



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

ZIMBABWE: AID AND DEBT

The Foreign Secretary sent me a copy of his minute to you dated 18th June about the two related sets of negotiations on aid and on debt.

2. I reported to you on 13th June the outcome of the Treasury's negotiations with the Zimbabwe Ministry of Finance on debt. Your approval of the outcome is recorded in Mr. Patterson's letter of 16th June. Foreign Office officials were, of course, associated with these talks at every stage.

3. The separate negotiations on aid fell into two parts: the ongoing talks in Salisbury (where we were represented by ODA) about the application of the £75 million which we have already promised; and separate talks in London with Mr. Nkala and other Zimbabwe Ministers about land resettlement and civil service questions. The Treasury was not directly concerned in these last talks, but the Foreign Secretary took a commendably firm line with Zimbabwe and refused to go beyond the £75 million already promised.

4. However, the Foreign Secretary considers that we have driven too hard a bargain on debt, and invites you to offer to Mr. Mugabe a unilateral concession for which he has not asked, and which his officials did not seek during the talks.

15. To put



5. To put these matters in context, perhaps I should point out that the debt settlement will involve Zimbabwe in payments of some £9 million a year, starting in 1982. The exact sums due to the private bondholders are not yet settled, but will be somewhat smaller than this, although starting somewhat earlier. It is of course relevant that Mugabe acknowledged, from an early stage, his liability to honour outstanding obligations of this kind.

6. The Permanent Secretary of the Ministry of Finance in Salisbury (Mr. David Young) is likely to return to London at the end of this week or early next for further negotiations on the private debt. If he brought back with him any indication that his Ministers were having second thoughts about the inter-Governmental settlement, we should of course need to take this seriously. But unless and until we do receive indications of this kind, I suggest that it would be quite wrong for you to write to Mr. Mugabe in the terms suggested by the Foreign Secretary in the penultimate paragraph of the draft letter which he suggests. Indeed, to do so might undermine the key position of David Young, who is one of the three or four remaining white officials who still carry considerable weight in Salisbury and have a valuable contribution to make during the next few difficult months.

7. If the Foreign Secretary wishes to press the matter, I should be grateful for an opportunity to discuss tactics in the OD Committee.

8. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Lord President of the Council, the Secretaries of State for Defence and Trade, and Sir Robert Armstrong.

(G.H.)
June, 1980