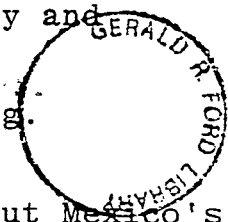


Burns *Two items*] I thought it best to take up an executive session .

One is to discuss a little the Mexican situation and what the sub-committee of this committee has been up to and the second is to, the second item that I wish to discuss with the Board is Mr. Reuss's request for the minutes of reserve bank board meetings. Now let me say a little about the Mexican situation and then call on Mr. Wallich to talk to you about developments there and *our own* ~~around~~ relation to those developments and perhaps in detail. As you may recall we have a swap facility *for* ~~in~~ Mexico and Mexico can draw on us up to \$360 million such a drawing was made earlier this year, and that amount was later repaid or repaid recently. The original loan to Mexico of \$360 million was not made by us with due deliberation with due *CARE.* *We* acted I think a little mechanically, there was this arrangement they asked for the money and we asked a few questions, grumbled a little and just went along. The fact of the matter is that we are very poorly informed about Mexico's financial condition and I'm not proud of the way in which we have conducted ourselves. I'm not talking about the decisions, I'm talking about the amount of degree of knowledge, the amount of information we had at the time we made the decision. Now since then we have taken

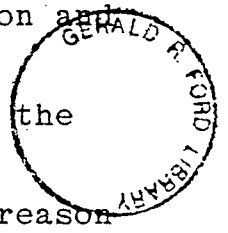


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strong steps to familiarize ourselves ^{not only} ~~early~~ with the situation in Mexico ^{on a} ~~and on the~~ current basis but to keep up to date records as through ⁽¹⁰⁾ as we can make them for each of the countries with which we have a swap arrangement, and we are far better organized today to deal with a request for a loan or a swap drawing than we ~~were~~ were previously. Now there was a time when swap drawings were virtually automatic. The, our attitude has changed, mine certainly has, when Britian came in earlier this year the initial request was for 3 billion dollars. Without going through the details, I agreed with the British on the sum of \$2 billion and indicated we would not go above that, and then I ~~went~~ went to the Treasury, and asked the Treasury to become our partner. The reason ^{once} being that Britian is no longer as creditworthy as it/was. And I'm afraid that is the kind of world we live in as far as ^{foreign} ~~armed~~ borrowing from us much of it is concerned. We have not said anything about that publicly and I don't think we should. We would only ^{add} ~~pass~~ to anxiety and uncertainty. But I no longer regard the swap facility as being quasi-automatic, I don't think it should be. Now I haven't found anyone who anticipated a depreciation of the Mexican peso. of 50 per cent or over. The financial policies conducted by that country have been



scandalous, we were inadequately informed. Well we understand I think now the situation in Mexico with reasonable thoroughness. The Mexicans have now come in for ^(a) request for a new borrowing. The that request was studied with the utmost care by your sub-committee. We had one meeting after another on the issue, raised one question after another one kind of conversation after another with the Mexicans, one conversatic after another with the Treasury. ^{The long &} ~~Well~~ in short of it is that Mexico may be very close to bankruptcy, I mean by that the enormous ^{foreign} debts Mexico has contracted ^{-- it} is by no means clear that Mexico will be able to service these debts and the moritorium ^{may} they need to be declared. ^{The debts} ~~But that's~~ being rescheduled. Now that would be a most unfortunate development because our banks are heavily involved in lending to Mexico. And of course it could set off moretorium ^{elsewhere} mostly around the world. The taking things all and all, recognizing that Mexico is not a good borrower, recognizing that any amount that we might loan to Mexico may not be repaid for some time. The sub-committee still decided unaniously to make a loan of \$150 million and not go above that. That is exactly that the Treasury has made available to the Mexicans, so we're being partners ⁱⁿ ^{deal} and that ~~year~~ just as we were on the British case.



