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3/2/81

10 DOWNING STREET

THE PRIME MINISTER

2 February 1981

Dear Lord Selsdon

Thank you for your letter of 16 January. I was very encouraged to learn of your company's success in negotiating the Protocol on the East Bank Cairo Sewerage project. My colleagues and I entirely share your view that we should be able to capitalise on our substantial aid commitment to the maximum advantage of Cairo's citizens and British companies. It is for this reason that both John Biffen and Neil Marten are taking a close personal interest in it.

Since you wrote, Neil Marten has visited Egypt and discussed the project with Minister Kafrawi. I am pleased to tell you that as a result of these discussions work will now begin on draft agreements covering both the aid and commercial elements in the East Bank project in the hope that these can be signed when the Minister visits London next month. I understand that officials are already in touch with you about British Wastewater's request for ECGD cover which, as you know, requires further discussions, and more generally on the structure and the timing of the project.

I appreciate the political significance of the project to Minister Kafrawi and I hope therefore that his visit to London will be successful. But I do not think that it is going to be possible for me to see him personally.

Yours sincerely
Raymond Marten

The Lord Selsdon

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PBS SA

British Wastewater Limited

Lord Selsdon
Chairman

Suffolk House Laurence Pountney Hill
London EC4R 0EU England
Telephone 01-606 9944 Telex 888401

The Right Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
London SW1

R4

✓ MAF

3rd February 1981

Dear Prime Minister,

Greater Cairo Wastewater Project

Thank you for your helpful letter of 2nd February.

We are all most grateful for the interest you have shown.

Yours sincerely
Lord Selsdon

Selsdon



From the Secretary of State

Michael Alexander Esq
Private Secretary
10 Downing Street

29 January 1981

Dear Michael,

Where is ~~Lord Selsdon's~~ letter?
Type for PM's signature.

And
attached

You asked for advice on Lord Selsdon's letter of 16 January about the efforts of British Wastewater Limited to win a major contract to modernise the Cairo sewerage system.

Both my Secretary of State and the Minister of Overseas Development regard the efforts of this consortium, to capitalise on the £50 million bilateral aid commitment for this project by securing substantial additional business of at least £150 million sterling, as potentially an extremely helpful development. Mr Biffen and Mr Marten discussed this project before Mr Marten's departure for the Aid Donors Conference in Aswan last week and agreed that while HMG should not make the award of a major commercial contract a condition of the provision of bilateral aid, the primary objective should be to secure an inter-governmental agreement with the Egyptians committing them to place all the foreign content for the work on the East Bank with British suppliers. I understand that Mr Marten was able to make encouraging progress towards this objective during his discussions with the Egyptian Minister for Reconstruction. As a result, Departments will now be considering the provision of commercial cover for this project and commencing work on a draft inter-governmental agreement for signature during the Minister's visit to Britain in the middle of March. Unless events take a very unusual turn, we will not be recommending that the Prime Minister should herself see Mr Kafrawi.

I am copying this letter to Roderick Lyne (Foreign and Commonwealth Office) and Sue Unsworth (Overseas Development Administration).

Yours ever,

Nicholas McInnes

Nicholas McInnes
Private Secretary

DRAFT LETTER TO BE SENT BY THE PRIME MINISTER

Lord Selsdon
Chairman
British Wastewater Limited
Suffolk House
Laurence Poutney Hill
London EC4R 0EU

Thank you for your letter of 16 January. I was very encouraged to learn of your company's success in negotiating the Protocol on the East Bank Cairo Sewerage project. My colleagues and I entirely share your view that we should be able to capitalise on our substantial aid commitment to the maximum advantage of Cairo's citizens and British companies. It is for this reason that both John Biffen and Neil Marten are taking a close personal interest in it.

Since you wrote, Neil Marten has visited Egypt and discussed the project with Minister Kafrawi. I am pleased to tell you that as a result of these discussions work will now begin on draft agreements covering both the aid and commercial elements in the East Bank project in the hope that these can be signed when the Minister visits London next month. I understand that officials are already in touch with you about British Wastewater's request for ECGD cover which, as you know, requires further discussions, and more generally on the structure and the timing of the project.

I appreciate the political significance of the project to Minister Kafrawi and I hope therefore that his visit to London will be successful. *But I do not think that it is going to be possible for me to see him* I do not expect to be free to see the Minister personally.

