



FCS/81/6

SECRETARY OF STATE FOR TRADE

NRM

Egypt

NRM
- 21

Cairo Wastewater

1. On my return from Egypt I have seen your exchange of letters with Neil Marten about this project and the record of your discussion in the House on 16 January.
2. I quite understand your concern about arrangements to ensure that the contracts for the Cairo Wastewater project which are to be financed from commercial credit should be placed in the United Kingdom, but I am very glad to see that agreement has now been reached that this should be done without the imposition of formal conditionality on our aid offer of £50 million. Neil Marten will be pursuing this issue during his visit to Egypt. There will now be no need for the matter to be referred to the EX Committee.
3. I am sending copies of this minute to the Prime Minister, Geoffrey Howe, Neil Marten and Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

21 January 1981

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STANDARD BANK OF INDIA

Letter Reference

Dear Sir, I have your letter of the 10th inst. regarding the proposed loan of Rs. 100 lakhs for the purpose of the proposed project.

21 JAN 1954

The proposed project is a large-scale industrial project which is expected to be completed by the end of 1955. The total cost of the project is estimated at Rs. 100 lakhs. The Government of India has agreed to provide a loan of Rs. 50 lakhs to the project. The remaining Rs. 50 lakhs is to be provided by the project itself. The loan is to be repaid over a period of 10 years. The interest rate is 6% per annum. The project is expected to be profitable from the start.



I am enclosing herewith a copy of the report of the project. Yours faithfully,

(Signature)

Director and General Manager, Standard Bank of India

21 January 1954

(Signature)



EGYPT.

From the Secretary of State

The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AL

NRPA yet

Pmt

16 January 1981

Dear Peter.

CAIRO WASTE WATER

I was disappointed to receive Neil Marten's letter of 14 January.

It seems to me that our obligations are being looked at in a rather narrow way. Events have moved forward since the £50m pledge was given and we now have the opportunity to do ourselves and the citizens of Cairo a great deal of good by securing a far larger contract or series of contracts than is implied by the expenditure of £50m in aid. In view of the changes in the Egyptian Government that must be inevitable over the period of years in which the project is implemented and the fact that it will not necessarily be the Selsdon consortium which carries out the bulk of the work, the desirability of getting it agreed now in an inter-governmental document that the British are given all the foreign contract business is of major importance. As John Nott pointed out in his letter of 5 January, this would mean that we would need to make a decision now to reserve £100m of export credit for this particular project.

I would suggest that Neil Marten should handle this issue at the Aswan conference by indicating that since making its earlier commitment of £50m, the UK had heard further from the Egyptian Government and proposed to discuss with them the possibility of a much larger contract involving commercial credit which in total could



From the Secretary of State

make a much more substantial contribution to the existing problem. If this approach causes Neil difficulty I think it is desirable that the matter should be discussed in the EX Committee next week.

On Neil Marten's return I suggest he and I meet Lord Selston to give him the guidance that his group has legitimately sought on the way his group should now pursue their interests.

I am sending a copy of this letter to the Prime Minister, Geoffrey Howe, Neil Marten and Sir Robert Armstrong.

*Yours
John Biffen*

JOHN BIFFEN

176 JAN 1981



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OVERSEAS DEVELOPMENT ADMINISTRATION

ELAND HOUSE

STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

Egypt

N/30/1

Ans 14/1

14 January 1981

From the Minister

Dear John,

CAIRO WASTEWATER

I have seen a copy of John Nott's letter of 5 January to Peter Carrington in which he reaffirms the desire of the Department of Trade to make our participation in this project conditional upon the award to UK contractors of all the contracts for the supplies and works for the East Nile part of the project. Our pledge of £50 million of aid finance for this project was made many months ago and was unconditional beyond the usual requirement tying procurement to British goods and services.

I have investigated this matter in detail with my officials and I am convinced that an attempt to impose formal conditionality of the kind proposed by John Nott would be a grave blunder which might put at risk the very British interests which it was designed to further. I think it probable that after Lord Selsdon's negotiations with the Egyptian Minister of Reconstruction, the Egyptian authorities understand very well that it is our just expectation that these contracts will be awarded to British firms. But to go further than this and try to make our existing pledge conditional in a formal way on the award of these other contracts would in my view risk the disaffection of other Egyptian Ministers (who have only just forgiven us for our necessary withdrawal from another and smaller project some months ago for purely financial reasons).

I myself am to attend an Aid Donors' meeting at Aswan next week, when this project will certainly come under discussion and since it is a very large and significant one resting on an existing British undertaking I cannot avoid both reaffirming our overall pledge of £50 million and agreeing to the allocation of the first £4.6 million for design and immediate rehabilitation work. I cannot, either at the meeting or in discussions outside, do other than reaffirm our present commitment, and I personally would not be willing to take an action which would amount to renegeing on an existing commitment made in the name of the present government.

/This is not to say

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This is not to say that by methods which have already been advocated by HM Ambassador in Cairo and which will be rendered easier by the very creditable negotiations undertaken over the past few months in Cairo by Lord Seltsdon, we shall not in fact secure an informal undertaking with the Egyptian authorities that the orders to be covered by commercial credit for the whole of the East bank scheme not financed by aid will in fact be placed in Britain.

John Nott also suggested that a representative of DOT should accompany me to Egypt. I do not think that this would be appropriate in the circumstances. The Aswan meeting will be concerned with the whole of the international aid effort in Egypt and our own participation in it will not be confined to the Cairo wastewater project. It is not the kind of meeting at which the fine details of individual projects will be discussed. Once we have finally cleared out of the way this question of conditionality (which, by the way, has imposed a considerable delay on the proceedings) we shall then be in a position to negotiate an agreement for the project with the Egyptians in the course of which we can pursue the tactics for the British interest strongly recommended by HM Ambassador.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Peter Carrington and Sir Robert Armstrong.

Yours,
Neil

NEIL MARTEN

The Rt Hon John Biffen MP
Secretary of State for Trade



14 JAN 1951

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This is not to say that the methods which have already been used by the Government in Egypt and which will be regarded as the very best in the world are being abandoned now. The fact remains that the Government is still not in fact secure in its position with the Egyptian authorities that the work of the Government is being carried out in the best interests of the Egyptian people. The Government also suggested that a representative of the Egyptian Government should be invited to the meeting. I do not think that this would be appropriate in the circumstances. The Government will be concerned with the work of the Government and not with the work of the Government. It is not the Government which is being invited to the meeting. It is not the Government which is being invited to the meeting. It is not the Government which is being invited to the meeting. It is not the Government which is being invited to the meeting.

I am sending copies of this letter to the Prime Minister, Secretary of State, Robert Curzon and Sir Robert Hodgson.

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1951

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The Secretary of State for the Middle East