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ms.
Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

La. V. Hunt
18/3

*You have already seen the attached
ltrs. Lord Soames is v. ambitious!*

17 March 1980

Dear Michael,

Hunt 17/3

Rhodesia: Aid

You may find it helpful, before Lord Soames sees the Prime Minister tomorrow, to have a brief account of the discussion between the Foreign and Commonwealth Secretary and Lord Soames this morning on future relations with Zimbabwe. As background you will have seen Salisbury telegrams nos 1056, 1057 & 1068 (copies enclosed for ease of reference) which convey the Governor's proposals for future assistance.

Lord Soames made a case for a considerable increase in the aid which is currently earmarked for Zimbabwe (£40 million over three years). He saw such aid as an important contribution to stability in Southern Africa which would serve our long-term interests. A moderate and successful government in Zimbabwe would reassure the South Africans and help the prospects of a settlement in Namibia. If we were ready to help on a substantial scale, there would be no need for Mr Mugabe to turn to the Soviet Union. It would be in our interest to help Mr Mugabe satisfy the aspirations of the Africans in Rhodesia; and our statements at Lancaster House - even though we had avoided specific figures - had given the new government grounds to expect substantial assistance. Moreover aid to Zimbabwe would not be a long-term burden. The economy could be got back on its feet within three to five years. The quality of the administration would ensure that aid was well spent.

To secure these goals Lord Soames suggested that a total aid package closer to £90 million over three years (which might also embrace modest additional help for Mozambique in the light of their helpful role during the negotiations) would be more appropriate. This would enable us to give Zimbabwe a good start and would at the same time ensure that we were on strong grounds in pressing other developed countries to contribute in a major way to Zimbabwe's development (action on this is already in hand). Of this, £5 million would be a contribution to the immediate problem of reconstruction in the wake of the war and would be announced immediately. A major part of the remainder would be needed as our contribution towards land settlement and agricultural development on which we made a particular commitment to help at Lancaster House, and to which Mr Mugabe attaches the highest priority.

Lord Soames also laid particular stress upon the need for Britain to establish itself in what is likely to be a very

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substantial and profitable market. It was essential that medium term credit cover should be made available to British industry very quickly to enable it to catch up with the French and Germans who have already started to do substantial business. (A proposal by ECGD to extend £30 million of medium term cover is being considered by the Treasury.) A proportion of our aid should be devoted to promoting trade.

Lord Soames thought that help for Rhodesia would be necessary over government debts from the pre-UDI period, some of them dating back to the Central African Federation era and totalling £53 million. Remission of at least some of them should be considered when we got into negotiations with the new government. He also recommended that we should help the new government reassure white civil servants that they would receive their full pension entitlement if they remained at their posts. He has submitted detailed proposals for this which are being examined.

Lord Soames and Lord Carrington will be seeing the Chancellor of the Exchequer on Wednesday to discuss these policies further.

yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

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