

GRS 600
CONFIDENTIAL
DESKBY BOTH 070900Z
FM WASHINGTON 042255Z FEB 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 298 OF 4 FEBRUARY
AND TO IMMEDIATE UKREP BRUSSELS

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IMF INTERIM COMMITTEE

1 I CALLED ON SECRETARY REGAN THIS AFTERNOON AND DELIVERED THE PERSONAL MESSAGE FROM THE CHANCELLOR OF THE EXCHEQUER WHICH WAS SENT HERE BY TELEX ON WEDNESDAY AND CONFIRMED BY TELEPHONE BY THE TREASURY YESTERDAY MORNING.

2. REGAN WAS GRATEFUL FOR THIS MESSAGE AND SAID THAT HE AGREED WITH PARAGRAPHS 1-3. HE WAS HAPPY TO HAVE THE CHANCELLOR'S VIEWS ON PARAGRAPH 4 (IMPORTANCE OF ADEQUATE INCREASE IN QUOTAS, AND MEETING WITH CONGRESSIONAL LEADERS). HE WAS GRATEFUL FOR THE REMARKS IN PARAGRAPH 5 ABOUT THE BUDGET PROPOSALS RECENTLY ANNOUNCED BY THE ADMINISTRATION. HE SAID THAT HE WOULD LET THE CHANCELLOR KNOW ON PARAGRAPH 6 WHICH SUGGESTED THAT HE, THE CHANCELLOR AND THE MANAGING DIRECTOR MIGHT MEET PRESIDENT REAGAN AFTER THE INTERIM COMMITTEE. THE SAME THOUGHT HAD OCCURRED TO REGAN INDEPENDENTLY, BUT IT WOULD OBVIOUSLY DEPEND ON THE PRESIDENT'S SCHEDULE, ESPECIALLY AS IT WOULD BE A FRIDAY AFTERNOON.

3. REGAN ADDED THAT HE WAS GLAD ARRANGEMENTS HAD BEEN MADE FOR HIM TO MEET THE CHANCELLOR BEFORE THE INTERIM COMMITTEE. HE WAS HOPING THAT THIS WOULD BE A ONE-ON-ONE MEETING, AT WHICH HE COULD MENTION SOME OF THE IDEAS HE INTENDED TO BRING UP AT THE G5 DINNER. IN ADDITION TO EXCHANGING VIEWS ON THE IMF QUOTAS AND THE GAB, HE WANTED TO DISCUSS THE CURRENT OIL CRISIS, AND HOW WE WOULD PERFORM IF THE POSITION GOT MORE DIFFICULT. IF THE PRICE WAS TO FALL FURTHER, HE HOPED THAT THIS WOULD NOT HAPPEN PRECIPITOUSLY, BUT THE MARKET MIGHT NOT SEE IT THAT WAY. HE WAS INTERESTED AT THE WAY IN WHICH, FOR EXAMPLE, THE RUSSIANS AND THE EGYPTIANS HAD DROPPED THEIR PRICES SO QUICKLY. POLITICAL LEADERS WOULD BE LOOKING TO FINANCE MINISTERS FOR SOLUTIONS, AND HE WOULD RATHER HAVE A GAME PLAN THAN IMPROVISE.

4. ON THE PROSPECTS FOR THE BUDGET, REGAN OBSERVED THAT THE ECONOMIC PROJECTIONS WHICH HAD BEEN DEVISED TO AVOID ANY CRITICISM OF OVER-OPTIMISM HAD, IN HIS VIEW, ERRED ON THE SIDE OF OVER-PESSIMISM. FELDSTEIN WAS ALREADY INCLINING TO TAKE A SIGNIFICANTLY LESS PESSIMISTIC VIEW, IN WHICH CASE THE PROJECTED DEFICIT MIGHT BE CONSIDERABLY LOWER.

5. ON THE LUNCH WITH CONGRESSIONAL LEADERS, HE MENTIONED THAT THIS WAS PART OF A LARGER CAMPAIGN, ESSENTIALLY TO GET THEM TO RECOGNISE THAT THERE WAS A DIFFERENCE BETWEEN THE IMF, AND BODIES LIKE IDA AND AID.

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6. AS REQUESTED IN TELECON LITTLER/ANSON, WE HAVE SEPARATELY ASKED THE U S TREASURY FOR SOME NOTES ABOUT THE KIND OF POINTS WHICH THE CONGRESSIONAL LEADERS HAVE ALREADY RAISED IN PREVIOUS DISCUSSIONS WITH THE U S TREASURY. THESE WILL BE AVAILABLE WHEN THE CHANCELLOR ARRIVES. THE KEY POINTS, APART FROM THE ONE MENTIONED BY REGAN ARE: ANTIPATHY TO THE BANKS (WHY SHOULD WE BAIL THEM OUT?): GENERAL ANTIPATHY TO LDC'S: AND OBJECTIONS TO GIVING MONEY EITHER TO INTERNATIONAL INSTITUTIONS OR TO LDC'S WHEN THERE ARE PRESSING NEEDS AT HOME.

7. FCO PLEASE ADVANCE TO BOTTRILL (TREASURY), WHO MAY WISH TO PUT IN HAND BRIEFING FOR THE CHANCELLOR ON THE ENERGY MATTERS IN PARAGRAPH 3 ABOVE IF THIS IS NOT ALREADY COVERED BY EXISTING BRIEFING MATERIAL. UKREP BRUSSELS PLEASE PASS TO CHANCELLOR AND LITTLER, ATTENDING THE ECOFIN MEETING.

WRIGHT

*MONETARY
ERD*

(ADVANCED AS REQUESTED)

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