

Confidential Filing

Visit by PM of Peru, Dr Manuel Ulloa Elias on 26 January 1981

PERU

Possible visit by Dr Schwab, the Peruvian Prime Minister and Foreign Minister.

December 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
22-12-80							
12-1-81							
21-1-81							
11-2-81							
12-3-81							
19-3-81							
30/3-81							
8-4-81							
15-5-81							
8-12-83							
16-2-84							
19-6-84							

PREM 19/1341

CLOSED

CONFIDENTIAL

bc P.C.



10 DOWNING STREET

From the Private Secretary

18 June 1984

Dear Peter

Prime Minister of Peru

Thank you for your letter of 18 June recording the resignation of Dr. Schwalb as Prime Minister of Peru, and his succession by Dr. Mariategui, together with the assessment that the latter is likely to be only in office for a short time. I agree that in the circumstances it makes sense to drop the proposal for a visit by the Peruvian Prime Minister this autumn.

*Yours sincerely,
Chris Ricketts*

Peter Ricketts Esq
Foreign and Commonwealth Office

CONFIDENTIAL

R

CONFIDENTIAL

ce/c ①



Foreign and Commonwealth Office

London SW1A 2AH

18 June, 1984

~~EST~~ 18/6

Dear Charles,

Yes
me

Prime Minister
Agree to drop?

C.D.P.

18/6

Prime Minister of Peru

In John Coles' letter of 16 February he confirmed that the Prime Minister agreed that Dr Schwalb, the then Prime Minister of Peru, should be invited to pay an official visit to the United Kingdom from 30 September to 5 October and that Mrs Thatcher would receive him for talks on 3 October followed by lunch.

Dr Schwalb resigned as Prime Minister in April and our Ambassador in Lima considers that the benefits accruing from a visit here by his successor, Dr Mariategui, would at most be marginal and short-term. Dr Mariategui is heading a lame-duck administration which at best will limp through until the elections scheduled for March 1985. The Foreign Secretary therefore recommends that the proposal for a visit by the Peruvian Prime Minister this autumn should be dropped.

For ever
P F Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



file

Boe

cc Caroline
Ryder

10 DOWNING STREET

From the Private Secretary

16 February 1984

Prime Minister of Peru

Thank you for your letter of 10 February. The Prime Minister agrees that Dr. Schwalb should be invited to pay an official visit to the United Kingdom between 30 September and 5 October.

brf Mrs. Thatcher would be prepared to have talks with him at 12 o'clock on Wednesday, 3 October and give him lunch afterwards.

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

BR

B.R.

PRIME MINISTER

You agreed earlier that we could invite the Prime Minister of Peru (Dr. Schwalb) for an official visit.

He has now proposed the dates of 30 September - 5 October.

These dates fall between your return from an overseas visit (to Malaysia etc.) and the Party Conference.

Would you be prepared to have talks with him at 12 o'clock on Wednesday, 3 October followed by lunch?

Yes

A.F.C.

15 February 1984

file Bro

PRIME MINISTER

You agreed earlier that we could invite the Prime Minister of Peru (Dr. Schwalb) for an official visit.

He has now proposed the dates of 30 September - 5 October.

These dates fall between your return from an overseas visit (to Malaysia etc.) and the Party Conference.

Would you be prepared to have talks with him at 12 o'clock on Wednesday, 3 October followed by lunch?

A. J. COLES

15 February 1984

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

Mr. Fisher.

Could you suggest times

pl?

10 February, 1984

AFC 13/2.

12.00 Talks
1300 lunch

wed 3 Oct

one pl. ~~felt~~ ask P.M. as it is
just after overseas trip a just
before party but
ok.

Dear John,

Visit of the Prime Minister of Peru

You confirmed on 8 December the Prime Minister's agreement in principle to the proposal for an official visit this year by the Prime Minister of Peru, Dr Schwalb.

Dr Schwalb has now formally accepted the Prime Minister's invitation and has proposed the dates of 30 September to 5 October 1984. I should be grateful if you would let me know whether this timing would be convenient for the Prime Minister. If so, perhaps you could let me know in due course when she would be able to receive Dr Schwalb. You might also wish to consider whether it would be possible for the Prime Minister to host a luncheon or dinner in honour of Dr Schwalb.

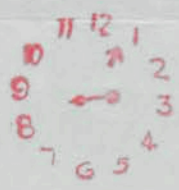
Yours ever,

P F Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

10 JUN 1984



UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

FILE SH

8 December, 1983

Prime Minister of Peru

Thank you for your letter of 7 December.
The Prime Minister agrees that the Peruvian
Prime Minister should be invited to visit
the United Kingdom next year.

A. J. COLES

P. F. Ricketts, Esq.,
Foreign and Commonwealth Office

MR



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

Hope that the Peruvian
Prime Minister should be
invited to visit the U.K.
next year?

7 December 1983

A.S.C. 7/12

MS

Dear Tony

Yes

Possible visit to the UK by the Prime Minister of Peru

Lady Young has just made a successful visit to Peru. It was clear from the particular warmth with which President Belaunde and members of his government received her that the Peruvians are now keen to be back on good terms with us after the setback to our relations resulting from the Falklands war.

During the visit, Dr Schwalb, the Peruvian Prime Minister and Foreign Minister, made it clear that he would much welcome an invitation to pay an official visit to Britain. The Foreign Secretary believes it to be in our interest to respond. There is clearly advantage in taking this opportunity to develop our relations with a major Latin American country, which has in the past been susceptible to Argentine influence. It is also useful to retain the ability to bring the Peruvians into play, if it so suits us, over our own relations with Argentina. President Belaunde's undertaking to Lady Young to convey to the new Argentine Government our wish for a gradual normalisation of relations is an example of how they can be helpful. On the other hand, he clearly still has hopes of acting as a mediator between ourselves and Argentina; and his suggestion of dividing sovereignty between the islands is the latest example of this. The Foreign Secretary has considered whether an invitation to Dr Schwalb might whet President Belaunde's appetite once more. He believes that this is not a real danger. President Belaunde has already had a polite but firm message discouraging him from taking his latest ideas on the Falklands any further and a visit to London by Dr Schwalb would, in practice, give us a good opportunity to put our own views clearly to him.

/An additional

CONFIDENTIAL



An additional consideration is that Peru has just been elected to the Security Council. There are therefore a number of issues on which an exchange of views with Dr Schwalb would be helpful. The Foreign Secretary therefore recommends that an official invitation should be extended to Dr Schwalb for a visit next year.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL



low
Foreign and Commonwealth Office

London SW1A 2AH

15 May 1981

Dear Michael,

/ I enclose a letter which the Prime Minister of Peru, Dr Manuel Ulloa Elias, has written to the Prime Minister, conveying his appreciation for the hospitality extended to him during his official visit to London from 29 March to 1 April. You will recall that the Prime Minister received Dr Ulloa and gave him lunch on 30 March.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

Presidente del Consejo de Ministros

Prime Minister

r/g.

And

Lima, May 5, 1981

R.T. HON. Mrs. Margaret Thatcher M.P.
10 Downing Street
London SW1
ENGLAND

mt

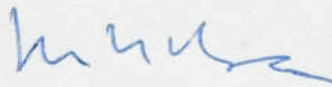
Dear Prime Minister,

I am writing to express to you my deepest appreciation for the hospitality and courtesies displayed throughout our visit to London. Your kind invitation provided a wonderful opportunity to reinforce the traditional ties our countries have had since long ago. The series of official meetings and social events were most interesting and useful occasions to develop, and re-establish in many cases, closer links with members of your government as well as the private sector.

I certainly trust that this visit is only the start of a more intense relationship between Peru and the United Kingdom which should prove to be of mutual benefit. In closing, let me reiterate my gratitude and that of my government for having sponsored such valuable occasion. Please convey our appreciation to the members of your government with whom your office was kind enough to set up meetings during our stay in London.

With best personal regards.

Yours truly,



Manuel Ulloa Elías
Prime Minister and Minister of
Economy, Finance and Commerce

13 MAY 1981



Presidente del Consejo de Ministros

Prime Minister

H.P.

And

Lima, May 5, 1981

R.T. HON. Mrs. Margaret Thatcher M.P.
10 Downing Street
London SW1
ENGLAND

mt

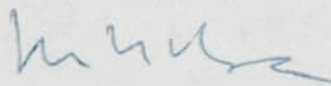
Dear Prime Minister,

I am writing to express to you my deepest appreciation for the hospitality and courtesies displayed throughout our visit to London. Your kind invitation provided a wonderful opportunity to reinforce the traditional ties our countries have had since long ago. The series of official meetings and social events were most interesting and useful occasions to develop, and re-establish in many cases, closer links with members of your government as well as the private sector.

I certainly trust that this visit is only the start of a more intense relationship between Peru and the United Kingdom which should prove to be of mutual benefit. In closing, let me reiterate my gratitude and that of my government for having sponsored such valuable occasion. Please convey our appreciation to the members of your government with whom your office was kind enough to set up meetings during our stay in London.

With best personal regards.

Yours truly,



Manuel Ulloa Elías
Prime Minister and Minister of
Economy, Finance and Commerce

File Sub
CONFIDENTIAL Per

8 April 1981

Visit of the Prime Minister of Peru

I enclose, with apologies for the delay, the record of the Prime Minister's talk with the Prime Minister of Peru which took place here on 30 March.

M. O'D. B. ALEXANDER

F.J. Richards, Esq.,
Foreign and Commonwealth Office.

S

CONFIDENTIAL

CONFIDENTIAL

SECRET
cehoate
RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER, THE RT. HON. MRS. MARGARET THATCHER, M.P., AND THE PRIME MINISTER OF PERU, DR. MANUEL ULLOA ELIAS, AT No. 10 DOWNING STREET, AT 1200 NOON on 30 MARCH 1981

PRESENT:

The Prime Minister	H.E. Dr. Manuel Ulloa Elias
Mr. Nicholas Ridley, M.P.	Dr. Roberto Danino
Mr. Cecil Parkinson, M.P.	Dr. Sergio Malaga
Mr. J. B. Ure	Vice Admiral Ricardo Zevallos Newton
Mr. M. O'D. B. Alexander	Sra Elvira de Garcia Ribeyo
Mr. P. R. Fearn	

Welcoming Dr. Ulloa the Prime Minister said that Peru's return to democracy, through impeccably conducted elections, had given great pleasure to her friends. This should lead to a new era of closeness between Peru and the UK. It was important for democratic countries to keep together. Dr. Ulloa expressed gratitude for the invitation to the UK. President Belaunde had asked him to emphasise Peru's strong wish for a strengthened relationship with Britain.

Dr. Ulloa said that the national elections in Peru last May and the more recent municipal/provincial elections had given the Government a strong mandate. This wide popular support, in particular from the poorer sectors, was important given the unpleasant measures which would have to be taken in the economic field. The government had inherited a serious inflationary situation, aggravated by price controls and subsidies. Since President Belaunde left power in 1968 the number of public enterprises had increased from 10 to 200: and the foreign debt from US\$1 billion to US\$10 billion. Despite the radical ideology of the previous military government, social conditions had also sharply deteriorated. The new government had already made a start in clearing away the abnormalities and in reorganising the administration of social programmes (in which there had been strong Communist influence). Basic legislation on agriculture (where production had declined by 50 per cent) was in hand; and legislation on mining, energy and oil was being undertaken. But the pace of progress had to adjust to the political realities. The Prime Minister agreed that, in tackling inflation, it might in theory be best to move quickly; but in practice this was not always possible. Dr. Ulloa said that inflation for the first three months of 1981 had been 24 per cent (not on an annual basis). It was hoped that the April figures would be lower. The objective was an inflation rate of 40 per cent in 1981, though with luck it could be less. In

/agriculture, despite

CONFIDENTIAL

CONFIDENTIAL

- 2 -

agriculture, despite the severe drought in recent years and now floods, a 10 per cent increase in production was expected. Peru had not enough arable land and it was therefore necessary to open up the potentially rich areas east of the Andes. Overall it was hoped to get a 6/7 per cent increase in GNP this year.

