

PRIME MINISTER

Your Talks with President Moi of Kenya  
on 13 June

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*At back of file*

I attach below the briefs for your talks with President Moi on 13 June. These will begin with half an hour's tete-a-tete from 1045 to 1115 (only note-takers present), in the White Drawing Room, and will be followed by a plenary session from 1115 to 1245 in the Cabinet Room. Would you be content with the UK participation in the plenary session proposed in the FCO letter below, at "X"?

*[A]*

*[B]*

You will wish to see the attached copy of the Foreign and Commonwealth Secretary's minute to the Chief Secretary about aid to Kenya proposing that an agreement should be signed during President Moi's visit for the provision of £15 million in programme aid, tied to UK goods and services. We shall have the Chief Secretary's views before President Moi arrives.

I also attach a draft of your speech at your lunch in honour of President Moi. The guest list is being submitted to you separately.

*BM*

8 June 1979

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE PRIME MINISTER,  
13 JUNE 1979

LIST OF BRIEFS

1. Anglo/Kenyan relations
2. Rhodesia
3. Namibia
4. South Africa
5. Uganda/Tanzania
6. The Horn of Africa
7. World economic prospects
8. Kenya and the Lome renegotiation
9. The British aid programme in Kenya
10. Anglo/Kenyan trade
11. Kenyan pension payments to UK nationals and exchange control problems
12. Anglo/Kenyan defence relations
13. Commonwealth Heads of Government meeting on Lusaka
14. Bamburi Understanding
15. Background - internal and external policies
16. Personality notes.
17. *Sale of Kenyan Hawker Hunters*

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

STEERING BRIEF

1. The State Visit by President Moi is the first between Britain and Kenya. President Moi has however been here before, most recently on a private visit in November 1978, and officially in March 1978, as Vice-President.
2. An outline programme is attached. It reflects Kenya's strong commercial links with the UK and President Moi's interest in farming. The President's Suite (main members and others likely to participate in the talks listed in brief no 16) includes his closest adviser, the Attorney-General Mr Charles Njonjo, and three Ministers, those for Foreign Affairs, Home Affairs and Health. The President's party also includes, but not as members of the Suite, the Ministers for Economic Planning and Community Affairs and for Housing and Social Services. President Moi will stay on privately in the United Kingdom until 19 June when he leaves for an official visit to the Netherlands. He plans to see a number of UK firms during his private stay.
3. The programme provides for tête-à-tête discussions between the Prime Minister and President Moi at 10.45 - 11.15am on Wednesday 13 June, to be followed by a plenary session and lunch at No 10 hosted by the Prime Minister.

/Background

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4. President Moi will share the British Government's desire that the talks, like the State Visit as a whole, should affirm the close relationship between the two countries. His immediate acceptance of The Queen's invitation, at shorter notice than is usual, is an indication of the importance he attaches to it. Kenya's reputation for stability has been enhanced by the smooth constitutional succession of President Moi. The way in which the country is run and the economy managed (despite some indecision and **corruption** during Kenyatta's last years), has provided a favourable climate for United Kingdom commercial and other interests.

5. Kenya is our second largest export market in black Africa, but a long way behind Nigeria. (UK exports 1978: to Kenya £195m, to Nigeria £1,133m.) Despite her lack of natural resources, Kenya has achieved steady economic growth since independence, averaging around 6% per annum. This owes much to generally sound management of the economy. However she faces growing economic and social problems, and is currently in budgetary and balance of payments difficulties, due in part to the fall in world coffee prices in 1978, increased oil prices, defence and development expenditure and poor crops because of adverse weather. The World Bank forecast a cumulative balance of payments deficit of over £1,000m over 1979/83. In external affairs, generally, and on African questions in particular, Kenya is usually moderate and adopts an understanding attitude towards HMG's problems in Rhodesia and South Africa. Kenya attaches particular importance to .

/the OAU

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the OAU principle of respect for territorial integrity, because of the potential threat from Somalia to north east Kenya, an area inhabited by Somali tribes. A common fear of Somalia draws Kenya towards Ethiopia, despite Soviet and Cuban involvement there. Relations with Tanzania are poor and the latter closed the border with Kenya following the break up of the East African Community of Kenya, Tanzania and Uganda in 1977. Partly to counter Tanzanian influence, Kenya is extending full cooperation to the new Government in Uganda.

6. The Kenyan Government now adopts a reasonably tolerant attitude to Asians who hold UK passports and this subject is unlikely to figure in the discussions.

#### United Kingdom Objectives

7(a) The main objective in the talks with President Moi is to confirm our close relationship with Kenya as a comparatively stable and prosperous country, a force for moderation in Africa and an important market for British goods. We wish to strengthen President Moi and his Government in their belief in the value of their links with the United Kingdom.

(b) It follows from this broad political objective, that it is to our interest to respond helpfully and flexibly, if possible, to any representations President Moi may make in support of the Kenyan request for additional help in their current economic difficulties.

(c) As a substantial supplier of defence equipment and military training to Kenya we wish to continue to support the Kenyan desire to stand on their own feet militarily but to persuade them, in the light of their economic difficulties, to forego new orders for military equipment and to concentrate on absorbing purchases already made.

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(d) In view of ~~United~~ United Kingdom public and parliamentary interest, we wish to use the occasion of President Moi's visit to persuade the Kenyans to restore payment of <sup>certain</sup> military and disability pensions to United Kingdom citizens via the Crown Agents.

(e) In international affairs, we will wish to explain and, where appropriate, to seek support for British policies, particularly on Rhodesian and other African issues and on the North South dialogue. The Kenyans are probably not unsympathetic to British objectives, but are usually unwilling to take a lead in African commands.

#### Kenyan Objectives

8(a) President Moi's main objective will be to confirm his close relationship with the UK and establish himself in United Kingdom eyes and internationally as an important African and Commonwealth figure. This will benefit him at home where he can expect to secure re-election as President later this year.

(b) President Moi may wish to outline his government's economic policies and development plans in which the British aid programme plays a part. (£80m pledged in 1978 for 1979/82; current capital aid disbursements about £10m a year plus £8m in technical cooperation.) He will probably wish to encourage a positive response to the Kenyan request for £30m programme aid to alleviate Kenyan economic and budgetary difficulties. Readiness on our part to help ease balance of payments problems might pre-empt requests for

/rescheduling

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rescheduling defence supply contracts placed with UK firms.

(Such requests would involve Kenya's contractual obligations to British companies, while ECGD credit cover for defence equipment is already on the most favourable terms possible.)

(c) President Moi will want to explore our attitude towards African, and in particular Southern African, problems and to exchange views on the prospects for the new regime in Uganda and the situation in the Horn. In expressing concern at Soviet and Cuban involvement in Africa and our encouragement of an improvement in Somali-Kenyan relations, we should take account of deep Kenyan suspicion of Somali policies and their belief that Ethiopian nationalism will reassert itself over Communist penetration.

(d) More widely, he will be interested in our assessment of world economic prospects, including energy issues. President Moi, who has represented Kenya at past meetings of Commonwealth Heads of Government, may wish to exchange views on the Lusaka Meeting.

(e) It is on balance unlikely that President Moi will seek a specific confirmation of a British commitment to consultations with, and possible assistance to, the Kenyan Government in the event of aggression by Somalia.

#### Briefs

9. Briefs covering all the above subjects and background on Kenya's internal and external policies are attached, together with personality notes on President Moi and the members of his Suite.

/Order

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Order of discussion

10. After welcoming the President and reference to long-standing Anglo-Kenyan friendship (Brief No 1), a convenient order of discussion might be: African questions, especially Rhodesia (Briefs 2-6); wider international questions, including world economic prospects and north-south dialogue and Lomé renegotiation (Briefs 7 and 8); bilateral questions, in particular aid (Brief 9), trade (Brief 10), pensions payments (Brief 11); defence relations (Brief 12) and finally, if time permits, the Commonwealth Heads of Government Meeting (Brief 13).

Publicity

11. President Moi will give a press conference on 13 June, after the talks with the Prime Minister. A draft is attached which could serve either as a basis for a joint press statement or for general briefing.

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STATE VISIT OF PRESIDENT MOI OF KENYA: 12-15 JUNE 1979

PROGRAMME

Tuesday, 12 June 1979

11.25 am           Arrival, and State Drive to Buckingham  
Palace

4.25 pm            Visit to Westminster Abbey

4.55 pm            Presentation at St James's Palace of  
Addresses of Welcome by the Chairman  
and Members of the Greater London Council  
and by the Lord Mayor and Councillors  
of the City of Westminster.

5.15 pm            Visit to Queen Elizabeth The Queen Mother

8.30 pm            State Banquet at Buckingham Palace

Wednesday, 13 June 1979

8.45 am            Call by Group of Bankers and Industrialists  
at Buckingham Palace

10.45 am           Talks at 10 Downing Street

1.00 pm            Luncheon given by Her Majesty's Government  
at 10 Downing Street

3.30 pm            Reception of High Commissioners of  
Commonwealth Countries and Ambassadors  
accredited to the Court of St James's  
at St James's Palace

5.00 pm            Press Conference at the Royal Horse  
Guards Hotel

7.25 pm            Banquet at Guildhall

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Thursday, 14 June 1979

9.00 am Call by the Leader of the Opposition at  
Buckingham Palace

11.10 am Visit to Dales Farm, Northchapel, Sussex,  
to see a herd of beef cattle

12.15 pm Visit to Arundel Cathedral to see  
Carpet of Flowers

12.30 pm. Visit to Arundel Castle and Luncheon  
given by the Duke of Norfolk

3.00 pm Visit to West Stoke Farm, near Chichester,  
to see herd of dairy cattle

8.30 pm Banquet given by The President of the  
Republic of Kenya at Clardiges

Friday, 15 June 1979

10.00 am Departure from Buckingham Palace for  
Claridges.

CONCLUSION OF STATE VISIT

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 1: ANGLO-KENYAN RELATIONS

Points to Make

1. Relations with Kenya close and trouble-free. Hope relations further consolidated by State Visit. UK attaches great importance to this. Fitting that such a good friend of Britain among the first Heads of State to be received by the Prime Minister.
2. [If the issue of UKPH is raised] Britain's commitment to UKPH in Kenya stands. Appreciate tolerant Kenyan attitude to the UKPH question.
3. [If asked for latest information on Mungai case] Believe Mungai still in Switzerland. Has appealed against UK's refusal of asylum. But no date for appeal yet.

East African Department

FCO

30 May 1979

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 1: ANGLO-KENYAN RELATIONS

Essential Facts

1. This is the first State Visit to the UK by a Kenyan President. Anglo-Kenyan relations have been good since Kenya's independence in 1963. President Moi has made clear the importance he attaches to maintaining close relations with the UK.
2. The British community of European descent in Kenya now numbers about 11,000 compared with 50,000 at independence. They are mostly businessmen, short contract aid personnel and some retired settlers. Their relations with the Kenyan authorities are generally good, and have improved since President Moi's accession.
3. UKPH. There are some 17,500 United Kingdom passport holders of Asian descent still resident in Kenya, of whom about 13,000 (heads of households and dependants), are potential emigrants under the special voucher scheme. In all, nearly 50,000 UKPH have emigrated to the UK from Kenya since this scheme was introduced in 1968. But for the last 2 years the annual quota has not been fully taken up, and most vouchers issued at present are going to school-leavers.
4. Although there are occasional criticisms in the Kenyan press and elsewhere about the numbers of non-citizens with private businesses, the Kenyan authorities are tolerant, and it is over 2 years since the last notices were issued requiring non-citizens to dispose of their businesses. The UKPH, for the present at least, are no longer a problem in Anglo/Kenyan relations and it

/is

is not necessary, therefore, to raise the issue. We would not expect any immediate change in Kenyan attitudes although a lengthy recession might bring increased pressure for speedier departure of UKPH.

Kenya Visa Regulations

5. In September 1975 the Kenyans revised their visa regulations to require UK citizens of Indian, Pakistani or Bangladesh origin to obtain visas before visiting Kenya. In particular, this measure was intended to prevent UK passport holders entering Kenya from India and trying to get work permits or jump the special voucher queue which was shorter in Kenya than in India. The new requirement led to complaints to our High Commission in Nairobi and to FCO Ministers from immigrant organisations in the United Kingdom. The High Commission have raised this matter with the Kenyan Immigration Authorities on several occasions referring in particular to the inconvenience caused to UKPH settled in the UK who wish to visit relatives in Kenya. The Kenyans replied they had no evidence that visas were being refused.

6. In raising this issue with the Kenyans in the past we have had to bear in mind that British immigration law itself discriminates between those UK citizens who have the right of abode and those who do not. For this reason, and more importantly, because the issue does not seem to be causing concern in the UK at present there is no need to raise it on this occasion.

The case of J E Mungai

7. J E Mungai was an Assistant Commissioner of the Kenyan Police, who fled to the Sudan in November 1978 after being accused of involvement in a plot to assassinate President Moi and other

/Kenyan

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Kenyan leaders on the death of President Kenyatta. The Kenyans, who believed Mungai would try to seek asylum in the UK, requested that we prevent this. In February, Mungai, who had entered Switzerland on a false passport, applied from there for political asylum in the UK. His application was refused. Mungai has appealed against this decision, but no date for the appeal has been set. It is difficult to see how the appeal could succeed as UK immigration laws make no provision for the admission of refugees or people seeking asylum from abroad. We have informed the Kenyans that Mungai is in Switzerland and has applied for asylum in Britain with a request that on no account should they disclose to anyone the source of this information. If the Kenyans raise this case, there would be no harm in informing them that Mungai has now appealed against this decision. They may eventually decide to seek Mungai's extradition from Switzerland.

