



Prime Minister

SOUTH AFRICA : FINANCIAL CREDIT

John Nott sent Peter Carrington a copy of his minute of 28 February to you. In the latter's absence I am writing to say that, although what is suggested goes rather beyond what was originally agreed in OD, we are content with the line John Nott proposes.

2. However we should not become unnecessarily exposed commercially in South Africa for too far ahead in a period of great political uncertainty. We must also avoid excessive political exposure by offering conspicuously more generous credit terms to South Africa than those offered by other Western countries. At the same time we must do everything we can to secure the Tutuka contract and not to prejudice other future public sector business in South Africa. We can and should keep our commercial exposure under review, and look carefully at the effect on it of whatever terms we might offer for future projects as they arise. We did not create any political stir by offering 8-1/2 years for Tutuka. We hope that this further step will also cause no problems.

3. I am copying this minute to other Members of OD, to the Secretary of State for Industry and to Sir Robert Armstrong.

I.H.G.

6 March 1980

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