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the department for Enterprise

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only*

The Rt. Hon. Nicholas Ridley MP  
Secretary of State for Trade and Industry

The Rt Hon John Major MP  
Chancellor of the Exchequer  
Treasury Chambers  
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Our ref NP1ABC  
Your ref  
Date 6 March 1990

*Sean Som*

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**EASTERN EUROPE - INVESTMENT INSURANCE**

In my letters of 15 January to Douglas Hurd and 20 February to you, I reported that our officials were reviewing the cover that could be made available for UK companies wishing to make new equity investments in Eastern European countries. I said I would circulate the details when officials had completed their work.

The review has now been completed and the results are summarised below:

**HUNGARY AND POLAND** - Normal cover for the War and Expropriation risks. Transfer cover will be given subject to an initial extended (12 months) waiting period for claims; this period will be further extendable at ECGD's option. However, the standard 6 months claims waiting period will apply to individual exposures no greater than £0.5m. Transfer cover in all cases will apply only to that part of remittances permitted by the current local laws. There will be an initial limit on cover of £20m for each country. This will be subject to review.

**CZECHOSLOVAKIA AND USSR** - Local regulations require that remittances be funded out of the net foreign exchange earnings from the export sales of the enterprise. Transfer cover will, therefore, be given subject to that regulation. Normal cover will be given for the War and Expropriation risks, although care will have to be taken before any cover is agreed for investments in those Soviet Republics where there are current political problems. There will be initial limits of £20m on



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cover for Czechoslovakia and £25m for USSR. Again these will be subject to review.

**BULGARIA AND ROMANIA** - It has not proved possible to agree any formal arrangements, due in part to uncertainties over the transfer of remittances risk. Thus any applications received will have to be considered ad hoc.

**EAST GERMANY** - In view of the pace of change in relation to unification (which could render investment insurance unnecessary anyway), any applications will similarly be considered ad hoc.

The above proposals reflect the need to keep a balanced portfolio for investment insurance which is currently quite small in total. I would, nevertheless, hope that when these markets are reviewed in six months time (or earlier if circumstances permit) consideration can be given to increases in the initial guideline limits if circumstances warrant additional ECGD support. I personally regard these proposals very much as a first step which do not go as far as I would like.

I should welcome your formal agreement to what is proposed.

I am copying this letter to the Prime Minister, Geoffrey Howe, Tom King, Chris Patten, John Wakeham, Members of OD(E) and to Sir Robin Butler.

*James*  
*Andrews*

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley MP  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
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CD 22/3

21 March 1990

*John Nicholas,*

**EASTERN EUROPE - INVESTMENT INSURANCE**

Thank you for your letter of 6 March to John Major. As you know our officials have already cleared the main outlines of the proposals and I am happy to give my formal agreement to what is proposed. I should be grateful to see the terms of any announcement in draft.

I see that you regard the proposals as set out at present as very much a first step which does not go as far as you would like. However, as you know, the capital markets have the potential to provide a useful flow of funds unaided if Eastern European countries are able to provide a sufficiently attractive investment climate. Private investment will follow good business opportunities.

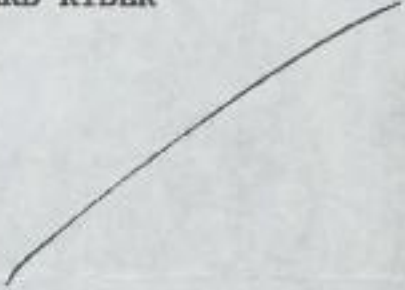
The need to spread the risk on ECGD's overall portfolio also necessarily limits the contribution which the Overseas Investment Scheme can make to promoting investment in Eastern Europe. Even on existing proposals, there is a potential ECGD exposure in Eastern Europe of £85 million or more than a third of ECGD's total maximum exposure. Any backlash against Western investors would have a catastrophic effect on the Scheme's finances. For these reasons I should be most reluctant to agree any increase in the current ceilings.

It would be most helpful if your officials can keep mine in close touch with the demand for cover in Eastern Europe. We need also to monitor carefully the deteriorating external financial position of some of these countries, especially Hungary and the USSR.