Dr. Ulloa said that Peru had a serious shortage of skilled labour, together with 40 per cent unemployment. The Government were therefore embarking on major infrastructure programmes (roads, ports, etc.) They hoped to obtain assistance from international financial institutions. A conference under World Bank auspices would take place in Paris in May to discuss investment in public sector projects. It was hoped that some \$600/\$700 million per annum might be forthcoming. The independent private sector was also being actively encouraged.

Reverting to Peru's agricultural problems, Dr. Ulloa said that Peru now had to import grain and rice: and also needed to restimulate sugar production. Mr. Ridley asked whether the UK could be of any assistance in the field of agricultural production. Mr. Parkinson referred to British companies' interests in new sugar factories in Peru.

The Prime Minister referred to the problems caused by Cuban/Soviet subversion. There was worldwide evidence of Communist attempts to exert influence. The situation in Poland was critical. In Latin America there was deep concern over Cuban activities, despite the fact that Cuba's own image (with almost one million refugees leaving that country) had been badly dented. Dr. Ulloa thought that the Cubans were over-reaching themselves. In particular, Cuban support for terrorists in Colombia had been a serious mistake and had alerted the region to the risks. In Central America, there was a fear that, if Poland was invaded, the United States might try to take action against Cuba. This would provoke major political problems in the region and cause concern about the direction of US policy.

The Prime Minister asked what Peru would want the US to do about Cuban regional activities. The example of Peru showed the increasing desire within the region to restore democracy and it therefore seemed right to do everything possible to push back Cuban/
/Soviet influence.

CONFIDENTIAL

CONFIDENTIAL

- 3 -

Soviet influence. But, at a critical time, it was particularly important to do the right thing. From her recent discussions in Washington it was clear that the United States wished to consult widely with its friends over Central America and also to keep closer to Mexico. What, in Peru's view, should be the general US stance in the area? Dr. Ulloa said that the stronger leadership being given by the United States had had beneficial effects in Latin America. But it was very important that there should be close consultation on major decisions, so that the implications could be clear to all. The changed US policy towards authoritarian regimes, by removing obstacles to closer relations, also seemed sensible. The Cubans would try to aggravate the historic divisive issues in Latin America. It was for these reasons important that a solution should be found to the Beagle Channel dispute and to the question of Bolivian access to the sea.

Dr. Ulloa said that the recent flare-up in the Peru/Ecuador border dispute was also a concern in this context. The Peruvians believed that there had been some Cuban influence in provoking the Ecuadorean action. The problem was not yet resolved but there were indications of a more realistic attitude by Ecuador. The Peruvians were, however, concerned about Ecuadorean arms purchases. If these continued, it could increase tensions; and Peru had no wish to divert its own limited resources into building up arms on its side. Peru had been particularly concerned by apparent Israeli involvement in providing military training and assistance to Ecuador.

Dr. Ulloa continued that in Peru, the newest democracy in Latin America, considerable efforts were being made by the extreme left to undermine stability. Recent terrorist activities in Peru had revealed links with Libya and with East European countries. The Peruvian Government were taking steps to control these while keeping within the law. But the outcome in Peru would have an important influence in Colombia, Ecuador, Venezuela and elsewhere in the region. The success of democracy in Peru would also have implications for progress in Argentina, Bolivia and Chile. The Prime Minister agreed that Peru could be seen as the litmus paper of the region. It was necessary to take firm steps to ensure that Communist influence did not endanger democracy. This was not always

/easy in an

CONFIDENTIAL

CONFIDENTIAL

- 4 -

easy in an open society. But the evidence was that people were not easily taken in by Communist propaganda. The extension of democracy in Latin America had created a new sense of hope. But the world was going through a difficult period: and the deflationary effects on the world economy of oil prices increased the problems. The important thing was to stick with determination to one's policies. Dr. Ulloa agreed, Peru faced a real challenge but the new Peruvian Government, under the outstanding leadership of President Belaunde, reflected the will of the people.

In conclusion, the Prime Minister referred to the Falkland Islands dispute. This was a difficult problem on which we were seeking to act in the best interests of the Islanders. We could do nothing without taking fully into account the wishes of the Islanders and no solution would be acceptable to Parliament unless this were the case. Mr. Ridley said that progress was being made towards a solution. The Islanders, who were represented at the recent round of Anglo/Argentine talks, were gaining a more realistic understanding of the nature of the problem. Dr. Ulloa said that he had recently visited Buenos Aires and his impression was that the Argentine Government (both outgoing and incoming) were also taking a much more realistic line and were aware that any solution had to take account of the Islanders' interests.

Andy

3 April 1981

CONFIDENTIAL

010
COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

31 March 1981

Typists mine

Dear Michael,

Prime Minister of Peru

/ I enclose a draft record of the talks between the Prime Minister and the Peruvian Prime Minister on 30 March.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON SW1

COVERING CONFIDENTIAL

~~DRAFT~~ RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER,
THE RT HON MRS MARGARET THATCHER MP, AND THE PRIME MINISTER
OF PERU, DR MANUEL ULLOA ELIAS, AT 10 DOWNING STREET:
1200 ON 30 MARCH 1981

The Rt Hon Mrs Margaret
Thatcher MP

Mr Nicholas Ridley MP

Mr Cecil Parkinson MP

Mr J B Ure
Mr M O'D Alexander

Mr P R Fearn

H E Dr Manuel Ulloa Elias

Dr Roberto Danino

Dr Sergio Malaga

Vice Admiral Ricardo

Zevallos Newton

Sra Elvira de Garcia Ribeyo

The Prime Minister

1. Welcoming Dr Ulloa ~~Mrs Thatcher~~ said that Peru's return to democracy, through impeccably conducted elections, had given great pleasure to her friends. This should lead to a new era of closeness between Peru and the UK. It was important for democratic countries to keep together. Dr Ulloa expressed gratitude for the invitation to the UK. President Belaunde had asked him to emphasise Peru's strong wish for a strengthened relationship with Britain.
2. Dr Ulloa said that the national elections in Peru last May and the more recent municipal/provincial elections had given the Government a strong mandate. This wide popular support, in particular from the poorer sectors, was important given the unpleasant measures which would have to be taken in the economic field. The government had inherited a serious inflationary situation, aggravated by price controls and subsidies. Since President Belaunde left power in 1968 the number of public enterprises had increased from 10 to 200: and the foreign debt from US\$1 billion to US\$10 billion. Despite the radical ideology of the previous military government, social conditions had also sharply deteriorated. The new government had already made a start in clearing away the abnormalities and in reorganising the administration of social programmes (in which there had been strong Communist influence). Basic legislation on agriculture (where production had declined by 50%) was in hand; and

/ legislation

legislation on mining, energy and oil was being undertaken. But the pace of progress had to adjust to the political realities. ^{P.N.} ~~Mrs Thatcher~~ agreed that, in tackling inflation, it might in theory be best to move quickly; but in practice this was not always possible. Dr Ulloa said that inflation for the first three months of 1981 had been 24% (not on an annual basis). It was hoped that the April figures would be ~~down to 2-2-1/2%~~ ^{lower,} The objective was an inflation rate of 40% in 1981, though with luck it could be ^{less} ~~lower~~. In agriculture, despite the severe drought in recent years and now floods, a 10% increase in production was expected. Peru had not enough arable land and it was therefore necessary to open up the potentially rich areas east of the Andes. Overall it was hoped to get a 6%/7% increase in GNP this year.

3. Dr Ulloa said that Peru had a serious shortage of skilled labour, together with 40% unemployment. The Government were therefore embarking on major infrastructure programmes (roads, ports, etc). They hoped to obtain assistance from international financial institutions. A conference under World Bank auspices would take place in Paris in May to discuss investment in public sector projects. It was hoped that some \$600/\$700 million per annum might be forthcoming. The independent private sector was also being actively encouraged.

4. Reverting to Peru's agricultural problems, Dr Ulloa said that Peru now had to import grain and rice: and also needed to restimulate sugar production. Mr Ridley asked whether the UK could be of any assistance in the field of agricultural production. Mr Parkinson referred to British companies' interests in new sugar factories in Peru.

^{P.N.} 5. ~~Mrs Thatcher~~ referred to the problems caused by Cuban/Soviet subversion. There was worldwide evidence of Communist attempts to exert influence. The situation in Poland was critical. In Latin America there was deep concern over Cuban activities, despite the fact that Cuba's own image (with almost one million refugees leaving that country) had been badly dented. Dr Ulloa thought that the Cubans were over-reaching themselves. In particular, Cuban support for terrorists in Colombia had been a serious

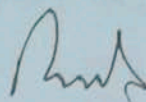
mistake and had alerted the region to the risks. In Central America, there was a fear that, if Poland was invaded, the United States might try to take action against Cuba. This would provoke major political problems in the region and cause concern about the direction of US policy.

6. ^{PN} Mrs Thatcher asked what Peru would want the US to do about Cuban regional activities. The example of Peru showed the increasing desire within the region to restore democracy and it therefore seemed right to do everything possible to push back Cuban/Soviet influence. But, at a critical time, it was particularly important to do the right thing. From her recent discussions in Washington it was clear that the United States wished to consult widely with its friends over Central America and also to keep closer to Mexico. What, in Peru's view, should be the general US stance in the area? Dr Ulloa said that the stronger leadership being given by the United States had had beneficial effects in Latin America. But it was very important that there should be close consultation on major decisions, so that the implications could be clear to all. The changed US policy towards authoritarian regimes, by removing obstacles to closer relations, also seemed sensible. The Cubans would try to aggravate the historic divisive issues in Latin America. It was for these reasons important that a solution should be found to the Beagle Channel dispute and to the question of Bolivian access to the sea.

7. Dr Ulloa said that the recent flare-up in the Peru/Ecuador border dispute was also a concern in this context. The Peruvians believed that there had been some Cuban influence in provoking the Ecuadorean action. The problem was not yet resolved but there were indications of a more realistic attitude by Ecuador. The Peruvians were, however, concerned about Ecuadorean arms purchases. If these continued, it could increase tensions; and Peru had no wish to divert its own limited resources into building up arms on its side. Peru had been particularly concerned by apparent Israeli involvement in providing military training and assistance to Ecuador.

8. Dr Ulloa continued that ~~In~~ Peru, the newest democracy in Latin America, considerable efforts were being made by the extreme left to undermine stability. Recent terrorist activities in Peru had revealed links with Libya and with East European countries. The Peruvian Government were taking steps to control these while keeping within the law. But the outcome in Peru would have an important influence in Colombia, Ecuador, Venezuela and elsewhere in the region. The success of democracy in Peru would also have implications for progress in Argentina, Bolivia and Chile. ^{P.A.} ~~Mrs Thatcher~~ agreed that Peru could be seen as the litmus paper of the region. It was necessary to take firm steps to ensure that Communist influence did not endanger democracy. This was not always easy in an open society. But the evidence was that people were not easily taken in by Communist propaganda. The extension of democracy in Latin America had created a new sense of hope. But the world was going through a difficult period: and the deflationary effects on the world economy of oil prices increased the problems. The important thing was to stick with determination to one's policies. Dr Ulloa agreed. Peru faced a real challenge but the new Peruvian Government, under the outstanding leadership of President Belaunde, reflected the will of the people.

