

P.N. has spoken to
Sir K. Wenzers about this.

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I think it was a most
unwise thing to have done and
I am sorry we are
associated with it.



Prime Minister
- 3/2

Foreign and Commonwealth Office

London SW1A 2AH

It is a chivalry

unfriendly act which
will inevitably
be U.S. not

In view of the extreme shortage
of time this afternoon I saw that I

thought you would be wanted to be
guided by Sir G. Howe on this. As you

30 January 1981

will see the State Dept are at odds with OMB about ~~the~~ the proposal.
Leaving aside the aid issue, it is obviously undesirable that the new

Administration should renege on international
commitments entered into by their predecessors.

Dear Michael,

The 6th Replenishment of IDA

Phul 30/1

It became known in Washington on or about 28 January
that on 30 January the United States Cabinet would be
considering proposals by the Director of the Office of
Management and the Budget, David Stockman, for reductions
in overseas aid, including a 50% reduction in the amounts
to which the previous Administration committed the United
States for IDA 6.

Difficulties with Congress have hitherto prevented
fulfilment of the US obligation, but it would be a serious
matter for the Administration to take action effectively
revoking an international agreement (which had moreover
been strongly endorsed at the Venice Summit), especially
when a number of countries have promised or advanced a
portion of the necessary funds in a bridging operation in
anticipation of American adherence. We have already
publicly stated our intention to participate in the bridging
operation and an Order is about to be laid.

Against this background, the Dutch Presidency
suggested that their Ambassador in Washington should send
a letter to the US Secretary of State expressing concern
about the proposed US action, on behalf of the ten Member
States of the European Community. I enclose the text. The
United Kingdom's representative reserved our position. The
other Member States indicated that they were ready to follow
the Dutch initiative. We were subsequently informed by the
newly appointed Assistant Secretary for Economic Affairs
that the State Department would welcome an approach from the
Community about Mr Stockman's proposals. It was therefore
decided, in consultation with the Treasury this morning,
that the United Kingdom should not prevent a Community
demarche being made in the terms proposed. I understand

/that

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that you were informed of this on the telephone: we thought it would be helpful to explain the sequence of events in writing, as this is a matter on which it would have been appropriate for Departments to consult in writing had time permitted.

I am copying this letter to John Wiggins at the Treasury.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St

GR 250

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DESKBY 300900Z

FM WASHINGTON 300415Z JAN 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 335 OF 29 JANUARY 1981,

INFO PRIORITY UKREP EC.

M I P T

I D A 6 AND THE U S

FOLLOWING IS TEXT OF DRAFT LETTER TO HAIG:

BEGINS.

ON BEHALF OF THE TEN MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY, OF WHICH THE NETHERLANDS PRESENTLY IS THE PRESIDING MEMBER, I WISH TO EXPRESS OUR DEEP CONCERN ABOUT PROPOSALS TO REVOKE THE U S PLEDGE TO THE 6TH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION (I D A) AND TO SEEK A SUBSTANTIAL REDUCTION IN THE AMERICAN CONTRIBUTION TO I D A VI.

SUCH A UNILATERAL REVOCATION OF THE U S PLEDGE WOULD UNDO A FINAL AGREEMENT WHICH RESULTED FROM PROTRACTED NEGOTIATIONS AMONG A GREAT MANY DONOR COUNTRIES. IT WOULD HAVE MOST SERIOUS CONSEQUENCES FOR THE POTENTIAL BENEFICIARIES, WHICH ARE THE POOREST AND LEAST DEVELOPED COUNTRIES OF THE WORLD, AND WOULD ALSO ADVERSELY AFFECT THE OVERALL RELATIONS WITH THE DEVELOPING COUNTRIES.

WE THEREFORE HOPE THAT YOU SHARE OUR CONCERN AND THAT THE U S WILL STAND BY ITS COMMITMENT TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION.

ENDS.

F C O PLEASE ADVANCE TO O D A, TREASURY AND BANK OF ENGLAND.

HENDERSON

ADVANCED AS REQUESTED

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FM WASHINGTON 300410Z

TO IMMEDIATE F C O

TELEGRAM NUMBER 334 OF 29 JANUARY 81.

INFO PRIORITY UK REP BRUSSELS.

UKDEL IMF/IBRD TELEGRAM NO 24 (NOT REPEATED)

IDA 6 AND THE U.S.

AS A CONSEQUENCE OF THE APPEAL FROM MCNAMARA REPORTED IN TELEGRAM UNDER REFERENCE, THE NETHERLANDS CONVENED THIS EVENING A MEETING OF EC REPRESENTATIVES IN WASHINGTON TO CONSIDER THE POSSIBILITY OF MAKING A JOINT DEMARCHE TO THE U.S. ON THE SUBJECT OF IDA 6. WITH THE EXCEPTION OF IRELAND, ALL TEN MEMBER COUNTRIES AND THE COMMISSION WERE REPRESENTED. COUNSELLOR (OVERSEAS DEVELOPMENT) ATTENDED FOR THE UNITED KINGDOM.

2. THE DUTCH SAID THAT THEIR GOVERNMENT HAD TODAY TELEGRAPHED THEIR EMBASSIES IN THE CAPITALS OF THE OTHER EC COUNTRIES ASKING THEM TO INFORM GOVERNMENTS OF THE ACTION BEING TAKEN IN WASHINGTON AND TO SEEK THE REACTIONS OF GOVERNMENTS TO THE PRINCIPLE OF A JOINT DEMARCHE.

