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NDRM

AT 17/12

FCS/84/328

SECRETARY OF STATE FOR TRADE AND INDUSTRY

Direct Private Investment Overseas

1. In my minute of 31 August I promised to let you have my views on the proposals from the Working Party on Direct Private Investment Overseas for an expanded pre-investment studies scheme.
2. Tim Raison has now considered the proposals in detail and on balance we feel that the new scheme should not go ahead, although it would potentially bring benefits to developing countries and British investors. In view of the constraints on ODA financial resources and manpower and because the existing Pre-Investment Studies Scheme has proved ineffective we do not feel justified in giving priority to the Working Party's proposals. I have of course also noted your doubts and those expressed by Nigel Lawson in his letter of 4 October to you.
3. We have considered whether the present ineffective Studies Scheme should be allowed to totter on, although there is nothing in the pipeline and a possible residual liability for only £71,000. We decided that it would be preferable to discontinue the Scheme. In making any announcement we could point to the Commonwealth Development Corporation as the instrument, so far as ODA funds are concerned, to attract co-investment in developing countries by the private sector. The CDC's record in this respect has been rather disappointing and they do not predict any significant improvement, partly because of

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the unattractiveness in some respects of equity dealings in developing countries. But they have done and will continue to do some work in this field and they are the least ineffective instrument at my disposal.

4. I am copying this minute to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Secretary of State for Employment and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G. Howe', is written above the typed name.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
14 December 1984

ECON POL: Private Direct Investment

Overseas: Jan 84



14 DEC 1984