East African Department

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30 May 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA : TALKS WITH THE  
PRIME MINISTER 13 JUNE 1979

Brief No :  
2 : RHODESIA

Points to Make

1. Our objective is to return Rhodesia to legality with the widest possible international recognition. Consultations with the Commonwealth are under way. We attach great importance to them. Lord Harlech is visiting several African countries (though not Kenya in view of President Moi's visit here). These contacts and President Moi's views will be important to us in considering the way forward.
2. We will need to encourage Bishop Muzorewa to demonstrate that he is in effective control and to show flexibility. This is the purpose of Mr Day's mission to Salisbury.
3. We hope that other African countries and the Organisation for African Unity will recognise that Muzorewa has wide popular support and be open-minded about his government. We shall be hoping for President Moi's support in this. The increased involvement of outside powers in a protracted war would be a very dangerous development for Africa.

STATE VISIT OF PRESIDENT MOI OF KENYA : TALKS WITH THE PRIME MINISTER, 13 JUNE 1979

BRIEF NO:

2 : RHODESIA

Essential Facts

CONSULTATIONS

1. Lord Harlech will be visiting Zambia, Tanzania, Botswana, Mozambique, Malawi and Nigeria between 11 and 22 June. Mr Luce may visit some of the moderate West African countries in the week beginning 18 June. As President Moi's visit provides an opportunity to discuss Rhodesia, a British emissary will not be visiting Kenya during the present round of consultations.

PROSPECTS FOR RHODESIA

2. Although the continued presence of Mr Ian Smith as Minister without Portfolio will hinder the Muzorewa Government's efforts to win international acceptance, the new Cabinet is well-balanced. It is encouraging that the moderate Mr David Smith returns as Minister of Finance, despite his previous threats to withdraw from politics because of differences with Mr Ian Smith; and that Chief Ndiweni's UNFP is participating in the new government. Mr Sithole's attitude remains a problem. The public dispute between Bishop Muzorewa and Mr Sithole has led to the arrest of several ZANU officials amidst accusations that they were plotting Bishop Muzorewa's assassination.

3. In his first address to the nation on 2 June, Bishop Muzorewa repeated his offer of an amnesty. He said that he wanted "good neighbour" relations with the Front Line States; that some changes in legislation were necessary; and that his government was willing to attend an all-party conference. There is no evidence at this stage of any significant reduction in the level of fighting inside Rhodesia or of many of the guerrillas responding to the offer of an amnesty. Unless moderate States such as Kenya bring their influence to bear, there is a danger that the OAU will adopt an intransigent /attitude



attitude towards Bishop Muzorewa at its summit in Monrovia from 13-16 July. We are seeking to influence the more moderate African governments to acknowledge the fundamental change which has taken place inside Rhodesia.

KENYAN POLICY

4. There are varying approaches to the Rhodesian problem among members of the Kenyan Government. Dr Waiyaki and members of his Foreign Ministry reflect the general OAU line. He has said publicly that Kenya would not recognise or deal with any government in Rhodesia "formed out of the recent sham elections", and that there should be elections supervised by the UN under a new constitution. In discussion with the British High Commissioner on 29 May, Dr Waiyaki showed some suspicion that the Government were merely spinning out a decision on Rhodesia until after the Lusaka meeting. He said that Kenya did not consider the elections fair and free; and that recognition by Britain would cause trouble in Africa and in Commonwealth relations. The Kenyan radio reported that Dr Waiyaki had told the High Commissioner that Kenya "would maintain its stand of never recognising the puppet regime of Muzorewa whether the British government recognised the regime or not".

5. President Moi can be expected to be more sympathetic towards Bishop Muzorewa and ready to acknowledge the progress which has been made, though he may be unhappy about Mr Smith's continued participation in the government and some aspects of the Constitution. These views will be shared by some other African leaders; but there will be difficulty in persuading the moderates to stand up and be counted. The State Visit affords an opportunity to try to enlist President Moi's support.

Foreign and Commonwealth Office  
5 June 1979

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
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Brief no. 3: NAMIBIA

Points to Make

1. Best solution for Namibia remains implementation of the Five's Proposal for elections under UN supervision leading to internationally recognised independence.
2. We will continue to work for implementation of the Proposal.
3. Success would open up hopeful opportunities in Southern Africa.

Southern Africa Department

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29 May 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no. 3: NAMIBIA

Essential Facts

1. Detailed arrangements for implementing the contentious aspects of the Settlement Proposal (monitoring of SWAPO outside Namibia and arrangements for dealing with SWAPO forces in Namibia at the time of the ceasefire) were worked out at the New York talks from 19-23 March and were conveyed by the Five to South Africa in a message of 26 March. The South Africans replied on 7 May reiterating their acceptance of the original Proposal by the Five and their rejection of the proposals in the Secretary-General's Report of 26 February. The South Africans seem not to have been reassured by the various clarifications and assurances worked out by the Five and contained in the Sixteen Point Annex to the message of 26 March.
2. The South Africans have also agreed to the proposal by the Democratic Turnhalle Alliance to turn the "Constituent Assembly" into a "National Assembly" with some legislative powers and the right to be associated with the South African Administrator General who has executive responsibility. The Five have considered the election held last December for the "Constituent Assembly" to be null and void.
3. The South African reply will be widely interpreted as a final rejection of the UN plan and of the assurances and concessions offered by the Front Line States and SWAPO. The decision to set up a "National Assembly" will be interpreted as a major move towards, and prelude to, a Unilateral Declaration of Independence in defiance of the Security Council and the Five. The Five are agreed that their objective must be to try to avoid a breakdown at this stage.

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4. The South Africans' reluctance to go along with the proposals for implementing the UN plan is linked with their interest in exploring a new national strategy for South Africa involving the creation of a new Southern African bloc of states economically, politically and militarily dependent on South Africa. This may involve the support for internal settlements both in Rhodesia and Namibia in preference to internationally recognised settlements which might involve the setting up of radical nationalist régimes on their borders.

5. The Security Council will have met in the first half of June.

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
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Brief no. 4: SOUTH AFRICA

Points to Make

1. The key to stability in the region rests with South Africa.
2. The practice of apartheid is one which we roundly condemn and is a continuing cause of unrest in that beleaguered country.
3. However, we must be alive to any signs of change in the system and be ready to welcome them.
4. Constant criticism of South African policies and failure to recognise any attempt to come to terms with the situation will only drive them further into the laager.

Southern African Department

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no. 4: SOUTH AFRICA

Essential Facts

Internal

1. Mr P W Botha's Government has shown a more enlightened attitude towards the non-whites in South Africa than did Mr Vorster's.

Dr Koornhof, Minister of Co-operation and Development, in particular has shown a more humane attitude towards the blacks, for example, in his decision not to go ahead with the demolition of the squatter camp at Crossroads. Nevertheless despite this and proposals for constitutional reform involving some devolved powers for the Coloureds and Asians there are no plans to give substantial political rights to Africans and the South African Government remains committed to white domination and its policy of black homelands.

2. There is evidence that the South Africans are taking a more obdurate attitude towards the problem of the region. They appear to favour the concept of regional co-operation in a Southern pact involving closer political, economic and possibly security links with neighbouring black states. This would involve a neutralist bloc as a bastion against Communism. It seems most unlikely that African governments would favour any such grouping. Faced with increasing criticism and isolation the South Africans may have concluded that they cannot rely on Western support and must therefore be prepared to turn elsewhere. The Southern pact is not a new concept, but the idea of neutralism between East and West is.

3. The South African Government is still preoccupied with the repercussions of the Department of Information scandal. It is impossible to tell what the outcome may be, but Mr Botha could be forced to call an election, because of his pledge to do so if it can be shown that any member of his present Cabinet was involved. However, the interim findings of the Erasmus Commission have cleared the Cabinet of having prior knowledge of the mishandling of funds.

Labour Relations

4. The reports of the Wiehahn and Riekert Commissions on black trade union recognition and labour mobility respectively are being studied. At first glance they represent important moves towards a more understanding approach to the black population. The test, however, will be the willingness of the South African Government to carry out the major recommendations.

British Interests in South Africa

5. We have important economic links with South Africa. It remains a major export market for us (nearly £700m a year) and there is a large British investment which, measured in market value, is of the order of £4,400m. Nevertheless, in terms of the importance to us as an export market, South Africa fell to sixteenth place in 1977, from thirteenth in 1976, while Nigeria moved to ninth position as an export market from tenth position in 1976. We have a responsibility to use our resulting economic influence to apply pressure for peaceful change within South Africa. We accordingly attach importance to the Code of Conduct on Employment Practices of the Nine which the British Government brought into effect in their White Paper last year.

Kenyan Policy on South Africa

6. There are differences of opinion within the Kenyan government. Attorney-General Njonjo openly advocates dialogue and diplomatic /relations;

relations; President Moi is privately sympathetic to dialogue but will not wish to get out of step with the OAU. Foreign Minister Waiyaki and his Ministry have consistently advocated a more radical policy; he has claimed that Kenya's policy is to oppose dialogue and announced that he would resign in protest if it were changed.

Kenya Links with South Africa

7. Official Kenyan trade statistics show no exports to or imports from South Africa other than one item in 1976. We suspect that there is some unofficial trade between Kenya and South Africa, but it is impossible to guess at its volume or composition, since much of it is, we believe, disguised as trade with Lesotho, Botswana or some other intermediate country.

Southern African Department

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29 May 1979



STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
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Brief no 5: UGANDA/TANZANIA

Points to Make

1. Lule's Government making steady progress in difficult circumstances. Major task of rehabilitation. Extensive international goodwill to draw on.
2. Uganda needs help from friends, including Kenya and UK.
3. In Uganda's interest to maintain good relations with all her neighbours. Her natural economic and communications links with Kenya are a significant factor.
4. Hope that change of government in Uganda will contribute to improved relations between former East African Community members - though appreciate difficulties.
5. [Defensive] Astles - a Ugandan citizen; extradition to Uganda a matter for Kenya/Uganda. UK naturally hopes due process of law would be observed as in any other case.

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
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Brief no 5: UGANDA/TANZANIA

Essential Facts

1. President Lule's Government was established in Kampala on 13 April; we recognised it on 15 April and subsequently reestablished diplomatic relations. The Uganda Government is publicly committed to restoration of the rule of law, respect for human rights and elections within 2 years. It covers a wide, political and tribal spectrum. Former President Obote was excluded because of his unpopularity, especially in Southern Uganda, and the Tanzanian desire to avoid the charge of imposing him. He may attempt a come-back. Amin's whereabouts are uncertain; he is probably in Libya or Iraq and there seems no chance of his making a come-back. President Lule, a moderate academic, may have difficulty in holding his interim coalition together. There are strains within it, but no sign of plans to overthrow Lule.

2. The Uganda Government faces enormous problems of rehabilitation. Public services, including police have to be rebuilt. For the present, Uganda has to rely on Tanzanian forces for internal security and stability. The economy was seriously rundown before the new government took over. New Ministers are assessing priorities and seeking massive international aid.

3. HM Government have so far agreed to provide £2 million in grant aid and are likely to consider further tranches. We are giving specialist advice on police, security and military matters. We propose to discuss British compensation claims on the government of Uganda (totalling more than £140 million from firms and individuals) at an early convenient moment.

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4. Many African Governments have welcomed the change. But some, like Nigeria, remain unreconciled to the Tanzanian breach of the OAU principle of respect for territorial integrity. The extent of criticism of Tanzania is likely to depend on the degree of independence President Lule's Government shows from Tanzanian influence. Tanzania intends to withdraw the bulk of her forces as soon as mopping up of Amin's forces in the north-west is complete; but substantial numbers will remain to provide security and stability. The developments in Uganda are a set-back for Libya and probably also for the Soviet Union which was Amin's main source of military equipment and training. The Russians have however welcomed Lule's Government and can be expected to try and reestablish their position.

Kenya/Uganda

5. During Uganda/Tanzania conflict the Kenyans maintained a policy of business as usual with Amin's regime. They were unresponsive to suggestions from the Tanzanians that they cut off essential supplies to Amin eg fuel, most of which passes through Kenya. Kenya was (and is) suspicious of President Nyerere, who was thought to want to reinstate ex President Obote, an exile in Tanzania since his overthrow by Amin, and greatly mistrusted by Kenyans. Kenya was also concerned at the breach of the OAU principle of territorial integrity, in view of the special fear of Somali expansionism.

6. The Kenyans nonetheless curtailed facilities for Libyan forces supporting Amin as it became clear that his cause was lost and welcomed President Lule's Government, which they have offered to help in any way possible. Kenya is giving £1.4 million of emergency assistance. Discussions are taking place on economic assistance and the position of Ugandan refugees in Kenya. The Kenyans see close relations with the

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new Ugandan Government as a means of countering Tanzanian influence. Road and rail links with Kenya are now open and with land locked Uganda dependent on Kenya as a channel for supplies they have a strong hand to play. President Lule may also welcome the opportunity to balance Tanzanian influence in this way. The continuation of good Kenya/Uganda relations will depend among other things on the continued exclusion of Obote from effective power and the setting in motion within a reasonable time scale of the withdrawal of Tanzanian troops.

7. Among several and former high-ranking officials of the Amin regime now held in Kenya is "Major" Bob Astles. President Moi has stated that Astles will be extradited to Uganda when necessary legal processes have been completed. Although born in the UK, Astles has taken Ugandan citizenship. The Ugandan Government are aware of the need to ensure that due processes of law will be observed should Astles be returned to Uganda.

Kenya/Tanzania

8. Relations have been poor since the Tanzanian decision to close the border with Kenya in the wake of the break up of the East African Community in 1977. The Tanzanian intervention in Uganda forced some direct contacts between the leaders of both countries, and although mutual distrust continues the announced meeting between Presidents Moi and Nyerere in Arusha, Tanzania, on 30 May is an encouraging sign that relations may now improve.

