

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

OD (79) 19

COPY NO 42

19 July 1979

CABINET  
DEFENCE AND OVERSEA POLICY COMMITTEE

RHODESIA - POSSIBLE REPERCUSSIONS ON  
BRITISH POLITICAL AND COMMERCIAL INTERESTS

Memorandum by the Secretary of State for  
Foreign and Commonwealth Affairs

1. Our aim is to bring Rhodesia to legal independence in conditions of wide international acceptance. We hope that this will include substantial African acceptance which will pave the way for acceptance by others.

Political Consequences

2. The OAU Summit is debating recommendations that OAU countries should retaliate against any state which confers legitimacy on Bishop Muzorewa's government or lifts sanctions. In circumstances of a Rhodesian settlement which was actively opposed even by the moderate OAU states, several African states would break relations with the United Kingdom completely and several more would demand the withdrawal of our Heads of Mission (listed at Annex A). Nigeria, Zambia and Tanzania might leave the Commonwealth (or seek the suspension of British membership) with the support of some other African and Caribbean governments. We could not expect effective support from the Old Commonwealth, nor from other Commonwealth countries outside Africa. The future of the Commonwealth itself would be placed in doubt, and it could break up.

3. The British communities of 15,000 in Nigeria and 29,000 in Zambia, and smaller communities in some other African countries, could face general harassment. Mob violence against individuals or

/British



CONFIDENTIAL

British missions is possible as are attacks by guerrillas on Britons in Zambia. In the worst case, it might be necessary to evacuate part or all of the British community in Zambia. Tanzania, and conceivably Kenya, could take this opportunity to force non-patrial UK passport holders (10,000 in Tanzania; 17,500 in Kenya) to leave.

4. At the Security Council, the Africans and many others would seek to have the United Kingdom condemned for ignoring mandatory Resolutions, and in particular for being in breach of its UN obligations by lifting sanctions without a satisfactory settlement. The Germans, for instance, have said that they have always supported our Rhodesia policy but that a settlement without Security Council agreement would place them in political difficulties. The Africans and others might seek a special UN Assembly to discuss Rhodesia. The retention by the UK of permanent membership of the Security Council would be called in question.

5. To sum up, at worst the UK's bilateral relations with the African States which have adopted the most uncompromising positions on Rhodesia would suffer severe and lasting damage, and with moderate States would go through a very difficult period. Within the international community generally, we should find ourselves obliged to proceed with virtually no support from the Old Commonwealth, the US, our NATO allies and our EEC partners. We would be accused of having put through a settlement on a basis not comparable to that on which we had granted independence in other cases, and which would be likely to be followed by an intensification of the war and increased opportunities for Soviet involvement in it.

#### Economic Consequences

6. These would be confined mainly, although not entirely, to Africa. In 1978 British exports to countries in the Organisation of African Unity (OAU) totalled £2,795m (7.5% of our total exports). The balance of trade in our favour was £1,252m. Net invisible receipts were an additional £708m. Key statistics are at Annex B. The main British exports were machinery, transport equipment, various kinds of manufactures and chemicals. Imports consisted mainly of foodstuffs, including 42% of our coffee, 76% of our cocoa and 46%

/of our

CONFIDENTIAL

CONFIDENTIAL

of our tea; and raw materials, including 90% of our cobalt from Zambia and Zaire, and 22% of our copper from Zambia. We also have investment worth at a conservative estimate £1.25bn (excluding banking and insurance) in OAU countries.

7. The likelihood of retaliation by OAU countries against our commercial interests is summarised at Annex C; the main threats come from Nigeria and Zambia. Our commercial interests in Nigeria are substantial, and vulnerable. In 1978 Nigeria was our ninth largest export market (first in the Third World): UK exports amounted to £1,133m, a sixfold increase since 1973 and representing just under a quarter of the Nigerian market. Our exports will be lower in 1979 because of import controls imposed by the Federal Military Government (FMG) in 1978 but are expected to rise substantially again in 1980 as higher oil prices permit further economic expansion. Imports from Nigeria in 1978 were £286m. Our investment in Nigeria, estimated at £800m by the Nigerians last year, accounted for about half of total foreign investment in Nigeria.

8. As a means of exerting pressure over Rhodesia, the FMG have already imposed a selective embargo on the award of major government contracts to British firms. The FMG are reported to be working on contingency plans for an escalation of action against British interests and are likely to take the lead in urging other African countries to do likewise if African doubts about our Rhodesia policy persist.

