

PRIME MINISTERMEETING WITH PRESIDENT OF MEXICO

He comes at 1200 for an hour's meeting before lunch. He will be accompanied by his Foreign Minister, Ambassador in London and Private Secretary. Our Ambassador in Mexico City - Sir Cynlais James - will also be present.

The main subjects for discussion are:

- the Mexican economy and its prospects
- international debt questions
- trade prospects between Britain and Mexico
- oil market
- Central America
- Falklands

The question of the Sicartsa plate mill project on which you signed a Memorandum of Understanding in 1981 may come up. The Mexicans are in effect cancelling the project but have said that all commitments to foreign equipment suppliers will be met.

I attach the briefs, some cards and notes for a speech at lunch.

*, in hot box*

*CPD*

CHARLES POWELL

11 June 1985

11th June, 1985

BUCKINGHAM PALACE

STATE BANQUET

**The Prime Minister**

will be escorted by

**The Duke of Kent**

in the Royal Procession to the Banqueting Room.

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THE PROCESSION

THE PRESIDENT OF  
MEXICO

THE PRINCE PHILIP,  
DUKE OF EDINBURGH

The Prince of Wales

The Archbishop  
of Canterbury

Senor Bernardo Sepulveda

The Lord Chancellor

The Duke of Gloucester

Mr. Denis Thatcher

**The Duke of Kent**

The Lord President  
of the Council

Prince Michael of Kent

Senador Antonio  
Riva Palacio

The Hon. Angus Ogilvy

THE QUEEN

SENORA DE LA MADRID

Senora de Sepulveda

The Princess of Wales

The Princess Anne,  
Mrs. Mark Phillips

The Princess Margaret,  
Countess of Snowdon

Mrs. Runcie

The Duchess of Gloucester

**The Prime Minister**

The Duchess of Kent

Senora de Riva Palacio

Princess Alexandra, the  
Hon. Mrs. Angus Ogilvy

The Viscountess Whitelaw

THE QUEEN

THE PRESIDENT OF MEXICO

THE PRINCE PHILIP,  
DUKE OF EDINBURGH

The Princess of Wales

SENORA DE LA MADRID

Archbishop of Canterbury

The Prince of Wales

The Princess Anne,  
Mrs. Mark Phillips

Senora de Sepulveda

Senor Bernardo Sepulveda

The Duke of Gloucester

The Princess Margaret,  
Countess of Snowdon

Mrs. Runcie

Lord Chancellor

Senador Antonio  
Riva Palacio

The Duchess of  
Gloucester

Princess Alexandra the,  
Hon. Mrs. Angus Ogilvy

Mr. Denis Thatcher

\* Senor Miguel de la Madrid

The Duchess of Kent

\* Duchess of Northumberland

Lord President  
of the Council

● The Duke of Kent

● Prime Minister

Prince Michael of Kent

Senora de Riva Palacio

Hon. Angus Ogilvy

Viscountess Whitelaw

\* Not Processing



STATE VISIT OF PRESIDENT DE LA MADRID OF MEXICO: 11-14 JUNE 1985

MEETING WITH THE PRIME MINISTER

Our Objectives

- a) to endorse Mexico's current economic policies and encourage continued adjustment
- b) to affirm our support for Mexico's economic strategy and draw attention to commercial collaboration in the form of direct exports, joint ventures etc
- c) to show understanding of continuing debtor problems but to head off calls for a high level political dialogue between creditors and debtors
- d) to defend the UK view on the oil market
- e) to reaffirm our support for the Contadora process and Mexico's important role therein; to explain British/European Community objectives in Central America
- f) to explain our position on the Falklands and Argentina

Arguments to Use

- a) i) congratulate on progress in coping with debt problems. Hope it will be maintained. Recognise difficult decisions were needed and problems not yet solved, but admire tenacity to adjustment programme.  
  
