



RESTRICTED

FCS/87/213

CHANCELLOR OF THE EXCHEQUER

*See communique with
CHOGM Pt. 12*

*CDP
23/K*

International Debt

1. / You sent me a copy of your minute to the Prime Minister of 9 October. We made progress at CHOGM in obtaining an unqualified endorsement of your debt initiative, and in achieving language that stressed the importance of reaching early agreement to reduce interest rates on the rescheduled debts of the poorest and most indebted countries. The Canadians announced their full support early in the proceedings, and you might want to take a suitable opportunity to express our appreciation to Mr Wilson. The Australians said that they were in agreement with "95% of our proposals", and that they would not stand out against their endorsement. We (and Canada) were also singled out in the Communique for our willingness to contribute to the enlargement of the Structural Adjustment Facility. This is politically very helpful.

2. I agree with your analysis, and I believe that we should continue to press for agreement in the Paris Club on interest rate concessions. Like you, I doubt whether we shall make much progress before the end of the year. But it is important that when the OAU's debt conference takes place in December the more sensible African countries should be able to point to the initiatives under discussion - yours, Camdessus' and perhaps Mr Baker's proposal for an External Contingency Facility - as evidence that creditors and debtors can cooperate

/in

RESTRICTED



RESTRICTED

in efforts to reduce the burden of indebtedness and underpin adjustment policies. Otherwise the extremists may have it all their own way. So we should actively promote your initiative, while privately considering what other package might meet your essential objectives.

4. Your minute also mentioned Seaga's CARICOM initiative. The language of the relevant paragraph in the CHOGM Communique corresponds closely to the text agreed at Barbados. We told the Jamaicans that you had raised their problems with M. Camdessus, and they were duly grateful. Caribbean delegations gave your initiative useful support, although they knew that they would not benefit from it. Their own problem lies with what the communique describes as their "uncomfortably bunched" debts to the IMF and World Bank. Perhaps we can find ways of helping them without going so far as to urge the Fund - still less the Bank - to reschedule their debts.

5. I am copying this minute to the Prime Minister.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
22 October 1987

COMMONWEALTH: CHOCEM PT12