Now you might wonder why would we make a loan in a case of a country
the prospects of which are so gloomy and the prospects ~~are~~^{of} which in any
event are so highly uncertain. the fact^{of} that led me finally to conclude

that it was desirable I believe that other members of the sub-committee
were ~~endeavored~~^{governed} by similiar thoughts, was that if Mexico were to declare
a moritorium in the near future ~~and~~^{having} receive no help at all from this
central bank, than we would inevitably share a certain responsibility for
that ~~steps~~^{collapse} and for the difficulties that would be caused to our ~~Commercial~~
~~banks~~^{banks} demands. Now if you ask me am I at all sure that a loan of a \$150 millio

by us would prevent such a default, the answer is, oh no by no means, its
really a drop in the bucket considering Mexico's enoromous need to

~~devalue~~^{borrow}. But there is ⁻⁻ a new government will come into power and that
of course influenced our thinking to ~~agree~~^{do} and if a reflow of capital
took place Mexico could straighten out its affairs, if a reflow doesn't
take place then I am afraid Mexico will ~~down~~^(go) the drain. Now I am going
to call on Mr. Wallich to add to my comments in any ways he see's fit.

Wallich ^{I don't think} Mr. Chairman there's a great deal I can't add to
what you say, ^{You've} ~~is~~ ^{accurately} adequately ~~actually~~ described the situation of Mexico.

Going into a little more detail, they have moved into a period of un-

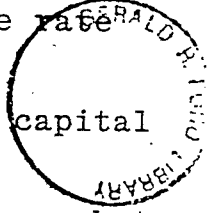
certainty about the exchange rate after many years ~~from~~ ⁱⁿ which it was taken for granted with the exchange rate was stable. As a result, there developed in Mexico a great degree of ease of moving ~~the going~~ ^{between} dollars and pesos, there is no exchange control, people can maintain dollar deposits in Mexican banks, they can take their dollars out ^(of) the country of course. This system ~~wants~~ ^{once} stability has been abandoned, it comes very troublesome. The dollars deposited in Mexican banks can be sent abroad very easily or they can be withdrawn in currency, that's the reason why we have these heavy currency shipments to Mexico. Its a form of ~~passable~~ ^{capital} flight that is difficult to manage by means of interest rate policy, ~~the straight~~ ^{interest rate} policy affects the corporate borrower, but it is not on the whole ~~of~~ the corporate borrower who is taking his money out of Mexico, its the individual who has dollar deposits or even has pesos savings and cashes those in and buys dollars. Now in the face of that, the bank of Mexico, in my opinion nevertheless, ~~is~~ ^{has} tried far too long and far too hard to hold up the rate. The Fund told them ~~that~~ at the beginning of the negotiations that led to the last agreement ~~upon which besides~~ ^{The Fund has had} 3 missions there this year. The Fund told them that they had concluded that a ~~50~~ ⁵⁰ per cent depreciation would be



needed. The initial depreciation was much less than that. They held the rate at this level that cost about a billion dollars ~~as it resolves~~ ^{of reserves}.

Finally they had to let go, and went to what is in effect close to 50 per cent depreciation. The peso used to be 8¢ and now it is around 4.

Even then the Mexican central bank ~~xxx~~ has tried to manage the rate and convey a sensation of upward ~~friend~~ ^{trend} in order to reduce the capital



flight. They have invested less money in this effort than before, but they needed additional ^{reserves} results, that is the one reason for the drawing.

The other reason for the drawing on Treasury and the Federal Reserve is that they need compensating balances, they ^{typically} ~~particularly~~ keep ~~xxx~~ 1.2 to

1.6 billion of compensating balances with their various banks ~~because~~ ^{-- these are} their exchange reserves. Now these are down into the low hundreds.

~~xx~~ The Treasury examined the possibility of a swap that would give the Mexicans only compensation ^{ng} balances that they couldn't in ~~xxx~~ effect

draw out but it was abandoned because it would create ~~xx~~ ~~xxxx~~ ~~xxx~~ legal problems and there ~~is~~ ^{are} no particular strings attached to either the