ii) what are prospects for keeping to targets in next year eg on balance of payments, inflation, public sector deficit?
- b) i) pleased that a number of agreements on investment and trade have been signed. Investments demonstrate our industry's confidence in Mexican economy over long term. Believe there is



great scope for further cooperation in education, fisheries aerospace and tourism (see Annex).

ii) we are making available a £1 million pound technical cooperation package over next 3 years for the training of Mexican personnel in Britain associated with projects announced during your visit.

iii) Glad to inform you we are now able to increase official credit cover and to include the private sector.

iv) understand your present need to limit imports. But believe UK should account for more than 2% of your import market. Our companies are increasingly competitive.

v) note you are addressing CBI conference tomorrow. British companies will welcome opportunity to hear from you at first hand.

vi) understand that the Sicartsa plate mill project will be effectively cancelled - we understand this means the full project will not be completed but foreign supply contracts will be honoured.

vii) recognise that you have had to take a difficult decision. Our concern now is that Davy and Sicartsa should reach a fair settlement as quickly as possible.

c) i) recognise that serious debt problems remain, but no easy solutions.

ii) existing case by case approach has contained immediate situation and is only practical way forward, though appreciate social and political costs involved. Mexico a good example of what can be achieved.

iii) Britain has and will continue to participate fully in efforts to assist official debtors (eg through Paris Club). British banks also play an active part.



iv) technical dialogue between creditor/debtor best pursued through existing channels. UK very ready to discuss problems of particular countries. The broader issues most effectively pursued within the competent fora, such as the IMF/IBRD.

d) i) Stability in the oil market is in the interests of both producers and consumers.

ii) BNOC was abolished because it could no longer contribute to oil market stability: indeed the BNOC term price induced speculation and instability.

iii) [If asked about current status of BNOC] Legislation was introduced on 2 May to replace BNOC with a small body responsible for:

(i) custody of participation agreements;

(ii) the disposal of royalty oil;

and (iii) management of the Government pipeline system.

Meanwhile, BNOC is running down the volumes of oil it takes. There is no longer a BNOC term price. BNOC sets prices on the basis of negotiations with individual purchasers. These prices reflect those at which BNOC has been able to sell the oil.

e) i) Fully agree that a comprehensive and verifiable Contadora agreement represents the best available method of resolving regional tensions. We applaud Mexican patience and persistence in pursuing settlement.

ii) Have demonstrated our support by actively working with our European partners. Declarations by the European Council most recently on 14 December 1984; Secretary of State attended San José meeting; another Ministerial level meeting this year planned.

iii) Want to see democracy strengthened and stability established. That is why we support Duarte. Concerned at direction of Nicaraguan policies. Agree with US that pressure



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on Nicaragua needed to persuade them to make concessions necessary to secure a Contadora agreement.

f) i) Have made continued efforts to improve relations with Argentina. Hope you can encourage Argentine Government to take more pragmatic and constructive line. Still await reply to our latest message sent earlier this year. This again put forward practical steps to improve relations.

ii) In interests of both countries to restore more normal bilateral relations. Argentine insistence that there can be no progress unless we agree to discuss sovereignty is unrealistic.

iii) Not prepared to discuss sovereignty against clearly expressed wishes of Islanders and as if events of 1982 had never occurred.

iv) [If raised] Argentine allegations about Mount Pleasant Airport nonsense. Our military dispositions purely defensive. Completion of airport should permit further reductions in garrison. Expect developmental role to become increasingly important.

#### Tactical Arguments

c) i) Debt was given prominence at Bonn Summit, as shown by Chancellor Kohl's reply to President Sanguinetti's letter. The reply sets out very comprehensively and accurately the position of the United Kingdom and other Summit countries.

ii) Political dialogue not best way to achieve practical results. Could lead to unrealistic expectations and striking of unhelpful public postures.

e) Recent border incidents (Nicaragua/Costa Rica and Nicaragua/Honduras) demonstrate urgent need for tangible progress on Contadora and to avoid what has been achieved "unraveling".

