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From the Minister for Trade

Rt Hon Sir Geoffrey Howe QC MP
Secretary of State
for Foreign & Commonwealth Affairs
Foreign & Commonwealth Office
London SW1

12 January 1984

Dear Geoff,

Await reply from FCS.

A.J.C. B/1.

CREDIT FOR LIBYA

Over the last few months there have been growing signs that Libya which until now has been a cash market for our exports, might begin to request and receive credit from our international competitors for at least some major projects. I understand our officials in the Export Guarantees Committee have considered whether we should be prepared to match such moves by others to grant credit and have concluded that in principle we should do so, although the precise terms on which credit would be made available have yet to be settled.

Our interest is in supporting a number of potentially quite substantial bids for two plants involving on the one hand Wimpey and on the other a number of UK companies, including Sim-Chem and John Brown Engineering. So far we understand that the Germans have decided that they will be ready to provide credit to Libya and there are indications that the Japanese and Italians may well do so. Although clearly I am reluctant to see any cash market turned to credit, once such a move takes place there is little to be gained from our refusing to match others' positions and I am therefore very much in agreement with the decision in principle taken by EGC.

However, I am concerned that in granting credit we should not be seen as making a gesture towards Libya which in a wider context might be seen as unhelpful, particularly in terms of our relations with the Americans. I understand that the Foreign Office view is that this would not be so, but nonetheless on such a potentially



sensitive issue I should be grateful for your views. I am copying this letter to other members of OD and to Sir Robert Armstrong.

Y
ms
Paul

PAUL CHANNON

cc Members of OD

PS/SoS
 PS/Sir A Rawlinson
 Secretary ECGD (AO)
 Mr Roberts
 Mr Twyford ECGD
 Mr Foxall "
 Mr Titchener OTS
 Mr Benjamin PEP
 Mr Breach ECGD
 Mr Cunningham "
 Mr Packer "

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