Treasury^s or our drawing. We had in the new drawing that was agreed a sharp cut back from the original level of the swap, that level remains

as being a general authorization, but then this particular case instead

of 360 ~~was~~ ^{we} said a limit of 150 this they wre to take down into ~~2~~ ^{2 tranches}
of 75 each. The second one to occur after they had secured a loan from
the bank of America which is being negotiated 800 million and which
^{according} ~~forming~~ to reports from the Mexicans ^{is} ~~is~~ being signed today. So that
would create the conditions in which the second drawing could be made,
^{the 1st} ~~because~~ drawing was made right after the agreement. We have a new
wrinkle in this swap which gives us a little added protection, although
I would caution not to overrate it. They had to agree to a maintaince
of value clause if the peso which fluctuated ^{\$} in the margin ^{ket} should go
down during the period of the 90 day drawing then in the first place
they're expected to repay, ^{but second it} ~~for instance~~ it is by mutual agreement,
agreed not to repay, ^{to extend the swap}



Burns

You mean repay at the end of 3 months.

Wallich

3 months. But if we agree that it is to be ~~over~~ ^{rolled} over

and if the peso has depreciated at that time they have to put in
additional pesos so ^{that} ~~if~~ the dollar value ^{of} ~~has~~ collateral is maintained.

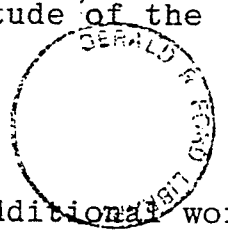
In the back of this ^{there is} ~~phase~~ the thought which I am sure is obvious to them
although we have not made it overt that we could go into their market
and sell these pesos ^{to} for what they would bring. Now ^(this) ~~of~~ course, could

be up by ^{them} ~~the~~ by blocking this account and it is a thing that we would hardly do ^{except} ~~in accept~~ in extremes but the fact that they would have to take further action to keep us from doing so I think will slightly weight the scales in their mind in favor ^{of} ~~in~~ doing what they can can to meet their obligation. The Treasury tried to get the similar arrangement into their swap but they found again the legal problems defeated them so they go without this ^{little} ~~double~~ added protection. Now as to the future, the Chairman has described the situation, ~~and~~ new government is coming in and the President ^{Luis} ~~looks for~~ ^{er} ~~for~~ is a former ^{er} finance minister. It is hoped that he will inspire confidence. His views are not 100 per cent known and there is some apprehension even with that they might lean in the direction of the agricultural reform ^d ~~of~~ other things that would certainly not add to confidence. The Fund thinks that the situation is manageable if they decide to do the right things, that is cut down government expenditures and keep wages from rising unreasonably. On both ^{fronts} ~~funds~~ so far they have not performed very well. The government deficit looks as if it might be larger than expected and will have to be renegotiated with the Fund to preserve the standby, on wages the increases were larger than ^{we} ~~were~~ seemingly agreed with the IMF. Other than that there is as yet no obvious impediment to continued ^{we} ~~by~~ ability



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of Mexico. They claim that this \$800 million loan negotiated after the devaluation was over subscribed, its being signed apparently on schedule to the date that they have said, although they're getting the money a little later than they ^{had} ~~have~~ led us to believe. They have not yet negotiated for next year on the ground that when one is negotiating one big loan, one must not be negotiating something else. They do have to borrow something of the order of \$250 million a month given that they will have something like ^{at best} ~~it less~~ a \$2 billion current account deficit, and ought ^{to} to restore their reserves ~~to~~ by about a billion. That ~~is~~ ^{does} not yet allow ~~ed~~ for any reflows. If they get reflows their situation will be very materially improved. Total outflows just during this year were roughly guessed to have been at \$2-1/2 billion. So very large Mexican amounts abroad ^{by} ~~by~~ could come back if there's confidence ^{at} with great profit in pesos to the owners and it depends entirely on the attitude of the new government.



