

**CONFIDENTIAL**

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FROM WASHINGTON  
TO ROUTINE FCO  
TELNO 3031  
OF 042100Z NOVEMBER 1985  
AND TO BUENOS AIRES

VOLCKER'S VISIT TO ARGENTINA

1. REPORTS IN THE WEEKEND PRESS THAT VOLCKER WILL BE SHORTLY VISITING BUENOS AIRES ARE CORRECT. HE WILL BE ACCOMPANIED BY MULFORD (TREASURY ASSISTANT SECRETARY, INTERNATIONAL FINANCIAL AFFAIRS).
2. WE UNDERSTAND FROM OUR CONTACTS IN THE FED AND THE TREASURY THAT THE PURPOSE OF THE VISIT IS TO FOLLOW UP THE US DEBT INITIATIVE. ARGENTINA IS SEEN AS PERHAPS THE FIRST CANDIDATE, EVEN BEFORE MEXICO, FOR BAKER'S THREE-PRONGED APPROACH--I.E. ADDITIONAL IBRD AND COMMERCIAL BANK MONEY IN RETURN FOR STRONGER, GROWTH-ORIENTED ADJUSTMENT. THIS IS BASED ON AN ASSESSMENT THAT ALFONSIN'S ECONOMIC PROGRAM IS GOING WELL AND THAT HE IS SHOWING THE NECESSARY DETERMINATION TO CARRY IT FORWARD AND POSSIBLY STRENGTHEN IT. WE UNDERSTAND THAT VOLCKER INTENDS TO EXPLAIN THE NEW US APPROACH TO THE ARGENTINIANS AND DISCUSS WITH THEM POSSIBLE SUPPLY-SIDE MEASURES, SUCH AS TRADE LIBERALISATION AND REFORMS TO THE BANKING SYSTEM THAT WOULD ENABLE ARGENTINA--AS PER THE BAKER PLAN--TO QUALIFY FOR ADDITIONAL IBRD LENDING AND WHICH WOULD PERSUADE THE BANKS TO MAKE NEW MONEY AVAILABLE. HOWEVER, ON THE LATTER, IT IS THOUGHT UNLIKELY THAT HE WILL GET INTO SPECIFICS.
3. AN IMF TEAM IS CURRENTLY IN BUENOS AIRES REVIEWING THE SBA. (AN EARLIER MISSION IN SEPTEMBER WAS UNABLE TO COMPLETE THE REVIEW BECAUSE THE AUTHORITIES WERE THEN NOT IN A POSITION TO AGREE NEW CREDIT CEILINGS ETC IN ADVANCE OF THE NEW BUDGET.) FUND STAFF ARE REASONABLY HOPEFUL THAT THE REVIEW WILL BE SUCCESSFULLY COMPLETED WHICH WOULD ALLOW ARGENTINA TO MAKE FURTHER PURCHASES UNDER THE SBA.
4. FCO PLEASE ADVANCE TO LITTLER (HMT), LOEHNIS (BANK OF ENGLAND) AND TAIT (ERD).

WRIGHT

MONETARY

SAMB

Repetition to BUENOS AIRES  
referred for departmental decision,  
repeated as needed to other posts.

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