



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

9 February 1984

Andrew Turnbull Esq
No 10 Downing Street
LONDON SW1

Dear Andrew,

ARGENTINA: COMMERCIAL BANK LENDING

The Chancellor mentioned, in his minute of 7 February, that the British banks would probably be deciding this week how to respond to a recommendation to reinstate the draw-down period of the medium term loan to Argentina. *- with AT*

As I told you earlier today, we now understand from the Bank of England that they have decided not to withdraw the condition advocated by the British (LBI) representative in last week's New York discussions. They have, therefore, replied to the effect that any further loan disbursements must be conditional on a satisfactory agreement with the IMF. We also understand that they reached this conclusion not only in the light of their awareness of HMG's views, but because they are concerned about evidence that Argentina is not pursuing negotiations with the Fund as seriously as they would wish.

ie a letter of intent would not suffice.

The question of raising the stakes in order to stiffen the banks' resolve, which was discussed in the Chancellor's minute and the Foreign Secretary's response yesterday, is therefore now academic, at least for the present.

Copies of this letter go to Brian Fall (FCO), John Bartlett (Bank of England) and ~~to~~ Richard Hatfield (Cabinet Office).

Yours ever,
J O Kerr
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Indebtedness

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