



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 December 1984

Charles Powell Esq
10 Downing Street
LONDON
SW1

Prime Minister
The Chancellor wants you
to raise Tied Aid
Credits with President
Reagan.

Dear Charles,

EXPORT CREDIT CONSENSUS: TIED AID CREDITS

As you know after our efforts during the Anglo French Summit and in the ECOFIN Council on Monday this week, the French were out-voted in their opposition to a Community mandate on tied aid credits for the OECD Consensus meetings in Paris on 11/12 December.

But I doubt that it
will mean much to him.
It is better pursued through
other channels.
Agree?

As a result the Community were able to table an unexpectedly forthcoming package of proposals to increase transparency in this area, which was generally well received, although many countries, in particular the US, want to go further and restrict credits of this kind. However, the meeting ended in deadlock as the US refused to accept the Community proposals in the absence of parallel progress on discipline ie restriction. This let off the hook not merely the French but also the Japanese (whose notorious practices in this field would have been exposed for the first time by the Community's proposals).

COP
14/12/84
Yes
not

... We have told the Americans directly (the Chancellor's letter of 2 November to Secretary Regan attached) that we share their objectives in this area. But the line they took yesterday, if maintained, will effectively block further progress. The French will use the apparent American rebuff as a further argument against any further moves and there will be real problems in holding them to the present agreed Community mandate.

In these circumstances the Chancellor thinks it would be worth the Prime Minister raising this issue during her visit to Washington. She could urge the Americans to accept what is on offer from the Community as a first step. Without such acceptance, those in the Community who, like us, share the Americans' broad objectives, will not be able to press for further action.

I am copying this letter to Len Appleyard and Callum McCarthy.

Yours ever,
David

D L C PERETZ
Principal Private Secretary



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

2 November 1984

The Honorable Donald T Regan
Secretary of the Treasury
WASHINGTON D.C.

TIED AID CREDITS

Thank you for your letter of 9 October.

As you know, the United Kingdom firmly supports the objective of strengthening transparency and discipline in the use of tied aid credits. Indeed I believe our ultimate objective should be to phase out mixed credits and similar forms of associated finance altogether. I am therefore disappointed at the lack of progress since the OECD Ministerial meeting in May.

We are pursuing these questions within the European Community and I shall do my best to ensure that the Community has a constructive mandate for the next OECD Consensus meeting.

I think we have to recognise, however, that progress may not be as fast as either of us would like. It may be best to start by trying to get agreement on greater transparency, for example by establishing a more comprehensive definition of tied aid credits, improving prior notification procedures and providing for face-to-face consultations in appropriate cases. This does not mean that we should reduce our efforts to secure tight restrictions on tied aid credits - merely that we should be ready to take part in continuing discussions of the issues and be content to proceed gradually.

All good wishes for the 6th.

NIGEL LAWSON

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10 DOWNING STREET

From the Private Secretary

17 December 1984

Dear David,

EXPORT CREDIT CONSENSUS: TIED AID CREDITS

Thank you for your letter of 14 December on this subject.

The Prime Minister recognises the importance of this issue but doubts whether President Reagan will be in a position to discuss it; and, anyway, the agenda for her talks with him is already very full. She would be grateful if the Chancellor and the Foreign Secretary could find other channels to bring our concern to the attention of the US Administration at a suitably high level.

I am copying this letter to Len Appleyard (FCO) and to Callum McCarthy (Department of Trade and Industry)

Yours sincerely
C.D. Powell

(C.D. POWELL)

David Peretz, Esq.,
HM Treasury.