Ref. A01609

MR. ALEXANDER

Export Credit for South Africa

The Prime Minister has asked for advice on the Secretary of State for Trades's proposed reply to the South African request for eight-and-a-half-year terms for the full amount of the macro credit they are looking for.

2. The terms of Mr. Nott's proposed reply go a little beyond what was agreed by OD (OD(79) 12th Meeting). They do, however, maintain the decision to look at projects on a case-by-case basis. They also give the South Africans a slight additional incentive to award the Tutuka project to GEC. The difficulty is that the circumstances in which the South Africans will be seeking extended credit for later projects are hard to foresee and that it will be more difficult, though not impossible, to turn down such a South African request in the light of Mr. Nott's undertaking to consider sympathetically such applications.

3. I understand that the Chancellor of the Exchequer is not intending to object to Mr. Nott's proposal and that the Foreign and Commonwealth Secretary is being advised to concur, though reluctantly.

4. It is recommended that the Prime Minister should also agree, after she has seen Lord Carrington's comments.

pp. ROBERT ARMSTRONG

5th March, 1980

JU

CONFIDENTIAL

PRIME MINISTER

SOUTH AFRICA

I fully support the proposals in the Secretary of State for Trade's minute of 28 February. The positive terms in which he proposes to respond to Senator Horwood will, I hope, be helpful both to GEC in their efforts to win the important Tutuka contract, and in the context of our wider interests in exporting to South Africa.

I am copying this minute to the members of OD Committee and to Sir Robert Armstrong.

TGM

5th March 1980