

~~CCPC~~~~SAP~~FCS/86/233NBPM  
CDP  
2/KSECRETARY OF STATE FOR TRADE AND INDUSTRYVoluntary Ban on New Investment

1. Thank you for your letter of 23 September. I too have now seen and agreed in principle our officials' proposals concerning UK implementation of a voluntary ban on new investment in South Africa.
  
2. As you know, the discussion of further measures concerning South Africa in European Political Cooperation and at the Foreign Affairs Council was far from straightforward. Apart from the difficulties over coal imports, there were differences of views as to how the ban on new investment and the import of gold coins should be implemented. It was finally agreed that officials should carry out a further examination of the means of implementation of these bans. (We have, of course, ourselves already imposed a ban on the import of gold coins by action under the Import of Goods (Control) Order 1954.)

/3.



3. Our main objective in the ad hoc Working Group is to persuade our partners to accept an interpretation of the ban on new investment as close as possible in scope to our own. We are already well on our way to achieving this, since the Commission and most member states appear to accept that the ban should not cover portfolio investment and unremitted profits earned in South Africa. The Commission has put forward its ideas on coverage in somewhat different terms to our own definition. We need to identify any ambiguities or discrepancies between our own text (derived from the IMF definition of investment) and the Commission's (derived from a Community Directive on capital movements) and work for rapid agreement on a basis that is in line with the UK approach. We may need to consider a minimum of change not to the substance but to the drafting of our own announcement so that it is broadly in line with what emerges from these discussions. We shall, of course, continue to reject calls for implementation on anything other than a national, and voluntary basis.

4. We are bound, as Presidency, to allow our partners time to try to reach a common position. It would be regarded as an abuse of our position if we simply promulgated our own further measures while these discussions are still taking place; but there can be no question of allowing them to drag on indefinitely. I would not, therefore, wish us to announce our own measures in the next few days, or at any point before the Party Conference. We shall see if our partners are able to move towards an agreement on coverage

/and



and means of implementation by the 27/28 October Foreign Affairs Council. If, as seems likely, this proves unattainable, we should then proceed immediately afterwards with the announcement of our national measures. In the meantime, I see no harm in your responding to any enquiries from UK firms by outlining what we have in mind and saying that we are delaying a formal announcement until we have had time fully to consult EC partners.

5. I share your preference for coordinating the announcements on new investments and promotion of tourism, though on tourism there is no commitment to consultation with others.

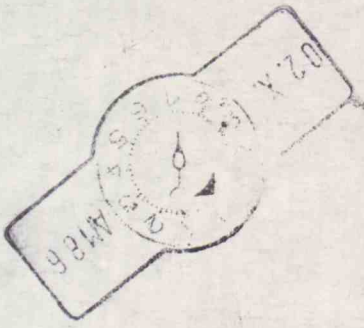
6. I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Employment, the Governor of the Bank of England, and Sir Robert Armstrong.

(GEOFFREY HOWE)

The Foreign and Commonwealth Office

2 October 1986

SOUTH AFRICA Relations PTT3





Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 01-215 7877

CONFIDENTIAL

13 October 1986

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
LONDON  
SW1

CDP  
13/X

*Jan Jeffrey*

**SOUTH AFRICA : VOLUNTARY BAN ON NEW INVESTMENT**

Thank you for your minute of 2<sup>at top</sup> October.

You referred to our main objective in the EC Ad Hoc Working Group as being to persuade our partners to accept an interpretation of the ban on new investment as close as possible to our own. That has now been achieved, at least on an ad referendum basis, and not only have portfolio investment and unremitted profits been excluded from the definition agreed in Brussels but so have financial transactions in support of normal trading activity.

Thus all three major exclusions in our definition are accepted by our EC partners and although we started from a different base (the UK with the IMF definition and the Commission with the Community Directive on capital movements) coverage is now almost identical. You will be aware that the Germans secured wording permitting derogations from the ban for investment in training, health and social sectors in conformity with the positive measures implemented in the EC; we will need to ensure UK firms are also able to benefit from these exclusions. Since we are agreed that we cannot accept implementation on anything other than a national and voluntary basis, my announcement will only need to be slightly amended, to take account of these additional exclusions in coverage.