Burns

Thankyou very much. ~~is~~ there is ^{one} ~~not~~ additional word that Id like to say before, ^{exposing} ~~it stays in~~ myself and Mr. Wallich and other members of the sub-committee to questioning, these conversations with Mexico were practically ^{con} ~~in~~cluded by November 7, a Sunday, Sunday evening--

November 7. November 8, the morning of Nov. 8 we had a telephone conference at which time we took up our longer range monetary targets. The subject on which I had to testify on the 11th. Therefore it would have been possible for me to take up this subject of the Mexican loan on the morning of Nov. 8 with members of the Committee. Now I ~~have~~ thought long and hard about that, that would have been certainly my intention, my ~~strong~~ strong preference, ^(But) this is such a highly sensitive subject and I'm told that our telephone hookup is not ^{absolutely} ~~actually~~ secure. Therefore I ~~was~~ decided that ^{if leak as it} any ~~reoccur~~ could cause great convulsions that ^{would} ~~wild~~ cause waves all around the world, and I decided therefore not to do it. ^w Not your sub-committee met continuously with the exception of Mr. Volcker who ^{was} ~~is~~ out of the country part of the time, so Mr. Volcker was ^{fully} informed and the sub-committee was entirely unanimous, but I did want you to know this technically could have come before the Committee and my reason for ^{not} bringing it up at the meeting on the 8th.

Broughman

As ^{clear} verification a \$150 million ^{Federal} Reserve and \$150

at the Treasury?

Burns

That's right.



Kimbril

Any magic in those numbers that they arrived at?

Burns

No, no ^{magic,} ~~its~~ hard bargaining, ~~the~~ we started out

being reluctant to do anything, but afterward you know our ~~only~~ own discussions the attitude of the Treasury, taking into account repercussion on the world at large, on our own banks, the position that we would be in if we ignored the difficulty of another, ignored entirely difficulty of another central bank. The ^{Treasury} ~~prisory~~ previously have reached this agreement ^{of} ~~other than~~ 150, the Treasury indicated that they would be ^{to - -} receptive in view of the possible consequences of ⁻⁻ increasing their loan.

We went along with a 150 and indicated to the Mexicans that we don't have any intention of going beyond that. Mr. MacLaury.



Maclaury

As I remember our last spot ^{take} pick out, in fact ^{it was the ESF -- The Exchange Stabilization Fund -} for a short time at least, we ~~accept the change of the positions on it~~

^{that} ^{were they} took us out and we ~~conveyed~~ then funded by ^(a) drawing on the IMF. Is that the sequence, ^{of events} that's in other words,

Wallich

The Mexicans ^{paid} ~~hate~~ us, it might have gone the other way.

Maclaury

But ^{it} we didn't go that way, and at the moment what is the status of the Mexican ability to draw on the IMF, can we look to

that as a take out this time around or ^(one) ~~or~~ we on ^(a) limb?

Burns We have made no such condition this time.

Wallich The effect of doing that is the Mexicans are going to get \$235 a year for 3 years from the Fund. The first year 1977

the Treasury is going to prefinance in ^{franches} ~~finances~~ of 3 pieces against not the next 2 years, so there is nothing for us to get our teeth into.

[?] Winn/ Mayo Mr. Chairman, ^{what is} ~~one~~ of the extent of the exposure of

the commercial ^{banking} ~~marketing~~ industry in this country and that's ^{something} you mentioned

Burns Well I don't have the figure in ^{mind} ~~my~~ \$8 billion I

think

Wallich I think its a little over, I think its 9, close to 9.

Same as above So this is merely a drop in the bucket

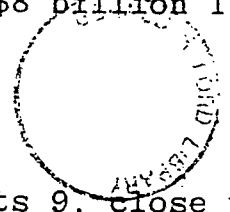
Burns ^{Well you} ~~No we have to see~~ ^{their} that borrowing needs as best we

can judge is about ^{\$250/} ~~215~~ months.

Partee Do they remain in debt to the Treasury for that earlier, what was it \$300

Wallich That was repaid out of the IMF.

Partee So that all the debt there is to be to the United States ^{officially} ~~is sufficient~~, which is ^(this) 300 and we have indicated ^{to them} ~~no more~~ that



they

can't use any of the remaining part of the swap. Is that right?

Burns

Well they Henry and I had the initial conversations

and Henry carried on a conversations later on. My understanding is that

what's you communicate to the Mexicans. Would you answer ~~xxxx~~ that

question precisely.

Wallich

They were told that we wouldn't go over \$150 even

though the swap remained at its ^{original} ~~reasonable~~ level of 360 and its geared

to be the same as to the Treasury that that's because the Treasury went

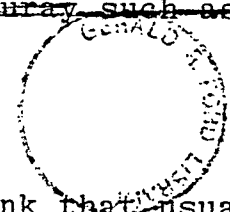
to 150.

