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cc AW
Foreign and Commonwealth Office

London SW1A 2AH

5 May 1982

Dear John,

Please type letter.
ADR/g.

I enclose a letter and memorandum to the Prime Minister from President Ratsiraka of Madagascar asking for support in his negotiations with the IMF for a standby agreement. He has written similar letters to the Heads of Government of France, USA, West Germany, Italy, Belgium, Holland and Japan. Our translation of President Ratsiraka's letter and supporting memorandum is attached.

President Ratsiraka argues that his acceptance of the IMF's conditions as described would aggravate Madagascar's economic crisis and threaten the stability of the country. Latest reports from our delegation to the IMF indicate that the IMF are now taking a somewhat softer line and the two sides may reach a compromise. This may reflect the efforts of the French, who have substantial interests in Madagascar, and who have taken the lead in lobbying on Madagascar's behalf.

Our bilateral relations with Madagascar are insubstantial, but we share the Western interest in not letting President Ratsiraka - a socialist more under threat from Left than Right - go under. Madagascar is of strategic importance, lying adjacent to the super-tanker routes; a change of government might carry the country into the Soviet camp and add to the pressures on other Indian Ocean states, such as Mauritius and Seychelles. There is also the consideration that the French, who have been helpful to us over the Falklands, have asked us to support their efforts to persuade the IMF to be more accommodating in the negotiations.

The enclosed draft reply to President Ratsiraka indicates in general terms sympathy for his position without entering into any commitments. (The delay in submitting these papers is largely accounted for by the infrequency of diplomatic bags from Antananarivo). If the Prime Minister agrees to write in these terms, we shall ensure that they are reflected in the line taken by our delegation to the IMF.

Yours ever,

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

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DRAFT: minute/letter/teleletter/despatch/note
XXXXXXXXXXXXXXXXXXXXXXXX

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency Didier Ratsiraka
President of the Democratic
Republic of Madagascar

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 9 March enclosing a memorandum which sets out most clearly the points at issue in the negotiations between your Government and the International Monetary Fund.

CAVEAT.....

I agree that a prosperous and stable Madagascar is important for the Indian Ocean; and I am very conscious of the economic difficulties confronting your government, difficulties that have been compounded by the severe damage resulting from the recent series of cyclones. I am therefore most encouraged to learn that progress is being made in your negotiations. At a time of world recession, imposing severe constraints on all governments, the Fund's underpinning can do much to bring about lasting economic improvement. I hope that complete agreement will be achieved. We for our part will of course help where we can to reach such an outcome.

Enclosures—flag(s).....

AA 6/3.