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Up to Nicaragua to demonstrate good faith in terms of internal democracy and vis-a-vis her neighbours.

f) i) Wish to see Argentine democracy prosper. Lifting of commercial and economic restrictions would help by improving economy. But no service to democracy to encourage unrealistic Argentine hopes.

ii) Despite Argentine statements of peaceful intent Argentina continues to refuse to declare formal cessation of hostilities, or even to discuss non-controversial issues such as trade.

Their Objectives

- a) To secure endorsement of the Mexican Government's economic strategy.
- b) To promote greater understanding at the political level of the Latin American debt problem, and the need for a debtor/creditor political dialogue.
- c) To exchange views on the current state of the oil market and possibly to seek HMG's assistance in supporting prices through restraining UKCS production.
- d) To seek to persuade HMG to join a producer-consumer dialogue.
- e) To reconfirm support for the Contadora process and, possibly, to enlist European economic support for a settlement in Central America.
- f) To persuade HMG to use its influence with the US to take a more moderate line towards Nicaragua, eg on sanctions, and resumption of Manzanillo talks.
- g) Possibly to persuade the Prime Minister to agree to discuss sovereignty over the Falklands with the Argentine Government.
- h) To defend Mexican support for Argentina in terms of Latin



American solidarity.

Our Response

- a) Commend progress so far, stress importance of keeping to programme.
- b) Bonn Summit acknowledged that progress so far on debt issues gave no cause for complacency and stressed need for sustained non-inflationary growth, free of protectionism. But dialogue best continued through existing international institutions, in full awareness of political implications of debt problem.
- c) Oil company licensees, not HMG, control the level of production. They would be disinclined to invest in the high capital cost North Sea if they thought production controls would be introduced. This is especially important for the UK when UKCS production is peaking and expected to begin to decline in the next year or so.
- d) Suggestions from some quarters (eg Sweden) that a meeting between oil producers and consumers might be arranged seem unwise. The risks of misunderstandings, frustrated hopes and unrealised expectations would be very high. Better to foster informal, bilateral contacts as we do already.
- e) Best way for Europe to help the region is through support for Contadora and for additional European aid to be directed to encouraging economic cooperation between Central American states. The Ten announced after San José their intention to contribute to the development of the region. Hope that date of further Ministerial level meeting can be announced soon and that Community will soon be in a position to discuss with Central American states their proposals for improved economic cooperation. But expectations should not be exaggerated.
- f) i) Regularly exchange views with US. Consider there is no point pressing them at present to resume the Manzanillo talks. Believe Nicaragua will be less willing to take Contadora



seriously if they think they can get a bilateral deal with the US.

ii) Mexico is well placed to encourage Nicaragua to modify its policies and persuade them to turn their tactical public position into reality. Their Constitution and their willingness ~~to take account of views of non-Government groups in drafting it,~~ will be an important test.

g) i) Principle of self-determination enshrined in UN Charter. Islanders themselves wish to remain British. Argentines have made it clear that they regard negotiations as having a pre-determined outcome: the transfer of sovereignty to them irrespective of wishes of Islanders. Cannot ignore events of 1982.

ii) Progress in normalising relations in best interests of Argentina and region as a whole. Argentine insistence on linking mechanism for discussing sovereignty and normalisation blocks progress.



## BACKGROUND

Mexican Debt and Economic Position

- a) Total external debt at end 1984: \$96bn. Second largest debtor behind Brazil. At end March 1985 ECGD had \$1221 mn at risk. At end December 1984, British owned banks exposure to Mexico was \$6242mn.
- b) Since debt servicing problems encountered in August 1982 good progress made in managing debt. IMF Extended Financing Facility programme has run successfully for 2½ years and in line to continue to end-1985. Inflation down from over 100% to about 60%. Public sector deficit cut by well over half. Debt restructured. First phase of commercial bank Multi Year Rescheduling Arrangement (MYRA) signed on 29 March covering \$23.6bn and agreements to be signed for further \$20bn later this year. Indication of increased confidence. Mexico has not asked for official MYRA, as this would reduce its prospects of new export credits cover. But substantial drop in living standards resulted from adjustment.
- c) Recent signs causing some concern: no chance of keeping to Government's original 35% inflation target for 1985: now likely to be over 50%; first quarter trade surplus down 40% on 1984. Sharper devaluation and further public expenditure cuts may be needed. However, recent minimum wage settlement shows government determination to stick to its policies. Mid-term elections for State Governors and Federal deputies scheduled for July, may make Government reluctant to take further tough economic measures before then. Some signs of opposition within government to further adjustment.

