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MADRID EUROPEAN COUNCIL: DEBT

SUMMARY

1. SPANISH OFFICIALS CONFIRM THEY ARE PREPARING FOR A SUBSTANTIVE DECLARATION ON DEBT AT MADRID.

DETAIL

2. WHILE WELCOMING THE BRADY PLAN, SPANISH OFFICIALS SAY THAT IT DOES NOT GO FAR ENOUGH AND THAT ADDITIONAL RESOURCES FOR DEBT REDUCTION ARE ESSENTIAL TO ITS EFFECTIVE IMPLEMENTATION. THEY BELIEVE THE PLAN NEEDS TO BE GIVEN POLITICAL IMPETUS AT THE EUROPEAN COUNCIL IN TIME FOR THE 4 JULY G7 SUMMIT.

3. THEIR INTENTION SEEMS TO BE A DECLARATION WHICH LISTS PROPOSALS FOR THE COORDINATION OF POLICY AMONG THE TWELVE AND G7 RESPECTIVELY TOWARDS MIDDLE-INCOME DEBTOR COUNTRIES. IT WAS DECIDED ONLY RECENTLY TO TABLE A PROPOSAL IN THE MONETARY COMMITTEE, FOR DISCUSSION AT ECOFIN ON 19 JUNE, FOR THE ESTABLISHMENT OF A EUROPEAN FUND, ON THE LINES OF THE JAPANESE EXAMPLE, TO BE ADMINISTERED BY THE IMF TO ASSIST DEBT REDUCTION SCHEMES BETWEEN EC BANKS AND DEBTOR COUNTRIES. CONTRIBUTIONS MIGHT BE RELATED TO NATIONAL EXPOSURE. DESPITE SOME SUSPICIONS THAT FRANCE MAY TRY TO DELAY ANY SERIOUS DISCUSSION OF DEBT UNTIL ITS OWN PRESIDENCY, SPANISH OFFICIALS HOPE FOR FRENCH SUPPORT FOLLOWING MITTERAND'S INITIATIVE IN DAKAR. THEY DO NOT BELIEVE THE COMMISSION IS PREPARING ANY SEPARATE NEW INITIATIVE ON DEBT.

4. AT A SEMINAR ON 5 JUNE (ATTENDED, INTER ALIA, BY EX-PRESIDENT OF MEXICO DE LA MADRID) FELIPE GONZALEZ REITERATED SPANISH POLITICAL SUPPORT FOR LATIN AMERICA IN EC AND OTHER INTERNATIONAL FORA. AFTER ADDRESSING A SEPARATE MEETING HERE THE SAME DAY OF THE INTERNATIONAL MONETARY CONFERENCE (ATTENDED BY SIR LEON BRITTAN) BRADY WAS CRITICISED BY BANKERS INCLUDING JEREMY MORSE OF LLOYDS FOR NOT URGING THE IFIS TO SUPPORT A GREATER SHARE OF THE WORLD DEBT BURDEN.

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5. THE MEXICAN FINANCE MINISTER IS REPORTED TODAY TO HAVE HELD DEBTREDUCTION NEGOTIATIONS IN MADRID WITH CREDITOR BANKS CHAIRED BY JOHN REED OF CITIBANK.

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