East African Department

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30 May 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA:

TALKS WITH THE PRIME MINISTER, 15 JUNE 1979

ADDENDUM TO BRIEF NO 5: UGANDA/TANZANIA

Essential Facts

1. The significance of the Arusha meeting between Presidents Moi and Nyerere on 30 May largely presentational. Kenyan officials disappointed at lack of substantive progress. On 6 June President Nyerere gave major address in Dar es Salaam announcing that the war in Uganda was over. Bulk of Tanzanian troops soon to leave. Nyerere stressed Tanzania's desire for good relations with her neighbours. President Lule and Nyerere met on 7 June in Mwanza (Tanzania). We have no information on topics discussed. The changes in the Ugandan Government announced on 7 June will have strengthened the hand of President Lule and fellow moderates.

2. Astles was flown to Kampala on 9 June following Uganda's extradition application.

East Africa Department

Foreign and Commonwealth Office

11 June 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 6: HORN OF AFRICA

Points to Make

1. We recognise importance Kenya attaches to stability and respect for territorial integrity in the Horn.
2. We favour peaceful resolution of disputes in the area, and will continue to urge restraint. But our direct influence is limited.
3. Do Kenyans see prospect of improvement in the area, including their relations with Somalia? We remain ready to urge the Somalis to look constructively at this.
4. We would like to see a reduction in the Cuban and Soviet presence in Ethiopia. Do the Kenyans see any prospect of this?

East African Department

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 6: HORN OF AFRICA

Essential Facts

1. Somalia/Ethiopia Somalia seeks self-determination for ethnic Somalis in the Ogaden, which she regards as under Ethiopian colonial occupation. Somali guerillas in the Ogaden, organised in the Western Somalia Liberation Front, receive political and material support from Somalia. In July 1977 this escalated to an invasion of the Ogaden by Somali regular armed forces. In March 1978, the Somalis were defeated by Cuban forces assisting Ethiopia, which also received massive inflows of Soviet military equipment as well as Soviet military advice. Continuing OAU attempts to mediate in the Somali/Ethiopian dispute have not succeeded. Ethiopia has since demanded of Somalia guarantees of respect for the territorial integrity of all Somalia's neighbours, and the payment of reparations. Somalia however continues to maintain support for the Ogaden guerillas at roughly pre-1977 levels. Because of Soviet, and Cuban support for Ethiopia, which began when Mengistu took full control there in 1976, Somalia in November 1977 abrogated her Treaty of Friendship with the Soviet Union, terminated Soviet military facilities on her territory, including the naval and air base at Berbera, and broke relations with Cuba. Somalia professes to fear a ground attack from Ethiopia. We believe this is unlikely, since it would damage Ethiopia's international position, and would be unwelcome to the

/Soviet Union

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Soviet Union, and Cuba. Since late 1977 Somalia has improved relations with the West and particularly with the Arab world, especially Saudi Arabia, from whom she receives major financial support. With some possible exceptions, eg France and Italy, Somalia has not, however, been able to obtain major Western arms supplies. Although allowing some items of non-lethal equipment, eg radios, we have not wanted to sell weapons to Somalia since this would offend particularly the Kenyans. We have therefore given expression to our interest in Somalia in the form of an increased civilian aid programme, now about £3.2 million for 1979/80.

2. Somalia/Kenya Somalia supported insurrection by ethnic Somalis in north-east Kenya in the 1960s. The Kenyans do not believe private Somali protestations to Western governments that they have no claim on Kenyan territory. The Kenyan decision to expand and re-equip their armed forces stems largely from their deep suspicions of Somali intentions and lies behind Kenya's traditional friendship with Ethiopia. In a visit to Ethiopia early this year President Moi endorsed the Ethiopian demands of Somalia and renewed the 1963 Kenyan-Ethiopian mutual defence treaty. While guarding against any attempt by the Soviet Union to gain influence in Kenya, the Kenyans accept Soviet and Cuban assistance to Ethiopia as understandable in the face of Somali aggression. The Kenyans further believe that Ethiopian nationalism will reassert itself over communist influence.

3. Over the past 18 months we have been trying to encourage an improvement in Somali-Kenyan relations, since this would enhance stability and give us greater freedom of manoeuvre in

/our



our relations with Somalia. The general Kenyan position is that they require an unequivocal and public assurance from the Somali Government that Somalia has no claims on Kenyan territory. The Somalis are unwilling to provide this. We have floated to President Siad Barre the idea of a non-aggression treaty between Kenya and Somalia, a concept which the Saudis also appear to be attempting to promote. But the Somalis have made no specific proposals to the Kenyans. The Kenyans are reserved, although they seem prepared to complement their diplomatic relations by trying to improve working contacts with the Somalis on the ground, eg in a border commission.

4. Ethiopia In Ethiopia, Mengistu appears still to be in control although there may be disagreements in the Derg about the introduction of a Marxist party and on Eritrea. The close relationship with the Soviet Union has been formalised by a Treaty of Friendship although the cost of Soviet military supplies (thought to be about \$1 billion) could be a source of difficulty, and Soviet ability and willingness to give economic assistance to Ethiopia on the scale required to deal with her severe economic and developmental problems could be a further test of the relationship. Civil development aid from the Soviet bloc has so far been relatively small; so far as we are aware only \$11 million in 1977 compared with \$59 million in bilateral aid from OECD countries and \$67 million from multilateral agencies (EDF, World Bank, UNDP and OPEC). UK bilateral aid is currently running at about £2.8 million. Because of Ethiopia's poor human rights record we have not been accepting new commitments.

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5. We believe there are still some 16,000 Cuban troops in Ethiopia, mostly doing garrison duty in the Ogaden, but some giving logistic support to the Ethiopian forces fighting the Eritrean Secessionist Movements, as well as about 1,000 Soviet military advisers. Ethiopia has gained the upper hand militarily in Eritrea over the past 12 months, regaining control of most of the towns. But no end is in sight to Eritrean guerilla activity.

East African Department

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FROM JEDDAH 110700Z JUNE  
TO PRIORITY FCO LONDON  
TEL NO 367 OF 11 JUNE 79.  
INFO MOGADISHU, NAIROBI.

MUNRO (IN JEDDA)'S LETTER OF 4 JUNE TO ROBSON:

SOMALIA/KENYA.

1. MY COUNSELLOR RAISED THIS SUBJECT WITH THE HEAD OF THE AFRICAN DEPARTMENT IN THE MFA THIS MORNING. AHMED SIRAJ SAID THAT THE SAUDIS WERE EXPECTING PRESIDENT MOI TO VISIT SAUDI ARABIA SHORTLY, PROBABLY ARRIVING ON 1 JULY. THE SAUDIS WERE CONSIDERING RAISING WITH HIM AGAIN THE PROPOSAL OF A 20 YEAR NON-AGGRESSION PACT TO BE SIGNED BY SOMALIA AND KENYA. THEY DID NOT WANT TO DO SO, HOWEVER, UNLESS THEY HAD REASON TO HOPE THAT MOI WOULD RESPOND FAVOURABLY. HE UNDERSTOOD THAT MOI WAS CURRENTLY IN LONDON AND WONDERED IF WE COULD SOUND HIM OUT, WITHOUT REVEALING THAT WE HAD BEEN ASKED TO DO SO BY THE SAUDIS HE HOPED THAT WE WOULD LET HIM HAVE A REPLY AS SOON AS POSSIBLE.

2. WE REALISE THAT YOU MAY NOT WISH TO BECOME TOO DEEPLY INVOLVED IN WHAT IS CLEARLY A CONTROVERSIAL MATTER. HOWEVER, FROM THE POINT OF VIEW OF OUR RELATIONS WITH SAUDIS, IT WOULD BE HELPFUL IF PRESIDENT MOI COULD BE SOUNDED OUT AS THE SAUDIS SUGGEST.

WILTON

FILES  
EAD  
MED  
PS  
PS/LPS

PS/MR. LUCE  
PS/PUS  
SIR A DUFF  
MR. WILLIAMS  
MR. J. C. MOBERLY

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

BRIEF NO 7: WORLD ECONOMIC PROSPECTS

POINTS TO MAKE

GROWTH

1. Prospects for world growth not good. Continuing oil shortfall. Further oil price rises likely. Debt burden of non-oil developing countries will then further increase and for the poorest will be serious. In OECD should be a better balance of surpluses and deficits this year, but inflation and unemployment rising.

TOKYO SUMMIT

2. Difficult economic background. Specific targets inappropriate this year. Discussion will focus on energy and the North/South Dialogue in the aftermath of UNCTAD.

UNCTAD V

3. Modest progress. Useful consensus on resisting protectionist pressures and need for adjustment of established industries. Discussion of unresolved issues will continue in UNCTAD itself and other established forums.

4. Developed countries did not stone wall. Present circumstances not the time for radical new schemes. Our need to cut public expenditure limited our scope in some areas. Getting the UK economy right will best equip us to help developing countries with trade and aid. We announced a contribution in principle to the Common Fund Second Window.

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

BRIEF NO 7: WORLD ECONOMIC PROSPECTS

ESSENTIAL FACTS

1. Growth in the seven Summit countries in 1979 at 3.3% (WEP), 3.5% (OECD) lower than 3.9% in 1978. (WEP assumed average oil price increase of 25% over the year: now more likely to be higher.) Effective oil prices already 30% up on December 1978. Next OPEC meeting this month Geneva.
2. Poorer prospects still for 1980; 2.6% growth (WEP) as oil prices work through and with US economy very weak. US growth could fall to 1.2% (WEP) as compared with 2.7% (WEP) 3.1% (OECD) in 1979.
3. World oil supply shortfall in 1979 likely to be around 2 mbpd (about 5%). Iranian production resumed on 5 March. Production currently believed to be 3.5 - 4 mbpd. It was around 5.7 mbpd in 1978 prior to the revolution. Even if IEA and EEC countries fully implement demand restraint measures to reduce consumption by 5% the world oil market will remain tight.
4. Current account deficit of US will fall owing to slower growth and increased exports but may rise again in 1980 (\$16 billion 1978, \$9.7 billion 1979, \$10.9 billion 1980 - WEP). Japanese surplus will decline owing to oil price increases and emergency imports but likely to rise again in 1980 (\$16.7 billion 1978, \$3.4 billion 1979, \$8.5 billion 1980 - WEP). There will be a better balance of surpluses and deficits among the major OECD countries. But the net deficit of non-Summit OECD countries (including Portugal and Turkey) will rise from \$10 billion to

/813.5

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\$13.5 billion (OECD), and the deficit for non oil developing countries will rise from \$31 billion to \$40 billion this year (OECD).

5. Inflation in the main industrialised countries may be 1% higher in 1979 at over 8%.

#### TOKYO SUMMIT

6. Energy the key area. Need for effective demand restraint (particularly by US) and development of alternative sources. Developing countries will be looking for something for them in the light of little progress at UNCTAD.

#### UNCTAD V

7. Ended in Manila on Sunday 3 June. Mr Nott has expressed our regret that agreement was not possible on more issues in Manila. Mr Parkinson was there for the last week.

8. Consensus was reached on some issues. Developing countries expressed some disappointment but the atmosphere was calm at the end.

9. Principal agreements on protectionism/adjustment; commodities, aid volume increase and aid for the least developed (Mr Parkinson reserved the UK's position in the light of the public expenditure review; the UK was not alone); transfer of technology. Principal issues where there was no agreement were a fundamental restructuring of the world economy demanded by the developing countries; "interdependence"; evaluation of MTNs, GSP, and other trade issues; international monetary reform and developing country debt; and some shipping issues. Consideration of these will continue in UNCTAD and other established international forums.

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10. Commodities, where agreement was reached, a major interest for Kenya. Basis of a Common Fund agreed in March. Kenya a major coffee and tea producer. There is an International Coffee Agreement. Discussions continue on the establishment of an International Tea Agreement but Kenya is unenthusiastic. We should like the International Tea Promotion Association to establish its headquarters in London.

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 8: KENYA AND THE RENEGOTIATION OF THE LOME CONVENTION

Points to Make

1. Regret that EEC/ACP 24-26 May Brussels Conference did not reach final agreement on new Convention. In neither ACP nor Community interest for conclusion of negotiations to be delayed. Understand keen Kenyan interest in trade with Community. International economic climate worsening. And delay could cause hiatus between end of Lomé and start of new Convention. Community has proposed 24-26 June for further conference. Hope acceptable to ACP.
2. Main problem is size of new European Development Fund (EDF). Community offer at last Conference reflects conscious decision not to engage ACP in undignified bargaining but rather in all frankness to table maximum figure to which Community can agree. Offer calculated with great care. Takes account of inflation since Lomé I. Regret no question of any increase. Very real economic constraints facing Community.
3. (If necessary). UK certainly not "responsible for the breakdown". EDF figure put to ACP was agreed EEC position.
4. UK unhappy that ACP now seem likely to propose Lomé (again) as venue for signature of new Convention. Understand Nairobi was at one stage a candidate but was withdrawn in favour of Khartoum. Now clear Khartoum stands no chance. UK would welcome renewed pressure for Nairobi.

European Integration Department

FCO

1 June 1979

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RENEGOTIATION



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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 8: KENYA AND THE RENEGOTIATION OF THE LOME CONVENTION

Essential Facts

1. The 24-26 May Brussels Conference broke down because of dissatisfaction of the 57 African, Caribbean and Pacific (ACP) States over Community offer of 5107 mua (£3319 m) for EEC aid to ACP under the new (five year) Convention. The ACP want over 10,000 mua. The original UK objective (leaving out of account provision for European Investment Bank lending, which is included in the 5,107 mua) was 4,300 mua. None of our EEC partners being prepared to see the offer kept down to this level, in the course of the Brussels Conference we finally agreed, with great difficulty, to go up to 4,540 mua. It was accepted by all that under no circumstances could there be any increase on this figure (though Germany, Denmark and Belgium had earlier indicated willingness to go up to 5,000 mua).
2. Useful progress was made at the Brussels Conference in most other areas of the negotiations, and with the exception of the size of the new European Development Fund final agreement seems within sight.
3. Khartoum, regarded by most ACP States as not genuinely 'African', cannot command a majority as the venue for signature of the new Convention. The only possible anglophone rival to Lomé seems to be Nairobi. Signature in an anglophone capital is desirable in order to mark the shift in the EEC's development policy from the

/old

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old days of the French-dominated Yaoundé Convention to the wider ACP framework.

