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PRIME MINISTER

MEETING WITH CHIEF BUTHELEZI

You have a meeting tomorrow morning with Chief Buthelezi. He will be accompanied by Laurens Van Der Post. Your last meeting was in August 1985, nearly three years ago. You will wish to note that Chief Buthelezi will be seeing the Prince of Wales on Thursday.

Chief Buthelezi has submitted two memoranda for the meeting. The main one has been summarised by the Foreign Office. Its burden is the damage which will be done by sanctions and the lack of constructive involvement in South Africa by the international community. He proposes what he calls a conditional trade and investment strategy which would link trade/investment by Western companies to political advance in South Africa. He argues that black economic advancement offers one of the best levers for change.

The second one arrived only today and deals with the fact that the Kwazulu Finance and Investment Corporation has been listed by the United States as an organisation within the terms of the US Anti-Apartheid Act, as a consequence of which it is denied access to US markets. Chief Buthelezi protests that this makes it impossible for the main instrument for the economic advancement of his territory to operate. He asks you to urge the Americans to rescind the measure and, together with President Reagan and Chancellor Kohl, to initiate a study of the effects on South African blacks of measures already taken by the international community.

You will wish to let Chief Buthelezi set out his views and explain the ideas in his memoranda. You can say that we agree that the present situation is very frustrating. We are doing

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what we can to influence President Botha, and you are thinking of letting him have further views before you depart on your Far East tour.

You will want to get his assessment of the prospects for securing Mandela's release and for significant political reform in the period before the next elections. You will want to encourage Buthelezi to continue to fight his campaign against sanctions and urge him in particular to focus upon the United States where the ANC seem to be the only people heard.

You can say that we will study his ideas for greater involvement by British companies in South Africa, while pointing out that we cannot make them operate against their own financial interests.

The main purpose is to give him as much encouragement as possible to continue his present stand.

C.D.P.
C. D. POWELL
26 July 1988

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