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PRIME MINISTER

ZIMBABWE: AID AND DEBT

The Foreign Secretary sent me a copy of a minute to you of 18 June about the aid and debt package we have offered the Zimbabweans. He proposed that we should offer to write down the outstanding capital debt to HMG for which the Zimbabweans have agreed to accept responsibility by a further £20m. The Chancellor of the Exchequer has subsequently commented in his minute of 19 June.

I understand the Zimbabweans have shown themselves reluctant to use the £75m aid on offer to support commercial projects, and as the Foreign Secretary said in his minute, a substantial part will be used for land resettlement and other purposes from which British industry will derive little benefit. I therefore agree with the Chancellor that we should delay offering any further concession until it is sought. We would then be in a much better position to ensure that British industry obtains direct benefit. It should, for example, be possible to devise a formula by which the £20m which would otherwise have been used to repay debt was used to finance contracts placed with British suppliers, preferably contracts which would otherwise have gone elsewhere. I suggest this possibility should be examined before anything is said to the Zimbabweans.

I am sending a copy of this minute to the recipients of the Foreign Secretary's minute, and to the Secretary of State for Industry.

DEPARTMENT OF TRADE  
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20 June 1980

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