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THE WHITE HOUSE
WASHINGTON

September 5, 1989

Dear Mr. Chairman:

I read your thoughtful letter of June 24 concerning third world debt with great interest because I share your concern about the problems external debt poses for less developed countries. Along with the other members of the Group of Seven countries, the United States is dedicated to helping third world countries attain both stable economic growth and manageable external debt servicing.

As agreed at the 1988 Toronto Summit, the Paris Club has set conditions for significant reduction of debt service payments for the poorest countries. Thirteen countries, including Tanzania, have already benefitted by this decision. In addition, in early July, I authorized U.S. agencies to begin a process which will provide debt relief under Section 572 of the Foreign Operations Authorization Act for a number of sub-Saharan African countries undertaking IMF and World Bank-supported economic reform programs, such as Tanzania, beginning on October 1, 1989.

The enhancement of the International Monetary Fund Structural Adjustment Facility, the World Bank special program of assistance for the poorest and most indebted countries and the fifth replenishment of the African Development Fund are also important measures benefitting the poorest countries.

The industrial countries also recognize the need to alleviate external commercial debt problems, as demonstrated by Treasury Secretary Nicholas Brady's proposals on strengthening the debt

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strategy, and the endorsement of the strengthened strategy at the Paris Economic Summit. The Group of Seven urged developing countries to adopt sound economic policies, in which a vital factor is the implementation of proper financial and fiscal policies. Debt relief will be fleeting unless it is combined with an improvement of economic policies, particularly those designed to mobilize savings, stimulate investment and reverse capital flight.

Through joint efforts by all parties affected by the external debt problems of developing countries, I believe we can together continue to make progress in the coming years.

Sincerely,

A handwritten signature in dark ink, appearing to be 'G. B. M.' with a long horizontal flourish extending to the right.

His Excellency
Julius K. Nyerere
Chairman, South Commission
P.O. Box 71000
Dar es Salaam, Tanzania