As to timing, I am able to agree to your suggestion for the announcement of our national measure to be made immediately after

DW3BCX

17  
1986  
BOARD OF TRADE  
BICENTENARY



the Foreign Affairs Council on 27/28 October. Since Parliament will have reconvened by then, I intend to arrange a PQ for 30 October. It would probably be advantageous if the voluntary ban on the promotion of tourism could be made on the same date.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Employment, the Governor of the Bank of England and Sir Robert Armstrong.

*Yours,*

PAUL CHANNON

*Paul*

SOUTH AFRICA Relations PT13





CCP

CDP

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

10 October 1986

Miss Catherine Bradley  
PS/Secretary of State  
Department of Trade & Industry  
1 Victoria Street  
LONDON SW1H 0ET

CDP  
13/1X

Dear Catherine

**VOLUNTARY BAN ON NEW INVESTMENT**

The Chancellor was consulted by officials about the proposed statement before Mr Channon circulated it with his letter of 23 September to the Foreign Secretary. The Chancellor was content. He recognises that (as the Foreign Secretary says) there may need to be a minimum of change to the drafting, to bring it into line with discussions in the Community. But on substance, the Chancellor completely agrees with the line which Mr Channon proposes to take. *at flag.*

I am sending copies of this letter to Charles Powell (No 10), John Turner (Employment), John Footman (Bank), and Michael Stark (Cabinet Office) and Robert Cushman (FCO).

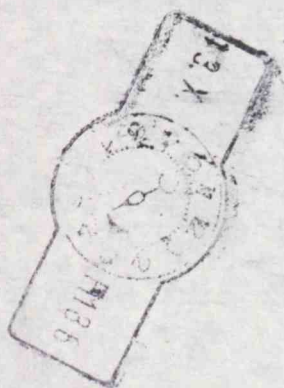
Yours ever,

Tony

A W KUCZYS



SOUTH AFRICA - Relations pt 13.





Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422  
GTN 215  
(Switchboard) 01-215 7877

23 September 1986

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
LONDON  
SW1

*BF // Await FCS comment*  
*CDP*  
*23/9*

*Dear Geoffrey*

**SOUTH AFRICA : VOLUNTARY BAN ON NEW INVESTMENT**

Since the Commonwealth Review Meeting at which we agreed to a voluntary ban on new investment in South Africa, our officials have been jointly preparing a paper on the implementation of this measure, together with a statement which I would make in order to institute the ban and define its scope. I am now writing to let you know that I have seen and approved both those documents which your officials will be submitting in parallel to you.

I am now already to issue my statement. But I understand that you have meanwhile agreed, at the recent EC Foreign Affairs Council, to consult with our European partners on the bans which they too will now be introducing in respect of new investment, before we go ahead with our own measure. I hope this need not delay us more than a week or so.

Our intention to institute a ban was signalled in the Marlborough House communique at the beginning of August and we really need to be in a position soon to tell British companies what is expected of them. Currently there seems to be some confusion which may well hamper normal trading activity. Moreover, if we postpone our announcement much longer, there seems a real risk that we shall then be faced with enactment of the prospective US measure on new investment. This could well undermine the impact of our own measure or lead to comparisons unfavourable to it.

DW3AZB

**1786**  
**1986**  
BOARD OF TRADE  
BICENTENARY



I assume that we will use the consultations in the EC Committee of Permanent Representatives and Political Committee to urge our partners to adopt an interpretation indetical to our own. In other words, the ban should be implemented on the basis of national measures, it should be voluntary and it should exclude portfolio investment and unremitted profits. Even if we are unable to persuade individual Community members, I hope you will agree that as regards our measure there can now be no question of change from what has been agreed at some length interdepartmentally.

Finally, I see advantage in co-ordinating my announcement on new investment with that which David Young will be making in respect of the other measure agreed at Marlborough House, the ban on the promotion of tourism. I believe that the measures will be likely to make greater impact and give the impression of resolute action if they appear together.

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

A handwritten signature in black ink, appearing to read 'Paul Channon', with a large, stylized initial 'P'.

PAUL CHANNON

A handwritten signature in black ink, appearing to read 'Paul', with a large, stylized initial 'P'.