Lord Selkirk

Chairman

British Waterways Board

Whitehall

London SW1A 2BB



29 JAN 1981

Thank you for your letter of 15 January. I was very encouraged to learn of your company's progress in negotiating the proposal on the East Bank Cairo Sewerage project. My colleagues and I entirely share your view that we should be able to capitalize on our substantial aid commitment to the maximum advantage of Cairo's citizens and British companies. It is for this reason that both John Kilton and Neil Harton are taking a close personal interest in it.

Since you wrote, Neil Harton has visited Egypt and discussed the project with Minister Khatwat. I am pleased to tell you that as a result of these discussions work will now begin on draft agreements covering both the aid and commercial elements in the East Bank project in the hope that these can be signed when the Minister visits London next month. I understand that officials are already in touch with you about British Waterways' request for ECU cover which, as you know, requires further discussion and more generally on the structure and the timing of the project.

I appreciate the political significance of the project to Minister Khatwat and I hope therefore that his visit to London will be successful. I do not expect to be able to see the Minister personally.

CONFIDENTIAL

Egypt



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

27 January 1981

Dear John,

NRN
Pms 29/1

CAIRO WASTEWATER

In the course of my visit to Cairo last week I called on Mr Kafrawi, who as Minister for Reconstruction, Housing and Land Reclamation has responsibility for the Cairo Wastewater project.

As we agreed at our meeting on 16 January, I referred to the protocol which Mr Kafrawi has signed with Lord Seltsdon's consortium promising to award to British firms contracts on the East Nile project for which UK commercial finance is forthcoming. Mr Kafrawi readily agreed to my suggestion that we should sign a formal inter-governmental agreement confirming the agreement set out in this protocol, and indeed volunteered the suggestion that we should provide him with a suitable draft. My officials will be in touch with yours about this.

I am sure you will agree that this is a very satisfactory outcome, and confirms that we were right to decide not to try to press the Egyptians to accept formal conditions making our £50 million loan dependent on the award of further contracts.

Copies of this go to the recipients of your letter to Peter Carrington of 16 January.

Yours
Neil

NEIL MARTEN

The Rt Hon John Biffen MP
Secretary of State for Trade

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MINISTER OF DEFENSE
GENERAL STAFF
Cairo

28 JAN 1981



[Faint handwritten signature]

GENERAL STAFF

In the course of my visit to Cairo last week I called on the
Minister for Foreign Affairs, Hosni Mubarak, and had a long
discussion with him regarding the Suez Canal project.

As we agreed at our meeting in January, I returned to the
United Kingdom last week with a letter from the Egyptian
Minister for Foreign Affairs, Hosni Mubarak, in which he
expressed his interest in the project and his willingness
to discuss it further. I have now returned to the
United Kingdom and will be in contact with the
Minister for Foreign Affairs in the near future.

I am sure you will agree that this is a very important
development and we must take steps to ensure that
the project is carried out in a timely and efficient
manner.

Yours faithfully,
The Secretary of State for Foreign and Commonwealth Affairs

[Handwritten signature]

SECRET

The Hon. John Birtles
Secretary of State for Foreign and Commonwealth Affairs

SECRET



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SECRETARY OF STATE FOR TRADE

NRM

Egypt

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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

Handwritten notes and scribbles at the top left of the page.



DECLARATION OF THE DEBT

DECLARATION

I, the undersigned, do hereby declare that I am a citizen of the United States of America and that I am a resident of the State of New York.

21 JAN 1941

I have read the foregoing and I understand the contents thereof and I declare that the facts stated therein are true and correct to the best of my knowledge and belief.



I am a citizen of the United States of America and I am a resident of the State of New York.

(Signature)

Notary Public for the State of New York

My Comm. Expires 1941

(Signature)

19 January 1981

The Prime Minister has asked me to thank you for your letter to her of 16 January. Your letter is receiving attention and a substantive reply will be sent as soon as possible.

MICHAEL ALEXANDER

The Lord Selsdon

Lord SELSDON

file

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10 DOWNING STREET

From the Private Secretary

19 January 1981

I enclose a copy of a letter which the Prime Minister has received from Lord Selsdon. I should be grateful if you could let me have a draft reply which the Prime Minister might send to Lord Selsdon. It would be helpful if your draft could reach me by close of play on Wednesday 28 January. I do not think the Prime Minister would wish to receive Mr. Kafrawi unless the arguments were very strong indeed.

I am sending copies of this letter to Francis Richards (Foreign and Commonwealth Office) and Sue Unsworth (Overseas Development Administration).

M. O'D. B. ALEXANDER

Stuart Hampson, Esq.,
Department of Trade.

