



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Minister for Trade
Department of Trade & Industry
1 Victoria Street
LONDON
SW1H 0ET

Prime Minister (2)

*To note X and Y
in particular*

2 February 1984

*Dms
3/2*

*Is it not possible
to persuade the
Germans not to
offer credit to
Libya?*

Rees Minister,

CREDIT FOR LIBYA

I have seen your letter of 12 January to Geoffrey Howe and Richard Luce's reply of 23 January about the problems that could arise in our relations with the Americans over a decision to offer credit to Libya.

The foreign and trade policy judgement I am content to leave to you and Richard Luce but I would suggest that in view of the potential that the extension of medium term credit to Libya has for causing difficulties in our relations with the Americans ECGD, should consider excluding from cover US goods or technology as they currently do for the USSR. Like you, I am reluctant to see a cash market turned to credit but I understand that the Germans have offered credit for the Sirte fertilizer project. I am prepared to agree that we should do the same but I hope that it will be possible to limit cover to credit only and avoid any interest subsidies.

X |
Y |

It will be necessary to impose tight limits on credit provided to this market. ECGD's unhappy experience on claims on short term business in this market, though not directly relevant to medium term business means that Libya must, with justification be regarded as one of their riskier markets.

I am sending copies of this letter to the other members of OD and to Sir Robert Armstrong.

yours sincerely

PETER REES

*for (approved by) the
Secretary & signed in his absence*

Econ. Kl. : Intellektuell A 3

23 FEB 1994

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