

Overseas Aid 2

Prime Minister

C/M  
28/4*From the Secretary of State*

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1

27 April 1983

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Dear Francis,

AID AND TRADE

In the context of our recent correspondence on ATP - and I will be writing shortly on the substance of these matters - I thought it might be useful to send to you a copy of a recent letter I have received from Pat Limerick, until very recently Chairman of the BOTB, reporting on a discussion on Aid and Trade held at the March meeting of the Board.

In particular you will note the Board's view - and the majority of its members are those who are involved at the sharp end of exporting - that while other countries use aid assisted credits the ATP is a necessary measure to help our industry in countering the competition.

You will not be surprised to read of the Board's concern at the current shortage of ATP but you may care to note that the Board are also concerned about the level of our multilateral commitments and about the need to take a greater industrial advantage of the bilateral programme.



*From the Secretary of State*

I am copying this letter to the Prime Minister and the other members of EX Committee.

ms,  
Arthur.

LORD COCKFIELD

From the Chairman  
The Earl of Limerick

1 Victoria Street  
London SW1H 0ET  
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## British Overseas Trade Board

The Rt Hon the Lord Cockfield  
Secretary of State for Trade  
Department of Trade  
1 Victoria Street  
London SW1H 0ET

31 March 1983

*Dear Secretary of State.*

### AID AND TRADE

At its March meeting the Board discussed future prospects for aid assisted trade. We had before us a very helpful paper prepared by the Overseas Projects Board's Standing Group on Aid and Trade and, as this is quite short I am attaching it. We also had the benefit of a helpful and constructive contribution from Sir William Ryrie, the Permanent Secretary of the ODA. I think you will want to know the Board's views and conclusions on this important issue.

The Board generally endorsed the conclusions contained in the paper. In particular we see the Aid and Trade Provision as a necessary measure to help industry in countering the growing use of aid assisted credit by other countries. Of course we acknowledge that it would be best if all Governments concerned would desist from the practice: but there is little prospect of this happening, and as long as their competitors can invoke aid to support their bids for projects in the developing countries, British firms need similar facilities to enable them to match. Given that our ATP is used to match what is available from others, the Board were surprised to hear from Sir William that some countries believe us to be aggressive in our use of aid support. It is difficult, in my view, to attach a great deal of weight to such accusations, given the evident self-interest of those making them and the fact that we, through our scrupulous regard for the rules on mixed credit, lay ourselves open to criticism by notifying the majority of our offers as "initiations" when in practice we are matching the undeclared use of soft terms by others.

The Board were concerned to hear that the ATP was virtually committed for 1983/84 and that there was already a heavy level of commitment for the following year. They realise that not all the commitments turn into actual business, but the offers of support already aim off for this. ATP is the most commercially effective use of aid and its form does not detract from the basic developmental objective. The Board

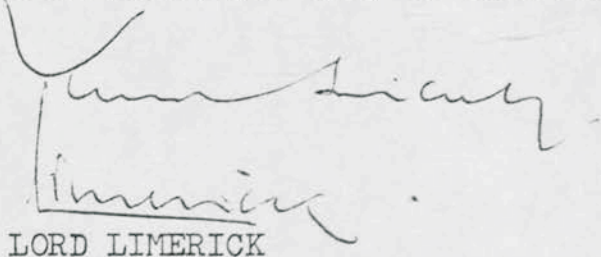
appreciate the danger of a credit race in which individual victories will go to the country with the deepest purse or the most pressing political problem, and in which there are no prizes for second placing; but a significant increase in the quantum of ATP is needed just to enable our firms to compete on equal terms with their competitors.

The Board also took the view that both in the case of ATP and of the bilateral aid programme generally, better use could be made of the funds available. The administration and process for approval needs to be more responsive, rapid, and flexible so that we can obtain a better return for industry without detriment to the developmental issues involved. The suggestion was also made that our bilateral aid could be of greater advantage if it was not given in such large individual amounts but was spread more widely. Sir William explained that the problem here was that previous Administrations had committed large amounts to large, long term projects and there was little room for manoeuvre, except as these projects were completed.

Finally, the Board was concerned about the amount of our aid which was committed to the multilateral agencies. Our share of business deriving from some, at least, of the multilateral programmes is low. The use of ATP on the otherhand achieves complete additionality, with a multiple benefit for British exports. Anything that could be done to alter the balance in favour of bilateral aid would be of advantage to British industry. In the meantime the Board will be taking another look at the question of procurement under contracts financed by the multilateral agencies to see if there is any way in which our performance can be further improved: I know that you yourself spoke at the recent aid conference in Birmingham.

In summary, the Board concluded that we need to work even harder with industry to improve the benefit derived by British exporters under multilateral aid programmes; to encourage the Government's stated objective of moving the balance towards bilateral aid, while realizing the constraints; to spread bilateral aid more widely to obtain better gearing as long standing commitments wind down; and, most importantly, to seek an increase in the ATP element of bilateral aid and to streamline the administration so that our firms can continue to match the competition responsibly while we all seek to avoid an aid race. I hope the report and the Board's endorsement of it will prove useful to you in your discussion with colleagues.

I am sending a copy of this letter to the Minister for Overseas Development.



LORD LIMERICK