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Prime Minister ①

Agree Chancellor's approach?



SS/TI supports and Foreign Secretary is likely to as well. Chancellor is avoiding putting UK in position of leading creditors group - France will be in chair as normal.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

AT

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PRIME MINISTER

Yes - we have little alternative

MT

NIGERIA: ECONOMIC RELATIONS

In my minute of 18 January I reported on the handling of the Nigerian debt problem. The issues for decision now are:-

- i. the line to take in the IMF;
- ii. whether to agree to a multilateral debt restructuring under French chairmanship;
- iii. the line to take with the Nigerians (I see the Finance Minister on 20 February); and
- iv. how to deal with uninsured creditors.

2. i. At the IMF, it seems clear that we should argue that Nigeria must adopt sensible adjustment policies, and that rapid progress, and an early agreement, is required.

ii. On debt restructuring, a multilateral approach is clearly essential for all creditors must take their share. I think it right that the French should take the chair as is normal (hence the "Paris Club"), in spite of our prominent share of the debts, and of Nigerian preferences.

iii. As the largest creditor we shall be expected by the others to give a lead on terms. The proposal, agreed inter-departmentally at official level, is that we should envisage:-

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a. a restructuring of 80 per cent of the £600 million to £800 million arrears on short-term debt which matured before 31 December 1983; making it repayable over six years, with a 2½ year grace period, and covered by a refinancing loan raised by British banks, guaranteed by ECGD, and carrying a fully-commercial rate of interest including ECGD's premium;

b. payment of the remaining 20 per cent over two years.

Other creditors are likely to consider these terms broadly appropriate.

iv. The agreement would not cover uninsured creditors including Unilever and British Caledonian. Like all creditors they will have to accept delays in payment. We must do our best to help them, but we cannot secure preferential treatment for them.

3. Subject to your views, I would be content for officials to set out to the Nigerians next week the terms at 2 (iii) above, emphasising of course that our willingness to proceed on that basis will depend not only on the outcome of the multilateral negotiations, but also on their concluding a satisfactory agreement with the IMF.

4. Copies of this minute go to the Foreign Secretary and the Secretaries of State for Defence, Trade and Industry, and Transport; and also to the Governor of the Bank of England and Sir Robert Armstrong.

N.L.  
16 February 1984

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16 JAN 1984



10 DOWNING STREET

*From the Private Secretary*

20 February 1984

Nigeria: Economic Relations

The Prime Minister has seen the Chancellor's minute of 16 February reporting on the line he proposes the Government should take on the handling of the Nigerian debt problem. She has also seen minutes from the Secretary of State for Trade and Industry and the Foreign Secretary. She endorses the approach suggested and has noted that, while the UK might be expected to give a lead on terms in the debt restructuring, negotiations on this will take place in the Paris Group with the French in the chair as normal.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office), Callum McCarthy (Department of Trade and Industry), Dinah Nichols (Department of Transport), John Bartlett (Governor of the Bank of England's office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

John Kerr Esq  
HM Treasury

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