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The Rt. Hon. The Lord Carrington, KCMG MC  
Secretary of State for Foreign & Commonwealth  
Affairs

*See Peter*

CHAIRMANSHIP OF THE INTERIM COMMITTEE

It may be helpful if I let you know the circumstances in which Mr. MacEachen of Canada became Chairman of the IMF Interim Committee in Libreville on 21 May.

As soon as he learned that Monsieur Monory, the outgoing French Finance Minister, would not be able to chair the Libreville meeting, Larosiere, the Managing Director of the IMF, summoned a meeting of Executive Directors in Washington on 13 May at which he proposed that Mr. MacEachen should succeed Monsieur Monory as Chairman of the Interim Committee. I think there is little doubt that he was exceeding his authority in doing this. The Executive Directors, some of them substitutes, were quite unbriefed, and were not invited to consult their governments. Most of those at the meeting were willing to support MacEachen though the US representative in particular said he would need to consult.

When news of Larosiere's meeting reached senior US Treasury officials, they at once said that they wished to propose me as Chairman. On the day after Larosiere's meeting I was approached on behalf of the Americans, Germans, French and Japanese, supported soon after by the Italians and Dutch, to allow my name to go forward as a candidate. The Americans, Germans and Japanese clearly considered that my approach to policy would be closer to theirs than MacEachen's. The Germans and other Community countries also considered that the chairmanship ought for preference to go to a Community Finance Minister particularly if, as here, he had a stronger claim than MacEachen to the chairmanship on grounds of seniority.

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In view of the American and Community approaches, I agreed after consulting the Foreign and Commonwealth Office that my name might go forward but made it clear that I was not interested in a contest. That meant that it was for the Americans and Germans to persuade MacEachen to withdraw. I need not bother you with the confused details of what followed, but by the morning of the Interim Committee meeting on 21 May the Americans and Germans informed me that they had secured MacEachen's undertaking to withdraw. The LDC representatives on the Committee also thought MacEachen had withdrawn and on that basis were, I understand, ready to transfer their support to me. Many of them are inclined to observe the convention that the Interim Committee chairmanship is for decision by the developed countries, the Development Committee chairmanship for them. However, after my name was proposed and seconded by the Americans and Germans, one LDC constituency proposed MacEachen, who did not withdraw. The Committee then showed signs of a division of preferences between developed countries and LDCs, though many constituencies remained neutral because they were divided. This situation would anyway have given MacEachen a small majority and I withdrew my name; having made it clear that I had not sought the nomination and there was neither personal nor national interest for me in the chairmanship.

This was an unfortunate episode. Any damage to the UK was however probably limited. We did our duty by the United States and by our Community friends. I was not opposed by a single developed country (except Canada and Ireland who are in the same constituency); and several LDC representatives made opportunities to assure me that they had been surprised by the turn of events and were in no sense ill-disposed towards me or the UK. The Canadians for their part seemed anxious to "mend fences" with the UK; we assured them that no fences were broken.

Perhaps the most damaging aspect is the possible impact on opinion in the US Administration and the US generally. It will do the IMF no good in US eyes to find that their wishes in a matter of this sort (and those of six of the seven largest industrial countries) are set aside and that a Chairman is elected with virtually no developed country support. This is a point which the Americans pressed on the Canadians in trying to persuade MacEachen to withdraw. There is a danger that American opinion will regard the IMF as having become another rather indiscriminate aid agency. It is remarkable, and regrettable, that Larosiere was so ready to disregard this important consideration.

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Some irritation could rub off on the World Bank, the proposals for the Sixth Replenishment of IDA, already phased back by the Regan Administration, are still before Congress. From the Canadian side there was no doubt some satisfaction (wise or otherwise) in denying Big Brother what he wanted.

It would be wrong to make too much of all this. For example, I doubt whether it will make much difference to what is said or done at either the Ottawa or the Mexico Summit. It would also be quite wrong to regard it as a "defeat" for the policy of giving first priority to the fight against inflation. On the contrary, that priority was very positively reaffirmed in the Interim Committee communique without dispute from the LDCs. The communique also said that "quantitative targets for the growth of the money supply are an essential element of anti-inflation policies in major economies and must not be abandoned".

I am copying this letter to the Prime Minister.

Handwritten signature and scribbles, including a large flourish above the signature and a horizontal line below it.

GEOFFREY HOWE