

NOTE FOR RECORD

Copies to: The Governor  
The Deputy Governor o/r  
Mr Loehnis  
Mr Balfour

PERSONALLY

THE GOVERNOR'S CONVERSATION WITH LEUTWILER,  
ON HUNGARY AND ARGENTINA

The Governor telephoned Leutwiler this morning. Leutwiler reported first on his visit to the United States. After a slow start, all had gone well. He had talked first with Leland, who was quite aggressive, but had then had very friendly conversations with Regan and Sprinkel.

The Governor then turned directly to Hungary and suggested to Leutwiler that Fekete should be reined in - he had apparently been talking most confidently of a further \$100 mn to be advanced by the central banks through the BIS on 19 April. Leutwiler responded rather vaguely to this, restating his earlier view that advancing the first tranche on its own without the second would do little good. He did say, however, that a "very complete dossier" on Hungary's position would be available at the next Basle meeting. Leutwiler mentioned that a Hungarian representative was at that moment outside his door waiting to see him. Leutwiler further reported that Friderichs (Dresdner Bank) had lent the National Bank of Hungary DM 60 mn short-term and that Fekete hoped for further support from the commercial banks. Leutwiler had advised Fekete to repay the DM 60 mn immediately from the \$100 mn advance so as to emphasise his good faith.

Leutwiler also mentioned that Koren remained extremely concerned about the Eastern European situation, particularly for the GDR. Koren believed that Matthöfer and Pöhl did not fully appreciate the risks for the euro markets.



Discussion then turned to Argentina. The BIS did considerable business with Argentina. Henceforth it would do nothing without consulting the Board and without Leutwiler first consulting the Governor. In any event, they would do nothing until the next Basle meeting. The Swiss banks also had close links with Argentina and Leutwiler undertook to make appropriate telephone calls. He would report on this on Tuesday.

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Governor's Office HO-P  
8 April 1982

T E Allen (4121)

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25 APR 1982