4. Kenya has been generally satisfied with the aid/trade benefits provided by the Lomé Convention. Her main interest lies in obtaining more of the same. She has criticised the operation of the STABEX (stabilisation of export earnings) scheme which covers her two main exports, tea and coffee, but which has so far not brought her any benefit. A late claim for raw sisal exports in 1975 was examined by the Commission and found ineligible.

5. Under the fourth European Development Fund (1976-80) about £50 million was allocated to Kenya. Of this £46 million has now been committed to a variety of projects of which the most important are the Tana river dam and power station (35% funded by the EDF) and several programmes for rural development. So far only about £15 million has been spent but the rate of spending is accelerating.

6. Kenya trades enthusiastically with the Community and Britain is her main trading partner. Kenyan exports to the Community in 1977 represented 1.2% of all ACP exports to the Community. In return Kenya took 3.6% of Community exports to ACP countries in 1977.

European Integration Department

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1 June 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 9: THE BRITISH AID PROGRAMME IN KENYA

Points to Make

1. Attach importance to aid programme in Kenya to assist in development plans. Glad UK was able to waive repayments on previous loans (£68 million).
2. Sympathise with Kenya's current economic difficulties - balance of payments and budgetary problems. Will try to help but we too have our economic problems.
3. ~~[Subject to Ministers' approval, not yet given]~~ We can offer £15m in programme aid by switching funds from project aid. This will accelerate expenditure. Consequential adjustment of aid agreement, following October 1978 aid talks, needed to provide £65 million project aid and £15 million programme aid.

Eastern and General Africa Department

ODA

5 June 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no.9: THE BRITISH AID PROGRAMME IN KENYA

Essential Facts

1. Since independence in 1963, Britain has provided some £200 million bilateral capital aid and technical cooperation to Kenya. Britain is Kenya's largest bilateral aid donor.
2. The Commonwealth Development Corporation currently has some £50 million committed to projects in Kenya, principally in public utilities, agriculture and housing. There are also some 80 people serving with Voluntary Service Overseas.
3. ODM's capital aid is committed to Kenya on a 3-yearly basis; it is on grant terms, and is mainly devoted to the financing of specific projects. Capital aid expenditure totals around £10m per annum, although this is expected to rise as a result of the recent commitment of £80m for the triennium 1979/82 which was agreed in Nairobi in October 1978. In addition an agreement was signed last year which waived future repayments due on all previous loans (the total thus waived was £68m).
4. On the technical cooperation side, some £8 million per annum is spent in Kenya. £6m of this is for supplementing the salaries of about 770 UK citizens employed by the Kenya Government directly; a further £1 million is spent on fully-funded UK experts and consultancies and £1 million on training Kenyans in the UK. The annual level is rising to £9 million.

/5.

5. Because of the emphasis in the recently-published Kenyan Development Plan on the bringing of marginal agricultural lands into more intensive production, and in response to Kenyan requests, it is intended that special emphasis be given in the allocation of the new £80 million pledge to projects in the districts of Embu, Meru and Isiolo, to the east of Mount Kenya.

6. Support for projects in other areas will however continue, as will UK cooperation with other donors in the financing of larger ventures such as the construction of the Masinga dam to the North East of Nairobi which we are co-financing with the EEC and the Germans. Other major projects already under way include the continuing development of the Mumias sugar project in Western Province, the Bura irrigation settlement scheme in Eastern Province, and the expansion of the Kenya Polytechnic in Nairobi.

7. We have recently been faced with a request for £30m programme aid (ie aid to finance a programme of essential imports, rather than individual projects) because Kenya's economic situation, and in particular the balance of payments and budgetary position, has markedly deteriorated. Principal reasons are the fall in coffee and tea prices, increased oil prices, increased expenditure on defence, heavy recent expenditure on development projects and public utilities, and poor crops due to heavy rains. The World Bank forecast a cumulative balance of payments deficit of over £1,000 million over the period 1979/83 and a budgetary deficit of about £240 million next year. In addition to IMF support and a programme loan from the World Bank, the Kenyans are asking bilateral donors to provide programme aid, if necessary switching from project aid.

/8.

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8. The Kenyans are expecting a response to this request during President Moi's visit. Ministerial approval <sup>has been given</sup> ~~is being sought~~ to enable us to provide £15m of programme aid, by switching this sum from the previously pledged £80m for projects. The Kenyans would undoubtedly like us to provide new money, but the current reductions in public expenditure including the aid programme rule this out. If this package is approved by Ministers, it may be possible to sign the new £80 million capital aid agreement (£65m project and £15m programme) during President Moi's visit.

9. A meeting of the World Bank Consultative Group on Kenya was held in Paris on 14-16 May. At this meeting, the Vice President, Mr Kibaki, appealed to aid donors to help Kenya overcome their current balance of payments and budgetary problems. In particular he asked that:

- a. Aid programmes should be based on the total project costs, including a contribution to recurrent costs.
- b. Funds should be paid in advance of project implementation to speed up disbursements.
- c. There should be a coordinated effort to provide more programme and commodity aid to Kenya, if necessary by diverting existing aid from projects to faster disbursing forms of aid.

10. On the first of these requests, the United Kingdom was able to respond positively, as there is already provision for meeting certain recurrent costs within aid procedures. The request for advance

/payments

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payments would cause us difficulty because we require proof of need before disbursing public funds: we therefore told the Kenyans that we could not accede to this. Our response to (c) is covered by paragraphs 7 and 8 above.

Eastern and General Africa Department

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5 June 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 10: ANGLO-KENYAN TRADE

Points to Make

1. Importance of commercial ties with Kenya. Look forward to continued increase. Medium term foreign exchange shortage may slow down progress.
2. Accept need for December's temporary import controls and other measures. Is it not time to review, and remove features which reduce foreign investors' confidence?
3. Will Kenyan Government consider Investment Protection and Promotion Agreement with UK?
4. Defensive (if "softer" credit raised) Further softening of existing ECGD credit arrangements would breach international credit agreements. New credits still available for contracts up to £10 million.
5. (If debt rescheduling raised)  
Could consider only as part of an international operation. General rescheduling not in Kenya's interest. Would lead to withdrawal of further credit. Rescheduling individual contracts a matter for firms.

East African Department

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4 June 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 10: ANGLO-KENYAN TRADE

Essential Facts

1. Kenya is the second largest market for UK goods in Black Africa, but a long way behind Nigeria. The trade balance swung markedly in our favour last year; reflecting in large part a general reversal in Kenyan fortunes with the collapse of coffee and tea prices. UK exports increased by 65% over 1977 and now represent 0.5% of total UK exports. The UK share of the Kenyan market for the first seven months of 1978 (latest date for which statistics are available) was 22% (up from 18% in 1977). Other leading exporters to Kenya were the FRG (14%), Japan (11%), Iran (6%), France (5.3%) and USA (5.2%). The UK (16%) is Kenya's second largest market after the FRG (24%).

	(£ million)		
UK TRADE WITH KENYA	1976	1977	1978*
UK Exports to Kenya	97.7	118.6	195.7
UK Imports from Kenya	61.3	155.2	114.6

\* Provisional

2. Major UK exports in 1978 were machinery and transport equipment (£117.5m) manufactured goods (£30.1 million) and chemicals (£16.7 million). Major UK imports from Kenya in 1978 were tea (£52.4m), coffee (£34.7m) and crude materials (£4.5m).

/3.

3. Investment Protection Agreement (IPPA). The UK is the largest single investor in Kenya. The book value of direct investment was £88 million in 1978; but the total actual value of British investment by firms and individuals is estimated at over £700 million. Large investors include British Leyland and Brook Bond Liebig.

4. The Kenyans have signed IPPAs with the FRG and the Netherlands. The British High Commission in Nairobi first approached the Kenyans at the end of 1976 to ask whether they were prepared to negotiate an IPPA with the UK. There has been no response.

5. Credit Cover. In view of their balance of payments problems the Kenyans may well ask for additional credit, or more probably, an easing of existing credit terms. Commitments on Kenya under Section II (ie. contracts over £10 million and military sales) already exceed the authorised limit of £200 million. Short and medium term credit is available on all civil sales up to £10 million. Terms approved by ECGD on existing contracts are already the most favourable they can offer.

6. Kenyan import restrictions. At the end of 1978 the Kenyans introduced a package of measures designed to reduce imports and save foreign exchange. These included an import deposit scheme with deposits of up to 100% in some cases and a requirement that importers should negotiate at least 90 and preferably 180 days credit. These measures, we believe, have already restricted the level of UK exports. Demand for goods produced or assembled in Kenya by British companies has also been reduced as a result and this may be a disincentive for investment.

/Dividend

Dividend remittance restrictions

7. As part of the same package the Kenyans introduced a "temporary" restriction on the percentage of dividends declared which may be remitted overseas. This is contrary to the Kenyan Foreign Investment Protection Act. This action may have damaged the confidence of investors who are anxious that the restriction be removed as soon as possible.

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1 JUNE 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 11: KENYAN PENSION PAYMENT TO UK NATIONALS AND EXCHANGE  
CONTROL PROBLEMS

Points to Make

1. Glad Kenyan Treasury has confirmed General Retirement Scheme pensions may be paid through Crown Agents. Certain military and disability pensions remain. Could sympathetic consideration be given to them, in spite of Constitution, in view of hardship?
2. Appreciate reasons behind exchange control regulations on salary remittances in general. But could Central Bank be more flexible over compassionate cases? Again subject is of interest to MPs.

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INTERNATIONALS  
CONTROL PROBLEMS.

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 11: KENYAN PENSION PAYMENT TO UK NATIONALS AND EXCHANGE  
CONTROL PROBLEMS

Essential Facts

Pensions

1. Following the transfer of responsibility for the majority of Kenya public service pensions to the British Government by agreement on 1 November 1977, the Kenya Government withdrew the facility for external payment through the Crown Agents of those pensions for which they retained responsibility. Instead, payments from 1 November 1977 would be made only to a bank or address in Kenya, with remittability only after withholding six months pensions payments as an indemnity against a possibility of inadvertent overpayment after death. These instructions meant that UK recipients of Kenya government pension many elderly and disabled were deprived of payment for 6 months and in addition had to go through complex procedures to open foreign bank accounts in Kenya. After representations by the High Commission in Nairobi, and a long delay, the Kenyan Treasury have stated that pensioners who retired under the General Retirement Scheme (the majority) now have the choice of payment through the Crown Agents or through local banks. Pensions to others would however have to be paid in Kenya in accordance with the Kenyan Constitution.
2. Payment via Crown Agents to the majority of pensioners is welcome. There remain a number of cases on which we have received representations by Members of Parliament, individuals and associations, viz (a) military pensioners; (b) military disability /pensioners;

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pensioners; and (c) expatriate pensioners who worked in Kenya on local terms. Although Kenyan law makes no provision for external payment, it was allowed for many years and withdrawal of the concession has caused anxiety and hardship for elderly and disabled people. A brief word with President Moi urging sympathetic consideration of these cases could be helpful. It would be preferable to avoid dwelling on military pensions to President Moi (who will not be familiar with the question) since some Commonwealth countries have repudiated responsibility for them.

Exchange Controls Issues

3. In May 1978, Kenyan exchange control regulations were amended to impose a ten year limit on remittances abroad from salaries earned in Kenya. Persons who had been resident in Kenya for more than ten years were prohibited from sending further remittances from 1 December 1978. In response to representations by the High Commission, the appropriate Kenyan authorities agreed to consider sympathetically applications from persons in the latter category to remit funds abroad in respect of commitments already entered into eg mortgages, education, fees, etc. Problems nonetheless remain, and we are often asked to take up compassionate cases with the Kenyan authorities, often in response to representations to ministers by MPs. These cases usually concern elderly people who left Kenya some years ago and because of exchange control restrictions were forced to leave behind their capital in frozen bank accounts or investment in government stock. The Central Bank tends to be unresponsive to cases argued on compassionate grounds and a request that they show greater flexibility could usefully be made to President Moi.

East African Department  
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5 June 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief No 12: ANGLO-KENYAN DEFENCE RELATIONS

Points to Make

1. Importance attached to close military relations.
2. Will continue to help Kenya with supplies and training for her self-defence. We know of no problems over the supply of equipment ordered in Britain.
3. Presumably Kenyans will wish for next few years to concentrate on absorbing equipment already ordered. The UK will do what it can to help. We have almost doubled funds for training Kenyan personnel in UK.
4. British army highly values training facilities in Kenya.
5. Defensive (if alteration of terms of supply of defence equipment is raised).

This is a matter for Kenya and the British commercial suppliers. Contracts may contain penalty clauses. British government backed credit arrangements already most generous possible in view of obligations under international credit agreements.  
(See also brief No 9 on British aid to Kenya).

