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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET 5422
TELEPHONE DIRECT LINE 01-215
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

4 November 1985

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Yes no

Prime Minister

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Agree that we should not
actually take action on
Krugerrands until others do?

Agree to confirm existing
practice on computer sales,
which is what you said and

Dear Charles

SOUTH AFRICA : IMPLEMENTATION OF NASSAU AGREEMENT.

intended in Nassau?

My Secretary of State is implementing those parts of the Nassau Agreement which fall to the DTI in the light of the exchange of telegrams at the time (particularly FCO tel no 69 and Nassau tel nos 1 and 44) and the Prime Minister's line at her Press Conference at which she underlined the very limited extent of the new measures. In two areas, Krugerrands and computer exports, my Secretary of State believes he should adopt a different approach from literal interpretation of the Commonwealth Accord. He believes that such an approach would be consistent with the Prime Minister's remarks.

COP
S/C

2 On Krugerrands, the Commonwealth Accord commits us to take "what action may be possible" to preclude the import of Krugerrands. (As the Prime Minister knows, the value of Krugerrands imported to the UK is very small - around £1m annually.) In UK and Community law, the imposition of a ban presents no difficulty. But under the General Agreement on Tariffs and Trade, a ban would appear to breach our obligations to South Africa (a GATT member). If we act, South Africa might try to enforce her rights, both provoking a damaging political row in GATT and rendering the UK liable to offer compensation or to suffer trade retaliation. Present indications are that South Africa probably would press a case if they thought (as we do) that their chances of winning it were fair. This would turn GATT into a political forum, with developing country members overruling GATT treaty law in order to pursue anti-apartheid policies. This could in turn increase pressure for wider trade sanctions against South Africa.

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3 Such considerations might discourage a South African reaction. A GATT case, even if brought only against one country, would implicate other GATT members who had also banned Krugerrands. This again might discourage South Africa from acting. But although the US and the Nordic countries have referred to the possibility of banning Krugerrands, neither they nor any Commonwealth country has yet announced implementation of a ban.

4 The fact that other countries have yet to make clear their intentions argues against the UK taking the lead in banning the import of Krugerrands. We shall keep in close touch with the Americans and Canadians in particular and could implement a ban within 24 hours, if necessary.

5 Although the Secretary of State would consult the Prime Minister and colleagues before taking action, a ban could be implemented by officials without Parliamentary discussion. The Administrative Instrument required would be brought to Parliament's attention by means of a Written Answer or even a Press Notice. We do not need to consult the Commission or our Community partners, since unlike GATT, the Community would treat the ban as a restriction on capital movements and not on trade in goods.

6 Unless the Prime Minister considers that deferment of action would not be consistent with the spirit of the Commonwealth Accord, we would recommend keeping pace with action in the US or Commonwealth.

7 We understand that Hong Kong, although a major importer of Krugerrands (over £10 million in 1984) would be prepared to join a ban but would not wish to be alone in such action.

8 The second area of particular difficulty concerns computer exports. As was pointed out in FCO telno 67, the reference to equipment "capable of use" by South African forces, if read literally, would preclude all computer sales to any South African customer. Such an interpretation, which goes well beyond existing practice or the recent EC agreement, would be extremely serious for our computer manufacturers, particularly ICL, who would be liable to lose in excess of £20m of exports per annum. Moreover, the DTI no longer has powers to control the export of low powered computers (of the high street store variety). The administration of such broad controls would in any event be very costly. Accordingly, my Secretary of State believes that we should seek an opportunity to reaffirm by an Arranged Question that we intend to interpret this provision of the Commonwealth Accord as being identical in effect to the restrictions we already place on the exports of computers to South Africa and which form part of the recent EC package of restrictive measures. The Prime Minister implied this in her statement in the House.

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9 Other provisions of the Accord present no major difficulties. Although the DTI has no existing powers to control the export of oil UK companies are subject to Government guidance only to sell North Sea oil to members of the International Energy Association and the EC. South Africa is not a member of the IEA and no additional steps appear necessary (beyond those agreed for the implementation of the EC measures of 10 September) to implement the Commonwealth Accord.

10 The ban on nuclear exports in the Commonwealth Agreement broadly conforms with our present ban on nuclear collaboration with South Africa. Exports of nuclear equipment and materials to all destinations are controlled by the DTI under existing powers but at present these embrace only certain types of nuclear technology. For reasons unconnected with the Commonwealth Accord, the FCO are currently considering the extension of these powers of control over nuclear technology to all destinations.