I am copying this letter to the Prime Minister, Sir Geoffrey Howe, Tom King, Chris Patten, John Wakeham, members of OD(E) and to Sir Robin Butler.



*James*  
*Ryder*  
RICHARD RYDER



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Each week REB

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Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

2 April 1990

*2 Mr. ...*

*CA 2/4*

**EASTERN EUROPE - INVESTMENT INSURANCE**

Your letter of 6 March to John Major proposed some extensions to your investment insurance scheme for Eastern Europe. I have also seen Richard Ryder's letter of 21 March.

I warmly welcome this move to facilitate British investment in Eastern Europe. All the countries of Eastern Europe will depend heavily on foreign investment in carrying out the liberalisation and modernisation of their economies. I very much hope that British industry can play a full part in this.

I therefore share your view that these proposals should be seen as only a first step. I hope you will be able to review the modest initial limits on cover available in the light of future demand from investors. I think we should also be prepared to consider on its merits any investment insurance proposal for Yugoslavia.

I am copying this letter to the Prime Minister, Geoffrey Howe, Tom King, Chris Patten, John Wakeham, Members of OD(E) and to Sir Robin Butler.

*2 Mr. ...*  
*Wini*  
The Rt Hon William Waldegrave

The Rt Hon Nicholas Ridley MP  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
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For the: East / West Celebration, 1911







Ministry of Agriculture, Fisheries and Food  
Whitehall Place, London SW1A 2HH

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*CDP  
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**From the Minister**

The Rt Hon Douglas Hurd CBE MP  
Secretary of State for Foreign and Commonwealth Affairs  
Foreign and Commonwealth Office  
Whitehall  
LONDON SW1

} February 1990

*John Taylor*

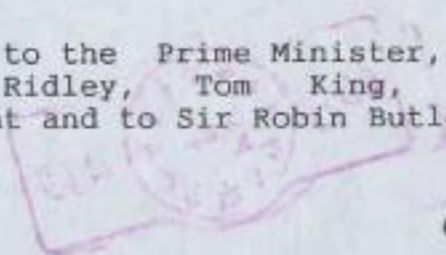
**EASTERN EUROPE: OFFICIAL SUPPORT FOR EXPORT CREDIT AND INVESTMENT**

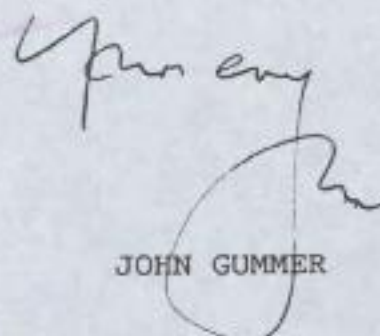
A copy of Nicholas Ridley's letter of 15 <sup>Jan 1990</sup> January on this issue has just come to my office. Although agreement may now have been reached on his proposal to extend ECGD Investment Insurance cover particularly to Poland and Hungary, I would like to register my support for this proposal which will have an important bearing on investment by United Kingdom companies in the vitally important agricultural and food sectors in the East European countries.

As regards the question of export credit cover, I agree with Nicholas Ridley that it is difficult at present to contemplate adding to debt burdens in Poland and Hungary. However, I do think a distinction needs to be drawn between the debts accumulated by the old regimes in these countries and the need for credit cover that will be established by individual businessmen as the Governments of Poland and Hungary succeed in their basic objectives of fostering growth of the private market-driven business sector. It will be important that we are ready to respond appropriately to requests for credit cover as these Eastern European countries succeed in implementing their policies, as we can be sure that other developed countries will do so. I hope, therefore, that we can keep developments under careful review and that I can be involved directly in further correspondence on this issue.

/Copies of this...

Copies of this letter go to the Prime Minister, Geoffrey Howe,  
John Major, Nicholas Ridley, Tom King, Chris Patten,  
John Wakeham, Norman Lamont and to Sir Robin Butler.



*John Gummer*  


JOHN GUMMER

For For: East West P11



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