9. In conclusion, ^{P.A.} ~~Mrs Thatcher~~ referred to the Falkland Islands dispute. This was a difficult problem on which we were seeking to act in the best interests of the Islanders. We could do nothing without taking fully into account the wishes of the Islanders and no solution would be acceptable to Parliament unless this were the case. Mr Ridley said that progress was being made towards a solution. The Islanders, who were represented at the recent round of Anglo/Argentine talks, were gaining a more realistic understanding of the nature of the problem. Dr Ulloa said that he had recently visited Buenos Aires and his impression was that the Argentine Government (both outgoing and incoming) were also taking a much more realistic line and were aware that any solution had to take account of the Islanders' interests.



CONFIDENTIAL

Distribution:

PS/No 10
PS
PS/LPS
PS/Mr Ridley
PS/Mr Parkinson
PS/PUS
Mr Day
Mr Ure
M&CD
NAD
SAmD

Chanceries: Lima
Quito
Bogota
Caracas
La Paz
Buenos Aires

CONFIDENTIAL

Peru

VISIT OF THE PRIME MINISTER OF
THE REPUBLIC OF PERU AND
SENORA DE ULLOA

ADMINISTRATIVE PLAN

Sunday 29 March

Arrival

The Prime Minister and Sra de Ulloa and party will arrive on flight BA 192, London Heathrow Airport, Terminal 3. As soon as the aircraft doors open a representative of the British Airports Authority will escort the greeting party to the aircraft. The Chargé d'Affaires of Peru and Sra de Rivero will board the aircraft and escort the Prime Minister and Sra de Ulloa to the tarmac. The following will be at the aircraft steps (in order):-

Sir Derek Dodson, Special Representative of the Secretary
of State for Foreign and Commonwealth Affairs
Brigadier J A C Cowan, Secretary, Government Hospitality Fund
Group Captain Robert Thomson, Escort Officer
Government Hospitality Fund

Sir Derek Dodson will greet the Prime Minister and Sra de Ulloa on behalf of the Secretary of State and take them down the receiving line. The party will then proceed to the Alcock & Brown Suite by car.

Transport

Cars are provided by Government Hospitality Fund and seating arrangements are described at Annex I.

Monday 30 March

Talks with the Prime Minister, Minister of State for Foreign & Commonwealth Affairs, & Minister for Trade.

The following will also be present:

Peru

Chargé d'Affaires —
Director Superior of the Ministry of Economy
A.D.C. to the Prime Minister
Secretary General of Ministry of Economy, Finance and Commerce
Private Secretary

United Kingdom

Private Secretary
Mr J B Ure
Mr P R Fearn

Calls on the Chancellor of the Exchequer and Minister of State,
Civil Service Department

The following will accompany the
Prime Minister
Chargé d'Affaires
Director Superior of Ministry of Economy
A.D.C. to the Prime Minister
Secretary General of Ministry of Economy Finance and Commerce
Private Secretary

Reception and discussion meeting at Canning House

Chargé d'Affaires
Director Superior of Ministry of Economy
A.D.C. to the Prime Minister
Secretary General of Ministry of Economy, Finance & Commerce
Private Secretary

Tuesday 31 March

Call on Lord Mayor of London, Meeting at Lloyds of London and

Luncheon at Bank of England

Chargé d'Affaires
Director Superior of Ministry of Economy
A.D.C. to the Prime Minister
Secretary General of Ministry of Economy, Finance and Commerce
Private Secretary

Houses of Parliament

We are hoping to obtain sufficient tickets for all members of the official party to attend the Prime Minister's Question-Time. If this is not possible Group Captain Thomson will make arrangements for them to wait until the tour of the Houses of Parliament commences.

Meeting at Department of Trade, Ministry of Defence

The following will also be present:
Chargé d'Affaires
Director Superior of Ministry of Economy
A.D.C. to the Prime Minister
Secretary General of Ministry of Economy, Finance & Commerce
Private Secretary

Dinner at 1 Carlton Gardens

The following are also invited:
Chargé d'Affaires & Sra de-Rivero
Director Superior of Ministry of Economy,
A.D.C. to the Prime Minister
Secretary General of Ministry of Economy, Finance and Commerce
& Sra de Dañino
Private Secretary

CAR SEATING PLANSunday 29 MarchLondon Heathrow Airport to Hotel

Car P Prime Minister
 Sra de Ulloa
 Group Captain R Thomson
 Sgt P Low

Car 1 Sr Dr O de-Rivero
 Dr S Málaga
 Vice-Admiral R Zevallos Newton
 Brigadier J A C Cowan, Secretary, Government
 Hospitality Fund
 Sgt S Jones

Car 2 Dr R Dañino
 Sra de Dañino
 Sra E de García Ribeyro
 Sra de-Rivero

Monday 30 MarchHotel to 10 Downing Street (for talks & lunch)Civil Service Department and return to Hotel

Car P Prime Minister
 Sr Dr O de-Rivero
 Group Captain Thomson
 Sgt P Low

Car 1 Dr S Málaga
 Vice-Admiral R Zevallos Newton
 Dr R Dañino
 Sra E de García Ribeyro
 Sgt S Jones

Hotel to 10 Downing Street (for lunch) and return to Hotel

Car 2 Sra de Ulloa
 Sra de-Rivero
 Sra de Dañino

Hotel to Canning House, and return to Hotel

Car P Prime Minister
 Sr Dr O de-Rivero
 Group Captain R Thomson
 Sgt P Low

Car 1 Dr S Málaga
 Vice-Admiral R Zevallos Newton
 Dr R Dañino
 Sra E de García Ribeyro
 Sgt S Jones

Tuesday 31 March

Hotel to Mansion House, Lloyds of London, Bank of England, Houses of Parliament, Department of Trade, Ministry of Defence and return to Hotel.

As on journey to 10 Downing Street

Hotel to 1 Calton Gardens and return to Hotel

Car P Prime Minister
 Sra de Ulloa
 Group Captain R Thomson
 Sgt P Low

Car 1 Sr Dr O de-Rivero
 Sra de-Rivero
 Dr S Málaga
 Vice-Admiral R Zevallos Newton
 Sgt S Jones

Car 2 Dr R Dañino
 Sra de Dañino
 Sra E De García Ribeyro

Wednesday 1 April

Hotel to London Heathrow Airport

As on inward journey

Visits Section
Protocol and Conference Department

FOREIGN AND COMMONWEALTH OFFICE

26 March 1981

DISTRIBUTION

10 Downing Street

PS/Prime Minister (2)
Press Office (1)

Embassy of Peru (6)

Foreign and Commonwealth Office

Private Secretary (2)
PS/LPS (2)
PS/Mr Ridley (2)
Mr D M Day (1)
Mr J B Ure (1)
Mr P R Fearn, South America Department (1)
South America Department (Mr George) (6)
News Department (3)
Security Department (1)
Resident Clerk (1)
Protocol and Conference Department (6)

N. R.

MR ALEXANDER
MR INGHAM
MR ANSON
MR RYLANDS
MR TAYLOR
DETECTIVES
FRONT DOOR

The following are expected to arrive at 12 noon
for 12.15 pm for a photocall with the Prime
Minister of Peru, Dr Manuel Vlloa Elias:

Central Office of Information	- R Balcombe
Financial Times	- R Taylor
U.P.I.	- Roy Letkey
ITN (Stills)	- V. Boyton
Visnews (Telexsim)	- K Harding T Cox K Ward

C.A.

C V ANSON
PRESS OFFICE

30 March, 1981.

Mr Alexander

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE PRIME MINISTER
IN HONOUR OF HIS EXCELLENCY THE PRIME MINISTER AND MINISTER OF ECONOMY,
FINANCE AND COMMERCE OF THE REPUBLIC OF PERU ON
MONDAY, 30 MARCH 1981 AT 1.00 PM FOR 1.15 PM

The Prime Minister

Peruvian Suite

His Excellency Dr. Manuel Ulloa Elias

The Charge d'Affaires to the Republic of Peru
and Señora de Rivero

Dr. Sergio Malaga

Director, Superior, Peruvian
Ministry of Economy

Vice Admiral Ricardo Zevallos Newton

ADC to the Prime Minister

Dr. Roberto Danino
and Señora de Danino

Secretary General, Peruvian Ministry
of Economy, Finance and Commerce

Señora Elvira de Garcia de Ribeyro

Private Secretary to the Peruvian
Prime Minister

HM Government

The Rt. Hon. Nigel Lawson, MP
and Mrs. Lawson

The Hon. Nicholas Ridley, MP
and Mrs. Ridley

Mr. Cecil Parkinson, MP
and Mrs. Parkinson

Conservative MPs

Mr. Peter Lloyd, MP
and Mrs. Lloyd

Mr. Cranley Onslow, MP
and Lady June Onslow

Mr. William Shelton, MP
and Mrs. Shelton

Labour MPs

Mr. James Lamond, MP
and Mrs. Lamond

Chairman, Anglo-Peruvian
Parliamentary Group

Bank of England

The Rt. Hon. Gordon Richardson

Governor of the Bank of England
(a visit to the Bank of England is
planned for Dr. Ulloa)

Industry

The Earl of Limerick	Chairman, British Overseas Trade Board
Lord Weinstock and Lady Weinstock	Chairman, GEC. GEC have asked to meet Dr. Ulloa
Sir David Steel and Lady Steel	Chairman, BP (negotiating with State oil company, Petroperu, for exploration concessions)
Mr. Dirk de Bruyne and Mrs. de Bruyne	Chairman, Shell International Petroleum (negotiating with Petroperu for exploration concessions)
Mr. D.A. Holland and Mrs. Holland	Chairman, Balfour Beatty
Mr. P. Brauner and Mrs. Brauner	Director, Hill Samuel Developments Ltd. (interested in development of Cerro Verde copper mine)
Sir Arthur Marshall and Lady Marshall	Chairman, Marshall of Cambridge Ltd. (seeking to sell trucks to Peruvian Army)
Mr. John Hull and Mrs. Hull	Chairman, J. Henry Schroder Wagg & Co (Schroders have asked to meet Dr. Ulloa)
Mr. I.J. Fraser and Mrs. Fraser	Chairman, Lazard Bros. Ltd. Actively engaged in Latin America, including Peru. Lazards have asked to meet Dr. Ulloa
Mr. A.B. Henderson	Chairman, Hispanic and Luso-Brazilian Council. Director, Livesey and Henderson (consultancy work on railways in Peru)
Sir Reginald Smith and Lady Smith	Chairman, George Wimpey International Ltd. (interested in development of Materani port project)
Mr. J.P. Du Cane and Mrs. Du Cane	Chairman, Selection Trust Ltd. (interested in development of copper mines in Peru)
Mr. K.J. Sidey and Mrs. Sidey	Business Manager, Tarmac International leader of the British Consortium involved in Majes irrigation development project; tendering for Materani port project).

