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Prime Minister (2)

To note

AT 12/1



Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

*[Handwritten signature]*

NIGERIA - DEBT

Though no early decisions are required, you might like a brief report on financial relations with Nigeria.

2. The Nigerian attitude appears to be "business as usual", and they seem anxious to negotiate a quick agreement with the IMF. There have been no serious problems on the banking side: all payments due have been honoured.

3. The most serious difficulty concerns guaranteed debt, where ECGD's exposure is some £3 billion, about £600 million of which, already in arrears or falling due shortly, the Nigerian Government wish us to reschedule or refinance. Our response has been that any such deal must be multilateral; must provide for broad comparability of treatment with other classes of creditor; must be contingent on a satisfactory IMF agreement; and must be confined to short-term debt (there is little case for any longer term relief). The Nigerians are reluctant to put in an application to the "Paris Club" because of the impact on their credit rating and future availability of loans and export credits. But there will have to be a rapid and effective Paris Club-type operation, perhaps under IMF auspices, to avoid ultimate default. A Nigerian team of officials will be here next week; and the importance of following procedures along Paris Club lines will be explained to them.

4. Despite the size of the problem, it is essentially a short-term one, and therefore much less serious than those we have

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recently faced with other countries. Total Nigerian short term arrears are some \$4-5 billion.

5. Copies of this minute go to the Foreign and Commonwealth Secretary (whose officials are working closely with mine and ECGD on these issues) and to the Secretary of State for Trade and Industry (whose officials are handling the problems of unguaranteed trade creditors); and also to other Cabinet colleagues, the Governor of the Bank of England, and Sir Robert Armstrong.

(N.L.)

18 January 1984