11 Finally, although there is no problem with the embargo on imports of arms and equipment, and almost none come in, the 400 or so open individual licences issued to firearms dealers will be modified so as no longer to be valid for imports from South Africa; applications for specific licences for firearms or ammunition originating in South Africa will be refused; and the armed forces and police will be advised against purchasing arms, ammunition, military vehicles and para-military equipment originating in South Africa. This should cause no problems.

12 I am copying this letter to the Private Secretaries of Ministers in OD and to Sir Robert Armstrong.

Yours ever,

Michael

MICHAEL GILBERTSON
Private Secretary

JF4ALS



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10 DOWNING STREET

From the Private Secretary

6 November 1985 LPO

APC 16
CO
CDLO
LPSO
MOD
HMT
FSD
CCO

Dear Mike,

SOUTH AFRICA: IMPLEMENTATION OF NASSAU AGREEMENT

Thank you for your letter of 4 November about implementation of the Nassau Agreement.

The Prime Minister agrees that there is no need for the UK to hurry into implementating the ban on the import of Krugerrands until the GATT implications have been resolved. We should keep pace with action by the United States, Commonwealth members and other members of the Community.

As regards exports of computers, the Prime Minister agrees that we should interpret the provision of the Commonwealth Accord as being identical in effect to the restrictions we already place on the exports of computers to South Africa. This was certainly the intention and the Prime Minister explained it in these terms to her Commonwealth colleagues at the time.

I am copying this letter to the Private Secretaries to members of OD and to Michael Stark (Cabinet Office).

Yours sincerely,
Charles Powell

Charles Powell

Michael Gilbertson Esq
Department of Trade and Industry

CEFC



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1-19 VICTORIA STREET
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JU585

Secretary of State for Trade and Industry

11 November 1985

Dennis Brennan Esq
PS/Secretary of State
for Defence
Ministry of Defence
Main Building
Whitehall
London SW1

QDP
12/11

Dear Dennis,

SOUTH AFRICA: IMPLEMENTATION OF NASSAU AGREEMENT

In my letter of 4 November to Charles Powell at No 10 copied to you, I referred to the Commonwealth ban on imports of arms and paramilitary equipment from South Africa.

We regard this measure as bringing the Commonwealth into line in this respect with the equivalent EC restriction (in the Ministerial joint statement of 10 September) and the non-mandatory Security Council Resolution 558. We took the view, when these previous measures were introduced, that the UK does not in any case import such items from South Africa and that it would be a bureaucratic nonsense to set up a control system (which would require a complex schedule of the affected items and add to the burdens of the Customs and Excise).

My letter of 4 November set out, however, in paragraph 11, some relatively simple administrative steps which could be taken to ensure that there was no embarrassing contravention of this thrice-reinforced embargo at some point in the future. We shall now take action in respect of the firearms dealers' open individual licences. Meanwhile, it would be useful to have your confirmation that you will be issuing appropriate instructions or advice to the armed forces.

I am copying this letter to the other recipients of my earlier one, namely the Private Secretaries to the Prime Minister, to other OD members and to Sir Robert Armstrong.

Yours ever,
Michael.

MICHAEL GILBERTSON
Private Secretary

South Africa : Relis P48



CEPC



DEPARTMENT OF TRADE AND INDUSTRY
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JU584

Secretary of State for Trade and Industry

11 November 1985

William Fittall Esq
PS/Secretary of State
for Home Affairs
Home Office
Queen Anne's Gate
London SW1

EDP
11/21

Dear William, *(W/F)*

SOUTH AFRICA: IMPLEMENTATION OF NASSAU AGREEMENT

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I am copying this letter to the other recipients of my earlier one, namely the Private Secretaries to the Prime Minister, to other OD members and to Sir Robert Armstrong.

*Yours ever,
Michael Gilbertson*

MICHAEL GILBERTSON
Private Secretary

South Africa: Rely P+8



CCPC



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

18th November 1985

Dear Michael

CD 1481

SOUTH AFRICA: IMPLEMENTATION OF NASSAU AGREEMENT

Thank you for your letter of 11 November about the implementation of the Nassau agreement.

I can confirm that we are issuing appropriate advice to Chief Constables about the purchasing of arms and ammunition originating in South Africa.

I am copying this letter to the recipients of yours.

*Yours sincerely
W R Fittall*

W R FITTALL

Michael Gilbertson, Esq

(071)

South Africa; Reels Pt 8