Press

Mr. Harold Evans Editor, The Times

Others

Mr. K.D. Jamieson
and Mrs. Jamieson Chairman, Anglo-Peruvian Society

28

Sir Berkeley Gage
and Lady Gage

ex-Ambassador in Lima (1958-63)

Mr. J.H. Hemming
and Mrs. Hemming

Director and Secretary of the
Royal Geographical Society (author of
"The Conquest of the Incas" and
frequent traveller to Peru)

Dr. Ann Kendall

Director Cusichaca Project (an
archaeological study of of Inca and
pre-Inca occupations in the Central
Andes of Peru)

Professor Hugh Thomas
and Mrs. Thomas

Chairman, Centre for Policy Studies
(visited Latin America with
Lord Carrington in 1980)

Officials

Sir Donald Maitland
and Lady Maitland

PUS, Department of Energy (Peru is
opening up development of oil resources
to foreign companies)

Mr. Derek Day
and Mrs. Day

FCO

10 Downing Street

Mr. Ian Gow, MP

Mr. Michael Alexander

DRAFT SEATING PLAN FOR LUNCH - MONDAY, 30 MARCH

PRIME MINISTER

THE DR. MANUAL ULLOA ELIAS The Charge d'Affaires of Peru

Rt. Hon. Nigel Lawson

Mrs. Lawson

Senora de Rivero

Dr. Sergio Malaga

The Hon. Nicholas Ridley

The Hon. Mrs. Ridley

Senora de Danino

Rt. Hon. Gordon Richardson

Lord Limerick

Vice Admiral Ricardo Zevallos Newton

Mr. Cecil Parkinson

Dr. Roberto Danino

Lady Smith

Mrs. Parkinson

Lady Steel

Lady Weinstock

Sir David Steel

The Lord Weinstock

Sir Reginald Smith

Mr. Dirk de Bruyne

Mr. I.J. Fraser

Senora Elivira de Garcia Ribeyro

Mrs. Fraser

Lady Marshall

Lady Gage

Sir Arthur Marshal

Mr. D.A. Holland

Sir Berkeley Gage

Mr. A.B. Henderson

Mrs. de Bruyne

Dr. Ann Kendall

Lady Maitland

Mrs. Holland

Sir Donald Maitland

Mr. Harold Evans

Mr. J.P. Du Cane

Professor Hugh Thomas

Mrs. Du Cane

Mrs. Day

Mrs. Thomas

Mrs. Hull

Mr. K.D. Jamieson

Mr. James Lamond

Mr. John Hull

Mr. D.M. Day

Mrs. Lamond

Mrs. Hemming

Mrs. Jamieson

Mrs. Brauner

Mr. Peter Lloyd

Mr. Cranley Onslow

Mr. P. Brauner

Mr. William Shelton

Lady June Onslow

Mrs. Lloyd

Mrs. Shelton

Mrs. Sidey

Mr. J.H. Hemming

Mr. K.J. Sidey

Mr. Ian Gow

Mr. Michael Alexander

ENTRANCE



Foreign and Commonwealth Office

London SW1A 2AH

27 March 1981

Dear Michael,

Prime Minister's talks with Peruvian Prime
Minister: 30 March

Our Ambassador in Lima has reported that Dr Ulloa may raise the question of emergency aid following recent floods in Peru. I enclose a short brief covering this topic to supplement those sent to you under cover of Roderic Lyne's letter of 26 March.

Yours ever,

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing St



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

SUPPLEMENTARY BRIEF: EMERGENCY AID

POINTS TO MAKE

1. (If raised). We were distressed to learn of the recent severe flooding in Peru. We will look carefully at any specific requests for assistance for those affected by the floods.



EMERGENCY AID

ESSENTIAL FACTS

1. Recent heavy rains in Peru, which in places ended a five-year drought, have caused the worst flooding for fifty years. Roads and railways have been severed, farmlands flooded, housing and bridges destroyed over a wide area, and the flow of oil through the Trans-Andean pipelines disrupted, apparently as the result of a landslide. Dr Ulloa may ask if we can give any assistance towards repair of the damage.

2. There are two possible sources of aid:

- (a) ODA's Disaster Unit supply only humanitarian assistance to meet the immediate needs of people affected by disasters. It may already be past the period when this would be appropriate;
- (b) Aid for reconstruction would have to come from the main aid budget, which is already fully committed for 1981/82.

RESTRICTED



BRITISH EMBASSY,
LIMA.

18 March 1981

P R Fearn Esq
South America Department
FCO

Dear Robin,

VISIT OF DR ULLOA

1. Further to my telephone conversation this morning with Andrew George, this is to confirm that when I spoke to him last night, Dañino thought the Prime Minister would prefer to leave the programme as it was at present because he knew that Ulloa had welcomed the prospect of having some free time on the morning of Wednesday 1 April before the press conference takes place. But he also agreed about the importance of having adequate time to visit both Houses of Parliament and concurred with your suggestion that ad hoc arrangements might be made for Wednesday morning if necessary.
2. I also spoke to Dañino about gifts. He said straight away that it was Ulloa's intention to bring a gift for the Prime Minister. When I tried to discourage him on the lines of FCO telegram number 39, he said that he would do his best but could not guarantee success. He also confirmed that there were no dietary restrictions or preferences to take into account and that he saw no objection to the meeting with the Minister of State for Defence, Lord Trenchard, in Mr Nott's absence abroad.
3. As a result of my telephone conversation this morning I have also confirmed to the Peruvians that they will be staying at Claridge's.
4. You should also know that for the first time Dañino asked me last night about economic and technical aid and enquired with whom Dr Ulloa could discuss these topics. When I pressed him to be more explicit he spoke about government backed export finance and suppliers' credit for projects and development works in Peru's priority sectors. I replied that export finance and suppliers' credits fell

/within

RESTRICTED



within the area of responsibility of the Secretary of State for Trade who figured on his programme for a meeting on the afternoon of Tuesday 31 March. On the question of overseas aid and technical cooperation, I said that this came within the overall responsibility of the Secretary of State for Foreign and Commonwealth Affairs and reminded him straight away that overseas aid had been reduced in the last budget, of which he took note. I shall also speak to Dr Ulloa.

5. Dañino's enquiry was clearly being made against the general background of torrential rains which, in recent weeks, have at last broken the five year drought in the sierra. As a result, we are now suffering the worst floods and avalanches Peru has experienced in the last fifty years or so with extensive damage to roads and bridges throughout the country and to housing and villages in areas close to flooded rivers. According to Dañino, several foreign governments have already offered emergency economic aid. To make matters worse, last night there took place the worst railway disaster that Peru has known for a hundred years, when a goods train collided with a stationary passenger train in a station 120 kms from Arequipa; there were thirty dead and over one hundred injured. There was also extensive damage to rolling stock etc. In this connection, please see my letter of 2 March to David Dell in the Department of Industry (copied to you).

6. Finally, I also told Andrew George that I had an appointment to see Dr Ulloa at 5 pm on Tuesday 24 March which is the last opportunity I shall have of talking to him apart from seeing him off at the airport.

Yours ever,
Charles

C W WALLACE

cc Protocol & Conference Dept, FCO



BRITISH EMBASSY

LIMA

20 March 1981

R H Smith Esq
South America Department
FCO
London SW1

Mr. George As 21/3

Mr. Fern v.c.

RHS

26/3

[Signature]
PERU : THE ECONOMY

1. Within the past 40 days major natural calamities have caused damage and destruction which, directly and indirectly, are estimated to have cost Peru US \$1 billion.
2. The least part of this is the cost of repelling the Ecuadorian incursion. An American Army Colonel attached to the Peruvian General Staff has estimated that the cost, over and above "standing charges" and the value of materiel lost (helicopters/planes), was US \$100 million made up of fuel charges, the cost of commandeering vessels and aircraft to transport troops and equipment plus the consequent loss of revenue resulting from their withdrawal from commercial service, the cost of the interrupted cross border trade and finally the ancillary costs which arose from maintaining troops in inaccessible locations.
3. The border incident was quickly followed by country-wide torrential rains which, whilst initially welcome in the North where they broke the five year drought, have severed road and rail communications, flooded farmland, and destroyed houses and bridges. (The rains will bring an almost certain 100% increase in agricultural production and the consequent reduction in imports in six to nine months' time.) The cost of repairing and replacing these communication links will be heavy and it will be many weeks before matters return to normal assuming that the necessary steel and materials are available in Peru.
4. On this side of the Andes some thirty kilometres of the Central Highway linking Lima with the Sierra and the Amazon have been destroyed. There is also damage to the road linking La Oroya to Cerro de Pasco and the road from Cerro de Pasco to the Amazon port of Pucallpa has been badly affected by landslides and at least one major bridge damaged.



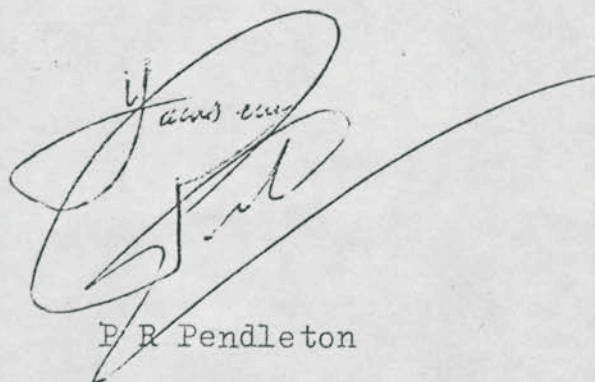
5. The Central Railway has not escaped. The line was first cut forty days ago and is unlikely to be repaired before May. Landslides and wash-outs have caused gaps up to 100 metres wide in the permanent way. These will have to be bridged, or filled where this is possible, but repair work is difficult or impossible whilst the rains continue.
6. In the North, flooding apart, the temporary closing of the Trans-Andean oil pipeline is a major economic disaster. It is not clear whether this is due to a landslide or mechanical breakdown but Occidental Petroleum say that they have been told that repairs could take up to 30 days. The pipeline transports oil to the value of US \$5.7 million plus per day. In the South two trains have collided killing over 30 people and injuring many more. The section of the system was already chronically short of rolling stock and the loss of coaches, wagons and locos is a heavy blow.
7. As we have already reported the fiscal strategy of the Government was to aim for a balanced budget with a marginally negative balance of payments at the end of 1981. This was to be balanced by capital inflows from foreign investment. The continuing fall in metal prices had already caused the authorities to revise their figures before these latest set backs. The boom in imports shows no signs of abating. The January fuel and food price rises were followed by further gasoline and diesel price increases on 12 March. Wage rises of an average 10% are to take place on 1 April, the second Government decreed rise this year, but will still not match inflation which is estimated to be running at nearly 10% per month.



8. On the labour front strikes for higher wages at Centromin and Southern Peru Copper mining installations and at Belco's offshore fields have caused losses. There is little publicity for these industrial actions but industry sources say that smaller labour disputes are widespread.

9. Speculation, and I stress that this is only speculation without any official basis, that the Government will be forced to change its economic strategy is rife. Doubtless this is mostly wishful thinking in the industrial sector but it does appear inevitable that the Government will be forced to take drastic action to correct the imbalance of imports over exports together with the flight from the Sol into the Dollar (the latter is in short supply as people hedge against inflation and devaluation).

10. The options open are few. To re-impose import controls, at least on cars consumer goods and textiles, would have little immediate effect now that demand has been satisfied and the stores are full. This accounted for only 1.2% of all imports in 1980 anyway. Legislation is in hand to rationalise the tax base but this will take many months to fulfill its designed expectations. The imposition of VAT or a similar consumer tax is under consideration. The argument will be between the monetarists and the pragmatists led by the Prime Minister and the President respectively. The outcome is difficult to predict. A lot will depend on the amount of aid forthcoming from international agencies and friendly countries. Ideally Peru should seek salvation in increased exports but this is equally difficult at a time when world trade is in recession. The only certainty is that a difficult economic patch lies ahead.