Trade and Investment

- d) Although Mexico is our second largest market in Latin America, the level of our trade is historically low. Our exports (£150m



in 1984) account for only 2% of Mexico's imports. There is considerable scope for expansion. Our exports mainly comprise scientific and educational equipment, power generation equipment, machine tools, chemicals and pharmaceuticals. Mexico now has a trade surplus with us. Their exports were worth £175.5m in 1984 and mostly comprise oil and minerals (mainly silver). For some years prior to the economic crisis, the balance of trade was in our favour.

- e) Mexicans are anxious to dilute US economic domination by attracting other foreign investment and alternative trading partners. But British companies find market difficult to penetrate (language, distance and Mexican protectionism all deter).
- f) Missions led by Mr Channon and Lord Jellicoe within last year (both received by President de la Madrid) identified opportunities in several sectors. Since then a number of investments and export projects have been under negotiation. Some have come to fruition and are being signed during the visit (see Annex). But there are several potentially profitable areas in which the Mexicans are not yet fully committed - eg educational equipment (Darwin Instruments); rail transport (British Rail Engineering); and aerospace (British Aerospace and possibly Shorts).
- g) The new investment agreements being signed are worth in total about £20 million. At present we have about 3% of foreign investment in Mexico. The new investment is welcome as in most cases it will result in the export of UK equipment and components for incorporation in the finished Mexican product.
- h) The exports are worth about £50 million in all. With a view to influencing Mexican management to "think British" and to encourage them to go firm on projects on which they are already half committed (eg the British Rail "International" coach), Ministers have agreed a £1 million aid (ATP) facility for the training of Mexican personnel associated with the projects concerned. The facility will be available for disbursement over

the next 3 years. The Prime Minister will wish to inform the President of this decision.

- i) During his visit the President will address British companies at a CBI conference at Centre Point; and will meet the businessmen who have signed contracts or investment agreements.
  
- j) Sicartsa

The Prime Minister and President Lopez Portillo signed a Memorandum of Understanding in October 1981 for the award of a £230 million contract to Davy McKee for the construction of a plate mill for the state-owned steel company, Sicartsa. The problems of the Mexican economy caused the project to be slowed down from the start. It is still less than half finished and the Mexicans have been unable to raise the money necessary for completion. At their request, we presented an aide memoire to the Mexican Government in May, which included some offers of assistance but we are not in a position to meet the major financing gap which lies mainly on the local work. Silva Herzog, Minister for Finance, informed our Embassy on 4 June that the project would be effectively cancelled but that all commitments to foreign equipment suppliers would be met. Davy have been told by Sicartsa to expect a letter saying the project has been cancelled, but no public announcement is expected until after the President's return.

The contract was supported by a £35 million ODA grant under the Aid and Trade Provision. Under the terms of the inter-governmental agreement there are provisions in the event of the project not being completed for HMG to recover part of the grant. Subject to the final value of the UK supply of goods and services, this could be between £0 and £12.9 million. It is therefore not yet possible to ascertain final UK content. No useful purpose would be served by mentioning HMG's potential right to recover at this stage.

Latin American Debt

- k) Recent progress has been mixed. On the negative side IMF programmes for Brazil and Argentina have been suspended after financial targets were missed, but both are talking again to the IMF. Recent balance of payments figures suggest that Brazil and Mexico will not repeat their excellent returns for 1984 in 1985. On the positive side, US interest rates and the dollar have declined recently which will help most debtors.

