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AT 2/8

Treasury Chambers, Parliament Street, SW1P 3AG
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30 July 1984

The Rt Hon Norman Tebbit MP
Secretary of State for Trade & Industry

Norman

ECGD POLICY TOWARDS RESCHEDULING COUNTRIES

In my 13 July reply to your letter of 10 July, I said I had asked my officials to take soundings with their colleagues in other Finance Ministries about the proposal to relax the terms for resumed ECGD cover for countries that have rescheduled their debts.

These soundings have now been completed, and the officials' report of their colleagues' reaction was moderately encouraging. I am therefore able to agree that we should be prepared, where a country has rescheduled its debts, to resume the provision of cover once it has become clear that the debtor is making progress in adjusting to its situation.

I am sure that both the resumption of cover and, if necessary, its cessation when a country runs into difficulties should be concerted with other major creditor countries, although without insisting that all creditors must act identically. Following a report being prepared by the IMF staff, suitable arrangements for consultation are being set up internationally in OECD. I think we should welcome any such arrangements, provided we make it clear that large sums of money are not involved, and that the cover will only be made available to "convalescent cases" to help them through the adjustment process.

This involves, as your letter implies, a slight change in the undertakings previously given to Parliament about the use of ECGD facilities. I agree with you that it will be necessary to make a statement about this: it is important to protect the position of the accounting officer of ECGD against criticism from the PAC. But this could well be after the recess, when we have some particular cases in prospect. Meanwhile, my officials would be glad to discuss with yours the precise terms of such a statement.

Copies of this letter go to the Prime Minister, the Foreign Secretary, the Secretary of State for Defence, the Minister for Overseas Development and to Sir Robert Armstrong.

Nigel Lawson

NIGEL LAWSON

Exam PA Pt 4

In debtors

2 AUG 1984

