



Foreign and Commonwealth Office

London SW1A 2AH

22 April 1988

Nigel Wicks Esq CBE
10 Downing Street
London SW1

Dear Nigel,

will NW?

CHANCELLOR'S DEBT INITIATIVE AND THE TORONTO SUMMIT

1. In his letter to you of 18 April, John Caines suggested that we should concert with the Canadians in urging the Americans to consider seriously the alternative route to interest rate relief that the Chancellor put forward in his speech to the Development Committee.
2. I very much agree with the general thrust of John's recommendation. Canada and Italy are still our only Summit supporters. Canadian chairmanship at Toronto is an asset we should exploit.
3. But I am less sanguine than John about the chances of convincing the Americans. The alternative route should get round the legislative difficulties that they claim to have in reducing interest rates directly. But US budgetary difficulties will remain: Mary Chaves of the US Treasury told Tom Richardson only this week that there was no way Congress would find the money for what was essentially refinancing of some debt on concessional terms. The DOD apparently managed this trick, over fierce Treasury objections; but Defence Ministries are a law unto themselves. I doubt whether, as John suggests, the Americans really confuse commercial bank debt and official debt. Money is tight and Africa low on their list.
4. The Americans also know that we have failed so far to secure full French, German or Japanese support. Until we get this we cannot box the Americans in at Toronto. At the minimum we need the French and Germans on our side.
5. I expect the Treasury will want to call a meeting to discuss tactics and lobbying over the next two months: Paris Club and ECSS meetings, the third Sherpa meeting after the OECD Ministerial, bilateral demarches in Paris, Bonn and Tokyo, maybe Ministerial messages. I hope we can arrange a meeting next week, before ECSS (2-3 May).

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6. Toronto is probably our last chance of securing universal creditor agreement to one or other of the Chancellor's two variants. Maybe a Democrat Administration that had to make some concessions to Jackson to bring out the full black vote would be more receptive to our ideas; but that is speculation and anyway a long way ahead. If we fail at Toronto, I know that there are fallback positions under consideration. But let us fight hard for the current initiative up to and at the Summit, and see where we get.

Yours ever,
Rodri

R Q Braithwaite

Copies: Sir G Littler, HM Treasury
Mr J Caines, ODA

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