Cartagena Group and Political Dialogue

- l) Cartagena Group comprises 11 Latin American debtor countries, including Mexico, who wish to coordinate their views on debt problems but not (so far) form a debtors cartel. Its last meeting was in Santo Domingo in February 1985. On behalf of the Group President Sanguinetti of Uruguay wrote to Bonn Summit leaders to express disappointment at the outcome of the IC/DC meetings in Washington, 17-19 April, and calling for a political dialogue, although without making specific proposals. Chancellor Kohl replied on 21 May on behalf of the Summit leaders. (We are consulting others before deciding whether to recommend a separate reply.) Chancellor Kohl's reply reaffirms that dialogue should be kept to existing institutions, which will disappoint Cartagena. However, it is uncertain how forcefully Cartagena Group will press for a dialogue, given the divergence of interest amongst its members: Ecuador and Mexico have their debt problems reasonably under control, and Brazil and Argentina are currently negotiating with the IMF. However apparently radical approach to debt of incoming APRA Government in Peru may encourage some other members of the group to take harder line.

- m) Oil

Mexico, not an OPEC member although an observer at OPEC meetings, introduced production cuts of 100,000 bd from October 1984, following persuasion from the Saudis that such a move



would help support prices during a period of temporary market weakness. The Mexicans did not bargain for a prolonged period of restraint and there are signs that production has been increasing once again.

- n) Mexico announced on 29 April that it would maintain its prices through May, the price of Mexican heavy crude remaining at \$25.50, a level which has not changed for over a year. Mexican light crude, which was reduced by \$1.25 in February, following the OPEC realignment of differentials, will continue to be sold at \$27.75. There are, however, indications that the Mexicans are finding it increasingly difficult to sell at these prices and are coming under increasing customer pressure to introduce discounts.

#### Contadora

- o) After a break in negotiations since September 1984, the Contadora group met in April and May to discuss modified versions of a Contadora agreement. Mexico is a leading member of the group.
- p) Señor Sepúlveda gave HM Ambassador several interesting insights into Mexico's thinking on Contadora on 30 May.
- i) If the political will was not there on the part of the Central Americans, particularly El Salvador and Honduras who were subject to American pressures, Mexico could not go on indefinitely drafting revisions to the Agreement.
- ii) The crux of the problem was that an Agreement would require the suspension of US military aid to El Salvador as well as the withdrawal of foreign military advisers from Nicaragua.
- iii) In addition to Contadora, Mexico was taking some soundings to see if there was a chance of restarting the bilateral US/Nicaragua talks and wanted to establish the basic conditions of both sides.

iv) A major preoccupation was to make it difficult for the US to resort to action which would increase the risk of war in the area. Thus to some extent Contadora was a device to play for time and prevent war.

- q) Sepulveda said the Mexicans were trying to persuade Nicaragua to produce rapidly their new constitution and to live up to their protestations about wanting a mixed economy, non-alignment, certain basic freedoms and to permit the activities of opposition groups. He considered it was important to try to turn Nicaragua's tactical flexibility into substance and Mexico had not given up hope of being able to do this.

EC/Central America

- r) San José meeting of Foreign Ministers of Europe and the Contadora/Central American states in September 1984 agreed to establish political and economic cooperation between Europe and Central America. Increased Community aid was also promised to underline European support and promote cooperation in the region. A further Ministerial level meeting is envisaged towards the end of 1985 by which time it is hoped that an economic framework agreement between the two regions (on ASEAN lines) can be approved. No date has yet been set for the meeting. Nor has the amount of additional EC aid to Central America been fixed.

US/Nicaragua

- s) President Reagan has renewed his efforts to obtain Congressional approval for aid to the Contras. US sanctions introduced on 1 May will hurt Nicaragua but neither sanctions nor the Contras are likely to lead to a collapse of the Sandinistas.

