

010

CONFIDENTIAL

CPK

B.07413

MR POWELL

EDD
9/5

c Mr Stark

South Africa

Officials have reviewed (in the Official Group on Policy towards Selected non-Community Countries) the likely effects of political and economic developments in South Africa on the United Kingdom's economic stake there.

2. I attach the resulting paper, to which all interested Departments and the Bank of England contributed. It is being submitted by their officials to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretaries of State for Trade and Industry, Transport, Energy and Defence.

3. The paper examines two time frames, five years and twenty years, and identifies three possible political scenarios for the first and four for the second. Political forecasting in South Africa is inevitably hazardous. There are additional variables in economic forecasting. Given all the uncertainties it was not easy for Departments to agree in assessing the future prospects of South Africa or their likely consequences for our economic stake there.

4. The paper does however point to the likelihood that the United Kingdom's economic stake in South Africa will continue to decline in value and to the need to avoid action which could add to United Kingdom losses there. Thus it highlights the importance of our policy of exerting all the influence we can for peaceful change and continuing to oppose far-reaching economic sanctions. It urges caution in considering any



CONFIDENTIAL

possible new commitments to investment in or lending to the South African economy. (The many wider factors, not directly concerned with the South African economy, which affect our policy on sanctions are not discussed in the paper.)

C L G Mallaby

C L G Mallaby

8 May 1986