

FCS/85/303CHANCELLOR OF THE EXCHEQUERNigeria: Your meeting with the Finance Minister

1. As you know, there are currently a number of problems affecting our relationship with Nigeria, not least that of the two Bristows engineers. Senior members of the Nigerian Government, in public and private, have made it clear that better economic relations would make it easier to solve these problems.

2. Many senior Nigerians are regrettably still under the impression that we are not doing all we could to help them overcome their economic difficulties. It is important for us to disabuse them of this, and to convince them that, within the constraints imposed by economic prudence and our international obligations, we are doing all we can to help. I appreciate that our attitudes to Nigeria cannot be treated in isolation and that our interests, as well as Nigeria's, will be best served by the Nigerians agreeing a programme with the IMF. Although the Nigerian authorities have adopted many of the elements of a typical IMF programme, with the inevitable austerity that this entails, it is still politically very difficult for them to adopt the final, important, economic measures - especially devaluation - on which the IMF would insist. Some well-informed Nigerians have now predicted Babangida's downfall (which would not be in our interests) if he does "submit" - as they see it - to the IMF. I think that these reports are exaggerated, but the strength of anti-IMF feeling in Nigeria should not be underestimated.

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3. We know that Dr Kalu is one of the few Nigerian politicians arguing strongly for a Fund package, but for political reasons we do not want him to report back to Babangida that we are leading the pack of those who are hounding Nigeria towards the IMF. I therefore hope that when you see him on Wednesday you will not press him to do a deal with the IMF but rather stress our desire to assist Nigeria, and draw him out on how he sees the Nigerian Government's moves after conclusion of the present public debate on policy towards the IMF. In the light of his replies, I hope you could explore what action we might realistically take to aid the Nigerians. It would be helpful in this context if you were to repeat to Kalu what you told Sir Peter Emery on 7 November, namely that the UK would use its good offices in the IMF to ensure that any terms they sought from Nigeria were not unduly rigorous.

4. I doubt whether Kalu will raise the oil proposal which the Secretary of State for Energy mentioned in his minute to the Prime Minister of 5 November, because it has previously been handled by the Nigerians as a sensitive subject and on strictly unofficial channels. However when I gave the Nigerians a discouraging reply this was on the assumption that the proposal was not preceded by an IMF agreement. If the Nigerians were to achieve the latter, it might be worth reconsidering, for the reasons the Secretary of State for Trade and Industry adduces in his minute to the Prime Minister of 13 November, although I recognise the difficulties. If Kalu nevertheless does raise the question of a post-IMF oil deal, I hope you could be non-committal.

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5. I am copying this minute to the Prime Minister, the Secretary of State for Trade and Industry, and the Secretary of State for Energy.

A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
19 November 1985

Econ Pol; Indebtedness Pt 5