Coldwell

Henry who are the banks besides ~~Lurray such as that~~

Bof A, Citicorp - -

I don't mean by name, not any, not at all.



Wallich

All I can tell you is that the bank that usually

^{with them did} had syndicates ~~that could~~ not do it and that's ^{how B of A go in -} the ~~advantage belonging~~

to it

Coldwell

You ^{don't know how many other banks are} involved?

Wallich

No. I don't. I was told by ~~them~~ ^{that} it was

over subscribed which suggests that it was more than a very small number

but I can't tell you.

Parsons

It's a goodly number, I think 10 or a dozen

Coldwell

Is there a number of regional banks waiting to in the wings to participate.

Understood

Burns

There are plenty of sheep in this country.

Lilly (?)

Is this 9 billion ^{all} ~~of~~ government debt, ^{mean} ~~to~~ the

Mexican government.

Burns

Oh no ^{their} ~~there~~ total debt, total ^{known} ~~and loan~~ indebtensess
is well over 20 billion. ^{That} ~~There~~ is ^(known) ~~the~~ indebtensess abroad.

Lilly (?)
MacLaurry

I'm thinking of the American banks

Wallich

To American banks and the lenders in part government,

part ^{is} ~~nat~~uralized enterprises, and part private enterprises. In Mexico

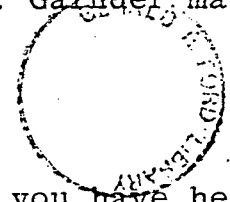
^{the} ~~a~~ proportion of ^{private borrowers} ~~a~~ ~~was~~ out of total Mexican form indebtensess is

particularly high because its that kind of ^a ~~the~~ country.

Burns

^{Let me} ~~Who~~ may call on Mr. Gardner, Mr. Gardner may want

to have to comment and then I know Volcker.



Gardner

Well my only comments gentlemen you have heard a complete story review of the conditions surrounding the request, I'll

only attempt to again put it in a time and schedule structure. It's

early November we know there is a ⁺negotiation going on for \$800 million

credit, we know also that Mexico must begin rolling over and arranging

for rollovers for this enoromous amount of credit they already have

outstanding in our country and internationally. ^{Echeverra} ~~The rest of their~~

government goes out of office on Deceembar 1. The IMF conditions which

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were so carefully drawn do not go into effect until January 1. The tourist season in Mexico begins on November 15. The U. S. foreign policy position as expressed by the Treasury is one in which they very clearly indicated ~~that~~ they would like us to consider whether or not we could do something with them, move up to the administration for foreign policy consideration. So we end up with a small carefully

constructed interim bit of ~~aid~~ ^{aid.} Partee Interim? Gardner Well, 90 days

Partee That's awfully important I think because of the comparision with ^(the) U. S. situations.

Burns I must say I hope ^{it's} ~~this~~ interim, ^{but if this} ~~if it has~~ turned out to be one of these loans that stretches out uncomfortably I would not to be too surprised, unfortunately under the circumstances.

Gardner I agree, I understand Governor's Partee's comment. My point was probably ^{poorly} ~~fully~~ expressed. This amount of swap under our regular and some special conditions is a very small part ~~that~~ has been expressed, ^(as has) already been expressed here ^{of} of the external indebtedness of Mexico. It seem^{ed} to me as a member of the sub-committee quite wise to ~~proceed~~ ^{proceed} in this small cautious way with the schedule that I have outlined for you and the ^{an} earnest hope that a new government headed by a former ^{er}

finance minister, the IMF conditions and ^{their} ~~if~~ further drawings as Henry has described, and ~~we~~ as we all know now a further depreciation in the peso gives Mexico a fighting chance to manage this situation without an official moritorium. I think that persuaded me that it was important for us to be a part or a small part of this picutre.

