

Prime Minister

To note.

A.T.C. 26.

PRIME MINISTER

## ASIAN DEVELOPMENT FUND

1. You will wish to note that the Chief Secretary and the Foreign and Commonwealth Secretary have decided to go along with a proposed approach by the European Community member States who belong to the Asian Development Bank (all except Ireland, Luxembourg and Greece), asking the Americans to look again at what they mean to put into the replenishment of the Bank's soft window for its 1983-1986 lending programme. They are doing so only on the basis that all seven countries, including the FRG, will join in this approach, which will be led by the Belgians, who hold the Presidency. We are instructing our Embassy in Washington to emphasize to the Americans that we are not asking them to increase overall public expenditure, but for an adjustment at the expense of other multilateral aid commitments. The background is this.

2. The Asian Development Fund serves, very efficiently, many of the poorer countries in the region with whom we have strong political ties. Even though India is not a borrower, Commonwealth countries in Asia and the Pacific and Pakistan have so far together taken over 60% of its resources. Commercially British business has regularly won a much larger share of Fund-paid orders than the share we have put in. So it is in our interest to see as big a lending programme as possible, provided our own share is kept within acceptable limits.

3. The present replenishment is for \$2.15 billion. The Bank originally bid for a large increase to over \$4 billion for the next. Most donors backed this, but when the Americans eventually tabled their own proposed contribution it would have implied a total of only \$2.34 billion. The general view among donors was that this would be far too low; the minimum that would be politically tolerable, given their interests in the area and the institution, would be \$3-3.2 billion which is about the same size as the present replenishment in real terms. However such a figure would not be manageable unless the Americans came up with more.

4. Our aim is to get our share down a bit and we have decided that in any case our cash maximum should be just over £70 million, less in real terms than last time. None of this money will start to be drawn under the Aid Programme until around 1987/8. With a lower share- for which we have good arguments - we could support a new replenishment of \$3.2 billion at most. Our difficulties in getting some cut in our share and in avoiding being driven to our cash maximum will be greater if the US stick where they are, because other donors will then be asked to make up so large an American shortfall.

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5. The US Treasury officials at the negotiations told our people privately that there was some chance of the American contribution going a bit higher (though not so far as to embarrass us) and welcomed the idea of representations collectively from EC members of the Bank, and others, to allow them to get the issue reopened. Japan has already made such representations.

6. The proposed action should preempt the risk of a critical discussion, within formal Community machinery, of the US attitude to the international banks. Such a discussion could lead to unwelcome proposals by the Commission, and unnecessary tension in our relations both with the Americans and with our Community partners.

7. I am copying this minute to the Chief Secretary, Secretary of State for Trade, Secretary of State for Industry and Sir Robert Armstrong.

*H.A.*


25 February 1982

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26 FEB 1982







10 DOWNING STREET

*From the Private Secretary*

3 March 1982

ASIAN DEVELOPMENT FUND

The Prime Minister has taken note of the Lord Privy Seal's minute of 25 February.

I am copying this letter to Terry Mathews (Chief Secretary's Office), John Rhodes (Trade), Jonathan Spencer (Industry) and David Wright (Cabinet Office).

A. J. COLES

Michael Arthur, Esq.,  
Lord Privy Seal's Office.

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