P. R. Pendleton

c.c. D W Overy Esq, ECGD
R Ewbank Esq, Bank of England
M A Cowdy Esq, Treasury
H R Owen, Esq, CRE3 DOT
D M Dell Esq, DOI
UKDELS IMF/World Bank, Brussels
Brig P C S Heidenstam CBE
Def/Sales 2A, MOD
Chancery: La Paz, Santiago, Bogota, Caracas



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1981

Dear Michael,

Prime Minister of Peru

// - in folders attached
I enclose two sets of briefs for the Prime Minister's talks with Dr Ulloa at 12.00 on Monday 30 March.

We propose that Mr Ridley and Mr Parkinson should attend the talks, together with John Ure (Assistant Under Secretary), and Robin Fearn (Head of South America Department, who will take a note). Dr Ulloa will be accompanied by the members of the official party listed in the briefing and by the Peruvian Charge d'Affaires, Sr Oswaldo de Rivero.

/ We think it would be useful if the Prime Minister could make a short and complimentary speech at the lunch, to which Dr Ulloa would reply in kind. I enclose a draft. We are in touch with the Peruvians to ensure that the nature and length of the exchange of speeches is clearly understood on their side.

I am sending a copy of this letter to Keith Long in Cecil Parkinson's office (DOT).

yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON
SW1

VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

LIST OF BRIEFS

1. Steering Brief.
2. Country Brief.
3. EC/Andean Pact Relations.

Bilateral issues

4. Commercial and Economic Relations (including Defence Sales).
5. Investment Promotion and Protection Agreement: Double Taxation Agreement.

International issues

6. East/West Relations.
7. Central America and the Caribbean.
8. Belize.
9. Economic Relations between Developed and Developing Countries.
10. The Falkland Islands.
11. Supplementary brief: Emergency Aid.

Programme of Visit.

List of Official Party.

Personality Note.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 1: STEERING BRIEF

1. This is the first Ministerial visit in either direction since the election of President Belaunde in 1980 restored democracy in Peru after twelve years of left-wing military rule. Dr Ulloa, who is the most influential figure in Peru after the President, is also Minister of Economy, Finance and Commerce.

2. Our objectives are:

- (a) to advance our commercial interests in Peru;
- (b) to strengthen our political relations following the return of democracy;
- (c) to encourage a helpful Peruvian stance on international issues.

3. Peruvian objectives will be:

- (a) to re-establish top-level contacts in the political, financial and commercial fields;
- (b) to seek finance and investment for Peru's economic development, including possibly an increased aid programme.

4. It would be appropriate to open the talks by underlining our wish to develop our political relationship with democratic Peru, referring also to developments in the Andean Pact. But this might lead on fairly soon to a discussion of the Peruvian economy: and of our (and the Peruvian) interest in improving our trading relations. Time should be left for a brief review of international issues, in particular the situation in Central America.

5. The new Peruvian Government is pro-Western but wishes to avoid

/over-

dependence on the United States. It sees a stronger relationship with Britain as a bridge with the European Community. Dr Ulloa will be receptive to a welcome by us for the return of democracy and stability in Peru: and to a recognition of the more open-market economic policies now being pursued (Brief No 2). We should also reaffirm our general support for EC links with the Andean Pact (Brief No 3). But the Bolivian coup and the Peru/Ecuador border dispute have weakened the Pact, and Peru is cautious about further political integration. We should draw out Dr Ulloa on his assessment of the Pact's future.

6. The Peruvian economy is in a period of vigorous expansion. The new Government is giving priority to controlling inflation, reducing tariff barriers, encouraging the private sector, and developing basic sectors of the economy with the help of foreign capital and expertise. British exports doubled in 1980 and there are good prospects for further improvements. Mr Parkinson hopes to visit Peru this year. We should make clear to Dr Ulloa our wish to participate in Peru's development: and our support for British companies' interest in several major projects. We also wish to promote defence sales, though immediate prospects are poor (Brief No 4). British involvement will be assisted by the conclusion of Investment Promotion and Protection and Double Taxation Agreements (Brief No 5). Dr Ulloa may be looking for an increased aid programme, but there will be no new funds available in the foreseeable future (Brief No 2).

7. Dr Ulloa will welcome a brief tour d'horizon on world affairs. Under the previous military government, Peru was close to the Soviet bloc and active in the Non-Aligned Movement. President Belaunde's stance is moderate and pro-Western, though he has as yet taken no foreign policy initiatives. Dr Ulloa will be interested in East/West relations (Brief No 6), including the situation in Central America (Brief No 7). He may ask about Belize (Brief No 8): and may also seek our views on economic relations between developed and developing countries (Brief No 9). If time permits, a mention of the position on the Falkland Islands (Brief No 10) might be helpful.

PERU: BASIC STATISTICS

Population: 18.1 million (1980)

Area: 1,285,216 square kilometres (Third largest in South America; twice size of France)

Gross National Product: real growth rate 1970-78: 3.5%
GNP per capita: US\$ 740

International Reserves: November 1980 in US\$ 1922.3 million

Inflation (1980): 59.2%

Debt Service to Exports Ratio: 1980: 30%

Main exports (1979): Petroleum and derivatives (19.4%); copper (18.6%); silver (11.4%); fish meal, coffee, zinc, and sugar.

Main import sources (1979): USA (29.6%); Venezuela (14.5%)
→ Italy (13.7%); FRG (6.7%); Japan (5.8%); UK (2.1%)

UK Trade with Peru: (£ million)	UK Imports		UK Exports
	1979	1980	
	61.517	77.487	23.966
			46.541
UK Trade with Andean Pact:	1979	227.797	257.090
	1980	271.413	259.759

VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 2: COUNTRY BRIEF

POINTS TO MAKE

1. Warmly welcome Peru's return to democracy. Impressive election victory of President Belaunde and Accion Popular encouraging for future stability. Your visit gives impetus to strengthening of relations between us.
2. Britain and Peru share problem of containing inflation.
3. Pleased to see Peruvian economy being opened up to foreign investment and competition. Hope British business will play full part. Potential investors need reassurance.
4. (If raised). Concerned at recent flare-up of Peru/Ecuador border dispute. Hope ceasefire will lead to lasting peace.
5. (If raised). Ready to discuss proposals for future aid projects but our economic position will make it difficult to find funds for new activities in next few years. Therefore concentrate on completion of existing projects.



COUNTRY BRIEF

ESSENTIAL FACTSHistory

1. Third largest country in South America (twice size of France). Population 18 million. From 11th to 16th century Inca Empire based on Cuzco in Peruvian Andes. Spanish landed in Peru 1532, founded Lima 1535 and completed conquest of Incas 1572. Independence 1821. Liberation completed 1826. War of the Pacific (1879-83): Peru lost southernmost territory to Chile - still resented. Gained territory from Ecuador in war in 1941.

Political

2. The current President, Fernando Belaunde, was President from 1963 to 1968 when political stagnation and economic chaos led to his overthrow by military "revolutionary nationalist" government under General Velasco, which introduced radical land reforms, nationalisation and worker participation. After mounting economic difficulties General Morales took power in 1975, pursuing conservative economic policies and promising a return to civilian government. Elections to constituent assembly 1978. Congressional and Presidential elections May 1980.

3. Substantial electoral victory for Belaunde and his centrist Accion Popular party. Government also includes members of right-wing Popular Christian Party. The Government has faced labour unrest and terrorist incidents but is firmly in control. Border clashes with Ecuador have diverted popular attention from internal difficulties and strengthened military support for Belaunde.

Economic

4. Peru is rich in natural resources (copper, silver, gold, timber and fish) and with a small exportable surplus of oil. GNP per capita \$740 in 1978. Overspending and mismanagement



by Velasco government led to economic crisis in 1978 but General Morales' IMF-inspired austerity measures secured foreign assistance and established sound financial basis for the civilian government. Balance of payments now strong.

5. Belaunde has promised to create one million new jobs and reduce inflation. Target of 6% growth in GNP set for 1981. Emphasis on development of agriculture, energy, mining, fishing and industry; and need for long-term, low-interest loans as well as foreign capital, technology and expertise. Adequate safeguards promised for foreign investors. Import regulations eased and maximum tariffs reduced from 120% to 60%. Legislation introduced to permit more attractive conditions for foreign oil companies to explore and exploit: Shell and BP are negotiating (Brief No 4).

6. Austerity budget in December 1980 aimed to cut inflation to 40% (1980: 60%) and reduce unemployment. Strict limits on government expenditure but increased public investment in infrastructure development (eg highways, electricity generation, mines). Subsidies on basic foodstuffs and petroleum products reduced, putting up prices by 20-90%. 12% wage increases decreed for public and non-unionised private employees and flat-rate increases for unionised workers. These measures caused protests from the trade unions.

7. Doubts about Peru's economic future centre on ability to control inflation and to finance development programmes. Half of 1981 Budget (of US\$5840 million) devoted to external debt service and defence; half of remainder for public sector costs. Peru has reportedly decided to repay US\$ 360 million of debt to commercial banks in April, but is obtaining new commercial bank credits totalling US\$345 million. This will consolidate Peru's external commercial debts, with only three banks involved instead of 267. The debt service ratio remains high (30%), but is falling.



Foreign Policy

8. In principle, non-aligned. Military government was close to Soviet bloc, and active in Non-Aligned Movement. Belaunde Government more pro-Western but has not yet taken any foreign policy initiatives.

9. Peru was founder member of Andean Pact (Brief No 3) whose headquarters are in Lima. But unhappy with Pact's protectionism and cautious about moves towards political integration. Peru as yet only member of Pact to have recognised Bolivian military regime which came to power last year, overthrowing result of democratic elections.

10. In late January long-standing border dispute with Ecuador (which does not accept 1941 Rio Protocol which deprived it of access to Amazon River basin) flared into several days' fighting. Peru pushed Ecuadorean forces out of outposts in undemarcated border area before ceasefire supervised by guarantors of Rio Protocol, agreed at request of OAS. Tension continues, further undermining unity of Andean Pact.

(Not for use). The UK has sold £9 million of military equipment to Ecuador in past 2 months (including Blowpipe anti-aircraft missiles and cluster bombs). Good prospects for further orders. We would be equally ready to sell to Peru.

UK-Peru relations

11. Traditionally good, though cool under the military regime. Mr Ridley visited Peru in March 1980, and Lord Trefgarne represented The Queen at Belaunde's inauguration in July. Good opportunity to strengthen relations under Belaunde Government, to benefit of our trade interests. Mr Parkinson hopes to visit Peru in July.

12. (Not for use). Lord Trenchard may visit Peru later this year. The Queen may visit Peru in early 1983. President Belaunde may be invited for a State Visit in 1982-83 or later.



13. UK exports to Peru in 1980 reached £46.5 million, almost double the 1979 figure. Imports from Peru totalled £77 million, up from £61 million in 1979. There are good prospects for further improvement (Brief No 4). We have proposed an Investment Promotion and Protection Agreement. The Peruvians are interested in a Double Taxation Agreement (Brief No 5).

14. Aid programme in Peru is running down (1980/81: capital aid £50,000; technical cooperation £875,000). Main projects: Cajamarca Valley Agricultural Development (£1.2 m); geological investigation; industrial training; training awards in UK (52 in 1980/81).



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 3: EC/ANDEAN PACT RELATIONS

POINTS TO MAKE

1. Our and EC interest in developing closer links with Pact.
Glad that technical discussions on economic cooperation framework agreement have been resumed.

2. How does Dr Ulloa view Pact's future: in economic integration and in concerting joint political actions? Will Bolivia remain a member?



