



FCS/83/28

SECRETARY OF STATE FOR TRADE

✓  
Egypt  
N. S. P. R.

A.S.C. 7/2

1. Thank you for your letter of 25 January proposing a country allocation for Egypt within the Aid and Trade Provision. I have also seen the letters which you and Leon Brittan exchanged. I understand that subsequently it was agreed between you that ECGD limits should not stand in the way of your proposal.
2. I agree it would have been preferable to have considered this proposal in the context of the more general work on Criteria for Support of Overseas Projects but I take it that Egypt would figure on any priority list prepared by your Department. I am a little surprised by your proposal, in view of your department's preference to have the ATP managed on as flexible a basis as possible in order to match mixed credit offers of other countries, project by project. However, I recognise the difficulties in this approach especially as some other countries, notably France, do offer country lines of mixed credit.
3. I am content to accept your proposal subject to our agreement on three points which, judging from your letter, should not offer you any problems. First the £16m grant must be found from within the currently agreed ATP allocation for future years. Second the individual cases within the £16m should be put forward in the usual way through the existing interdepartmental machinery for ATP cases. Third it should be possible to arrange for our officials to review jointly the individual project possibilities at an early stage rather than waiting, as we tend to do now when matching on a project basis, until close to the tendering deadline.
4. We shall need to reach a clear understanding on the maximum permitted rate of drawdown over the three or more financial years involved, bearing in mind the other pressures on ATP funds. It is important that the Egyptians should not gain the misleading impression that the whole £16m will be available for immediate spending. I am content for our officials to pursue this aspect.



I am copying this minute to the recipients of yours.

*FP*

(FRANCIS PYM)

Foreign and Commonwealth Office

7 February, 1983

Egypt, No 180,  
Int Set.



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Egypt (2)



From the Secretary of State

Prime Minister

for information.

President Mubarak will be calling on you on 2 February.

A.J.C. 25

The Rt Hon Francis Pym MC MP  
 Secretary of State for Foreign and Commonwealth Affairs  
 Foreign and Commonwealth Office  
 Downing Street  
 London  
 SW1

2 January 1983

MF

Dear Francis,

In recent months, the Egyptian Government has taken every opportunity to press for further aid from Britain for major projects in their public sector. We expect President Mubarak to press the case yet again when he sees the Prime Minister on 2/3 February.

The Egyptian authorities have repeatedly made it plain that soft credit terms are readily available from our major competitors and that without comparable facilities from Britain, our companies will be excluded from project business no matter how effective the commercial terms they offer.

This threat is no idle one. ECGD have received more notifications of mixed credits to Egypt in the past two years (33) than for any other country. France Germany and Italy are the principal culprits and have been rewarded with a much larger share of project business than the UK. Strong representations from UK contenders confirm that we have been disadvantaged.

I understand that our bilateral capital aid programme for Egypt is fully committed for some time ahead. I have in mind therefore setting aside some £16 million from the Aid and Trade Provision to support say, one major and two smaller projects in Egypt over the next two to three years. The projects would be selected from an Egyptian priority list (which we already have) where British bids seem otherwise well placed to secure the business.



*From the Secretary of State*

Additional business on this scale would commit ECGD to providing cover of up to £70 million which could be accommodated within the existing Section 2 limit.

I am sure that you would agree that a healthy trading relationship with Egypt is of considerable political importance. Equally, our political support will only count with them if we are seen to have commercial confidence in Egypt too. Some positive gesture to demonstrate that, contrary to Egyptian suspicions, we do attach importance to playing a part in developing a strong and stable Egyptian economy, will not go unremarked particularly if signalled during President Mubarak's visit.

It would have been preferable to have pursued this proposal in the context of the more general work on Criteria of Support for Overseas Projects. But if the Prime Minister is to be able to respond positively to the anticipated pressures from President Mubarak we need a decision in principle now, accepting that the individual projects will be the subject of consultation with ODA and others in the usual way. I should therefore appreciate early agreement to the course of action proposed.

I am copying this letter to Geoffrey Howe, Patrick Jenkin and Timothy Raison and also for information to the Prime Minister.