9. If a serious confrontation were to develop over Rhodesia Shell's and BP's interests in Nigeria (See Annex D) would be immediately at risk, although UK oil supplies would hardly be affected. BP is a particularly obvious target because of the British Government stake in it; moreover, BP is not concerned with the managerial and technical side of the Shell/BP operation in Nigeria and can therefore be attacked without disrupting oil production. The Nigerians would have no difficulty in disposing of crude taken from British companies' allocations, but the additional cost to BP of replacing lost Nigerian crude would be £1.5m a day. The book value of BP's investment in Nigeria is estimated to be £60m; the current value is considerably higher. The holding could be nationalised by the Nigerians without adequate compensation.

CONFIDENTIAL

/10.



CONFIDENTIAL

10. Nigerian action against UK interests could also take the form of increasing the scope of the embargo on UK firms bidding for government contracts (details of vulnerable contracts are at Annex E); of a selective ban on UK imports; of further restrictions on the employment of expatriates by UK businesses; and of increasing the Nigerian stake (at present 60% in most cases) in selected UK firms, as was done in 1978 in the case of Barclays Bank. The general climate in which British firms operate and sell to Nigeria would be affected by a UK/Nigerian confrontation in a way which our business competitors would be quick to exploit, even in areas where no official restriction on UK interests was imposed.

11. Nigeria is due to return to civilian rule on 1 October. The FMG's hard line on Rhodesia may then be modified to some extent. It is clear however that the FMG will do its best to ensure that a civilian government remains committed to its policy on Rhodesia.

12. British commercial interests in Zambia are considerably less than those in Nigeria, but Zambia still has the capacity to inflict severe damage; and this would not necessarily be limited by self-interest, since President Kaunda's attitudes are often highly emotional - or, as he would see it, "moralistic". The likelihood of action against the British community in Zambia (which is much larger (29,000) than that in Nigeria (15,000) is high; even though the expulsion or departure under pressure of this community would bring the Zambian economy to a virtual standstill, with consequent serious dangers for Zambia's political future. British investment in Zambia has an estimated book value of £100m (1978). Visible exports to Zambia in 1978 were £69.8m. 22% of the UK's imports of refined copper and 30% of imports of unwrought cobalt came from Zambia in 1978. Any cutback in these supplies would have serious repercussions for British industry. It would be particularly difficult to obtain alternative supplies of cobalt, which is in short supply on the world market. If the 1978 Copper Agreement was abrogated, the Government would probably have to write off the advance payment of £20m.

13. Retaliation against British commercial interests elsewhere in Africa (summarised at Annex C) is likely to be more limited because of the economic weakness of many OAU States. Tanzania, Libya

/(supplier

CONFIDENTIAL

CONFIDENTIAL

(supplier of 2% of the UK's oil), Algeria, Ethiopia, Mozambique and Angola are the countries most likely to follow a Nigerian lead in hitting at British interests. But we cannot rule out the possibility that moderate states, normally well-disposed towards the UK, will take some economic action against the UK, as well as token political action, under pressure from the more militant OAU States. Countries in this group could include Sierra Leone, the Ivory Coast, Togo and Ghana. The sizeable British interests in Kenya are less likely to suffer, except in the event of an extreme reaction by OAU members generally.

14. The consequences for the UK of political or commercial retaliation over Rhodesia would not be confined to Africa. Certain Commonwealth (eg Guyana; Jamaica; India) and non-aligned countries might well respond to requests from the OAU or the Commonwealth for action of this kind against the UK.

Foreign and Commonwealth Office  
19 July 1979

CONFIDENTIAL



POSSIBLE POLITICAL ACTION BY OAU AND COMMONWEALTH MEMBER STATES  
AGAINST THE UK IN A CONFRONTATION OVER RHODESIA

(1) States likely to break Diplomatic Relations

Nigeria  
Zambia  
Tanzania  
Mozambique  
Angola  
Ethiopia

Possibly also:

Libya  
Algeria

Certain smaller States without  
resident UK Missions (eg Guinea; Benin;  
Congo; Equatorial Guinea; Sao Tome/  
Principe

(2) States which may recall Head of Mission from London or seek  
temporary recall of British Head of Mission (Under strong  
OAU pressure)-----

Ghana  
Sierra Leone  
Liberia  
Botswana  
Uganda  
Sudan  
Tunisia  
Kenya

(3) States which might leave the Commonwealth or seek the UK's  
expulsion-----

Nigeria  
Zambia  
Tanzania

Possibly also:

Uganda  
Ghana  
(Guyana)

(non OAU)

(Jamaica)  
(Grenada)