EC/ANDEAN PACT RELATIONS

ESSENTIAL FACTS

1. The Andean Pact was founded in 1969 by Bolivia, Chile, Peru, Colombia and Ecuador. Venezuela joined in 1973; Chile withdrew in 1976. Recent developments have undermined its unity. The military coup in Bolivia in 1980 interrupted process of democratisation in member countries (both Ecuador and Peru have returned to democracy since 1978). So far only Peru of Pact members has recognised the Bolivian regime: and, in retaliation, Bolivia is avoiding participation in Pact activities. The recent Peru/Ecuador border clashes have added new tensions. These events (and signs that Venezuela is beginning to look elsewhere for regional partners) have put a question mark on the Pact's future.

2. The Pact's original aims were to foster economic integration: to coordinate development plans, allocating industrial sectors among member states: to eliminate internal tariffs: and to establish a common (protectionist) external tariff, with restrictive rules on foreign investment (Decision 24). Progress in all these areas has been slow, although intra-Pact trade has grown tenfold since its establishment. In recent years Pact has developed a useful political role in support of regional democracy and stability. Members share concern about Cuban subversion: and have concerted a moderate line at Non-Aligned meetings. They all voted for UNGA resolution condemning Soviet invasion of Afghanistan. Recent divisions within Pact have however impeded its political activities (of which Peru is in any case sceptical).

EC/Andean Pact

3. In looking for ways to strengthen its relationship with Latin America, the EC has sought to develop a political/economic dialogue with the Andean Pact. EC and Pact Foreign Ministers met in Brussels in May 1980, and initiated negotiations on a commercial and economic /cooperation



cooperation framework agreement. These were suspended after the military coup in Bolivia, but were resumed at technical level in January 1981, when a Commission delegation visited Lima to study Pact's counter-proposals on EC draft agreement. Progress is likely to be slow, in view of continuing EC restrictions on formal dealings with Bolivia.

4. Peru has hitherto been keen to see progress in the EC framework agreement talks. However, both sides see the agreement as having political overtones, and Dr Ulloa has recently sounded cautious note on Pact's political actions, suggesting they are incompatible with its raison d'etre as vehicle for economic integration and development. For our part we remain interested in eventual conclusion of an agreement, but because of Bolivia and wider doubts on Pact's unity we do not wish to hasten matters along. While confirming our and EC's broad interest in closer links with the Pact, it would be better to probe Dr Ulloa's views on prospects for Pact's future.

5. A delegation from the European Parliament attended a meeting of the Andean Pact Parliament in January.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 4: COMMERCIAL AND ECONOMIC RELATIONS (INCLUDING DEFENCE SALES)

POINTS TO MAKE

1. Welcome significant increase in two-way trade last year. Aware our trade presence is small. Peru's move towards open market policy gives scope for further increase in British exports.
2. Hope Mr Parkinson will visit Peru this summer, perhaps accompanied by businessmen.
3. British companies keen to participate in major development projects - Cerro Verde II copper mine; Matarani port; jungle sugar factories; Los Olmos irrigation project; oil exploration and development. (Defensive). Will examine sympathetically any proposals for aid towards the development of Peru's copper reserves.

Defence Sales

4. Disappointed UK not involved in helping Peruvian Armed Forces in last few years, but ready to provide future defence equipment needed, including supply of spares and maintenance for equipment manufactured in other countries.
5. Interested in development of naval base at Chimbote: fully support Balfour Beatty/International Military Services project definition study, which will be free.

COMMERCIAL AND ECONOMIC RELATIONS

ESSENTIAL FACTSPeru's World Trade

1. Peru's main trading partners USA, Japan, and Germany. High international commodity prices enabled Peru in 1979 to maintain favourable balance on current account (US\$ 740 million) returning to small deficit (US\$ 84 million) last year.

Anglo/Peruvian trade

2. Peruvian market small but fast-growing for UK exports (up nearly 100% from low point in 1979). UK has less than 4% of market (US 33%, Germany 7%, Japan 6%). With new Peruvian Government's policy of progressively freeing imports it is now an easier market to penetrate. Most import restrictions eliminated in September 1980 and maximum tariffs cut from 120% to 60%. This has led to average tariff of 35% and rapid increase in imports. Further tariff cuts are forecast. There is a traditional imbalance in our visible trade in Peru's favour. Our main imports are metalliferous ores, (mostly copper), textiles and fishmeal. Major British exports to Peru are specialised machinery, power-generating equipment, vehicles and chemicals. The value of trade in recent years has been:-

	£m				
	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
UK exports	35.8	35.5	25.2	24.0	46.5
UK imports	41.7	39.2	28.3	61.5	77.5
Balance to Peru	5.9	3.7	3.1	37.5	31.0

We have no formal trade or economic agreements with Peru. Normal ECGD facilities are available.

3. UK companies are being slow to explore the market: only one trade mission has visited since the economy picked up. Mr Parkinson is hoping to visit Peru this summer, probably with a team of businessmen. We also hope to sponsor a UK pavilion at the Lima Trade Fair in November.

/UK project

UK project interests(a) MiningLa Oroya smelter

4. Hill Samuel Developments hoping to persuade Centromin, a Peruvian State mining authority, to negotiate US\$ 90 million contract for extension to La Oroya Smelter.

Cerro Verde II

5. British consortium (Hill Samuel Developments, Selection Trust, George Wimpey & Sons) negotiating with Mineroperu, (another state mining authority) for major expansion of Cerro Verde I copper oxide workings. There is Canadian, American, German and Japanese competition. Level of official support for British consortium not yet decided.

Airborne Mineral survey

6. There have been discussions between Hill Samuel Developments and Centromin about a possible airborne survey of mineral reserves. Hill Samuel may (without authority) have hinted at UK aid for this purpose. Dr Ulloa may mention this. No commitment should be made, other than to confirm our wish to participate and to say that we shall examine sympathetically all proposals designed to promote UK involvement.

(b) Irrigation

7. Majes project in south Peru is very large irrigation and hydro-electric scheme. Cost escalated from estimated \$160 million in late 1960s to some \$1.9 billion and could go higher. \$500 million already spent. Construction problem involve 100 km of tunnels through Andes and necessary canals and roads. Five countries in construction consortium including Tarmac and Skanska (Sweden). ECGD are supporting first phase.

8. Tarmac also hope, again with Skanska, to win another major irrigation project, Los Olmos. First phase of project valued at \$1.2 billion with a possible second stage and associated hydro-electric power stations. Tarmac hope Peruvians will enact law to permit contract to be negotiated. Russians offered to



undertake project some years ago, but have been prevaricating. We believe Peruvians may be ready to look at other options.

(c) Oil

9. Government hoping to increase attractions of oil exploration and development following approval of latest oil law which allows tax credits for foreign oil companies. BP, Shell, Cluff Oil, Foster Wheeler, and Clyde Petroleum interested.

(d) Ports

10. Strong British interest in Matarani port in south (Wimpey and Tarmac).

(e) Jungle Sugar project

11. There are plans for construction of four sugar factories. Tate and Lyle have had preliminary talks with President Belaunde and Minister of Agriculture. Major hurdle is provision of Government guarantees. Consortium financing would be needed for all four sugar factories.

Defence Sales

12. Little success in recent years. Peru has made large purchases from USSR, and also bought from France and Italy. We can supply spare parts and maintenance techniques for this equipment. Current UK prospects include communications systems (Marconi and Racal) and trucks (Marshalls of Cambridge).

13. Peruvian Navy wish to develop base at Chimbote. Peruvian Government want HMG involved. International Military Services co-operating with Balfour Beatty. UK team now in Lima negotiating proposal for free project definition study, funded half by DOT, half by Balfour Beatty. Main contract will be worth £70 million. Only competitors Dutch.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 5: INVESTMENT PROMOTION AND PROTECTION AGREEMENT
(IPPA): DOUBLE TAXATION AGREEMENT

POINTS TO MAKE

1. Keen to open negotiations on Investment Promotion and Protection Agreement on basis of our model.

2. Would welcome Double Taxation Agreement. Inland Revenue have studied Peruvian draft. Ready to negotiate with Peruvian counterparts.

INVESTMENT PROMOTION AND PROTECTION AGREEMENT: DOUBLE TAXATION
AGREEMENT

ESSENTIAL FACTS

IPPA

1. IPPAs are intended to stimulate the flow of new investments between the two signatory states; to protect investments under the laws of the host country; to provide adequate provision for the transfer of profits and exchange of currency, and, in the event of expropriation, to provide for prompt, adequate and effective compensation of expropriation. They also provide for the settlement of investment disputes.
2. Peru (and other members of the Andean Pact) have so far refused to sign these Agreements.
3. Our model draft was given to Dr Ulloa by our Ambassador at Lima on 27 October 1980.

Double Taxation Agreement

4. Dr Ulloa first raised the subject last October with our Ambassador. In December Peruvians forwarded model draft agreement. In February we forwarded counter-draft. We have not yet received any comments from Peruvians.
5. Peruvian draft unacceptable because it gives far too much weight to taxation in country of source of income as opposed to taxation in country of residence of recipient. Our draft provides for greater degree of tax-sharing on lines of OECD model. Drafts of a developed and a developing nation often differ fundamentally. Direct talks between competent authorities will establish scope for compromise.
6. Peru has only one comprehensive agreement - with Sweden dating from 1966 - which differs fundamentally from what we would regard as satisfactory. Germans have recently commenced negotiations with Peru and have made significant progress in moving Peruvians towards acceptable measure of tax sharing between country of source and country of residence.

VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 6: EAST/WEST RELATIONS

POINTS TO MAKE

1. Noted comparatively restrained tone of Brezhnev's speech to Party Congress last month. Carefully considering his proposals, restated in a subsequent letter to me. Many are familiar; some vague and need elucidation (CBMs). Suggestion of summit is for US Administration. Would need careful preparation.
2. East-West relations will remain poor unless Russians practice restraint. They cannot have detente in Europe while flouting it elsewhere. Pressure on them to withdraw all troops from Afghanistan must be maintained.
3. The situation in Poland remains critical. Vital that the Poles should be left to seek their own solutions.



EAST/WEST RELATIONS

ESSENTIAL FACTS

1. Brezhnev's speech to the Congress was a restatement and justification of present policies. He set out to appear willing to settle all problems by negotiation in an attempt to regain respectability post-Afghanistan and to put pressure on US Administration to complete policy reviews quickly or risk antagonising West European public opinion. Brezhnev's offer to apply traditional confidence-building measures to entire territory of European USSR was made dependent on an expansion of the relevant area on the Western side. Not clear what this means; may refer to US and Canadian territory but could involve air and maritime zones.

2. Brezhnev had nothing to offer on Afghanistan and gave no hint of any willingness to withdraw Soviet troops. He made only passing mention of Latin America.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 7: CENTRAL AMERICA AND THE CARIBBEAN

POINTS TO MAKE

1. Concerned at situation in El Salvador. Salvadorean people should be allowed to determine their own future peacefully and democratically. Evidence provided by Americans demonstrated large scale support for Salvadorean guerrillas by communist countries. We will not supply arms, but consider American response to evidence of communist supply of arms entirely understandable. (Defensive). We do not know what action US might take against Cuba, so would sooner not speculate on our likely reaction.
2. Bad year for Cuba, continuing economic failure. Crop failure. Refugees. But still on look out for opportunities to extend influence, notably in Central America.
3. Encouraging political trend in Caribbean in past year or so. Series of election victories by moderates. But no room for complacency. Economic problems remain.