LORD COCKFIELD

25 JAN 1988



END COPY



*From the Secretary of State*

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1A 2AL

21 February 1983

N. S. P. M.

A. J. C.  $\frac{24}{2}$

*Francis Pym*  
EGYPT : ATP

Thank you for your minute of 7 February agreeing to my proposal to offer Egypt £16 million from the Aid and Trade Provision in order to secure two or three projects from their priority list.

I can assure you that there will be full consultation between interested Departments in the selection of the projects we shall propose to the Egyptians, and that we shall only select projects which under more general rules would have rated as priority targets. It has always been the intention that the £16 million would come from within the ATP allocation; the normal ATP machinery will be used; and there will be full and regular consultation among officials on all aspects of the proposals, including the rate of draw down.

You should know that in my letter to Dr Wagih Shindy making the offer I have suggested that we should formalise the arrangement by signing a protocol when I am in Egypt next month. I have in mind a Memorandum of Understanding on the lines of the 1981 MOU with Brazil under which our offer of ATP and ECGD-backed cover only lasted a relatively short time in order to encourage the other side to negotiate contracts in earnest. This does mean that the ATP machinery will have to respond quickly and efficiently to the proposals; but it has the merit of concentrating everyone's minds - theirs and ours - on the objective of getting contracts signed quickly.

Egypt,  
New 80,  
Relations



*From the Secretary of State*

I am sure you will agree that the proposal should serve to reinforce our good relations with Egypt both politically and economically.

Copies go to recipients of the original correspondence.

*ms.*  
*Arthur*

LORD COCKFIELD

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24/11 1980



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SECRET  
Egypt



Treasury Chambers, Parliament Street, SW1P 3AG

John Rhodes Esq  
Private Secretary to the  
Secretary of State  
Department of Trade  
1 Victoria Street  
London SW1H 0ET

3 February 1983

Dear Jsr.

JR  
4/2

ATP FOR EGYPT

I am writing to confirm that, after reading your Secretary of State's letter to the Foreign Secretary and speaking to him on the telephone last night, the Chief Secretary is content for £16 million from the Aid and Trade provision to be set aside to support projects in Egypt.

Copies of this go to John Kerr here, Jonathan Spencer, Brian Fall, Mike Power and John Coles.

Yours sincerely

Jsr. Gieve

JOHN GIEVE

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Egypt,  
Nov '80, Relations

SECRET



UNITED STATES DEPARTMENT OF STATE

1980

OFFICE OF THE ASSISTANT SECRETARY FOR

FOR NEAR EAST AND NORTH AFRICA AFFAIRS

WASHINGTON, D.C. 20520

1980

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E4 Feb 1983



TO : ASSISTANT SECRETARY FOR NEAR EAST AND NORTH AFRICA AFFAIRS  
FROM : [Illegible]

DATE: [Illegible]  
SUBJECT: [Illegible]

[Illegible]

[Illegible]

[Illegible]

SECRET

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DEPARTMENT OF TRADE

1 VICTORIA STREET LONDON SW1H 0ET

Telephone 01-215 7877



From the Secretary of State

*Mr. Rhodes told me that  
this has now been agreed.  
N. B. P. R.*

*A. J. C. 3/2.*

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The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1

2 February 1983

*Dear Secretary of State,*

ATP FOR EGYPT

I have seen Leon Brittan's letter of 31 January expressing reservations about my proposal to set aside some £16 m from the Aid and Trade provision for projects in Egypt.

I do not accept that the present limit could not accommodate an additional £70 m ATP - supported business. On the contrary, ECGD have assured me that, allowing for expected casualties among present commitments, sufficient cover remains within present Section 2 limits to accommodate the proposed business. At the very worst some marginal topping up from Section 1 might be necessary. If the ATP is fully spent there would be little cover left over for other project business. But the harsh reality is that there is little prospect of other Section 2-type contracts being secured in the Egyptian public sector without the ATP support which is necessary to bring our credit terms into line with our competitors.

While one needs to take a cautious view of Egyptian economic prospects, political and other considerations must also enter into our judgement. My proposal does not imply any additional exposure beyond limits already agreed by Ministers to be prudent. There has been no suggestion that we should retreat from this view. The essence of any proposal is that we should gather together two or three cases which would have greater impact if displayed as a package. These would be cases which we would expect to be approved on their individual merits. But bringing them together in a package would enable British exporters to secure contracts which will

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*From the Secretary of State*

otherwise certainly be lost because of the disproportionate weight Egypt attaches to favourable credit terms.

