



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T26/79T

OPS
Subject filed: UK/Kenya
relations, Aid to Kenya
The President of the Republic of Kenya

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
Her Majesty's Government,
No.10 Downing Street.

Dear Prime Minister,

I thank you for the frank and extremely useful discussions which you and I had yesterday morning.

You will recall that I mentioned that my country is facing a very serious Balance of Payments situation and I need your assistance in dealing with it. This situation has been caused mainly by such factors as falls in export prices and increases in import prices over which we have virtually no control. In addition, and because of the situation prevailing in Eastern Africa as a whole, we have had to spend substantially more than in the past in building up our defence capability. This has involved large commitments with British firms to supply various defence items. You asked me to let you have a note on these defence loans.

The total amount involved, excluding interest charges and likely increases resulting from price escalation clauses, is K£ 163.4 million, to be repaid over the next six years. Of this amount, approximately K£ 51 million has already been paid. In addition to the outstanding balance, I understand that interest charges and increases in prices due to price escalation clauses are going to add up to a very substantial figure indeed.

As I mentioned to you, we shall find it impossible to meet, from our own resources, the balance of these loans and also other Defence Loans amounting to nearly K£ 100 million from France, United States, Canada and West Germany and which are repayable over the same period, without jeopardising our national stability through sharp reductions in our development efforts. I should be grateful if Her Majesty's Government would give my country grants to enable us to repay the remaining portions of British loans. The details of the various loans, and the British companies involved, are attached.



The President of the Republic of Kenya

- 2 -

In addition, Prime Minister, I should be grateful if Britain would consider giving us additional development aid. In this connection, and as I briefly mentioned yesterday, a formal application has already been submitted to Her Majesty's Government for a Programme Loan amounting to K£ 30 million.

Once again, I thank you for our very useful and cordial discussions and the warm reception you accorded me.

Yours Sincerely,

A handwritten signature in cursive script, reading 'Daniel T. Arap Moi'.

DANIEL T. ARAP MOI

14th June, 1979.

LOANS FROM BRITISH COMPANIES FOR DEFENCE EQUIPMENT.

<u>Transaction Code</u> (agreed between Kenya and the International Military Services - I.M.S.)	<u>Name of Supplier</u>	<u>Amount Involved</u> Kf
Maendeleo 1	Ministry of Defence U.K.) Short Bros Ltd.) FN (Fabrique Nationale)) Racal Tacticom)	420,313
Maendeleo 2	Marconi Radar Systems Ltd	6,369,321
Maendeleo 3	Ministry of Defence U.K.) British Leyland) (Landrover Ltd)) British Leyland) (Scammell Ltd)) Sterling Armament)	5,042,289
Maendeleo 4	British Aerospace (BAC Ltd)	2,791,179
Maendeleo 5	Short Bros. Ltd	6,681,273
Maendeleo 6	Vickers Ltd (Overseas)	16,096,362
Maendeleo 7	Ministry of Defence U.K.) Tellurometer Ltd) United Scientific Instruments) Ltd) Fairey Engineering Ltd.) Vauxhall Motors) British Leyland) (Landrover Ltd.))	1,131,323
Maendeleo 8	Marconi Radar Systems Ltd.	1,388,253
Hawk	British Aerospace	29,868,506
Vickers (M.B.T.)	Vickers Ltd.	38,640,626
I.M.S.	Racal Tacticom) British Aerospace) Marconi Radar Systems Ltd.) Brooke Marine) Fairey Engineering Ltd.)	5,260,477
I.M.S.	Bmarc Ltd.	42,429,740

Ministry of Defence U.K. has the details of these loans.