EAST AFRICAN DEPARTMENT  
Foreign and Commonwealth Office  
29 May 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 12: ANGLO-KENYAN DEFENCE RELATIONS

Essential Facts

1. In 1974, at Kenyan request, we examined their defence needs and recommended a strengthening of Kenyan armed forces with new, more advanced weapons, including Kenya's first tanks, to be purchased under commercial credits as a co-ordinated package mainly from British suppliers known to the Kenyans as the "Maendeleo" package. However, the unsettled political climate in East Africa in 1977/78, and in particular the striking initial success of the Somali invasion of Ethiopia convinced the Kenyans that a further rapid expansion of their armed forces was required. They placed orders in Britain for a squadron of Hawk aircraft (additional to an existing order for American F5E Supersonic Fighters) and doubled the number of main battle tanks on order from Vickers, bringing the total cost of orders placed in Britain under post-1974 packages to £116 m Sterling, backed by ECGD credit on the most favourable terms possible for arms business (varying from 15% to 25% down-payment, for a 7 year credit period at 7½%). The Kenyan Government also approached the United States, France and Israel for further military supplies including helicopter gun ships from the US and helicopters and armoured cars and anti-tank weapons from France. Information has been obtained in confidence from World Bank sources that the Kenyans estimate that payments outstanding on 1 January 1979 totalled £425 million for military equipment purchases on credit arrangements repayable over the next 7-10 years. It is estimated that the portion of the Kenyan

/budget



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budget allocated to defence expenditure will rise from an average of 5% prior to 1977 to 30% or more by 1980/81.

2. Although the Kenyan Government was resigned to a large transfer of resources from economic development to arms they almost certainly failed to appreciate the real budgetary costs of their military expansion programme, and the demand on foreign exchange reserves created by the repayment requirements for supplies purchased abroad. This was an important factor behind the introduction of import restrictions in December 1978. The re-equipment programme has also created severe logistic problems for the Kenyan forces and they failed to make adequate preparations for the arrival of the new equipment. The UK has helped with this problem, and following a request from the Kenyans, a team of British army logistic and construction experts visited Kenya in March/April 1978. A British army team helped the Kenyans construct facilities for the Vickers tanks earlier this year. Provisional arrangements are in hand for REME artificers to be made available for a training attachment to the Kenyan army to provide further help.

3. Although the Kenyan Government are now beginning to realise the serious financial and logistic problems created by their 1978 re-equipment decisions it is unlikely that they will seek to cancel any orders already signed. They may, however, consider trying to alter terms of some of these contracts possibly seeking more favourable financial terms and postponing the arrival of some equipment.

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4. The Kenyans have not yet approached any British suppliers but if they do so they could be up against serious difficulties since contracts are likely to contain penalty clauses.

5. The Kenyan market is unlikely to be profitable for arms sales in the next few years (we understand that the Kenyan Government have already agreed a moratorium on further arms purchases) and it is in Kenya's wider interest to view the next 5 years or so as a period of consolidation in the military field when purchasing new equipment should be avoided.

Training Assistance

6. Kenya is the second largest recipient (after Sudan) of our military training aid. The financial allocation for 1979/80 has been almost doubled in real terms to £400,000. Some 300 Kenyan forces personnel will attend training courses in the UK this year.

British Army Training in Kenya

7. Under a UK/Kenyan Memorandum of Understanding of 1964 we enjoy certain residual facilities in Kenya including army training. The provision is highly valued by the MOD. A small team of engineers will visit Kenya in September, and an infantry exercise at battalion strength will as usual take place from October to December.

EAST AFRICAN DEPARTMENT

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29 May 1979

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no. 13: COMMONWEALTH HEADS OF GOVERNMENT MEETING (CHGM) LUSAKA  
1-8 AUGUST 1979

Points to Make

1. Looking forward to meeting President and other Commonwealth colleagues at Lusaka.
2. Doubtless Southern Africa and North/South relations major items for discussion. But Commonwealth leaders from outside Africa will want to discuss other world issues.
3. Preservation of informality important. Hope prepared statements can be avoided, interventions kept short, restricted sessions increased and communique drafted to reflect actual discussion.
4. Her Majesty The Queen will be present but depart 4 August. Heads of Government will be received in audience.

Commonwealth Coordination Department

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29 May 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no. 13: COMMONWEALTH HEADS OF GOVERNMENT MEETING (CHGM) LUSAKA  
1-8 AUGUST 1979

Essential Facts

1. The security situation is being kept under constant review. It is possible that the venue might have to be switched in which case Nairobi would seem the best African alternative. We know in confidence that the Kenyans would be prepared to take it on at short notice if asked. However in view of the sensitivity of the subject, which is strictly a matter for President Kaunda, Mr Ramphal and Commonwealth Governments as a whole, we would not wish to raise this possibility with President Moi. Australia have offered Melbourne for 1981.
2. Lusaka also presents considerable administrative problems eg accommodation. The Zambians are keen to make the meeting a success and present indications are that they will be able to cope.
3. President Moi represented Kenya at the last four CHGM's.
4. Mr Ramphal has written to Heads of Government about the agenda and seems to intend the usual broad headings for discussion of world economic and political trends. We favour wide ranging discussion which might prevent acrimonious debate on specific issues. There will no doubt be a review of Commonwealth functional activities and discussion of cooperative action eg in industrial cooperation and assistance for smaller members.
5. The Queen and the Duke of Edinburgh have accepted invitations to visit Tanzania, Malawi, Botswana and Zambia before the CHGM.

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Kenya is not on the schedule in view of President Moi's visit to  
Britain.

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29 May 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 14: THE BAMBURI UNDERSTANDING

Points to Make (Defensive)

1. Kenya has our friendship/support. Kenya's policy to stand on her own feet militarily is right in the circumstances of today. We will continue to help Kenya absorb new equipment.
2. In the event of Somali aggression Kenya presumably would approach OAU/UN among other steps. UK would give all help it could. Its nature would depend on circumstances. But much has changed since 1967 (UK defence posture, and conditions in Africa) and so it is unlikely our response could include commitment of combat troops. Nor indeed do we suppose that Kenya would wish for this.

East African Department

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8 June 1979

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 14: THE BAMBURI UNDERSTANDING

Essential Facts

1. The Bamburi Understanding is incorporated in a written message from the then Prime Minister, Mr Wilson, delivered to President Kenyatta at Bamburi in January 1967. The key passage states:

"The Kenyan Government may be sure that if Kenya were the victim of outright aggression by Somalia, the British Government would give the situation the most urgent consideration. While, therefore, the British Government cannot in advance give the Kenyan Government any assurances of automatic assistance the possibility of Britain going to Kenya's assistance, in the event of an organised and unprovoked attack by Somalia is not precluded."

2. The Understanding was endorsed by Mr Heath in 1970 and Mr Wilson in 1974, and most recently confirmed by Mr Callaghan orally to the Kenyan Attorney-General (who will be accompanying President Moi to London) in May 1976. Only a small circle of top Kenyans are aware of it.

3. The assurance was originally given partly to dissuade Kenya from embarking on substantial military purchases. More recently, we have avoided giving the Kenyans any encouragement to see it as a commitment to provide combat forces. We have not, however, wanted to abrogate the Understanding to avoid damage to Anglo-Kenyan relations.

4. The Kenyans believe there is a continuing threat to their north-east province, largely inhabited by ethnic Somalis, stemming from the Somali claim to self-determination for Somalis beyond their borders. We do not, however, think that a Somali incursion is likely within a foreseeable time scale. Although the Kenyans probably interpret the Understanding more widely than we, it is not clear that they would necessarily expect a commitment of British troops, and they are aware of the changed military and political circumstances. They remember, for example, that we were unable to secure overflight clearances for supply by air of urgently needed ammunition in 1976 (in the aftermath of the Entebbe raid).

5. Although President Moi attaches at least as much importance to the close relationship with the UK as did Kenyatta, and may feel that he should secure the same reassurances for Kenya, he is realistic about the external help Kenya can expect and on balance, it is unlikely he will seek a renewal of the Understanding. If he does, we should reassure him of our support, but warn that any commitment of British troops is unlikely. There is little benefit in our raising the issue. We would be doing so only to downgrade the Understanding. President Moi could take this as a reflection of his personal standing with us.

East African Department

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8 June 1979



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Prime Minister

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KENYAN BUDGET.

1. MR KIBAKI PRESENTED THE 1979/80 BUDGET ON 7 JUNE. THE KENYAN ECONOMY HAD NOT PERFORMED AS WELL AS HAD BEEN EXPECTED IN 1978 WITH EXPORT EARNINGS DOWN 29% AND IMPORTS UP BY 24%. THE BALANCE OF PAYMENTS DEFICIT FOR THE YEAR WAS ESTIMATED AT KE77.5 MILLION. THE FALL-OFF IN ECONOMIC ACTIVITY MEANT THAT REVENUE FOR 1978/79 WOULD BE WELL BELOW EXPECTATIONS, ALTHOUGH GOVERNMENT EXPENDITURE HAD RISEN.

2. THE SITUATION WAS NOT LIKELY TO IMPROVE OVER THE NEXT YEAR OR SO. THE NATION WOULD HAVE TO OBSERVE STRICT ECONOMY. IMPORT CONTROLS WOULD THEREFORE CONTINUE BUT WOULD BE ADJUSTED WHERE NECESSARY TO BRING IN GOODS REQUIRED TO MAINTAIN KENYAS INDUSTRIES AND ECONOMIC GROWTH. EVEN SO GDP WAS EXPECTED TO RISE IN 1978/79 BY ONLY 4% AT CONSTANT PRICES WHICH WITH POPULATION INCREASE (3.9%) MEANT NIL GROWTH. THE BANK LIQUIDITY RATIO WOULD BE LOWERED TO 16%. THE EXTRA FINANCE WOULD HAVE TO BE USED ON THE HOME MARKET AND NOT TO FINANCE IMPORTS DEPOSITS. TO HELP BRIDGE THE BALANCE OF PAYMENTS DEFICIT, THE GOVERNMENT HAD NEGOTIATED A LOAN WITH COMMERCIAL BANKS OF DOLLARS200 MILLION FOR SIX YEARS WITH AN 18 MONTH GRACE PERIOD, BUT MR KIBAKI SAID THAT HE ANTICIPATED DRAWING ONLY ABOUT KE25 MILLION IN 1979/80 IN VIEW OF THE ENCOURAGING RESPONSE BY THE IMF AND THE WILLINGNESS OF DONORS TO CONVEY CAPITAL AID TO BUDGETARY SUPPORT.

3. GOVERNMENT BUDGETED EXPENDITURE FOR 1979/80 WOULD BE INCREASED BY 6% TO PROVIDE FOR ADDITIONAL AND NECESSARY EXPENSES, EG SCHOOL MILK, CENSUS AND ELECTIONS. OTHERWISE MINISTRIES WOULD HAVE TO MAINTAIN EXPENDITURE AND SERVICES AT EXISTING LEVELS. REVENUE AT EXISTING RATES WAS EXPECTED TO INCREASE BY 5% WHICH WOULD LEAVE ONLY KE18 MILLION SURPLUS FROM THE ORDINARY BUDGET FOR TRANSFER TO THE DEVELOPMENT BUDGET WHICH WOULD HAVE TO BE CUT BACK FOR 1978/79 BELOW

THE LEVEL FORECAST IN THE FIVE YEAR DEVELOPMENT PLAN. PRIORITY WOULD BE GIVEN TO RURAL DEVELOPMENT. HE HOPED TO GET KSh1200 MILLION AID INFLOW (KSh22 MILLION GRANT; KSh67 MILLION SOFT LOANS; AND THE BALANCE IMF AND COMMERCIAL BORROWINGS). BUT OVERALL THIS STILL LEFT A GAP OF KSh66 MILLION.

4. MR KIBAKI THEN ANNOUNCED AN INCREASE IN THE RANGE OF TAXES, THE MAIN ONE BEING SALES TAX, THE GENERAL RATE OF WHICH GOES UP FROM 10% TO 15% WITH SIMILAR INCREASES AT HIGHER LEVELS. TAXES ON TOBACCO, BEER, WINES AND SPIRITS ARE INCREASED. SO ARE DUTIES ON IMPORTED FOODSTUFFS (UP FROM 3% TO 5%) AND TEXTILES OF WHICH MR KIBAKI SAID KENYA PRODUCED. ALL THAT WAS NECESSARY. THE AIRPORT TAX IS DOUBLED TO 8/- AND HOTEL TAX AND VEHICLE LICENCES INCREASED. THE TAX ON PREMIUM PETROL GOES UP BY 30 SENTS PER LITRE AND ON REGULAR PETROL BY 20 CENTS PER LITRE, PARTLY TO RAISE REVENUE AND PARTLY TO ENCOURAGE ECONOMIES IN CONSUMPTION. THE INCREASED TAXES WILL RAISE AROUND KSh36 MILLION, LEAVING KSh30 MILLION TO BE FINANCED BY TREASURY BILLS AND BORROWINGS.

5. MR KIBAKI EMPHASISED THAT IT WAS NOT THE GOVERNMENT'S POLICY TO TAX LOCALLY PRODUCED FOODSTUFFS AND THERE WOULD BE NO CHANGE IN INCOME TAX. HE CLAIMED THAT THE 5% INCREASE IN SALES TAX SHOULD ADD ONLY 3% TO RETAIL PRICES. HE SAID FRANKLY THAT MANY PEOPLE WHO SHOULD PAY INCOME TAX DID NOT DO SO: MEASURES TO IMPROVE COLLECTION WERE BEING TAKEN.

6. COMMENT:

THE BUDGET HAS BEEN RECEIVED CALMLY. INCREASES IN TAXATION WERE EXPECTED AND THERE IS RELIEF THAT THEY WERE NOT GREATER. SOME DOUBTS HAVE BEEN EXPRESSED THAT THE BUDGET WAS NOT IN FACT TOUGH ENOUGH, AND ITS SUCCESS WILL DEPEND ON THE TREASURY'S ABILITY TO KEEP GOVERNMENT EXPENDITURE TO THE AMOUNT PROVIDED IN THE ESTIMATES. POLITICALLY THIS MAY BE DIFFICULT. THE INCREASED TAXES ARE ON SPENDING RATHER THAN INCOME, BUT EVERYONE EXPECTS THE INCREASES TO BE PASSED ON TO THE CONSUMER AND THRIFT IS NOT AN AFRICAN CHARACTERISTIC. THERE IS CONCERN AT THE PROBABLE INFLATIONARY EFFECTS. CERTAINLY THE COST OF WESTERN STYLE LIVING WILL INCREASE CONSIDERABLY.