CENTRAL AMERICA AND THE CARIBBEAN

ESSENTIAL FACTSEl Salvador

1. US evidence suggests co-ordinated communist campaign to provide arms for guerrillas in El Salvador, although press reports suggest supply of arms through Nicaragua has slowed recently (perhaps following US decision to stop aid disbursement to Nicaragua). Americans have indicated they need to tackle the problem at its source by 'doing something about Cuba'. We have no details of what they intend.
2. Guerrillas still represent serious threat to Salvadorean Government: reports of possible further offensive in May. Likely however that provision by US of arms, ammunition and military advisers to Salvadorean army will suffice to keep internal situation under control. President Duarte has announced formation of committee to prepare for elections in 1982.
3. The EC are to supply food and other emergency aid worth approximately £360,000 to Salvadorean refugees, via the International Committee of the Red Cross.

Nicaragua

4. The Sandinistas appear to be extending their control, preventing political activities by moderates. Following walk-out of moderates from Council of Ministers in November 1980, Council has not been reconvened. Reports that moderates' place will be taken by other Sandinista front organisations.

Cuba

5. Seemed on crest of wave at end 1979 following Chairmanship of Non-Aligned Movement Heads of Government meeting in Havana. But events since, including Cuba's obviously embarrassed support

/for



for Soviet invasion of Afghanistan and exodus of 125,000 refugees have severely dented Cuban image. Meanwhile, sugar and tobacco crops have been ravaged by disease.

Political trends in the Caribbean

6. Since December 1979 moderate pro-Western governments have won or retained power in elections in St Vincent, St Kitts-Nevis, Antigua, Dominica and Jamaica. But voters may not have been voting consciously for the right so much as against inefficiency of previous governments. If new ones cannot deliver economic goods, reaction is likely.

7. Britain remains large aid donor (about £30 million last year) and has secured significant concessions from the Community for Caribbean ACP countries under Lome arrangements. Also playing active part by aid and training to improve internal security, principally in the Eastern Caribbean, so as to lessen possibility of armed coups such as that which brought the Marxist Peoples Revolutionary Government to power in Grenada.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 8: BELIZE

POINTS TO MAKE

1. Grateful for Peru's support for Belize at the UN and in OAS.
2. The Heads of Agreement are significant advance. Provide basis for full and honourable settlement. The next steps require detailed negotiation, but with continued good will all round, we are confident of success. The Constitutional Conference will open on 6 April.
3. (Defensive). The date for independence will be a matter for discussion at the Conference. However, the UN Resolution calls for Belize to be fully independent before the 36th General Assembly ends, effectively the end of 1981. As for British forces, we shall be considering security of Belize after independence as part of our preparations for independence.

BELIZE

ESSENTIAL FACTS

1. Heads of Agreement were signed on 11 March on basis of which full settlement is to be negotiated between the United Kingdom and Guatemala. Guatemala will recognise independent State of Belize within its existing frontiers. In return Guatemala will be assured access to Caribbean with use of the two southernmost groups of offshore islands, and rights in areas of the sea adjacent to these islands. Guatemalans unlikely to be ready to begin negotiations until end April. We estimate it will take months rather than weeks to reach final agreement for a Treaty of Settlement.

2. A settlement will allow for the earlier withdrawal of British troops from Belize than would otherwise have been possible, but not at once after independence. We shall need time for the new relationship between Belize and Guatemala to be established. In any case, we are committed to retaining military personnel to help enhance the capability of the Belize Defence Force.

VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 9: ECONOMIC RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES

POINTS TO MAKE

1. Outlook for world economy gives serious cause for concern. Severe balance of payments problems for many developing countries combined with high unemployment and inflation in industrialised countries. We shall play a constructive role in international search for solutions.
2. Believe greatest contribution industrialised countries can make is to restore buoyant rate of growth to economy and keep markets open for developing countries' products. IMF/IBRD can also make important contribution.
3. Further progress on global negotiations unlikely till views of US Administration are clearer. How do Peruvians see prospects for a constructive dialogue on energy issues?
4. (If raised). Mexico Summit could contribute to practical progress. Welcome US willingness to attend, facilitated by co-sponsors' agreement to postpone Summit until October.
5. (If raised). International Copper Agreement Negotiations. We are prepared to continue discussions in UNCTAD. But we believe there must be more thorough study of copper market and implications of market intervention arrangements before decisions can be reached.

ECONOMIC RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES

ESSENTIAL FACTS

1. Former Peruvian radical stance has moderated since her return to democracy. Change is reflected in low profile adopted by Peruvians on Global Negotiations and their omission from list of participants for Mexico Summit.
2. We consider IMF/IBRD have an important role to play. With our support, they are adapting quickly to changing conditions eg.
 - (i) access to IMF facilities recently increased to 600% of quota over three years;
 - (ii) Conditionality now takes account of political and social factors;
 - (iii) 7th quota review (an increase across the board of 50%) will soon be in operation;
 - (iv) World Bank has just embarked on new programme of structural adjustment lending.
3. Global negotiations consultations in New York are stalled while US Administration settles in. Further progress unlikely until Americans have taken a position. (Not for use). Some developing countries believe that, if agreement is not reached by May, there will be no point in pursuing consultations. Such an outcome would be satisfactory to us but we should not be seen to be working for a failure.
4. Mexico Summit has been postponed to late October to accommodate President Reagan. Co-sponsors have decided to limit invitations to the 21 countries originally proposed, plus China; in addition a further approach will be made to establish whether the Soviet Union will attend. No firm decisions on agenda have yet been taken but four main areas are expected to be covered:

- food and agriculture; trade and industrialisation;

/finance



finance and monetary questions; energy and international cooperation.

Peru is not a Summit participant, but as an oil producer is likely to show interest in the energy question.

Copper

5. In November 1980, discussions on an International Copper Agreement (one does not exist at present) were suspended indefinitely when main producers and consumers failed to agree on usefulness of further discussion. The UNCTAD Secretary-General was asked to undertake consultations with governments and to make proposals on further action. The Peruvians are the most vociferous proponents of a market intervention agreement. We have strong reservations about the desirability or feasibility of such an approach for copper.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

BRIEF NO 10: FALKLAND ISLANDS

POINTS TO MAKE

1. Islanders are of British stock and wish to retain British way of life. No doubts about British sovereignty.
2. Want to negotiate peaceful solution with Argentina. But for us, Islander wishes must be paramount.
3. Understand Peru's wish to show solidarity with Argentina. But hope you can agree that Islanders have right, as laid down in UN Charter, to determine their own future.



FALKLAND ISLANDS

ESSENTIAL FACTS

1. Britain has exercised sovereignty over the Falkland Islands without interruption since 1833. Argentina claims sovereignty as inheritor to Spain's title, as occupant of the Islands between 1820 and 1832 and because of the geographical contiguity.
2. In recent years Argentina has pressed her claim with increasing vigour and has won support of Non-Aligned Movement and United Nations. Most recent UN Resolution which was strongly pro-Argentina, in 1976 supported by 102 countries (including all South American countries), 32 abstained. Only UK voted against.
3. When Mr Ridley met the former Peruvian Foreign Minister in Lima in March 1980, the latter stated that problem could only be solved by negotiation. Peru would not support use or threat of force by Argentina over the Falklands. In practice the Peruvians are most unlikely not to side with the Argentines, both for general reasons of Latin American solidarity, but also for the particular reason that Argentina is one of the guarantors of the agreement which established the line of Peru's border with Ecuador and the Peruvians will not wish to do anything which might prejudice their goodwill.
4. The most recent round of Anglo-Argentine talks was held in New York in February. UK delegation, led by Mr Ridley, included two Island Councillors. We put forward the idea of a freeze to the dispute, which the Argentines rejected. However, the atmosphere was good and it was agreed to meet again. At present there is something of a hiatus pending the change of government in Argentina at the end of March.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

PROGRAMME

Sunday, 29 March

2200 Arrive Heathrow by Concorde flight BA 192 from New York. Met by Special Representative of the Secretary of State for Foreign and Commonwealth Affairs.

Proceed to Claridges Hotel.

Monday, 30 March

1000 Mr Nicholas Ridley MP, Minister of State for Foreign and Commonwealth Affairs, will call on Dr Ulloa at Claridges.

1200 Talks with the Prime Minister at 10 Downing Street.

1300 Luncheon given by the Prime Minister at 10 Downing Street.

1500 Call on the Chancellor of the Exchequer.

1600 Call on the Minister of State for the Civil Service.

1745 Discussion meeting on the Peruvian economy sponsored by the Latin America Trade Advisory Group at Canning House.

1930 Reception by the Peruvian Embassy at Claridges.

Tuesday, 31 March

1045 Call on the Lord Mayor of London.

1130 Talks at Lloyds of London.

1245 Luncheon given by the Governor of the Bank of England.



Tuesday, 31 March contd

- 1500 Attend Prime Minister's Question Time, accompanied by Mr James Lamond MP, Chairman of the British/Peruvian Parliamentary Group.
- 1600 Call on the Secretary of State for Trade
- 1700 Call on the Minister of State for Defence.
- 2000 Dinner given by the Lord Privy Seal at 1 Carlton Gardens.

Wednesday, 1 April

- a.m. Free
- 1230 Press conference at Claridges
- 1500 Depart for Zurich.

RESTRICTED



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

SUPPLEMENTARY BRIEF: EMERGENCY AID

POINTS TO MAKE

1. (If raised). We were distressed to learn of the recent severe flooding in Peru. We will look carefully at any specific requests for assistance for those affected by the floods. ~~floods~~

RESTRICTED



EMERGENCY AID

ESSENTIAL FACTS

1. Recent heavy rains in Peru, which in places ended a five-year drought, have caused the worst flooding for fifty years. Roads and railways have been severed, farmlands flooded, housing and bridges destroyed over a wide area, and the flow of oil through the Trans-Andean pipelines disrupted, apparently as the result of a landslide. Dr Ulloa may ask if we can give any assistance towards repair of the damage.

2. There are two possible sources of aid:

- (a) ODA's Disaster Unit supply only humanitarian assistance to meet the immediate needs of people affected by disasters. It may already be past the period when this would be appropriate;
- (b) Aid for reconstruction would have to come from the main aid budget, which is already fully committed for 1981/82.



VISIT OF THE PRIME MINISTER OF PERU: 29 MARCH - 1 APRIL 1981

OFFICIAL PARTY

HE Dr Manuel Ulloa Elias

Prime Minister and Minister of Economy, Finance and Commerce.

Via Admiral Ricardo Zevallos
~~Dr Jorge Trelles~~ *ADC to the Prime Minister.*
~~Secretary General, Prime Minister's Office~~ *(NOT NOW COMING)*

Dr Roberto Danino

Secretary General, Ministry of Economy, Finance and Commerce.

Dr Sergio Malaga

Director Superior, Ministry of Economy.

Sra Elvira de Garcia Ribeyro

Private Secretary to Dr Ulloa

(Sra de Ulloa and Sra de Danino will take part in social occasions in the programme).

ULLOA ELIAS, SR MANUEL

Appointed Prime Minister and Minister of Economy, Finance and Commerce from 28 July 1980. Also holds title of President of Council of Ministers, although President Belaunde chairs the Cabinet.

Born in 1922.

His father was a senator and international jurist of standing. A successful self-made man, he has substantial business and newspaper interests, including mining and other companies. Forced into exile following the coup d'etat in 1968, he was permitted to return in 1976. During his time abroad he became a Wall Street banker and financier of international repute. Is now a wealthy and well-connected businessman who is highly regarded by private enterprise, with a pragmatic approach to economic problems.