It is important in trade as well as political terms that we maintain our position in this market. We face serious competition from other countries who are prepared to quote very favourable terms and support them by aid. I am not suggesting anything that would result in the limits already agreed being exceeded. The proposal is essentially a presentational one - in a field in which presentation is particularly important.

I am copying this letter to the Prime Minister, Leon Brittan (Treasury) and Patrick Jenkin (Industry).

*Yours sincerely*

*RC* LORD COCKFIELD

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JH 749



Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

2 February 1983

The Rt Hon Lord Cockfield  
Secretary of State for Trade  
1 Victoria Street  
London SW1

N. B. P. R.

10/2

L.

Dear Arthur,

Thank you for copying to me your letter of 25 January to Francis Pym about the possibility of identifying a special allocation of ATP for Egypt, with the necessary supporting ECGD cover. I have also seen Leon Brittan's letter of 31 January.

2 Egypt is an important market in terms of both present and future potential; for example, the consumption of electricity is forecast to grow at 10% per annum up to the end of the century. And we clearly cannot avoid, in the face of competition from other countries, the general Egyptian requirement for soft financing. With this in mind, I very much believe your suggested policy to be realistic and sensible: it is important that we take such a flexible, albeit limited, approach. I note what Leon Brittan says about Egypt's debt position, but all our competitors seem to be taking a more optimistic view of the country as an aid and credit risk. While we dither about a small commitment from an existing budget, the industries of our competitors are gaining much goodwill in the market place now from the support they are receiving.

3 The need for flexibility is clearly shown by the "shopping list" approach adopted by the Egyptians. In the power sector alone they have identified five projects totalling £250m. We shall need to be able to react quickly to changing Egyptian priorities and the taking up of various projects by our competitors. We really do need to be able to play our hand here in the freest possible way, given the established nature of Egypt as a credit-mixed market and that there is seldom a direct matching opportunity on any one project: the Egyptians will treat with whoever offers soft credit or aid in preference to seeking open competitive tender which may or may not bring credit mixed offers. The price to be paid in the market place by not offering mixed credit is a high one.

Egypt, New to  
Palestine



4 With this in mind, and whilst I too should have preferred that the issue could have been taken within the context of the work on Criteria of Support for Overseas Projects, I agree with your proposal.

5 I am copying this letter to the Prime Minister, Francis Pym, Geoffrey Howe, Leon Brittan and Timothy Raison.

You are  
Patrick

22 FEB 1983



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*C. T. Jackling*



②

*Prime Minister*

*A.S.C. 21*

Treasury Chambers, Parliament Street, SW1P 3AG

*N. S. P. R.*

The Rt Hon Francis Pym MC MP  
Secretary of State  
Foreign & Commonwealth Office  
Downing Street  
London SW1A 2AL

*ML 3/2*

31 January 1983 *h-2*

*2 Francis*

ATP FOR EGYPT

I have seen a copy of Arthur Cockfield's letter of 25 January suggesting that we set aside some £16 million from the Aid and Trade Provision to support projects in Egypt.

As Arthur Cockfield will know, ECGD's section 2 limit for Egypt is currently under review. My latest information is that the present limit could not accommodate an additional £70 million ATP supported business. Even if it could, this would leave little, if any, cover available for anything else. The Bank of England have advised that we should be very cautious about medium term credit commitments because of Egypt's prospective debt position even on optimistic assumptions. Even on optimistic assumptions Egypt will have a current account deficit of \$3.5 billion in 1985 and a debt service ratio in excess of 50 per cent. In the circumstances, although I would not wish to rule out altogether consideration of future ATP cases for Egypt against the normal criteria, I cannot agree that it would be prudent to make any specific commitment to President Mubarak about the availability of ATP support.

I am copying this to the Prime Minister, Arthur Cockfield and other recipients of his letter of 25 January.

*Leon*

LEON BRITTAN

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Egypt, Jan 8. Int. Ser.



31 JAN 1938  
1938 JAN 31

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