7. NOTHING IN THE BUDGET IS LIKELY SERIOUSLY TO AFFECT BRITISH EXPORTS OR OTHER COMMERCIAL INTERESTS. THE MARKET FOR CLOTHING AND FOODSTUFFS MAY SHRINK SLIGHTLY, BUT THESE ITEMS REPRESENT ONLY A FRACTION OF BRITISH EXPORTS TO KENYA.

8. PLEASE SHOW TO SIR STANLEY FINGLAND. FURTHER COMMENT AND COMPLETE LIST OF TARIFF CHARGES WILL BE SENT BY BAG.

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE PRIME  
MINISTER, 13 JUNE 1979

KENYA: VITAL STATISTICS

1. Population and Land Area

(a) Land Area	583,000	km <sup>2</sup>
(b) Population	(1977) <u>14.4</u>	million
(c) Population growth rate	(1970-1976) <u>3.5</u>	% per annum

2. Economic

(i) <u>Gross National Product</u>			1977	
(a) Total			3,910	US\$m
(b) Growth Rate			<u>4.4</u>	% pa
(c) Position in Total GNP League Table			76	(of 146)
(d) Per Capita			270	US\$
(e) Position in Per Capita League Table			112	(of 146)
(ii) <u>Balance of Payments</u>	1975	1976	1977	US\$m
Exports	633.1	743.5	1138.0	
Imports	-856.7	-847.8	-1125.0	
Invisibles and Transfers (net)	- 5.5	20.7	45.1	
Current Account	-229.1	-83.5	58.1	
Capital Account	197.4	173.2	223.0	
Balancing Item	- 16.4	- 4.3	- 1.9	
Overall Balance	- 48.1	85.4	279.3	
(iii) <u>International Reserves</u>	1975	1976	1977	1978
Total	173.4	275.5	523.3	355.7
Months of Imports covered	1.6	2.6	3.9	



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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 15: BACKGROUND: INTERNAL AND EXTERNAL POLICIES

Essential Facts

A) Internal Political Background

1. Kenya, which became independent in 1963 and a Republic within the Commonwealth in 1964, is a de facto, one party State. But the loosely organised ruling KENYA AFRICAN NATIONAL UNION (KANU) does not impose a rigid policy line and there is plenty of scope for political debate. Constituency elections are keenly fought; at the last general election in October 1976 nearly half the sitting Members of Parliament were defeated, including members of the Government. Parliamentary elections are due this year.
2. In accordance with the terms of the Kenya Constitution, Mr Daniel arap Moi, as Vice President, acted as President during the interim period following the death of the late President Kenyatta on 22 August 1978. Mr Moi was subsequently elected, unopposed, as President of KANU and likewise, on 6 October 1978 as President of the Republic. His accession to the office was thus accomplished peacefully and in accordance with the Constitution.
3. By general agreement, President Moi's performance since taking office has been politically impressive; the Presidency in turn has greatly enhanced his stature as a politician. For over a decade he had served as Kenyatta's respectable but colourless understudy. Many Kenyans at first thought of him as little more than a compromise President. But in the 9 months since Kenyatta's death, he has travelled extensively throughout Kenya and there is no doubt of the solid

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grass roots support which he now enjoys among Kenya's various tribal groupings including the important Kikuyu tribe. The only opposition to his leadership, and this has been muted, has come from those of Kenyatta's family and other close associates who had been accustomed to enjoy privileged positions and the opportunity to further their political and commercial interests. President Moi has avoided the danger of consolidating a potential opposition by proceeding against the favourites of the former President and has chosen instead to allow their loss of direct access to the centre of power to erode their political and commercial position.

4. One of Mr Moi's greatest assets is the reputation he has built for himself as a leader determined to clamp down on the corruption and other abuses of power which sprang up during Kenyatta's last years. Many of those most closely associated with such malpractices are also his political rivals mentioned above, and his anti-corruption campaign has therefore been useful as a political weapon as well as a way of catching the mood of many ordinary Kenyans. The President has also made a start on regulating land allocation, - a highly emotive issue in Kenya politics and one on which Moi's longer term popularity may depend.

5. The political climate under President Moi's leadership is more liberal than it had become in Kenyatta's later years. All political detainees have been released, (there were about 20) and there is much more public discussion of political affairs. The President has astutely exploited his popularity by encouraging such free debate, which is for the time being favourable towards him.

6. The President faces re-election later this year at the same time as the General Election. The tricky economic situation (see Para 8)

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may require some unpopular decisions soon, but his popularity and control of the KANU Party machinery should ensure his unopposed re-election. The General Election itself may also reduce the number of 'Old Guard' politicians in Parliament and will give him a free hand in reconstituting his Cabinet, which remains, with minimal changes, as it was under Kenyatta.

7. The President has strategically placed loyal supporters in the various organs of the Kenyan Government including the armed forces and the possibilities of an unconstitutional move against him are slight. His hold on the Presidency therefore seems secure for the foreseeable future.

B) Internal Economic Background

8. The economy is dominated by agriculture which employs over 80% of the active population and contributes over 30% of GNP. About half of those working in agriculture are at subsistence level; urban incomes are considerably higher. Per capita, GNP in 1977 was just below \$US 270 a year - about mid-way up the African league table. Population is about 15,000,000 and is increasing rapidly by 3.5% per year; half the population are now aged under 15 years with predictable consequences for social and educational policies. Unemployment and under employment problems, are a serious problem for the future.

9. However, the Kenyan economy has made steady process since independence with growth rates averaging approximately 6% per annum. Political stability, prudent economic management, good relations with the Asian and European communities and, until recently, frugal defence expenditure have all contributed. Kenya was hard hit by the 1973/74 increases in crude oil prices and although she is exploiting her

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hydro electric and geothermal resources, the recent sharp increase in oil prices has imposed an additional strain on the economy. With the 1976/7 boom in world coffee and tea prices, the country moved rapidly out of recession and growth rates soared from less than 1% in 1975 to 7.3% in 1977. The boom encouraged substantial increases in public expenditure and imports; a major feature was a massive military re-equipment programme (see Brief No 12). The collapse of world coffee prices in 1978 therefore rapidly led to another foreign exchange crisis and at the end of the year Kenyan authorities introduced an emergency package to conserve their reserves including import deposits ranging from 25% - 100%, surcharges on air travel and restrictions on remittances of dividends to foreign shareholders.

Economic Prospects

10. In March this year the Government launched a new Five-Year Development Plan for 1979-83. This calls for a resumption of economic growth at rates comparable to those achieved before 1972, ie more than 6% per annum; in view of the unfavourable international terms of trade a growth rate of 4.5% is set for 1979. No fundamental change is proposed in Kenya's traditionally liberal policy of foreign investment. The major thrust of industrial policy will be to effect the transition from import substitution to a strategy emphasising industrial efficiency and export diversification. Emphasis is also placed on alleviating poverty and promoting family planning.

11. Despite the basic soundness of the Kenyan economy, and some immediate improvement in response to the import controls imposed in December 1978, Kenya is likely to experience serious balance of payments problems over the next 2 years at least. Rises in the price of oil coupled with the prospects of further declines in the price of coffee

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will adversely affect her terms of trade, and this burden will be added to by the imports of military equipment to which she is already committed. Although her credit-worthiness would at present allow her to raise fairly substantial loans on the international markets, there is a danger that such hard loans would lead to a debt problem later in the 1980's. Unless aid flows are sharply increased therefore, the prospects are that the balance of payments deficit will be a severe constraint on Kenya's economic growth. It is unlikely that this year's growth rate will reach even the comparatively modest target set for 1979 in the Development Plan and it is hard to see how the overall growth rate up to 1983 contained in that Plan can be realised without substantially increased foreign assistance. In addition, the budgetary burden of the military re-equipment programme will continue to increase and defence may account for upwards of 30% of budgetary expenditure by 1980, compared with less than 5% before 1977.

C) External Affairs

12. Kenya's warm relations with Britain reflects its good relations with the West generally and its Western political and economic systems. In the past Kenya has kept a fairly low profile in African and UN affairs, principally because the infirmity of the late President Kenyatta prevented his taking the active part his great prestige in Africa might otherwise have allowed him.

13. President Moi seems to want a much more active international role than his predecessor. He has already paid official visits to Ethiopia, Paris and Brussels and will be going on from the UK to the Netherlands. He has also accepted an invitation to visit China.

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14. Kenya's main concerns however remain her neighbours. Somalia is deeply mistrusted because of territorial claims on large parts of North East Kenya; in response Kenya has formed a relationship of convenience with Ethiopia. Relations with Sudan, and more recently, Uganda are good; but there is resentment and suspicion of Tanzania particularly since the break-up of the East African Community in 1977 when Tanzania closed their joint border. It is encouraging that Presidents Moi and Nyerere have met at Arusha, Tanzania, on 30 May.

15. Kenya attaches importance to the OAU and particularly (in view of Somali claims) to its defence of the principle of territorial integrity. They also value their Commonwealth links. But they have not sought a major pan African role. Opinions on Rhodesia and Southern African questions are moderate in comparison with some, but are for example hostile to the internal settlement. Kenya has a healthy mistrust of the Soviet Bloc and their intentions in Africa. Relations with the Arab world are not particularly close although they are aware of the importance of developing good contacts both for commercial reasons and to neutralize Arab support for Somalia.

East African Department

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1 June 1979

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STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE  
PRIME MINISTER, 13 JUNE 1979

Brief no 16: PERSONALITY NOTES

1. Notes are attached on President Moi and members of the  
official Kenyan Suite likely to take part in talks. They are:-

Attorney-General Mr Charles Njonjo

Minister for Foreign Affairs Doctor Waiyaki

Minister for Home Affairs Mr Stanley Oloitipitip

Minister for Health Mr James Osogo

Assistant Minister for Foreign Affairs Mr Peter Kenyatta

Assistant Minister for Lands and Settlement Mr Godfrey Kariuki

High Commissioner for Kenya Mr Shadrack Kimalel

Chief Economic Adviser to the President Mr Philip Ndegwa

2. It is likely that some of the 14 Kenyan Ministers and  
Members of Parliament accompanying President Moi, but who  
are not members of the official Suite, will also take part  
in talks. We have been unable to discover in the time

available who will be the participants. Personality notes

... on the most senior are attached. They are:-

Minister for Economic Planning and Community Affairs Doctor  
Robert Ouko

Minister for Housing and Social Services Doctor Zachary Onyonka

Assistant Minister for Defence Mr James Njeru

Assistant Minister for Cooperative Development Mr Henry  
Cheboiwo

Mr Shariff Nassir MP

Mr Isaac Salat MP

East Africa Department  
Foreign and Commonwealth Office  
5 June 1979

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HIS EXCELLENCY THE HONOURABLE DANIEL ARAP MOI  
PRESIDENT OF THE REPUBLIC OF KENYA

Speaks fair English.

Born 1924.

Divorced 1976: two girls and five boys.

Born in the Baringo District: Tugen tribe (part of the Kalenjin-speaking group). Educated African Inland Mission School, Kapsabet. Qualified as teacher 1945. Headmaster, Government African School, Kabarnet, Baringo District 1948-9 and again from 1955 for some years. Assistant Principal, Tambach Teacher-Training School, Kabarnet 1949-54. In 1955 was among the first group of African Elected Members of the enlarged Legislative Council (Member for Rift Valley Province). Elected Chairman of Kenya African Democratic Union (KADU) 1961. Parliamentary Secretary, Ministry of Education in KADU Government 1961. Minister of Education 1962. Minister of Local Government in Coalition Government 1962. Elected unopposed MP for Baringo North 1963. President of Rift Valley Regional Assembly June 1963. Crossed the floor with the rest of KADU to join Kenya African National Union (KANU) (led by Mzee Jomo Kenyatta) after Independence 1964. Minister for Home Affairs 1964. Internal Security added to portfolio 1965. KANU Vice-President for Rift Valley 1966. Appointed Vice-President of Kenya in succession to Joseph Murumbi January 1967. Re-elected /unopposed

unopposed MP for Baringo Central in the 1969 General Election and re-appointed Vice-President and Minister for Home Affairs in the new Government. Re-elected unopposed MP for Baringo and re-appointed Vice-President and Minister for Home Affairs 1974. Represented Kenya at Commonwealth Conferences Kingston 1975 and London 1977. Interim President after the death of Kenyatta August 1978. Elected unopposed as President of KANU and President of the Republic of Kenya October 1978.

Since becoming President, Moi has shown himself to be a skilful and perceptive politician. Although his old impatience and impulsiveness occasionally show through, he has served his initial months in office with prudence and moderation, and works exceptionally hard. He has successfully portrayed himself as an uncorrupt and resolutely constitutional leader, whose policies are basically an extension of the best ones laid down by former President Kenyatta. He has also sought to widen Kenya's international horizons and to build himself up gradually as an international statesman without losing his close touch with internal affairs. The President is clearly popular among ordinary Kenyans and for the time being his leadership is unlikely seriously to be challenged. His supporters, including the important Vice-President Kibaki, are firmly installed in most key Government Ministries and in the KANU hierarchy. Moi's reputation has been greatly enhanced during his Presidency: although he still relies strongly on Kikuyu support, few now regard him

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simply as a figurehead.

Moi divorced his wife, Lena, in 1976. They had two girls and five boys. His affair with a Kikuyu girl which brought about the divorce is now ended, and as far as is known, no future wife is in sight. He is a staunch Christian. The President's English is adequate if occasionally confused. His regard for Kenya's links with Britain is high, and he continues to see us as Kenya's most valuable and important ally. He considers his State Visit to Britain as an important public demonstration of the continuing links between Kenya and Britain and of our support for his Presidency.