Falklands

- t) The Mexicans have indicated at official level that they do not regard the Falklands as a high priority topic for discussion during the visit.



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u) Mexico (together with all Latin American countries) voted in favour of an Argentine resolution approved by the Organisation of American States on 30 May; the USA and nine Caribbean Commonwealth countries abstained. The resolution repeated allegations the Argentine Foreign Minister had made in an earlier speech to the OAS and in a letter to the UN Secretary General suggesting that Mount Pleasant Airport represented a military threat to Latin America. Embassies in OAS posts lobbied host governments, and HM Permanent Representative to the UN wrote to the UN Secretary General on 29 May rebutting the Argentine allegations.

FOREIGN AND COMMONWEALTH OFFICE

7 June 1985

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COMMERCIAL CONTRACTS OR AGREEMENTS BEING SIGNED AT ADMIRALTY  
HOUSE 11 JUNE 1985

- 1 Acorn Computers. Transfer of technology and marketing rights.
- 2 ICI.
  - a Study on manufacture of synthetic protein
  - b Investment in pharmaceutical products.
  - c Investment in manufacture of explosives.
- 3 GKN. Investment. Joint venture for manufacture of automotive parts
- 4 RACAL. Export of military communications equipment. (Mexicans do not want this advertised. Signature will be on the financial agreement and will not feature in the ceremony on 11 June.)
- 5 Davy. Export of coal washing plant.
- 6 British Rail Engineering. Export and Transfer of Technology. BR's new "International" coach.
- 7 Morgan Crucible. Investment. Ceramic fibres.
- 8 Unilever. Investment. Fragrances. (Signature of this agreement has already been completed and will not feature in the ceremony on 11 June).

AGREEMENTS ON WHICH PROGRESS REMAINS TO BE MADE

- 1 British Aerospace. Joint venture to establish basic aerospace capability in Mexico.
- \* 2 Glaxo. Investment. Pharmaceutical products.
- 3 Darwin Instruments. Export of educational equipment. (Darwin won £37 million order in 1982; good chance of further orders).
- 4 Shorts. Investment/export. Manufacture of Skyvan.
- 5 Crown Agents. Consultancy in fisheries. This could lead to exports.
- 6 Sinclair Computers. Transfer of technology and marketing rights.
- 7 Serck Baker. Export of water treatment plant for oil industry.
- 8 Seifert. Investment. Joint venture in hotel/marina complex for tourism.

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The Racal contract is worth £52m; Davy's contract £4m; Serck Baker's contract, yet to be finalised, £2.5m; and BREL is now in a position to tender for an initial contract worth £10 million with further exports over time worth £80m.

The value of UK investment is more difficult to assess but we believe it will be worth around £20m.

\* Glaxo have just confirmed their intention to proceed

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DE LA MADRID HURTADO, LIC. MIGUEL

President of Mexico. Assumed office 1 December 1982.

Born State of Colima, 12 December 1934. His father died when he was two years old and his mother brought him to Mexico City. Graduate of the National School of Law, National Autonomous University of Mexico (UNAM), 1957 with the thesis "The Economic Philosophy of the 1857 Constitution". Master's Degree in Public Administration, Harvard University, 1965. Member of the Institutional Revolutionary Party (PRI) since 1963.

De la Madrid has risen to the top of the Mexican political structure through a succession of executive posts, almost all of them in the financial field. Until he became President he had never held any elective post but his performance in the executive earned him the reputation of an exceptionally able technocrat - sound, orthodox, right-of-centre and rather dull.

/He



He has a capacious memory and an unusual grasp of the longer term implications of day-to-day problems. When first nominated as presidential candidate, many thought he lacked the toughness and decisiveness needed to run such a country as Mexico. Stronger on management than political sensitivity. Now almost half way through his six year non renewable term of office, he has earned the respect of most Mexicans following the excesses of his two immediate predecessors. He made "moral renovation" one of his administration's main priorities.