DK

British Wastewater Limited

Lord Selsdon
Chairman

Suffolk House Laurence Pountney Hill
London EC4R 0EU England
Telephone 01-606 9944 Telex 888401

The Rt.Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
London S.W.1

16th January 1981

Dear Prime Minister,

You may recall that at the lunch you gave for the Vice President of Egypt last September, we discussed amongst other things trade cooperation and Egypt's Development Plan.

With so much talk of gloom and despondency, I thought you might like to know that there is now a very good chance indeed of the United Kingdom winning the contract for the new sewerage system in Cairo, which could in due course be worth several hundred millions of pounds.

This particular company was formed specifically to coordinate British efforts on this project and we were fortunate enough to sign the attached Agreement with the Egyptian authorities and the Minister concerned, who at the time referred to the goodwill generated during the visit to London of the Vice President.

The United Kingdom had promised a substantial amount of aid for this project and we are working closely with Government Departments to try and maximise the size of the order which could be placed with British companies.

We hope very much that for once, by skilful use of aid and credit facilities, we will succeed in an area where all too often we lose out to our foreign competitors, who seem more pragmatic in their approach to cooperation between government and industry, when bidding for overseas projects.

The Egyptian Minister responsible, Minister Kafrawi, is very eager to sign all relevant agreements in London as soon as the British side is ready. In view of the political and economic significance of the project, I wonder whether you yourself would be willing to spare a few moments to see him.

Yours sincerely

Selsdon

Enclosure

DATED 5th December 1980

PROTOCOL

relating to

THE EAST BANK OF
CAIRO WASTEWATER PROJECT

between

GENERAL ORGANIZATION FOR SEWERAGE
AND SANITARY DRAINAGE
OF THE ARAB REPUBLIC OF EGYPT

and

BRITISH WASTEWATER LIMITED
OF THE UNITED KINGDOM

GENERAL ORGANIZATION FOR SEWERAGE AND SANITARY DRAINAGE (GOSSD) and BRITISH WASTEWATER LIMITED (British Wastewater) recognising the desire of the Governments of the Arab Republic of Egypt and of the United Kingdom to co-operate in the early implementation of the project known as the Greater Cairo Wastewater Project (The Project), acknowledging the Protocol signed by the Anglo-Egyptian Joint Commission on 8th October 1980, and considering the recommendations of AMBRIC, the consultants appointed by GOSSD, do hereby agree that, subject to satisfactory aid agreements being entered into between the appropriate Egyptian and British governmental agencies and to the arrangement of the Export Credit finance referred to in paragraph 3 below:-

1. GOSSD, in accordance with specifications and the documents prepared by its consultants and in conformity with the rules and regulations in force, shall award contracts (within the amount of financing and aid provided by UK agencies and or guaranteed by ECGD) relating to that part of the Project known as the "East Bank Project" to suppliers and contractors from the United Kingdom working where relevant with appropriate suppliers and contractors from the Arab Republic of Egypt.
2. The procurement of equipment, goods and services for the East Bank Project from United Kingdom shall be in a manner which complies with all British aid and Export Credit finance terms and with the terms applied by GOSSD and including competitive tenders against documents prepared by GOSSD.
3. British Wastewater voluntarily will seek to arrange an Export Credit facility from the United Kingdom for that part of the project and for that portion of the foreign currency cost not covered by other aid agreements.

It is understood that the loan would be for a period of 10 years and at a concessionary rate of interest (currently $7\frac{3}{4}$ per cent per annum) which the British Export Credit Guarantee Department shall determine to be appropriate for such export credit at the time the applicable East Bank contracts are awarded. The terms of making available such Export Credit finance will include an undertaking from the appropriate Egyptian authorities that Egyptian currency will be available from those authorities in order to finance the costs of the Egyptian element of the East Bank Project.

4. British Wastewater working in close co-operation with GOSSD, USA and British interests involved in the Cairo Sewerage Project, if so requested by GOSSD will assist in the arranging of whatever additional services and finance may be necessary to ensure the implementation of both East and West Bank Projects at an early time.

5. Neither GOSSD, the government of Egypt, nor any other Egyptian agency shall be responsible for the payment of any fees to British Wastewater or the reimbursement of any expenses which British Wastewater might incur, and British Wastewater shall not be responsible for reimbursement of any expenses incurred by GOSSD.

SIGNED in Cairo

5th day of December 1980.

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..... British Wastewater Limited.

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* Provided that the British Wastewater Limited submits a legalized copy of its registration.