



PRIME MINISTER

SOUTH AFRICA

Prime Minister

Agree, subject to views of  
colleagues?

Yes *[initials]* *[initials]*

..... I have received a letter, a copy of which is attached, from the South African Finance Minister, asking for a macrocredit for South Africa to be reconsidered. You will recall that OD decided against such a macrocredit at its meeting on 5 November (OD(79)12th); it also decided then that, whilst ECGD might offer 8½ year cover for the Tutuka power station contract, that should not be taken as a precedent to extend the present usual limit of 5 years credit cover for South African business. My subsequent letter of 26 November (copy also attached) to Senator Horwood reflects the OD decision.


2. There is still no good reason to concede a macrocredit; such agreements have in the past been signed pretty freely, including with the Soviet Union, and our aim is to separate such political gestures from our trade relations. But our post in South Africa have advised that "rejection without the appearance of further consideration might offend gratuitously in a climate where political considerations have in the past assumed disproportionate importance when final decisions on public sector contracts are being made", and we obviously cannot treat lightly the chance of securing this business. My response to Senator Horwood's letter ought therefore to be positive in order, at least, to assist GEC in their bid for the Tutuka contract (worth about £320m to GEC); and assurances about longer term export credit cover might well clinch that business for GEC and help secure further public sector business which is likely to be available in South Africa.



3. The OD decisions of 5 November on the macrocredit and Tutuka were heavily influenced by the assumed existence of a formal understanding between Governments of the Nine, the US and Canada that no more than 5 years credit cover should generally be given to South Africa, and on the need not to appear to be treating South Africa more favourably over credit than we are ready to treat other countries of similar creditworthiness. Subsequent further research by officials has disclosed that there is no formal understanding as such about the 5 year limit, simply a common practice. An offer to extend ECGD terms given for Tutuka to comparable future business in South Africa would serve to reassure the South Africans and help GEC without enabling others to claim that we are treating South Africa with exceptional favour.

.....  
4. I suggest therefore that I should reply to Senator Horwood in the terms of the attached draft. The timing of that reply is crucial both in terms of helping to secure the Tutuka contract and of the Rhodesian elections and Black African sensitivities about South Africa generally, in case of South African leaks. I would therefore first propose to give our Ambassador in Cape Town, for his own information, the text of the approved draft reply, so that he can advise on the best timing to help GEC. I also propose to ask him to make an immediate informal approach to the South Africans in order to give them some idea of the terms of my proposed reply to Senator Horwood, and to try to elicit a promise from the South Africans to award the Tutuka contract to GEC in return. If that course of action is agreed, officials can agree the terms of the instructions to our Ambassador.

5. I am copying this minute and the attachments to the other OD Committee members and to Keith Joseph and Sir Robert Armstrong. Subject to their comments I should be glad to have your agreement to my proceeding as proposed.

  
J. N.

Postbus 29  
P.O. Box



Ref.: MX. 1.34.2

Ministerie van Finansies  
Ministry of Finance  
Hendrik Verwoerdgebou  
Hendrik Verwoerd Building

RECEIVED 14  
SECRET

TO Mr Clark  
FOR ADVICE (AND  
DRAFT REPLY IF  
APPROPRIATE)  
PLEASE BY:  
19/2/80

COPIES TO:  
Mr. [unclear]  
Mr. [unclear]  
Mr. [unclear]  
Mr. [unclear]  
Mr. [unclear]  
Mr. [unclear]

Kaapstad  
Cape Town  
8000

SOUTH AFRICA

The Honourable J. Nott,  
Secretary of State for Trade,  
1 Victoria Street,  
LONDON SW1H 0ET.  
ENGLAND.

1980 -02- 06

Dear Minister,

I am most grateful for your letter of 26 November 1979 which I regard as a positive demonstration of the wish on the part of your Government and yourself to expand trade between Britain and South Africa in a meaningful way.

I am particularly gratified that you were able to agree to the 8 1/2 years export credit cover for the Tutuka power station provided, naturally, that British suppliers are awarded the contracts concerned. ESCOM is at present, I believe, engaged in adjudicating the tenders received.

I must admit, though, that I was somewhat disappointed that your Government did not see its way clear at this stage to extend these more favourable terms to the full amount of the macro-credit. Perhaps you would in due course be so kind as to inform me whether the circumstances which gave rise to your Government's present limited decision have changed sufficiently for you to bring the matter to a satisfactory conclusion.

