



CONFIDENTIAL

JF5717

PRIME MINISTER

NIGERIA : ECONOMIC RELATIONS

On balance, I agree with the line that Nigel Lawson proposes in his minute of 16 February to you, on the understanding that other Governments and private creditors will also be expected to carry their full share of the burden.

2 I am of course reluctant to see Nigeria's debts repaid over such a long period of time for fear that it will encourage other countries to be equally financially imprudent. And we will get considerable criticism from the insured creditors. If this solution is reached they will no doubt be dismayed that they will be required to offer the same relief. However, it is the normal rule for Paris Club operations that the burden should be shared equitably between all creditors.

3 But I believe that there are strong financial and trading reasons why we should be sympathetic to the Nigerian request for debt relief. Failure to deal with its economic problems might lead to the collapse of the present moderate regime. This in turn might result in severe disruption of the oil market and a risk of default on current debts owed to UK firms. ECGD alone has an exposure of over £3 billion



on the market and at the present time, no interest is being paid by the Nigerians on these outstanding payments. Also action to settle the arrears is necessary to remove a major obstacle to trade with Nigeria.

4 A multilateral refinancing arrangement on the lines proposed by Nigel Lawson would assist the Nigerians to overcome their immediate debt structure problem and should enable them to meet their future debt obligations promptly. As I see it this would not represent any easy option for the Nigerians. They will have to submit to IMF disciplines and pay a commercial interest rate on the refinancing loan. We must insist especially on the latter point on which the Nigerians have so far shown some reluctance.

5 Last, and perhaps most importantly, a settlement must be achieved to enable ECGD to avoid meeting claims totalling some £600 million over the next year which is obviously important from the PSBR viewpoint. I also understand that other Governments and private creditors would also be expected to carry their full share of the burden.

6 Copies of this go to the recipients of Nigel's minute.

~~NT~~
NT

14 February 1984

17 JAN 1984

17 JAN 1984



Faint, illegible text or markings in the middle section of the page.

Faint, illegible text or markings in the lower middle section of the page.

Faint, illegible text or markings in the lower section of the page.

Faint, illegible text or markings in the lower section of the page.

Faint, illegible text or markings in the lower section of the page.

Faint, illegible text or markings in the lower section of the page.

Faint, illegible text or markings in the lower section of the page.

Faint, illegible text or markings in the lower section of the page.