

PRIME MINISTER

MEETING WITH SECRETARY BRADY

You have agreed to see US Treasury Secretary Brady tomorrow. He will be accompanied by Mr. Eagleburger, Mr. Wolfowitz (from the Pentagon) and the American Ambassador. The President especially asked you to see them, so they could explain the US initiative on burden sharing and on assistance to countries most affected by implementing sanctions.

On the military burden sharing, the Americans estimate that they will have spent some \$2.5 billion by the end of September, and that figure will of course rise very steeply thereafter. The President made clear that he is not expecting us to contribute to the costs because of our own military effort. We do not seem to know the exact costs of this: but MOD think they have spent about £75 million so far, and the daily costs are £1 million. At that rate, we might seek a bit of burden sharing ourselves from the wealthier countries who are not contributing forces.

On the question of aid to countries affected by sanctions, we are not yet in a position to make any specific promises. The Americans appear to be looking for something like \$2.5/\$3.5 billion for the rest of this year and \$6/\$7.5 billion for 1991. For this year they envisage bilateral contributions. For next year they seem to be thinking of setting up a common fund that might be administered by the IMF or an ad hoc group (but they don't want a Commission-dominated G24 group).

The principal points you will want to make about such aid are:

- priority should be given to Turkey, Egypt and Jordan, and just possibly some of the East Europeans;

- but the absolute condition for aid is full implementation of sanctions;
- we expect Japan, Germany and the Middle East countries who will receive windfall profits from higher oil prices to be very much the main contributors;
- we prefer a simple coordination mechanism to some elaborate new structure for administering the assistance;
- we should not confuse the short term problems being experienced by countries like Egypt and Jordan with their longer term economic difficulties stemming mostly from mis-management. The latter should remain within the purview of the IMF, and the countries concerned should have IMF programmes;
- help may not be only financial: in some cases like Turkey they want trade concessions, and for others the main need is alternative oil supplies.

A full background is set out in the letter in the folder.

CDP

C. D. POWELL

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