



Mr Coles ✓ A.J.C. 5/4.

RECORD OF DISCUSSION BETWEEN THE CHANCELLOR AND THE IBRD PRESIDENT
AT 3PM ON 13 APRIL AT NO 11 DOWNING STREET

Present:

Chancellor	Mr A W Clausen
Mr Littler	Mr Munir Benjenk
Mr Carey	
Mr Wicks	
Mr Beastall	
Mr Kerr	

Mr Clausen thanked the Chancellor both for the first class arrangements made for his visit to London, and for the UK's continuing support of IBRD, and in particular of IDA. He congratulated the Chancellor on the agreement on the IMF eighth quota increase reached at the Interim Committee meeting in February: the implementation of that agreement must be regarded as the highest priority. But next in line should be IDA; and he very much hoped that the UK, and indeed all the EC participants, would press President Reagan at Williamsburg to make good the US's commitment to IDA 6, and to make a reasonable contribution to IDA 7. He recognised that there was virtually no domestic US lobby for IDA, and that going high-profile in IDA's defence would carry a political price for the President. But it was one which the needs of the developing world, and the US's own interests - given that 40 per cent of their exports of goods and services were to the developing world - required him to pay. It was very disappointing that he had so far kept his head down, despite the urging of Mr Shultz.

2. The Chancellor referred to the EC demarche to the US on 1 March, and agreed that it would be in order to discuss IDA at Williamsburg. But pressure on the President would have to be discreet and off-stage: any public hectoring would be wholly counter-productive. It was perhaps a pity that the original Regan plan to take the IDA 6 supplementary appropriation and the IMF eighth quota increase in tandem through Congress



had come unstuck: the omens for the quota increase now looked good, but the \$245 million supplementary appropriation for IDA 6 seemed much more problematic. Mr Clausen said that IDA would be in considerable difficulty if it were to fail.

3. Mr Clausen then referred to IBRD lending levels and capital requirements. Some modest increase - say \$2 billion-in the 1982/86 \$60 billion five year lending programme seemed likely to be necessary: the issue would come up at the Development Committee meeting later this month. Also for preliminary discussion then would be the question of a selective IBRD capital increase. An increase commensurate to the outcome of the IMF eighth quota review would be of some \$20 billion, but this would be much too ambitious. It might however be sensible to aim to reach agreement in the autumn on a selective increase of some \$3 billion, reserving the balance for the next general capital increase, which was due in late 1986 (and which it might be sensible to advance to early 1986. It would be helpful if the Development Committee could signal a willingness to contemplate this acceleration).

4. The Chancellor said that he would be prepared to consider these proposals. No doubt a paper would be circulated before the Development Committee meeting. It would be good if discussion in the Development Committee could be made rather less stylised: the atmosphere in the Interim Committee in February had been good, perhaps partly because the agenda had been carefully prepared, with a small number of issues, all clearly identified and understood, for discussion and decision. Mr Clausen thought that the Development Committee should perhaps spend more time on debt and trade issues, and Mr Benjenk thought that relations between developed and developing countries were now much less confrontational than in the recent past, and that the restricted nature of the Development Committee made it an ideal forum to discuss such issues. The Chancellor said that he saw no objection to the discussion of debt and trade issues in the Development Committee, but that he would not wish such discussion to result in the creation of new machinery duplicating work better done elsewhere.

JOC.
J O. KERR

13/11/83

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