAIL FOR LACK OF A QUORUM.
2. THE MAIN CONSIDERATIONS AFFECTING OUR ATTITUDE ARE:-
 - (A) CONCERN TO AVOID ANY RISKS TO ANGLO-SAUDI RELATIONS IN THE CONTEXT OF MY VISIT TO SAUDI ARABIA IN LATE AUGUST AND TO OUR RELATIONS WITH THE ARABS GENERALLY.
 - (B) THE IMPORTANCE OF SECURING APPROVAL FROM THE US CONGRESS OF THE 6TH REPLENISHMENT OF THE IDA AND THE SEVENTH QUOTA INCREASE FOR THE IMF. WHILE THE PRESENT STANDSTILL ON OPEC LENDING TO THE BANK AND FUND IS UNWELCOME, A FAILURE TO OBTAIN CONGRESSIONAL APPROVAL WOULD BE A MUCH MORE SERIOUS AND LASTING SETBACK TO THE INSTITUTIONS.
 - (C) MAINTENANCE OF A COHERENT WESTERN APPROACH. ALL WESTERN COUNTRIES SUPPORTED THE US MOVE IN THE BOARDS OF THE IMF AND

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IBRD. A CHANGE OF POSITION WOULD DISMAY THE AMERICANS WITHOUT NECESSARILY IMPRESSING THE ARABS.

3. WE ATTACH GREAT IMPORTANCE TO ACHIEVING AN AGREED POSITION AMONG THE COMMUNITY MEMBERS ON THIS SUBJECT. THIS IS NOT ONLY BECAUSE THE NINE HAVE ACTED TOGETHER OVER THE PLO ELSEWHERE, BUT ALSO BECAUSE A COMMON EUROPEAN POSITION REDUCES THE RISK OF THE UK ATTRACTING SPECIAL ARAB CRITICISM.
4. GRATEFUL IF COMMUNITY POSTS COULD ASK THEIR AUTHORITIES HOW THEY INTEND TO ACT, HOW THEY HAVE RESPONDED TO ANY AMERICAN APPROACHES, AND WHETHER THEY AGREE ON THE NEED FOR THE NINE TO KEEP TOGETHER. WE WOULD BE GLAD TO KNOW IF THE PRESIDENCY HAVE PLANS TO COORDINATE POSITIONS. WE WOULD WELCOME REPLIES, IF ONLY PRELIMINARY, BY THE END OF THURSDAY 14 AUGUST.
5. IF ASKED ABOUT THE UK POSITION, COMMUNITY POSTS (BUT NOT WASHINGTON) SHOULD SAY - STRESSING THAT MINISTERS HAVE NOT YET BEEN CONSULTED - THAT WE ARE INCLINED TO VOTE FOR THE RESOLUTION, BUT TO CAST OUR VOTE AT A LATE STAGE AND NOT TO LOBBY ANY OTHER COUNTRIES IN SUPPORT OF THE AMERICANS. BUT WE WOULD WISH TO BE ASSURED THAT OUR PARTNERS WERE ACTING SIMILARLY. WE BELIEVE (SEE UKDEL IMF/IBRD REFTELS) THAT THERE IS A FAIR CHANCE THAT THE RESOLUTION WILL OBTAIN A QUORUM AND PASS. BUT IF IT DOES NOT, WE WOULD BE RELUCTANT TO TAKE PART IN FURTHER PROCEDURAL MANOEUVRES.
6. WE HAVE NOTED THE VIEWS OF THE US EXECUTIVE DIRECTOR (REPEATED BY THE US EMBASSY HERE) THAT CONGRESS WOULD CERTAINLY REACT BADLY TO PLO ADMISSION AS OBSERVERS THIS YEAR - NOW REINFORCED BY MR MUSKIE HIMSELF (SEE WASHINGTON REFTEL). GRATEFUL FOR HM EMBASSY WASHINGTON'S ASSESSMENT OF THE STRENGTH OF CONGRESSIONAL FEELING ON THIS ISSUE: ARE THE IDA REPLENISHMENT AND IMF QUOTA INCREASE REALLY AT RISK? TO THE EXTENT THAT THEY ARE, WHAT MIGHT BE THE LONGER-TERM IMPLICATIONS FOR THE FUTURE OF THE INSTITUTIONS?
7. POSTS IN ARAB COUNTRIES MAY CONTINUE TO USE THE POINTS IN MY TELNO 393 TO JEDDA (NOW BEING COPIED MORE WIDELY) IF THEY CONSIDER THEM USEFUL.

CARRINGTON

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