

CONFIDENTIAL

065642
MDHOAN 7096

CONFIDENTIAL

FM FCO

TO IMMEDIATE ABIDJAN

TELNO 171

OF 311200Z MAY 88

INFO ROUTINE PARIS, WASHINGTON, TOKYO, BONN, ROME, OTTAWA

FOR BUIST AT ADB

PARIS TELNO 534 TO FCO: ECONOMIC SUMMIT: FRENCH DEBT INITIATIVE

1. TUR REPORTS FRENCH INTENTION TO LAUNCH THEIR OWN AFRICAN DEBT INITIATIVE, APPARENTLY SIMILAR TO THE CHANCELLOR'S, AND SAYS THAT LAJEUNESSE MAY DISCUSS FRENCH IDEAS FURTHER IN ABIDJAN.

2. AS YOU KNOW, THE VENICE SUMMIT COMMUNIQUE URGED A DECISION ON INITIATIVES ON AFRICAN DEBT BY THE END OF 1987. THE IMMINENCE OF THE TORONTO SUMMIT IS BRINGING THIS SUBJECT BACK INTO SHARPER FOCUS. YOU ARE AWARE OF THE DETAILS OF THE CHANCELLOR'S THREE-POINT INITIATIVE. THE CANADIANS HAVE PROPOSED A SCHEME TO ESTABLISH TWO GROUPS OF CREDITORS: THOSE PREPARED TO CHARGE LOWER THAN MARKET INTEREST RATES ON RESCHEDULED DEBT WOULD TAKE PRINCIPAL REPAYMENTS EARLIER THAN A GROUP WHICH STILL INSISTED ON CHARGING COMMERCIAL RATES. THE CHANCELLOR HAS NOT GIVEN HIS SUPPORT TO THIS SCHEME, PREFERRING HIS OWN, THOUGH KEEPING THE CANADIAN IDEA UNDER CONSIDERATION. THERE WAS A CONFUSED DISCUSSION OF THE OPTIONS FOR DEBT RELIEF AT THE OECD MINISTERIAL, LEADING TO LANGUAGE IN THE COMMUNIQUE WHICH, AS AT THE SPRING MEETINGS OF THE FUND AND BANK, KEPT OPEN CONSIDERATION OF INTEREST RATE CUTS ON RESCHEDULED DEBT. AT THE MINISTERIAL, AND AT SUBSEQUENT ANGLO-FRENCH DISCUSSIONS AT FOREIGN MINISTRY OFFICIAL LEVEL, THE FRENCH HINTED AT A NEW INITIATIVE. LAJEUNESSE'S REMARKS ARE THE FIRST DIRECT CONFIRMATION WE HAVE RECEIVED THAT THIS MIGHT INCLUDE AN ELEMENT OF INTEREST RATE RELIEF ON PARIS CLUB DEBT.

3. TO HELP US PREPARE FOR THE FINAL SHERPAS MEETING ON 3-5 JUNE IN TORONTO, IT WOULD BE MOST USEFUL IF YOU COULD SEEK FURTHER DETAILS OF FRENCH IDEAS FROM LAJEUNESSE. IN PARTICULAR, YOU MIGHT ASK WHICH COUNTRIES THE FRENCH ENVISAGE WILL BENEFIT: WHETHER THEY PROPOSE TO CUT INTEREST RATES ON DEBT OWED TO ECAS TO BELOW COMMERCIAL RATES, IE NOT JUST CUT THE SPREAD ABOVE LIBOR: HOW MUCH WILL THEY CUT THEM BY: WHAT COMPANY WOULD THEY REQUIRE BEFORE IMPLEMENTING THEIR SCHEME (IT SEEMS MOST UNLIKELY THAT THE

CONFIDENTIAL

065642
MDHOAN 7096

US WILL JOIN ANY SCHEME INVOLVING INTEREST RATE CUTS): AND WHETHER THEN ENVISAGE DISCUSSIONS WITH US AND OTHER SUMMIT COUNTRIES PRIOR TO TORONTO, EG AT THE FINAL SHERPAS MEETING. WE REALISE THAT LAJEUNESSE MAY NOT YET BE IN A POSITION TO DISCUSS THESE DETAILED POINTS WITH YOU, BUT ANY CLARIFICATION WOULD BE WELCOME.

4. MINISTERS WILL WANT TO CONSIDER THE FRENCH SCHEME WHEN WE HAVE CLEARER DETAILS. SO YOU SHOULD AVOID OFFERING SUPPORT EXCEPT TO THE EXTENT THAT IT COINCIDES DIRECTLY WITH THE CHANCELLOR'S INITIATIVE, WHILE WELCOMING ANY SIGNS THAT OUR PATHS ARE CONVERGING.

HOWE

YYYY

DISTRIBUTION

185

MAIN 174

MONETARY
ERD
MR FAIRWEATHER

OADS
.MONETARY

ADDITIONAL 11

MR WICKS, NO

MR WICKS NO 10 DOWNING ST

NNNN