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THE HONOURABLE MR CHARLES NJONJO

THE ATTORNEY GENERAL

Speaks fluent English.

Born 1920.

Married to British wife: two daughters.

Born at Kiambu. Kikuyu tribe. Son of ex-Senior Chief Joosiah Njonjo. Educated at Alliance High School, King's College Budo, Uganda; Adams College and Fort Hare University, South Africa (BA 1946), Exeter University; London School of Economics (Diploma in Social Anthropology); called to the Bar by Gray's Inn 1954.

Assistant Registrar-General, Ministry of Legal Affairs 1955-60. Acting Senior Crown Counsel 1961, Deputy Public Prosecutor 1962 and Attorney-General since 1963.

Since 1963 he has been an ex officio and non-voting MP but despite having no political base he has exercised as great a political influence as any in Kenya. In 1968 he organised the group of Kikuyu, Kamba and Kalenjin politicians who chose Moi as their candidate to succeed President Kenyatta and he has since worked tirelessly in President Moi's cause. Since President Kenyatta's death he has attained increased influence and many see him as the power behind the throne. This has caused resentment among some of his fellow Kikuyu who regard him as having 'betrayed' his tribe's interests.

Europeans such as the late Bruce McKenzie have been his principal associates and his mode of dress and opinions have led him to be known

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as more English than the English. He is most active in charitable institutions such as St John's and Dr Barnado's and in professional associations. He is fanatical about professional standards and openly distrustful of African lawyers, pilots and other skilled people. He is a skilled and experienced politician. He can be personally charming with a dry wit. He is a frequent visitor to this country and has always been very close to our High Commission in Nairobi.

In 1972 he married Margaret Bryson a daughter of British former missionaries. He is a practising Anglican.

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THE HONOURABLE DOCTOR MUNYUA WAIYAKI

MINISTER FOR FOREIGN AFFAIRS

Speaks fluent English.

Born 1926.

Married.

Born at Kikuyu, Kiambu District. Son of a police inspector who was later a court clerk and grandson of a famous chief who was killed fighting the British. Educated Alliance High School 1942-5, Adams College, South Africa 1946-7, Fort Hare College, South Africa 1947-50 (BSc in Physics, Chemistry, Mathematics). St Andrew's University 1952-7 MB ChB.

House Officer at Strathcathro General and Montrose Mental Hospitals, Scotland 1957-8. Medical Officer Machakos in 1958. Private Practice 1959.

Branch Chairman Kenya Africa National Union (KANU) Nairobi 1960-8. Defeated by Tom Mboya in General Elections 1961. Visited USSR 1962. Elected an MP in 1963, and became parliamentary secretary Ministry of Health and Housing 1963. Transferred to Ministry of Internal Security and Defence June 1963. Assistant Minister, Vice President's Office 1964. Resigned in sympathy with Oginga Odinga 1966, but remained in KANU. Re-elected to Parliament in 1969 and elected Deputy Speaker 1970. Attended Non-aligned Nations Conference 1972. Narrowly retained his parliamentary seat in 1974 and was appointed Minister for Foreign Affairs.

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A member of a leading Kiambu Kikuyu family. He was a contemporary of his predecessor at the Foreign Ministry Njoroge Mungai at college in South Africa and like him is a medical doctor. But his outlook is more radical. His association with Odinga temporarily damaged his political career. He was a respected Deputy Speaker and seemed to be receiving official backing in the 1974 elections. Although he has sought to move Kenyan foreign policy towards more extreme positions, he has been a better Foreign Minister than his predecessor, industrious, outward-looking and determined to see Kenya play a more active part in African affairs. He is intelligent and open-minded, quite well-disposed towards Britain but ready to argue his case where his views differ from ours. His hostility toward South Africa and Israel has sometimes brought him into conflict with Kenya's more conservative leaders, including late President Kenyatta, Moi and Njonjo. His position has weakened since Moi became President and he could lose his Ministerial portfolio after the 1979 General Election. Indeed he may even lose his Parliamentary seat, since he faces a strong challenge from Nairobi's Mayor, Andrew Ngumba, who enjoys the tacit support of Moi's friends. His loyalty to Moi is questionable, and he has flirted more than once with the President's erstwhile rivals led by Njoroge Mungai.

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THE HONOURABLE MR STANLEY SHAPSHINA OLE OLOITIPITIP

MINISTER FOR HOME AFFAIRS

Speaks fair English.

Born 1925.

Married.

He is a member of the Masai tribe, from Loitokitok at the foot of Mount Kilimanjaro. Army service (Sergeant RAMC) 1943-6. He worked for the Tanganyika Medical Service 1948-50 and did auxiliary medical work at Kajiado from 1951-60. Elected MP for Kajiado 1963. He joined Kenya African National Union (KANU) in 1964. Assistant Minister for Commerce and Industry 1964. Assistant Minister for Health 1969, and Minister for Natural Resources 1974. He was appointed Minister for Home Affairs in October 1978 when Mr Moi ceased to hold that portfolio on becoming President of The Republic.

An immensely large, bull-necked man, he is a popular member of the National Assembly being something of a showman with a rather earthy sense of humour. The sole Masai in the Cabinet, he represents the more old-fashioned section of the tribe and is under challenge from its younger politicians. He is not an effective Minister, but showed loyalty to President Moi when his position was challenged in 1976, when Moi was Vice-President, and during his succession to the Presidency following the death of Kenyatta in 1978.

He is married with numerous children. He is a heavy drinker and unscrupulous in pursuing his private financial interests.

THE HONOURABLE MR JAMES CHARLES NAKHWANGA OSOGO

MINISTER FOR HEALTH

Speaks good English.

Born 1932.

Married.

Mr Osogo was educated at Makerere University 1950-53 (Diploma of Education) and Kagumo Teacher Training College 1953-54. Elected as Kenya African National Union (KANU) member for Ruwamba in 1963 elections and appointed Parliamentary Secretary to the Minister of Agriculture. Assistant Minister of Agriculture 1964, and Minister of Information 1966. He was appointed Minister for Commerce and Industry in 1969, Minister of Local Government in 1973 and Minister for Health 1974.

Although he gained a reputation for hard work as Assistant Minister of Agriculture, his subsequent ministerial appointments revealed a lack of administrative ability and he is still an ineffective Minister in his present post. Nevertheless he acts as Foreign Minister when Doctor Waiyaki is away.

He is a pleasant, courteous, softly-spoken man and as Minister of Information showed himself to be well disposed towards Britain.

THE HONOURABLE MR PETER MUIGAI KENYATTA

ASSISTANT MINISTER FOR FOREIGN AFFAIRS

Speaks good English.

Born 1920.

Married.

President Kenyatta's eldest son. He is the son of Grace Kenyatta, the President's first (African) wife and the brother of Margaret Kenyatta, former Mayoress of Nairobi. (He should not be confused with Peter Kenyatta, the former President's younger son by his English wife, now employed by the BBC in Britain.)

Elected to Parliament as MP for Juja (Central Province) 1974. Appointed Assistant Minister of Cooperatives September 1976 and Assistant Minister for Foreign Affairs (one of two) May 1977.

He has devoted most of his life to various and astute business activities, and is a very rich man. He has been prominent in promoting and maintaining political and commercial relations between Kenya and the Arab world, where many of his business contacts lie. He is President of the Kenya/Arab Friendship Association, and attended the Afro/Arab Summit in Cairo in March 1977.

As President Kenyatta's son he used to enjoy an easy prominence in the Kikuyu world.

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THE HONOURABLE MR GODFREY KARIUKI  
ASSISTANT MINISTER FOR LANDS AND SETTLEMENT

Speaks fluent English

Born 1937

Marital status unknown

Born at North Tetu, Nyeri District, Kikuyu. Educated Kiamwangi School and by correspondence. Secretary Thompsons Falls KANU Branch 1960-63. Defeated in Northern Province West 1961 General Elections. Attended Aarhus University, Denmark, 1962. Elected MP for Laikipia West 1963. Re-elected 1969 and 1974. Unsuccessful Government candidate for Chief Whip 1970. Assistant Minister Lands and Settlement 1970. Reappointed 1974.

Active in Parliament where he has to defend his Minister, Angaine, who rarely appears. A far-northern Kikuyu whose constituency includes nomadic tribes. Speaks well in Parliament but is known as a trimmer whose attitude reflects the prevailing wind. Now closely associated with President Moi, in whose company he is frequently seen: has travelled with the President abroad on several occasions. The grass-roots political advice he gives Moi seems to be appreciated by the President, and Kariuki played an important role in constructing a tribally-balanced slate of pro-Moi candidates during the 1978 elections for KANU's National Executive Committee. A possible Cabinet Minister after the 1979 General Election. A good linguist who speaks some tribal languages including Masai and Turkana.

HIS EXCELLENCY MR SHADRACK KIMALEL

HIGH COMMISSIONER OF THE REPUBLIC OF KENYA IN LONDON

Speaks fluent English

Born 1930

Married: two sons 15 and 19, two daughters 13 and 17

Mr Kimalel was educated at Alliance High School and Makerere University where he obtained a Bachelor of Arts (London) degree in Sociology, History and English, and a Diploma of Education (East Africa).

From 1957 to 1961 he was employed as a teacher at Kapsabet Secondary School. Between 1962 and 1970 he took up positions as Education Officer and subsequently Provincial Education Officer, Assistant and then Deputy Director of Education including a concurrent appointment as Principal of Kenyatta College from 1968 to 1970. He has held various appointments in other fields connected with education including Chairmanship of the Kenya National Union of Teachers from 1960 to 1961 and membership for Kenya of Dar es Salaam University College Council from 1968 to 1970.

Mr Kimalel has served as the Kenya High Commissioner to India (1970) and Sri Lanka (1974) and as the Ambassador to Japan (1974). Until his posting to London he was High Commissioner to Nigeria, also accredited to Ghana, Liberia and the Ivory Coast.

Mr Kimalel has attended various Commonwealth and international education conferences and was delegate to the 30th UN General Assembly in 1975 and the non-aligned Summit meeting at Colombo in 1976.



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Mr Kimalel took up his appointment as High Commissioner in London on 17 February 1979. He is accompanied by his wife and two of his children. The two eldest children have stayed in his last post, Lagos, to complete their education.

Mr Kimalel's hobbies are given as hockey, badminton, and political reading.

He is capable, quiet spoken but friendly, and has none of the aloofness of his predecessor.

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MR PHILIP NDEGWA

CHIEF ECONOMIC ADVISER TO THE PRESIDENT

Speaks fluent English

Born 1936

Married to a British wife

After studying economics at Makerere, London and Harvard, he entered government service in 1965 rising to become Permanent Secretary, Ministry of Finance and Planning in 1970. In 1974 he was seconded to the headquarters of the United Nations Environmental Programme in Nairobi, where he was the senior Kenyan in the Secretariat as Senior Economic Adviser. In 1978 he became the President's speech writer and special policy adviser on economic affairs. He is chairman of a government committee enquiring into the operation of Kenyan parastatal organisations.

A chilly personality, he can be abrasive at times: but he is highly intelligent and one of the President's most competent and useful advisers.

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THE HONOURABLE DOCTOR ROBERT JOHN OUKO  
MINISTER FOR ECONOMIC PLANNING AND COMMUNITY AFFAIRS

Speaks good English

Born 1932

Educated Nyangiri School, Kisumu and Siriba Teacher Training College. University of Addis Ababa (BA Public Administration and Political Science) plus course in Diplomatic Studies under the direction of the Ethiopian Ministry of Foreign Affairs 1958-62; attached to British Embassy Rome and attended course at the Foreign Office 1963. Teacher 1952-5. District Revenue Assistant 1958-62. Permanent Secretary, Ministry of Foreign Affairs 1963, and Permanent Secretary Ministry of Works 1964. Minister for East African Affairs (Finance and Administration) in the reshuffle following Mboya's murder 1969. Appointed Minister for Common Market and Economic Affairs in the East African Community 1970. Reappointed after 1974 elections. Minister for Community Affairs in the Kenyan Cabinet in 1977 after the collapse of the East African Community.

He is intelligent and able with a fluent and affable manner and was a considerable success as the first permanent Secretary in the Foreign Ministry shortly after Independence. As a Luo radical, his sympathies were privately with Oginga Odinga and this is probably why he was moved from the key position in the Foreign Ministry to Works in 1964, which he did not enjoy so much. His promotion to Minister for

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East African Affairs was part of a move to appease the Luo after Mboya's murder. Takes a responsible and enlightened view of Kenya's relations with her former Community partners.

Pleasant and friendly towards our High Commission in Nairobi.

No political base to speak of, he is essentially a technocrat.

CONFIDENTIAL

THE HONOURABLE DOCTOR ZACHARY THEODORE ONYONKA

MINISTER FOR HOUSING AND SOCIAL SERVICES

Speaks fluent English

Born 1939

Married to a Tanzanian

Born in the Kisii District, Kisii tribe. Educated in Kenya and then at the Inter-American University, Puerto Rico 1960-62 (BA Economics), and Syracuse University USA 1963-68 (MA and PhD Economics). Accountant in Gusii County Council 1959. Research Fellow Institute for Development Studies, Nairobi 1967. Lecturer in Economics, Nairobi 1968-69. Elected an MP in 1969 and appointed Minister for Economic Planning and Development. Moved to the Ministry of Information and Broadcasting in 1970 and to Health in 1973. Re-elected MP in 1974 and appointed Minister for Education. Minister for Housing and Social Services since July 1976.

Intelligent. Speaks well in Parliament. Tall, heavily built, bespectacled. Rather smug self-confident manner. He was moved from his first Ministry after offending the President and was ineffective at Information and Broadcasting. Well disposed towards Britain.

