

Prime Minister.A.S.C. - 24.  
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Treasury Chambers, Parliament Street, SW1P 3AG  
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A J Coles Esq  
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10 Downing Street  
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24 May 1984

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Dear John,

ARGENTINA

On Argentina: Relations Pt 37.

The Chancellor was grateful to be informed through your letter of 22 May about the sale of further Exocets by the French to Argentina, and has noted the Prime Minister's comment about British bank loans to Argentina. He would be grateful if the Foreign and Commonwealth Office would now keep the Treasury directly informed of any further developments.

On Argentina: Indebtedness Pt 4.

As I reported in my letter of 18 May, the Bank of England, at our request, have already made it clear to the British banks that the latest proposal for the release of the outstanding \$1 billion of the 1983 \$1.5 billion medium term loan does not commend itself to us; and that the Government will consider itself free to say publicly, if necessary, that in their view it would be better to wait until the Argentine Government had undertaken a new programme which satisfies the Fund.

In the light of this latest information, we have stressed again to the Bank of England the extreme sensitivity of this situation and asked them to keep us very closely informed of developments and to ensure that the British banks do not make any further moves without first consulting them (and through them, the Treasury).

The present situation, as we understand it, is that the Working Committee of commercial banks have now submitted the proposal described in my letter of 18 May with conditions (including specific commendation of the proposal by the IMF Managing Director), to the Argentine Government for the release of the remaining \$1

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billion and await their response. If that response is favourable - which is by no means certain - the Working Committee will then need to consult the other banks involved and obtain their agreement before any proposal can be set in motion.

I am copying this letter to Peter Ricketts at the Foreign and Commonwealth Office and to Richard Hatfield at the Cabinet Office.

*Yours ever,*

*J.C.S.*

MISS J C SIMPSON  
Assistant Private Secretary