~~Morris~~ Coldwell Was there a consideration that our participation as an official body, ^{might have} ~~can~~ encouraged other people to ^{lend} ~~lend~~



Burns No, no, oh no, but well we thought long and hard about that and the last thing that we would have wanted to do or did do ^{was} ~~is~~ to give Mexico a loan and have Mexico use that as a basis for borrowing from the commercial banks and therefore be indirectly responsible for drawing in the commercial banks. We did not fall into any such ~~trap~~ ^{trap}. Now, we could have gotten for example also an agreement out of the Mexicans, I think this would have been easy under which getting 800 million or 800 million plus from the commercial banks now they would use some of that money to repay us, but we we think we well we talked about that but we didn't have to spend much time debating that. That would have put us in an impossible position you see. Here the other banks come in and we get our money back out of funds that they supplied

I don't think a central bank can ever put itself in that position. So we could have secured our loan but we decided not to. One other point I don't ⁽⁻⁻⁾possibly you covered that Henry, I know I didn't [^] We have emphasized, reemphasized ~~the~~ repeatedly to the Mexicans that they must use the funds supply ^{ied} very sparingly and in the process of foreign exchange transactions and they must ^(not)try to peg the peso that if they must husband their resources we have all kinds of assurances from the Mexicans they will do just that. These assurance ~~were~~ were made initially voluntarily they have repeated those assurances as we raised the question but having said th^ot [^] I must go on to say that my confidence in these assurances being respected is very limited. and my confidence in the ⁱⁿcentral bank operations are very limited. Mr.

Moys

Mr. Chairman

Burns

Yes



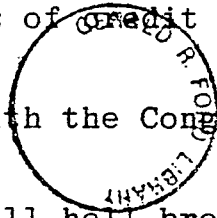
Memo

Where does this, what is our position in relationship to our own ^{to} ~~with~~ the supervision of our domestic commercial banks if we ^{feel such as you just} have a field ~~substitute this~~ expressed. Do we policy wise is this relationship ^{ed} ~~ing~~ anyway to our member banks in order to avoid a possible problem that they might have if there were ^{adebt} ~~that~~ moritorium on the ^{credit} ~~credit~~ extended

Burns

Now let me talk about that just a little in the a more comprehensive or rather a more general way. The we could advise the banks to and we could advise them strongly to cut back on their foreign lending. If we did that we ~~were on~~ ^{run} the risk, the very crisis in international finance that we are seeking to prevent. I'm not talking about Mexico, I'm talking about all around because our banks have in my judgment been rather imprudent once again in lending abroad. That is my judgment, I may be wrong about that, but that's the way I feel. If we gave them strong advice to that effect we could bring on an international financial crisis. On the other hand, if they continued lending on the scale that we have doing then I think its only a matter of time before such a crisis will occur. Now what I have done really, ^{well} don't let me go back, Mr. Woodervein issued a ^dwork of warning, and that was done after consultation with us. He issued his ^dwork of warning in Manila, which you may have seen. Mr. Simon did the same, and that was done after careful consultation with us. In some meetings with private bankers the I tried to deal with the question lightly and indicated this is an ^{area} ~~interior~~ that bankers must consider carefully. I thought about taking stronger measures but here is the difficulty. There are two difficulties

The one that I just mentioned, namely that they might take that advice to strictly and then bring ^{on} ~~down~~ a crisis. But there is a second difficulty if we start telling banks publicly just to whom to lend, for what purpose to lend, we would be getting into the business of credit allocation, and you may recall the difficulties we had with the Congress in connection with the ^{REITS} ~~East~~. We did a little of that and all hell broke loose on



Capital Hill, the point being well now you ^{are} ~~were~~ in the credit allocation business now, and what's wrong with the credit allocation bill that has been submitted. So we have been quite cautious. ~~I don't if others~~

^{that is -- it's as} ~~I don't know if~~ ~~is a~~ good a reply I can make to question. I would not want to say and I have never said to anyone to answer your question

specifically that banks should not lend to Mexico I haven't singled out

Mexico. I have talked generally about the ^{LDC's} ~~abc's~~ and honestly in the

world that we live in the category of ^{LDC's} ~~all these sees~~ badly needs

redefinition in my judgement, England or Great Britain and Italy in

today's world belong in a ~~xxx~~ ^{of LDC's} ~~where the see belong~~ in every

practical financial purpose. Yes Mr. Eastburn.