He is an avid reader and enjoys classical music. He speaks good English.

His wife, Paloma, is a staunch Catholic. He has five children - four boys and a girl.

Has visited Britain several times, most recently in July 1980. He met and entertained The Queen and the Duke of Edinburgh during their visit to Mexico in 1983.



SEPULVEDA AMOR, LIC. BERNARDO

Minister of Foreign Relations since 1 December 1982.

Born Mexico City, 14 December 1941.

Masters degree in international law from Cambridge University in 1966.

Has long been politically active in the Institutional Revolutionary Party (PRI). In 1976 he was a member of the group of advisers in the Party's Institute of Political, Economic and Social Studies which was responsible for formulating the government programme for 1976-82. He has also belonged to PRI committees concerned with political action, ideology and publishing. In 1981 he was dismissed from the Finance Ministry because he would not support the candidacy of the then Finance Minister for the Presidency. Shortly thereafter he became special adviser on international affairs to Lic. Miguel de la Madrid, then Minister for Planning. In October 1981 he was appointed Secretary for International Affairs of the National Executive Committee of the PRI.

/In



In March 1982 appointed Mexican Ambassador to the USA, in a move which was generally seen as a preparation for his appointment as Foreign Minister when President de la Madrid assumed office on 1 December 1982.

His main activity has been to provide the impulse for the Contadora Group, and create a more positive policy towards Central America, including a gradual move away from excessive commitment to the Nicaraguan revolution.

Married with several children. Speaks excellent English.



CUEVAS CANCINO, LIC. FRANCISCO

Mexican Ambassador to Britain since January 1983.

Born 7 May 1921 in Mexico City.

Graduated in Law from the National Autonomous University of Mexico (UNAM) in 1943. In 1946 he obtained a master's degree in civil law from McGill University Montreal. He has also studied at Ottawa University, the University of London and Columbia University.

Joined the Mexican Diplomatic Service in 1946. Ambassador to Brazil (1979-80), Ambassador to Belgium (1980-83).

Has written a number of books on law, international affairs and history, and a biography of Bolivar.

An experienced career diplomat, widely respected in the Foreign Ministry. Able, pleasant and distinguished.

Speaks excellent English.



## MEETING WITH PRESIDENT OF MEXICO

### Mexican Economy

1. Congratulate him on progress so far in managing Mexico's debt problem, dealing with inflation and reducing public sector deficit. Recognise that adjustment has been painful. Ask how he sees prospects for meeting targets next year? Is there scope for increasing growth by reducing state ownership? (George Shultz' point).

### International Debt

2. Strong support for continuing case by case approach: Mexico a good example of what can be achieved. Almost best to stick to existing channels - IMF, Paris Club, etc. - rather than try to deal with debt by political dialogue.

3. Britain will continue to play its part in

efforts to assist official debtors, e.g. through Paris Club.

### Trade and Investment

4. Pleased to see number of trade and investment agreements signed yesterday.

5. UK making available £1 million technical co-operation package for training of Mexican personnel in connection with projects announced during visit.

6. Also able to increase official credit cover.

7. Want to see trade expand. Particular prospects in education, fisheries, aerospace and tourism.

8. CBI looking forward to his speech tomorrow.

Sicartsa (if raised)

9. Understand that foreign supply contracts will be honoured. Hope Davy and Sicartsa will reach a fair settlement as quickly as possible.

Oil

10. Explain Government's policy on BNOG.

11. Don't like idea of formal producer/consumer dialogue: better stick to informal contacts.

Central America

12. Acknowledge Mexican efforts to achieve a settlement.

13. Essential need is for Sandinistas to stop support for subversion in the area and introduce real democracy in Nicaragua.

14. Our support for Duarte. Our role in Belize.

Falklands

15. Explain our efforts to improve relations with Argentina and sad lack of response.

16. Hope Mexico will encourage Argentina to more pragmatic and constructive line.

17. Argentine allegations about Mount Pleasant airport absurd.