MR. WICKS

UK/SOUTH AFRICA

One of the Managing Directors of Consolidated Goldfields Ltd came to see me this evening to say that the company had reason to think that they might be the subject of a bid by Anglo-American through one of its subsidiaries. The reason he came to me is that I am a personal friend of the Chairman of Consolidated Goldfields who has mentioned this worry to me in the past. I have hitherto done nothing about it.

The present situation is apparently that Minorco - a subsidiary of Anglo-American and De Beers - own about 28.9% of Consolidated Goldfields. Consolidated have detected signs that a bid may be in the offing. This could take one of three forms:

- to increase Minorco's holding to 29.9%, which is the maximum they said they would take when buying shares in 1980. But the signs are that something more serious is intended;

- a bid to take control by crossing the 30% border;

- a complete takeover.

The first of these would cause no particular problem. The other two would be much less welcome, although the reaction to the third would presumably depend on the price offered.

The reasons for bringing these concerns to HMG's attention were two:

- a takeover by Anglo-American would in practice amount to a major case of involuntary disinvestment by a British company from South Africa, which would be contrary to the Government's policy of encouraging large British firms to retain their interest there and work for the dismantlement of apartheid. There were therefore political grounds for approaching the South African Government and asking them to discourage a bid.

- Consolidated are apparently about to launch a proposal for the privatisation of British Coal of which you are aware. This would carry no credibility at all if they were under South African ownership.

I said that I knew nothing about the second matter. As to the first, disinvestment from South Africa, I could understand the point although I was not sure that HMG would be able to influence matters. But I would think about it and consult.

I have subsequently mentioned it our Ambassador in South Africa, who was already aware of the general concern on the part of Consolidated Goldfields. He is seeing a number of leading members of Anglo-American over the next week or so and will report any indications he has that something is imminent. The question whether we should go beyond that and draw our concern to the South African Government's attention is one which would need to be considered by FCO and DTI. But before putting it to them, I should be grateful to know whether the British Coal point is of particular sensitivity or importance.

CDP

C D POWELL

20 July 1988

PM2ACJ