THE HONOURABLE MR JAMES G NJERU

ASSISTANT MINISTER FOR DEFENCE

Speaks good English

Born 1936

Educated Kitui Secondary School, Kangundo and Thokoto Teacher Training Colleges. Teacher and Headmaster 1959-62. Elected MP for Tharaka 1963. Assistant Minister for Information and Broadcasting 1965. Assistant Minister for Defence 1966. Re-elected for Meru South East 1969 and 1974. Reappointed Assistant Minister for Defence.

Njeru has carried the burden of his Ministry's parliamentary work since 1969. He is politically significant as the main challenger to the dominance in Meru of the Minister for Lands, J H Angaine, who is a leading opponent of President Moi. As the Minister for Defence, Gichuru, is also an opponent of the President and quite ineffective, Njeru may be involved in defence matters during the visit, although he does not share in defence policy decisions which are the province of Moi and Njonjo. His seat is very marginal and he will need the President's support to retain it.

THE HONOURABLE MR HENRY CHEBOIWO  
ASSISTANT MINISTER FOR COOPERATIVE DEVELOPMENT

Speaks fair English

Born 1926

Tugen tribe (like the President). Educated at Baringo and Kabete Technical Schools. Vice Chairman Baringo African District Council 1960 (Chairman 1961). Elected Senator for Baringo District 1966. Elected MP for Baringo North 1969 and 1974. Appointed Assistant Minister for Cooperative Development in 1974. Cheboiwo is a close associate of President Moi. His Minister, Paul Ngei, is one of Moi's leading opponents. Should Cheboiwo retain his seat in the general election later this year he might expect a Cabinet post, although he is one of the least able of those closest to the President. He seems unlikely to survive a fair election but the President will doubtless help him.

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THE HONOURABLE SHARIFF NASSIR AL TAIB MP

Speaks reasonably good English

Born 1926

Married

He was born in Mombasa of a leading coastal Arab family. His grandfather was knighted. He was educated at Khamisi School Mombasa. He has been MP for Mombasa Central since 1974.

Nassir's rise in Mombasa politics was frustrated by his brother-in-law the Mayor of Mombasa and by African resentment against the Arabs. Nassir was a staunch supporter of the late Robert Ngala who with Daniel arap Moi led the old Kenya African Democratic Union and, like Ngala, has defended coastal independence against Kikuyu colonization. He spent lavishly to win a parliamentary seat and faced allegations of being subsidized by foreign Arab money. In Parliament he proved a great success as a fiery debater and member of the Opposition faction to President Kenyatta's government in 1974-75. But in 1976 after losing his post as KANU Branch Chairman he supported Vice-President Moi against attempts by Moi's opponents to remove his constitutional advantage in the Presidential succession. For his support, Nassir was rewarded by being reinstated in 1977 in the KANU Branch Chairmanship.

Nassir, a short, fat grey-haired man, has a cunning but engaging air and speaks reasonably good English. He is friendly, well-disposed towards Britain and wealthy.

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THE HONOURABLE MR ISAAC SALAT  
MEMBER OF PARLIAMENT FOR BOMET

Speaks fluent English

Born 1934

Married: nine children

He is a back-bench MP who owes his position to his long political association with President Moi. He was elected MP for Bomet in 1974 after serving for eight years as the President's personal assistant. He is also a farmer.

MR JEREMIAH GITAU KIEREINI

PERMANENT SECRETARY, MINISTRY OF DEFENCE

Speaks good English.

Born 1929.

Born at Kiambu, Kikuyu. Educated Alliance HS 1946 - 49, Makerere 1950 - 51, Oxford (Overseas Supplies Course) 1961 - 62. Makerere (Public Administration Course ) 1962.

Worked in press department Indian High Commission 1952 - 55, Ministry of Community Development 1955 - 58. Provincial Administration 1958 - 63. Under Secretary Home Affairs 1963. Under Secretary for Provincial Administration 1964. Deputy Permanent Secretary. President's Office 1966. Permanent Secretary Ministry of Defence 1970.

Pleasant, intelligent and hardworking. Respected by senior officers in the Armed Forces and has a good grasp of military matters. Has made his Ministry effective despite the incapacity of his Minister, James Gichuru. Has good relations with our High Commission in Nairobi and seems well disposed towards Britain.

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE PRIME MINISTER,  
13 JUNE 1979

Brief No. 17: SALE OF KENYAN HAWKER HUNTERS

POINTS TO MAKE (Defensive)

1. Regret misunderstanding over re-sale conditions for Hunters. As Kenyans will know, ban on resale to Chile required by US law. Strongly hope alternative market to Chile can be found. Understand UK firm still interested in acquiring aircraft for spares. Suggest officials keep in touch over this.

EAST AFRICA DEPARTMENT

FCO

8 June, 1979

CONFIDENTIAL

STATE VISIT OF PRESIDENT MOI OF KENYA: TALKS WITH THE PRIME MINISTER,  
13 JUNE 1979

Brief No. 17: SALE OF KENYAN HAWKER HUNTERS

ESSENTIAL FACTS

1. In February we learned that the Kenyans were considering an offer from Chile for five Hawker Hunters purchased from the UK in 1973. The United States funded four of the aircraft originally, and agreed to their sale to Kenya on condition that Kenya provided assurances the aircraft would not be re-transferred without US permission. We briefed the State Department on Kenyan intentions. With our agreement the Americans told the Permanent Secretary of the Kenyan Ministry of Defence in May that they could not agree to sale to Chile. Kiereini reacted strongly and claimed the 1973 contract gave neither the UK nor the US any control over redisposal of the aircraft.
2. Exhaustive checks of US and UK files have so far failed to produce the written assurances from the Kenyans the US requested in 1973. It seems likely they were not in fact obtained. The supply contract only required the Kenyans to give the suppliers (Hawker-Siddeley) first option to purchase on resale.
3. British Aerospace have offered only to purchase the aircraft at scrap value (£133,000). But this is substantially less than the Chileans have been prepared to pay. A worldwide trawl by British Aerospace revealed no other takers for the aircraft; there was brief interest from the Lebanon, but this has now faded. Another British firm Louvox, are however, interested in the aircraft for spares. But their price, though probably more generous than British Aerospace, would again be significantly less than the Chileans have offered. But we understand from Louvox that since the American

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demarche in Nairobi the Kenyans may have withdrawn from the Chilean deal. It would be useful, if Mr Kiereini raises the subject, to obtain confirmation of this, and steer the Kenyans towards a deal with Louvox.

4. The Americans have been informed of the line we propose to take.

EAST AFRICA DEPARTMENT

FCO

8 June, 1979

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TO PRIORITY FCO

TEL NO 332 OF 8 JUNE 1979

AND PRIORITY TO ODA DOT(CRE5)

Prime Minister

*By [unclear] [unclear]*

KENYAN BUDGET.

1. MR KIBAKI PRESENTED THE 1979/80 BUDGET ON 7 JUNE. THE KENYAN ECONOMY HAD NOT PERFORMED AS WELL AS HAD BEEN EXPECTED IN 1978 WITH EXPORT EARNINGS DOWN 29% AND IMPORTS UP BY 24%. THE BALANCE OF PAYMENTS DEFICIT FOR THE YEAR WAS ESTIMATED AT K£77.6 MILLION. THE FALL-OFF IN ECONOMIC ACTIVITY MEANT THAT REVENUE FOR 1978/79 WOULD BE WELL BELOW EXPECTATIONS, ALTHOUGH GOVERNMENT EXPENDITURE HAD RISEN.

2. THE SITUATION WAS NOT LIKELY TO IMPROVE OVER THE NEXT YEAR OR SO. THE NATION WOULD HAVE TO OBSERVE STRICT ECONOMY. IMPORT CONTROLS WOULD THEREFORE CONTINUE BUT WOULD BE ADJUSTED WHERE NECESSARY TO BRING IN GOODS REQUIRED TO MAINTAIN KENYAS INDUSTRIES AND ECONOMIC GROWTH. EVEN SO GDP WAS EXPECTED TO RISE IN 1978/79 BY ONLY 4% AT CONSTANT PRICES WHICH WITH POPULATION INCREASE (3.9%) MEANT NIL GROWTH. THE BANK LIQUIDITY RATIO WOULD BE LOWERED TO 16% . THE EXTRA FINANCE WOULD HAVE TO BE USED ON THE HOME MARKET AND NOT TO FINANCE IMPORTS DEPOSITS. TO HELP BRIDGE THE BALANCE OF PAYMENTS DEFICIT, THE GOVERNMENT HAD NEGOTIATED A LOAN WITH COMMERCIAL BANKS OF DOLLARS 200 MILLION FOR SIX YEARS WITH AN 18 MONTH GRACE PERIOD, BUT MR KIBAKI SAID THAT HE ANTICIPATED DRAWING ONLY ABOUT K£25 MILLION IN 1979/80 IN VIEW OF THE ENCOURAGING RESPONSE BY THE IMF AND THE WILLINGNESS OF DONORS TO CONVERY CAPITAL AID TO BUDGETARY SUPPORT.

3. GOVERNMENT BUDGETED EXPENDITURE FOR 1979/80 WOULD BE INCREASED BY 6% TO PROVIDE FOR ADDITIONAL AND NECESSARY EXPENSES, EG SCHOOL MILK, CENSUS AND ELECTIONS. OTHERWISE MINISTRIES WOULD HAVE TO MAINTAIN EXPENDITURE AND SERVICES AT EXISTING LEVELS. REVENUE AT EXISTING RATES WAS EXPECTED TO INCREASE BY 5% WHICH WOULD LEAVE ONLY K£18 MILLION SURPLUS FROM THE ORDINARY BUDGET FOR TRANSFER TO THE DEVELOPMENT BUDGET WHICH WOULD HAVE TO BE CUT BACK FOR 1978/79 BELOW

THE LEVEL FORECAST IN THE FIVE YEAR DEVELOPMENT PLAN. PRIORITY WOULD BE GIVEN TO RURAL DEVELOPMENT. HE HOPED TO GET K£123 MILLION AID INFLOW (K£22 MILLION GRANT; K£67 MILLION SOFT LOANS; AND THE BALANCE IMF AND COMMERCIAL BORROWINGS). BUT OVERALL THIS STILL LEFT A GAP OF K£66 MILLION.

4. MR KIBAKI THEN ANNOUNCED AN INCREASE IN THE RANGE OF TAXES, THE MAIN ONE BEING SALES TAX, THE GENERAL RATE OF WHICH GOES UP FROM 10% TO 15% WITH SIMILAR INCREASES AT HIGHER LEVELS. TAXES ON TOBACCO, BEER, WINES AND SPIRITS ARE INCREASED. SO ARE DUTIES ON IMPORTED FOODSTUFFS (UP FROM 30% TO 50%) AND TEXTILES OF WHICH MR KIBAKI SAID KENYA PRODUCED. ALL THAT WAS NECESSARY. THE AIRPORT TAX IS DOUBLED TO 80/- AND HOTEL TAX AND VEHICLE LICENCES INCREASED. THE TAX ON PREMIUM PETROL GOES UP BY 30 SENTS PER LITRE AND ON REGULAR PETROL BY 20 CENTS PER LITRE, PARTLY TO RAISE REVENUE AND PARTLY TO ENCOURAGE ECONOMIES IN CONSUMPTION. THE INCREASED TAXES WILL RAISE AROUND £36 MILLION, LEAVING £30 MILLION TO BE FINANCED BY TREASURY BILLS AND BORROWINGS.

5. MR KIBAKI EMPHASISED THAT IT WAS NOT THE GOVERNMENT'S POLICY TO TAX LOCALLY PRODUCED FOODSTUFFS AND THERE WOULD BE NO CHANGE IN INCOME TAX. HE CLAIMED THAT THE 5% INCREASE IN SALES TAX SHOULD ADD ONLY 3% TO RETAIL PRICES. HE SAID FRANKLY THAT MANY PEOPLE WHO SHOULD PAY INCOME TAX DID NOT DO SO; MEASURES TO IMPROVE COLLECTION WERE BEING TAKEN.

6. COMMENT:

THE BUDGET HAS BEEN RECEIVED CALMLY. INCREASES IN TAXATION WERE EXPECTED AND THERE IS RELIEF THAT THEY WERE NOT GREATER. SOME DOUBTS HAVE BEEN EXPRESSED THAT THE BUDGET WAS NOT IN FACT TOUGH ENOUGH, AND ITS SUCCESS WILL DEPEND ON THE TREASURY'S ABILITY TO KEEP GOVERNMENT EXPENDITURE TO THE AMOUNT PROVIDED IN THE ESTIMATES. POLITICALLY THIS MAY BE DIFFICULT. THE INCREASED TAXES ARE ON SPENDING RATHER THAN INCOME, BUT EVERYONE EXPECTS THE INCREASES TO BE PASSED ON TO THE CONSUMER AND THRIFT IS NOT AN AFRICAN CHARACTERISTIC. THERE IS CONCERN AT THE PROBABLE INFLATIONARY EFFECTS. CERTAINLY THE COST OF WESTERN STYLE LIVING WILL INCREASE CONSIDERABLY.

7. NOTHING IN THE BUDGET IS LIKELY SERIOUSLY TO AFFECT BRITISH EXPORTS OR OTHER COMMERCIAL INTERESTS. THE MARKET FOR CLOTHING AND FOODSTUFFS MAY SHRINK SLIGHTLY, BUT THESE ITEMS REPRESENT ONLY A FRACTION OF BRITISH EXPORTS TO KENYA.

8. PLEASE SHOW TO SIR STANLEY FINGLAND. FURTHER COMMENT AND COMPLETE LIST OF TARIFF CHARGES WILL BE SENT BY BAG.

WATTS

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