## UK TRADE WITH OAU STATES 1978 (£m)

	ALGERIA	EGYPT	GHANA	KENYA	LIBYA	<del>REPUBLIC OF</del> MAURITIUS	MOROCCO	NIGERIA	SUDAN	TANZANIA	ZAIRE	ZAMBIA
UK EXPORTS	120.6	205.6	119.0	195.7	214.7	31.7	76.5	1133.4	114.1	112.2	20.7	69.8
UK IMPORTS	37.9	101.7	110.0	114.6	98.2	122.9	44.1	286.2	19.5	41.7	98.5	68.0
UK INVESTMENTS (book value)	n.a.	n.a.	55	100	n.a.	16	n.a.	800	n.a.	73	100	100

CONFIDENTIAL

CONFIDENTIAL

	OTHER OAU	TOTAL OAU	TOTAL UK INVISIBLE EARNINGS FROM OAU
UK EXPORTS	380.9	2794.9	708
UK IMPORTS	399.5	1542.8	-
UK INVESTMENTS	n.a.	1250	-

POSSIBLE COMMERCIAL ACTION BY OAU STATES AGAINST THE UK IN A  
CONFRONTATION OVER RHODESIA

- (1) States Where Retaliation is Likely Against Substantial  
British Economic Interests (eg Selective Boycott;  
Diversion of Contracts; Nationalisation of Assets;  
Curtailment of Raw Material Supplies)-----

Nigeria

Zambia

Tanzania

Algeria

Libya

- (2) States Where Significant Economic Retaliation is  
Possible but Unlikely-----

Kenya

Ivory Coast

Ghana

Sierra Leona

Togo

- (3) States Where Economic Retaliation is Likely but Would  
not Have a Significant Effect-----

Angola

Mozambique

Ethiopia

Uganda



## SHELL/BP's OPERATIONS IN NIGERIA

1. Shell/BP Petroleum Development of Nigeria currently produce 1.4 mbd of Nigeria's total oil production of 2.4 mbd. Shell and BP each have 20% participation in the company, the other 60% belonging to the Nigerian National Petroleum Company (NNPC). This brings Shell and BP about 300,000 bd each in equity crude. In addition Shell and BP have long term purchase contracts which enable them to buy 100,000 bd each from NNPC at relatively cheap long-term prices, for distribution through their own networks. The Nigerians have however terminated BP's long term purchase contract with effect from early August in retaliation for BP's use of a South African-owned tanker to transport Nigerian oil to Europe. Shell's arrangement remains intact.

2. In 1978 Nigerian crude accounted for 10% of BP's total crude supply and 20% of Shell's. However, because of the similar quality of North Sea and Nigerian oil, Nigerian crude makes up only 2% of UK consumption.

CONTRACTS IDENTIFIED AS BEING SUBJECT TO NIGERIAN ACTION AGAINST  
BRITISH COMMERCIAL INTERESTS

ANNEX E

<u>PROJECT</u>	<u>APPROX VALUE TO UK FIRMS (£ million)</u>	<u>UK INTEREST</u>
<u>Tenders already invited</u>		
1 *Onne Port Project	130	CBC Joint Venture (Cementation, Balfour Beatty, Costains) A British aid contribution of £31 million from the Aid/Trade Contingency Provision was offered in support of the bid.
2 *Air Defence System	150	Plessey
3 *Warri Steel Town	130	Taylor-Woodrow, Wimpey, Cubitts, Sir Alexander Gibbs.
<u>Tenders expected to be invited within the next twelve months</u>		
4 *Standard gauge railway	100	Laing's as part of French consortium
5 Murtala Mohammed Airport Catering	17	Wimpey
6 Railway equipment	50	Various UK manufacturers will bid
7 Lagos Power Station	200	GEC
<u>Tenders in prospect</u>		
8 Ajackuta Steel Town	35	Wimpey
9 Ajackuta Iron and Steel complex subcontracts	50	Babcock Moxey, Davey International, Powell Duffryn, British Oxygen
10 *Maintenance hangar complex	300	Laing, Balfour Beatty, Taylor Woodrow
11 Nigerian Railways Corporation Hotel, Yola Secretariat Warri Power Station extension	100	Balfour Beatty
12 Ammonia Urea Fertiliser Plant	350	Foster Wheeler (UK) Ltd
13 Railway Signalling equipment	70	GEC
14 *Consultancy for New Capital City Project	2	Llewelyn Davies

\* Projects where UK tenderers have been already informed that their bids are not welcome or have submitted bids which have subsequently not been taken into consideration because of UK policy on Rhodesia.

CONFIDENTIAL

CONFIDENTIAL