



FCS/84/228

SECRETARY OF STATE FOR TRADE AND INDUSTRY

ECGD Policy Towards Rescheduling Countries

1. In your letter of 10 July to the Chancellor of the Exchequer you outlined a proposal to alter ECGD's policy towards countries which have rescheduled their guaranteed debts. I have now seen the Chancellor's letters of 13 and 30 July.

2. I welcome your proposal. The Cartagena Conference showed that the majority of Latin American countries are determined to tackle their debt problems constructively. But the moderates' position was to some extent undermined by the subsequent rise in international interest rates. We would strengthen their hand if we were able to show that responsible economic policies will bring tangible rewards. A more flexible approach in providing export credit to certain countries (not only in Latin America) successfully carrying out economic adjustment programmes while rescheduling their debts would be just such a carrot; and would give practical substance to the strategy outlined at the London Economic Summit. It would give a boost to our political and economic relations with the countries concerned. My officials look forward to participating in discussions with yours about which countries should qualify.

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3. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Defence, the Minister for Overseas Development and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

3 August, 1984

Don't
Indebtedness

6 AUG 1984

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