I am asking your Ambassador to convey this letter to you, and am arranging for copies to be sent to Dr. the Honourable S.W. van der Merwe, Minister of Industries and of Commerce and Consumer Affairs and to the Honourable R.F. Botha, Minister of Foreign Affairs.

With kindest regards,

Yours sincerely,

Owen Horwood.

O.P.F. HORWOOD

31A

DEPARTMENT OF TRADE

1 VICTORIA STREET LONDON SW1H 0ET.

Telephone 01-215 7377

cc: S/S

PS Secretary  
PS Secretary ECUO  
Mr Knighton  
Mr Clarke CRES  
Mr Pantou ECUO.



From the Secretary of State

Senator The Hon O P F Horwood  
Minister of Finance  
Pretoria  
Republic of South Africa

26 November 1979

Dear Minister

I am now in a position to respond to the proposals which you made to me at our meeting in London on 11 October, and also to the message which your Ambassador conveyed to Sir Geoffrey Howe and to Lord Carrington on 25 October, and to me on 31 October. That message concentrated on the need for the Export Credits Guarantee Department to offer 8½ years credit cover for certain public sector projects in South Africa.

My Ministerial colleagues and I have considered very carefully both this proposal and the one for a macrocredit which you developed at our meeting. At that meeting you referred to the declining share of South African public sector orders obtained by British industry in recent years, and of the wish of the South African Government to place more orders with British suppliers. For my part I assured you that the British Government shared the wish to trade with your country, but that in our experience, macrocredits unrelated to firm contracts with British suppliers had considerable drawbacks, and that I believed ECGD would be better able to meet South African needs by considering individual projects as they arise.

In this connection, I am delighted to be able to inform you that we are able to agree 8½ years export credit cover for the Tutuka power station which I understand is the first of the projects you had in mind, assuming of course that the contract is placed with a British



*From the Secretary of State*

supplier. The precise terms will, of course, be settled in the usual way by negotiation between ECGD and the suppliers. In turn, I very much hope that you will now find it possible to confirm that, provided British suppliers are able to satisfy ESCOM on such matters as technical specifications, they will be awarded the Tutuka contract.

I hope that you will regard this letter as positive demonstration of our wish to expand trade between Britain and your country, and that further specific contracts will follow up to the larger figure which we discussed at our meeting.

I am asking your Ambassador to convey this letter to you, and am arranging for copies to be sent to Lord Carrington and to Sir Geoffrey Howe.

Kind regards  
Yours sincerely  
John Nott

JOHN NOTT

**DRAFT**

Addressed to:

Senator the Hon O P F Horwood  
Minister of Finance  
Ministry of Finance  
Cape Town  
Republic of South Africa.

**File No.**

Copies to:

PS/MFT  
PS/PUSS(T)  
Secretary  
Secretary ECGD  
Mr Knighton  
Mr Williams CRE5  
Mr Clarke CRE5

Originated by:  
(Initials and date)

Seen by:  
(Initials and date)

Enclosures:

Type for signature of

.....  
(Initials and date)

DEPARTMENT OF TRADE

Thank you for your letter dated 6 February, in which you ask whether the British Government would reconsider its decision, conveyed to you in my letter of 26 November, on a macrocredit.

This proposal has now been carefully re-examined with my Ministerial colleagues. Whilst our conclusion is that the fixing of a specific figure of the kind you had in mind would not offer advantage as compared with the usual ECGD practice of considering individual proposals on their merits, I am pleased to be able to assure you that we are prepared to consider sympathetically applications for credit terms similar to those offered in the case of Tutuka for future major project business placed with British suppliers.

I know you will appreciate that this represents a positive response to your letter, and meets the substance of the request you made at our meeting last year, for greater certainty about the terms that might be available. I accordingly hope that the South African Government will decide to award public sector contracts to British suppliers in line with the figure we discussed last year.

(CONTINUE TYPING HERE)

File No.



I am asking our Ambassador to deliver this letter to you, and to send copies of it to Dr van der Merwe, and Mr R F Botha; copies have also gone to Lord Carrington and to Sir Geoffrey Howe.

With all good wishes,