Eastburn

I have heard some talk ^{that the peso may now be} ~~I heard some of the undergirded~~

~~undervalued~~. Is this optimistic?

Burns ~~well~~ ^{No,} rather I think it is. But the way in which they have been handling their wage problems also makes me wonder how long that condition will continue.

Wallich I think that is a accurate assessment. The Fund, surprisingly to me, concluded ^(at) the beginning 50 per cent depreciation at least 40 was what they needed. They didn't believe it. They finally got it. The price [?] impulses are somewhat stronger than was anticipated so ~~and~~ ^(under) the valuation is probably temporary.



Burns Any other questions?

Baughman Do we have an impression as to what the policy ~~is~~ of the government of the central bank will be with respect to showing up private business firms that find the devaluation ^R ~~of the~~ ^{places them in an} ~~unfindable~~ ^{untenable debt} situation.

Burns I, I don't know the general

Wallich ^{Yea,} There ^{this} was one of the 12 or 13 points in the original program to take care of firms that were in that condition. ^(They're) If doing this they are not doing it on a very generous scale, because one of the strongest objections that are raised ~~is~~ to further depreciatio ^{for instance} ~~in-strengths~~ one says why don't you let the rate go, let it find its

own level is the threat of bankruptcy to firms that ^{owe} old dollars have been invested in pesos. How they got themselves into that position is the history of the last 12 years of stability in which it was cheap to borrow in dollars and ^{dear} ~~you had~~ to borrow in pesos and they did not properly as individual firms manage their exchange rate exposure.

Burns

Mr. Volcker would you like to comment.

Volcker

I don't think I have anything to

~~The thing that adds specific to the message situation~~ *Mexican*

other than ^{reiterate a} ~~an~~ interary comment ^{that has already been made that} Mexico is basically a country

that could manage the situation ^{if} ~~and~~ they are able to economically. *It*

should be a ^{manageable} situation. ^{I do think what we're seeing} ~~The thing to see here is the symptom~~

of general ^{tensions around} strains and ~~touching~~ of the world, ^{that} ~~but~~ they are going to be

difficult to manage. They will be difficult in this case, ~~they think~~

^{maybe} they ~~are~~ difficult in other cases, and I feel very strongly there is

nothing we can walk away ^{from} ~~with~~, and we will be called upon from time to

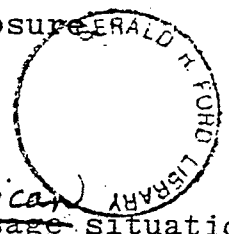
time for this kind of difficult operation in Mexico, in this case, maybe

there won't be any others, but I suspect there could be. It seems to me

^{be} to a very modest ^{+ kind of} ~~time to~~ effort on our part, ^{It's got some risks but} ~~to rest with~~ the risks

^(are limited) in view of the risks the situation ~~may~~ ^{ing} not be managed correctly. I think

we need to exert a little ^{leverage} ~~effort~~ here. A little help from us from time



is a manifestation of doing it
to time and this ~~a better situation we are in.~~



that it's a

Burns

I would second that comment ~~ed~~ ~~xxxxxx~~ situation we

can't walk away from. Now the I think you all know that the British have applied to the IMF but the British are putting on a very powerful political campaign to accomplish 2 things. First, no conditions ^{by} of the IMF in effect have the IMF blessed Britissh financial policy. Second, to work out some arrangement whereby the sterling balances, ~~the~~ which in the aggregate amount to about 10 billion dollars but of the sensitive part is the part that is held by central banks and that part amounts to \$4 billion. Well the British would like to have those sterling balances somehow taken care of by other countries. Now this is a problem that has concerned me very deeply for some time., and the in response to a direct question from the bank of England and response to an ^{emissary} ~~imbrary~~ sent by other central bankers and response to Mr. Leaver who is here is a embassary of the Bristish government Mr. Galagan and Mr. Leaver ^{is} ~~has~~ seen ^{is} the President today. I have taken a very hard position on that saying that we will not even that I for one will not even talk about the sterling balances nntil the IMF arrangements has been concluded. But while I have taken this very tough position talking to the British and have in a similar position fortunately I think has been

End