3. THE DUTCH PROPOSED THAT THEIR AMBASSADOR IN WASHINGTON, ON BEHALF OF THE TEN MEMBER STATES OF THE EC, SHOULD SEND A LETTER TO HAIG, EXPRESSING THEIR CONCERN ABOUT THE PROPOSED U.S. ACTION. THEY SOUGHT THE VIEWS OF OTHER REPRESENTATIVES. SMITH (KNOWING THAT YOU HAD DECIDED NOT TO MAKE BILATERAL REPRESENTATIONS) SAID THAT HE HAD NO INSTRUCTIONS AND, IF THERE WERE A CONSENSUS AMONG OTHERS IN FAVOUR OF A DEMARCHE HE WOULD NEED TO SEEK INSTRUCTIONS ON BOTH THE PRINCIPLE AND THE DRAFT TEXT OF A DEMARCHE. HE SUGGESTED THAT, GIVEN THE TIME CONSTRAINT AND THE DIFFICULTY OF AGREEING A LINE, IT WOULD BE BETTER IF GOVERNMENTS WERE TO ACT BILATERALLY ACCORDING TO THEIR OWN DECISIONS. THE GERMAN SAID THAT, WHILE HIS MINISTER OF FINANCE HAD WRITTEN A LETTER FOR DELIVERY TO THE U.S. ADMINISTRATION AND HIS FOREIGN MINISTRY WAS EXPECTED TO DO LIKEWISE, HE HAD NO INSTRUCTIONS ON A JOINT DEMARCHE; BUT, IF THERE WERE A CONSENSUS IN FAVOUR, HE WOULD SEEK AGREEMENT WHICH HE THOUGHT HE WOULD GET. THE REMAINING REPRESENTATIVES SAID THAT THEY AGREED WITH A JOINT DEMARCHE AND COULD AGREE TO A SUITABLE TEXT WITHOUT FURTHER INSTRUCTIONS, SOME MAKING THIS CONDITIONAL UPON UNANIMITY. SEVERAL SAID THAT SENIOR MEMBERS OF THE STATE DEPARTMENT AND CONGRESSIONAL AIDES HAD EXPRESSED THE VIEW THAT A JOINT DEMARCHE WOULD HAVE A STRONG EFFECT.

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4. THE GERMAN SAID HIS EMBASSY WAS CONSIDERING WHETHER TO WITHHOLD THEIR BILATERAL LETTERS PENDING THE OUTCOME OF THE PROPOSAL FOR A JOINT DEMARCHE. THE DUTCH AND THE FRENCH SAID THAT, ON INSTRUCTIONS THEIR AMBASSADORS WERE MAKING REPRESENTATIONS TO THE STATE DEPARTMENT. THE DANES SAID THAT THE NORDICS WERE TO MAKE A JOINT PROTEST. THE ITALIAN SAID THAT, IF A JOINT DEMARCHE WERE NOT MADE, ITALY WOULD MAKE A BILATERAL ONE. THE COMMISSION REPRESENTATIVE SAID THAT IF THERE WERE NO JOINT DEMARCHE, THE COMMISSION MIGHT EXPRESS CONCERN. THE OTHER REPRESENTATIVES WERE SEEMINGLY NOT AWARE OF WHAT THEIR GOVERNMENTS PROPOSED TO DO BILATERALLY IN THE ABSENCE OF JOINT ACTION.

5. IN THE LIGHT OF THE POSITION DESCRIBED IN PARAGRAPH 3, THE MEETING CONSIDERED, WITH SMITH RESERVING HIS POSITION, THE DRAFT OF A LETTER TO HAIG. M.I.F.T. CONTAINS THE TEXT WHICH EMERGED.

6. IT WAS AGREED THAT THOSE REPRESENTATIVES WHO THOUGHT IT NECESSARY SHOULD TELEGRAPH THE TEXT TO THEIR GOVERNMENT AND SEEK INSTRUCTIONS ON WHETHER TO PARTICIPATE IN THE DEMARCHE, RECOGNISING THAT THERE WOULD BE NO TIME TO NEGOTIATE DRAFTING AMENDMENTS. IT WAS FURTHER AGREED THAT THE DUTCH EMBASSY SHOULD BE INFORMED OF THE DECISIONS OF GOVERNMENTS BEFORE 10.00 HRS LOCAL TIME (15.00Z) TOMORROW (30 JANUARY). SMITH REITERATED THAT HE WOULD NEED TO SEEK INSTRUCTIONS ON BOTH THE PRINCIPLE AND THE TEXT AND CONVEY THE DECISION TO THE DUTCH. THE GERMAN AND FRENCH REPRESENTATIVES SAID THAT, IN THE ABSENCE OF UNANIMITY, THEY WOULD NEED TO SEEK AND CONVEY AGREEMENT, WHICH THEY EXPECTED TO OBTAIN. THE OTHER REPRESENTATIVES SAID THAT THE DUTCH COULD GO AHEAD IN THE ABSENCE OF THEIR NOTIFYING OBJECTION.

7. IN VIEW OF YOUR DECISION NOT TO MAKE BILATERAL REPRESENTATIONS, PRESUMABLY YOU WOULD BE RELUCTANT TO BE ASSOCIATED WITH A JOINT DEMARCHE. ON THE OTHER HAND, IN THE LIGHT OF THE POSITION DESCRIBED IN PARAGRAPHS 3 AND 6, IT IS VERY LIKELY THAT ALL THE OTHER MEMBER GOVERNMENTS OF THE EC WILL AGREE TO A JOINT DEMARCHE AND THAT, IF THE U.K. RESISTED IT, WE WOULD BE ISOLATED AND SOLELY RESPONSIBLE FOR PREVENTING IT BEING MADE.

8 GRATEFUL FOR INSTRUCTIONS BY 09.30 HRS LOCAL TIME (14.30Z).

FCO PLEASE ADVANCE TO ODA, TREASURY AND BANK OF ENGLAND.

HENDERSON

ADVANCED AS REQUESTED

MONETARY
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