

# CONFIDENTIAL

GRS 530  
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FM LAGOS 121245Z JAN 84  
TO IMMEDIATE FCO  
TELNO 50 OF 12 JANUARY  
AND TO IMMEDIATE ECGD.  
INFO IMMEDIATE BANK OF ENGLAND, TREASURY.

MY TEL NO 40 AND YOUR TELNOS 36 AND 37: NIGERIAN DEBT

1. AS ARRANGED, I CALLED TODAY (12 JANUARY) ON THE PERMANENT SECRETARY, MINISTRY OF FINANCE, AND TOOK OPPORTUNITY TO HAND OVER TEXT OF ECGD LETTER.
2. THE PERMANENT SECRETARY WAS CLEARLY DISTURBED BY THE TEXT. HE DESCRIBED ECGD'S ACTION AS BEING "UNCALLED FOR" AND "UNFAIR", ADDING THAT THE NEW MILITARY ADMINISTRATION INTENDED TO ENSURE THAT IN FUTURE THE ECONOMY WAS CONTROLLED AS IT SHOULD BE. THE NIGERIA OF TODAY WAS NOT THE NIGERIA OF YESTERDAY, AND SHOULD NOT BE SEEN AS A BAD RISK. HE OBJECTED IN PARTICULAR TO THE DECISION TO INCREASE THE PREMIUM SURCHARGE TO 100%, AND EXPRESSED RESERVATIONS ABOUT THE EFFECT ON NIGERIA'S IMAGE OF THE MOVE FROM SECTION ONE TO SECTION TWO. THE WHOLE AIM OF THE COUP HAD BEEN TO MAKE SURE THAT RESPONSIBLE PEOPLE TOOK OVER. ECGD AND THE BRITISH GOVERNMENT WERE GETTING OFF TO A BAD START.
3. I EXPLAINED THAT ECGD'S ACTION WAS IN NO WAY CONNECTED WITH THE CHANGE OF GOVERNMENT IN NIGERIA. IT FOLLOWED DIRECTLY FROM THE VISIT BY ECGD OFFICIALS IN NOVEMBER 1983. WE VERY MUCH HOPED THAT AGREEMENT WOULD BE REACHED ON REFINANCING SHORT TERM TRADE DEBTS BUT, UNTIL THAT HAPPENED, ECGD WERE STILL FACING VERY HEAVY CLAIMS. THEIR PRESENT ACTIONS HAD TO REFLECT THIS FACT. ECGD'S AIM WAS TO ENSURE THAT COVER COULD CONTINUE, IN SPITE OF THE LARGE ARREARS PRESENTLY OUTSTANDING. THE DECISION TO MAKE COVER AVAILABLE UNDER SECTION TWO, THE NATIONAL INTEREST ACCOUNT, REFLECTED THIS. THE INCREASE IN THE PREMIUM SURCHARGE MIGHT LEAD TO SOME INCREASE IN THE PRICES OF BRITISH MADE GOODS BUT THIS WOULD BE VERY SMALL INDEED. MORE GENERALL- I STRESSED THAT THE GOOD INTENTIONS OF THE NEW GOVERNMENT WERE WELL RECOGNISED. BUT THEY HAD TO BE PUT INTO EFFECT. -- WERE TRYING TO HELP IN THIS PROCESS.
4. THE PERMANENT SECRETARY DID NOT SEEM ALTOGETHER CONVINCED. HE WOULD WANT TO TALK TO ME ABOUT THIS AGAIN WHEN HE HAD MORE TIME. I SAID THAT I WAS AT HIS DISPOSAL. HE SAID THAT HE WOULD ALSO WISH TO DISCUSS IT WITH YOU WHEN HE NEXT CAME TO LONDON (THIS MAY NOW BE DELAYED: NO MINISTER HAS YET BEEN APPOINTED AND HE SAID THAT HE DID NOT NOW EXPECT THIS TO HAPPEN UNTIL NEXT WEEK. HE WOULD THEN WANT TO HAVE A FEW DAYS WITH HIM BEFORE TRAVELLING ABROAD.)

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/ S. COMMENT



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## 5. COMMENT

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THE PERMANENT SECRETARY'S REACTION WAS SOMEWHAT SURPRISING AND UNDERLINES THE SENSITIVITY OF THE NEW REGIME TO ACTIONS TAKEN BY BRITAIN. WE SHOULD BE ABLE TO CONVINCHE HIM THAT ECGD'S ACTION IS STRICTLY COMMERCIAL BUT VISITING PRESSMEN (FINANCIAL TIMES ARE DUE TO SEE HIM TODAY) MAY GET SOME OF THE BACKWASH AND REPORT IT. ECGD SHOULD BE PREPARED TO PUT OUT SOME REASSURING EXPLANATION.

6. GRATEFUL FOR TELEGRAPHIC SUMMARY OF ANY COMMENT WHICH MAY APPEAR IN THE BRITISH PRESS (PAPERS ARE NOT REACHING US) TOGETHER WITH ANY PRESS GUIDANCE WHICH ECGD MAY THEMSELVES BE ISSUING.

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