Minister of Finance from June - October 1968 under President Belaunde, he then introduced a number of very necessary and overdue measures to reform the Government finances, Is bringing a very professional approach to the problem of Peru's economic planning and development. Is also responsible for the appointment to key posts of experienced international technocrats like the Minister of Mines and Energy.

Married three times. A tall, impressive figure with a handsome head and shrewd, sharp mind. He is a convincing and articulate speaker. His position makes him the most powerful and influential man in the country after President Belaunde. If successful, he will undoubtedly be in the running for Presidential candidate when President Belaunde steps down.

He speaks excellent idiomatic English.

Top Com
a
cgs
fire

Ken

Prime Minister 2

CAROLINE

On dew! I shall
have candles lit for
at the ready.

Yes Mr

Peru PM: Presents 200 Bowls

The Post have not as yet been

able to find out anything about

cl-1913.

presents except that the Peruvian

Prime Minister is likely to do

things in a big way!

Sue

!!

19 March 1981

cc/Sue Goodchild



Foreign and Commonwealth Office

London SW1A 2AH

fg. Hunt

12 March 1981

Dear Michael,

with SB

Prime Minister of Peru

I wrote to you on 6 March enclosing a proposed guest list for the Prime Minister's lunch for Dr Ulloa on 30 March.

The Department of Trade have now asked if the persons on the attached supplementary list could be included in the lunch.

I suggest that these three names should be considered as first reserves for any of those on the original list for whom specific reserves have not been provided.

Yours ever
Rodric Lyne

(R M J Lyne)
Private Secretary

M O' D B Alexander Esq
10 Downing Street
LONDON
SW1



Sir David Steel
DSO, MC, TD

Lady Steel

British Petroleum Co Ltd
Britannic House
LONDON EC2
(920-8000)

Chairman, BP
(negotiating with
State oil company,
Petroperu, for
exploration
concessions)

Mr John Raisman
Mrs Raisman

Shell International
Petroleum Co Ltd
LONDON SE1

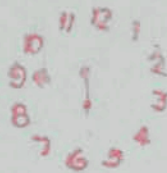
Chairman, Shell
International
(negotiating
with Petroperu
for exploration
concessions)

Mr Ian MacGregor
Mrs MacGregor

British Steel Corp.
33 Grosvenor Place
LONDON SW1
(235 1212)

Chairman, BSC
(bidding to supply
oil pipeline to
Petroperu and steel to
State steel company,
Siderperu)

12 MAR 1981





10 DOWNING STREET

From the Private Secretary

11 February 1981

THE PRIME MINISTER OF PERU

I am writing to confirm the Prime Minister's readiness to receive Dr. Ulloa for an hour's talks followed by lunch on Monday, 30 March.

M. O'D. B. ALEXANDER

R. M. J. Lyne, Esq.,
Foreign and Commonwealth Office.

Az

COMMUNICATIONS

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

10 February 1981

Dear Michael,

His Supplis : OK?
Yes
et. Paul
11/2

Prime Minister of Peru

Dr Ulloa has now informed our Embassy in Peru that he is delighted to accept the Prime Minister's invitation to visit the United Kingdom from 30 March to 1 April.

I understand that the Prime Minister can offer Dr Ulloa an hour's talks, followed by lunch, on Monday 30 March. If you agree, we shall let you have a proposed guest list for the lunch by 6 March and briefing by 27 March.

yours ever
Roderic Lyne

(R M J Lyne)

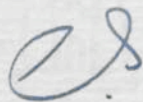
M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL

NOTE FOR THE FILE

Prime Minister of Peru

The Prime Minister is not able to go firm on the dates suggested in this letter. But I have today told the Foreign Office that they can offer the Peruvians lunch on Monday 30 March which was the day allocated to the Prime Minister of Panama who has since cancelled his visit.

A handwritten signature in blue ink, appearing to be 'E.S.', is located in the center of the page.

29 January 1981



10 DOWNING STREET

From the Private Secretary

28 January 1981

Prime Minister of Peru

The Prime Minister has seen your letter to me of 27 January about Dr. Ulloa's visit to this country and has agreed the proposals in it.

30
6 April.

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Apr 6?

Ans

Yes

not

27 January 1981

Dear Michael,

Prime Minister of Peru

In your letter of 12 January you confirmed that the Prime Minister was willing to offer Dr Ulloa talks, followed by lunch, on Monday 6 April.

Dr Ulloa has now informed our Ambassador in Lima that he will be attending a meeting of the Board of Governors of the Inter-American Development Bank in Madrid from 6-8 April. He has suggested that he could come to London, if it is convenient to the Prime Minister, either between 2-5 April or between 9-11 April. Following discussions with Caroline Stephens, I am writing to ask if the Prime Minister could offer Dr Ulloa dinner on 9 April and talks on the afternoon of 10 April.

yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

Michael Alexander Esq
10 Downing Street
London

CONFIDENTIAL

27 JAN 1961



Peru

12 January 1981

~~BF~~ 2.2.81Prime Minister of Peru

I have discussed your letter of 7 January to me with the Prime Minister. The Prime Minister would be willing to offer Dr. Ulloa talks at 12 noon on Monday 6 April, followed by lunch. No doubt you will let me know as soon as possible whether these dates are acceptable to Dr. Ulloa.

MICHAEL ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

GB

-7 JAN 1981



MFJ

cc Mozambique
Int Sit

22 December 1980

Prime Minister of Peru

The Prime Minister has seen your letter to me of 18 December. She would be prepared to offer Dr. Elias lunch on Monday 26 January preceded by an hour's talks. I fear however that if this engagement is confirmed, we shall have to switch the time at present pencilled in for the Mozambique Foreign Minister. Perhaps we could have a word about this.

MODBA

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

JS



10 DOWNING STREET

MR. ALEXANDER

Visit of the Prime Minister of Peru

I have blocked out Monday 26 January for a lunch. Talks could either be before or after or alternatively on the following day, Tuesday 27 January. But if this day is confirmed I think we should offer the Mozambique Foreign Minister an alternative time, don't you? He is at present booked in for 1500 hours on Monday 26 January.

19 December 1980



Prime Minister

①

An hour's talks followed
by lunch on Monday
26 January?

Foreign and Commonwealth Office

London SW1A 2AH

18 December 1980

Dear Michael,

Yes no

Prime Minister's Overseas Visits and Visitors 1981

You confirmed on 15 December the Prime Minister's agreement in principle to the proposal for an inward visit in 1981 by the Prime Minister of Peru, Dr Manuel Ulloa Elias.

It is proposed that Dr Ulloa should be invited to visit the UK as a guest of HMG for about three days during late January or February next year. Dr Ulloa will be visiting the USSR during that period (for talks on a long-standing irrigation project) and has told our Ambassador in Lima that he would welcome the opportunity to balance this with a visit to the UK. If the timing is broadly convenient, you may wish to let me know on which days the Prime Minister could entertain Dr Ulloa.

Dr Ulloa is also the Minister of the Economy and of Commerce and is the most powerful and influential person in Peru after the President. He speaks excellent English and is a highly successful businessman in his own right. He wants to re-establish personal contacts in the UK, not least the City. He could well prove a valuable friend for Britain. A meeting with the Prime Minister and an official function at No 10 would play an important part in ensuring the success of his visit.

Yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

10 DEC 1980

12 1 3
9 8 7 6 5 4

Top Copy: PM's
Govt notes

(1)

PRIME MINISTER

Visits and Visitors - 1981

I attach a summary of your programme of outward visits and inward visitors next year as it is at present shaping up. I also attach the Foreign and Commonwealth Secretary's programme together with a background note.

Subject to your views, your programme seems to me at present to be manageable. However, I hope you will agree that it would be wise to resist proposals to extend it much further. In particular the programme of inward visits ^{*} is already looking rather ambitious: there will inevitably be a considerable number of unforeseen additions.

* The FCS would like to issue an (undated) invitation to the Angabe early next week for a visit to London next year. Agree?

12 December 1980

Phm
Can we wait a little.
I am not sure it would
be sufficiently well received
by public opinion. not.

PRIME MINISTER'S VISITS AND VISITORS - 1981

OUTWARD VISITS

Fixed, in hand or highly probable

United States of America	Late February/early March
European Council - Maastricht	23-24 March
India/Gulf	15-23 April
North/South Summit - Mexico	Early June
European Council - Luxembourg	29-30 June
Ottawa Summit	19-21 July
CHGM - Melbourne	30 September - 7 October
Anglo-German Summit - Bonn	? October

Proposals

Portugal - now looks less attractive	1 day
Strasbourg	December - 1 day

INWARD VISITORS

Fixed, in hand or highly probable

Panama President	30 March - 1 April
Ghana President	Early 1981
Romania Prime Minister	13-16 April
Anglo-German Summit	11-12 May
Anglo-Italian Summit	? May or later
Anglo-French Summit	? June
Anglo-Irish Summit	June/July
European Council	26-27 November

/ Proposals

Proposals

Mauritius Prime Minister	Early February
French Prime Minister	Early 1981 - if at all
Zimbabwe Prime Minister	
Jamaican Prime Minister	
Belgian Prime Minister	Late 1981
Cameroon President	
Peruvian Prime Minister	
Dominican Prime Minister	

Notes

- (i) The Prime Minister of Singapore is likely to visit the United Kingdom under his own steam in 1981, to become a Freeman of the City of London.
- (ii) The Sultan of Brunei is coming for 4-6 weeks in the Spring to learn about the arts of government.
- (iii) The Prime Minister of Fiji may also come under his own steam.

Top Copy: PM Tours,
Govt Hoites

MR. ALEXANDER

Prime Minister's Visits Overseas and Visitors 1981

I have checked through Roderick Lyne's letter to you of 1 December and can confirm all the dates he mentions on page 4, both for the outward visits and the inward visitors. I would be grateful, however, if when you write back to him you could ask him to go firm as quickly as possible with any of his "proposals". I think it would also be a good idea to show the Prime Minister the whole programme.

The FCO ask for a specific date for Sir S. Ramgoolam. I can manage a dinner on either Wednesday 11 or Thursday 12 February and talks on either day, though the 12th would be infinitely preferable. Not much alternative around that time.

I really am going to be in great difficulty fitting anything more in.

CS.

5 December 1980

DEPARTMENT/SERIES <i>MEM 19</i> PIECE/ITEM <i>1341</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Lyne to Alexander dated 1 December 1980</i>	
CLOSED FOR YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	<i>1/10/2013</i> <i>G. Gray</i>
MISSING AT TRANSFER	
MISSING	
NUMBER NOT USED	

Instructions for completion of Dummy Card

Use **Black Pen** to complete form

Use the card for one piece/item number only

Enter the Department, Series and Piece/Item references clearly
e.g.

DEPARTMENT/SERIES
 <i>GRA 168</i>
PIECE/ITEM
 <i>49</i>
(ONE PIECE/ITEM NUMBER ONLY)	

Please Sign and Date in the box adjacent to the description that applies to the document being replaced by the Dummy Card

If the document is Closed under a FOI exemption, enter the number of years closed. See the TNA guidance *Preparation of records for transfer to The National Archives*, section 18.2

The box described as 'Missing' is for TNA use only (it will apply to a document that is not in its proper place after it has been transferred to TNA)

KODAK Q-60 Color Input Target

C M Y



IT8.7/2-1993
2007:03

<FTP://FTP.KODAK.COM/GASTDS/Q60DATA>

Q-60R2 Target for
KODAK
Professional Papers

